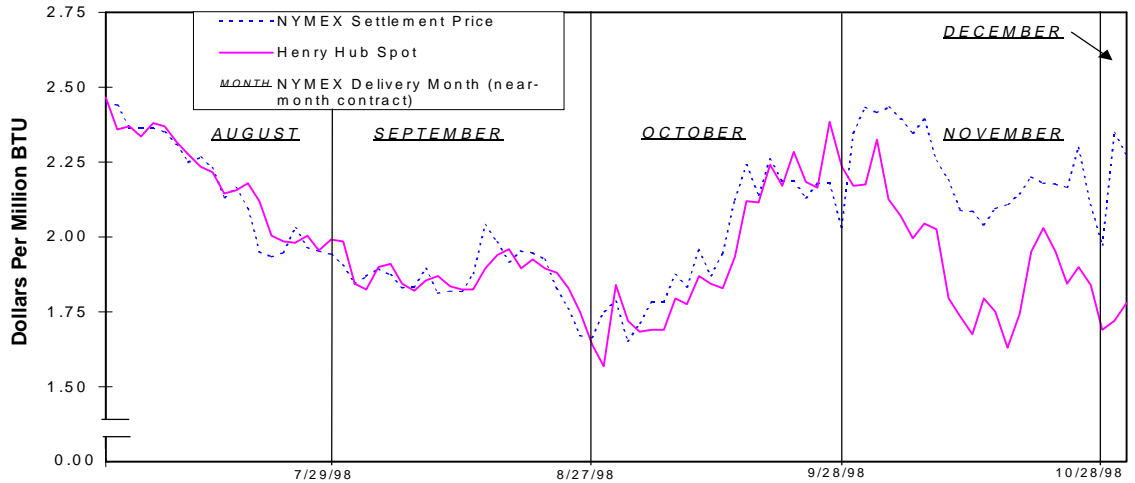


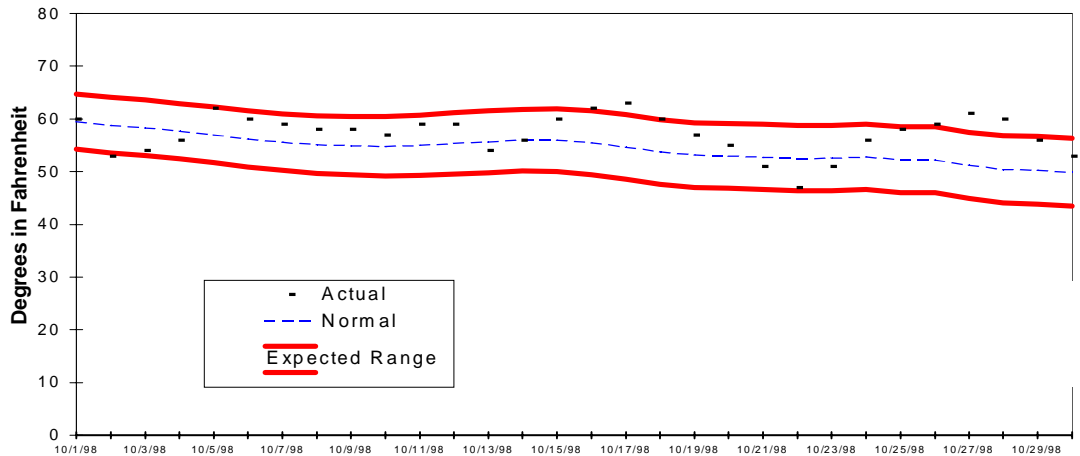
NYMEX Future Prices vs Henry Hub Spot Prices



Note: The Henry Hub spot price is from the GAS DAILY and is the midpoint of their high and low price for a day. The dates marked by vertical lines are the NYMEX near-month contract settlement dates.

Average Temperature for Four Major Gas Consuming Metro Areas

(Chicago, Kansas City, New York, and Pittsburgh)

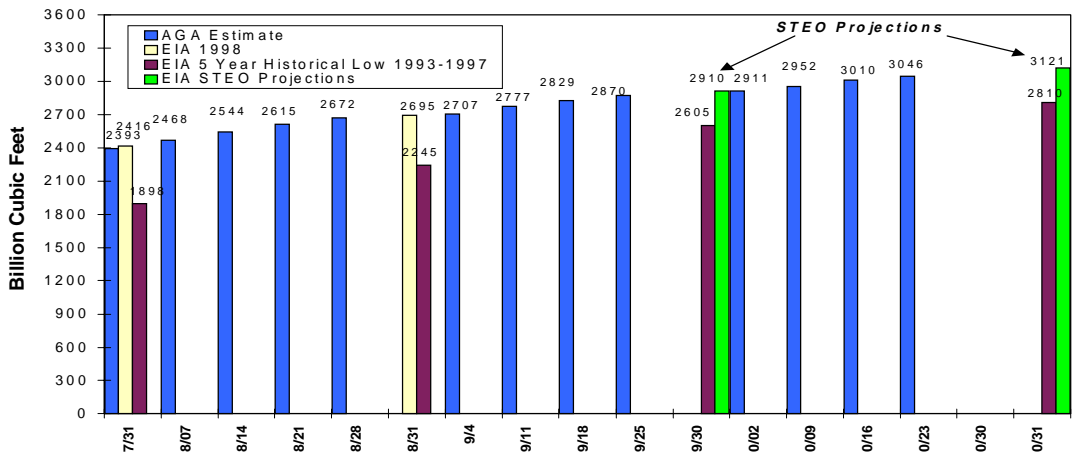


The bounds are computed by adding and subtracting from the average temperatures for the last 10 years an amount equal to twice an estimate of the standard deviation for temperatures on a day.

HENRY HUB PRICE		
	SPOT	FUTURES
	October	Nov/Dec
	Del	Del
	(\$ per MMBtu)	
10/26	1.88-1.92	2.298
10/27	1.77-1.91	2.108
10/28	1.66-1.72	1.972
10/29	1.68-1.76	2.348
10/30	1.71-1.85	2.275

Average Temperature for Four Major Gas Consuming Areas			
	Actual	Normal	Diff
10/24	56	53	3
10/25	58	52	6
10/26	59	52	7
10/27	61	51	10
10/28	60	50	10
10/29	56	50	6
10/30	53	50	3

Working Gas In Storage



Working Gas Volume as of 10/23/98		
	BCF	% Full
EAST	1734	97
WEST	427	87
Prod Area	885	96
U. S.	3046	95

Source: AGA

After reaching a bidweek high of \$2.298 per MMBtu on Monday, the NYMEX futures contract for November delivery at the Henry Hub fell almost \$0.35 during the next two days to its final settlement price of \$1.972 on Wednesday, October 28. This is the lowest price for a November contract since 1995 (\$1.772), and it is almost \$1.30 lower than last year's record high price of \$3.266 per MMBtu. Spot market prices also declined most days last week after a jump of 10 cents per MMBtu on Monday owing to concern about hurricane "Mitch." When it became clear by midweek that "Mitch" would stay to the south, prices moved down to end the week at about \$1.77 per MMBtu—8 cents below the previous Friday's price. Temperatures in most parts of the country were seasonal to mild last week with many areas in the Midwest and the East enjoying daytime highs in the 60s and 70s and nighttime lows in the 40s and 50s. This week's forecast is calling for cooler temperatures in the eastern third of the country. Net injections to storage slowed to about 5 Bcf per day during the third week of October. The price of West Texas Intermediate crude oil moved up 55 cents per barrel and ended the week at \$14.45—roughly equivalent to \$2.50 per MMBtu.

Storage: According to the American Gas Association (AGA), estimated additions to storage for the week ended Friday, October 23, were 36 Bcf—22 Bcf less than during the previous week. Most of the reduction in net additions to working gas occurred in the Consuming East region where only 11 Bcf was added compared with an estimated 28 Bcf during the previous week. This reduction could have been the result of the cool temperatures that many areas in the East region experienced during that week. Net additions in the Producing region declined to 16 Bcf, a drop of 8 Bcf, while the West reported net additions of 9 Bcf, or 3 Bcf more than a week earlier. Even with the slowdown in net additions, overall working gas levels remain at a 4-year high of 3,046 Bcf.

Spot Prices: Prices at the Henry Hub moved down most days last week and on Wednesday, the last trading day for the November NYMEX contract, the spot price was again about \$0.30 less than the near-month futures contract (\$1.69 vs. \$1.972 per MMBtu). The differential more than doubled to \$0.63 per MMBtu on Thursday, then eased back to \$0.50 on Friday (\$1.78 vs. \$2.275) as December became the near-month contract and ample supplies, elevated stocks, and low demand continued to prevail. Prices at most major market locations declined last week and were trading near \$1.60 per MMBtu in the Midcontinent to about \$1.75 along the Gulf coast. Prices in the Rockies also declined, but only to the mid \$1.60s as west coast electric utilities continue to use gas-fired generators to replace reductions in hydroelectric power.

Future Prices: The November NYMEX contract moved down almost 15 cents per MMBtu on the last day of trading as it traded in a tight 11-cent range for the day (\$1.95 to \$2.06). The contract did generate a good deal of activity as almost 75,000 contracts were entered into on the last day of trading for an estimated total of more than 190,000 for the week. On Thursday, the December contract began trading at \$2.348 per MMBtu, virtually the same level that the just-expired November contract began trading at in October. On Monday, November 3, the December contract opened at \$2.24 per MMBtu, further illustrating the robustness of the current supply situation. Last year at this time, the December futures contract began trading at \$3.475 per MMBtu. At the same time, spot prices at the Henry Hub were in the mid \$3.40s.

Summary: The futures contract for November, the first month of the heating season, settled 6 cents per MMBtu below the October contract price, while spot market gas traded for \$0.30 to \$0.60 less than the near-month contract last week. Storage levels remain at a 4-year high at almost 3,050 Bcf with more than a week of refill activity still to be reported.