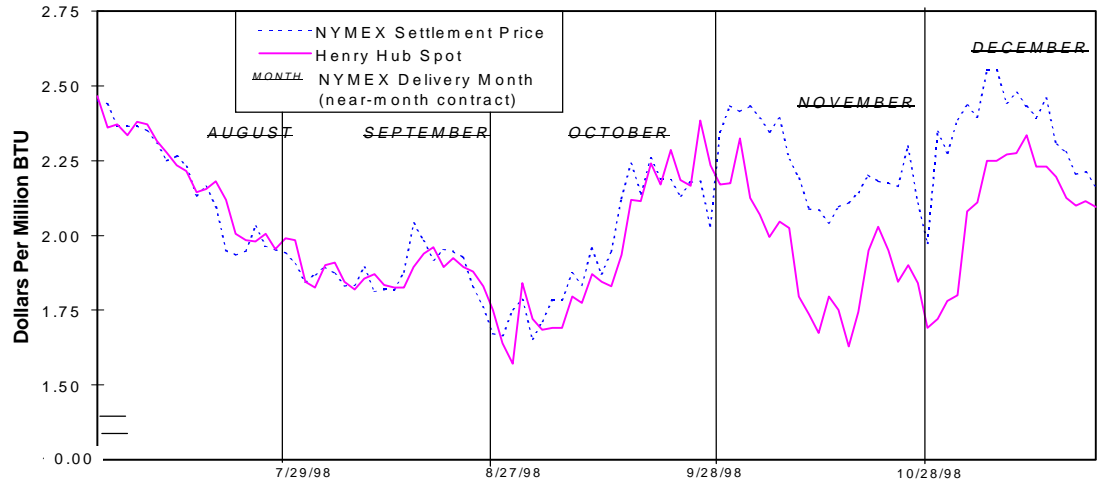


NYMEX Future Prices vs Henry Hub Spot Prices

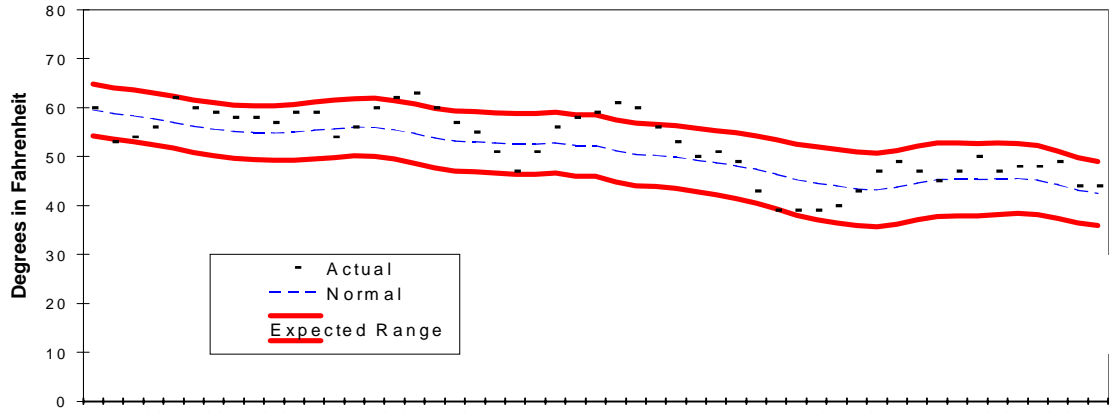
HENRY HUB PRICE		
SPOT	FUTURES	
November	December	
Del	Del	
(\$ per MMBtu)		
11/16	2.17-2.22	2.305
11/17	2.11-2.14	2.279
11/18	2.08-2.12	2.204
11/19	2.09-2.14	2.213
11/20	2.07-2.12	2.163



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)

Average Temperature for Four Major Gas Consuming Areas			
	Actual	Normal	Diff
11/14	50	45	5
11/15	47	45	2
11/16	48	46	2
11/17	48	45	3
11/18	49	44	5
11/19	44	43	1
11/20	44	42	2

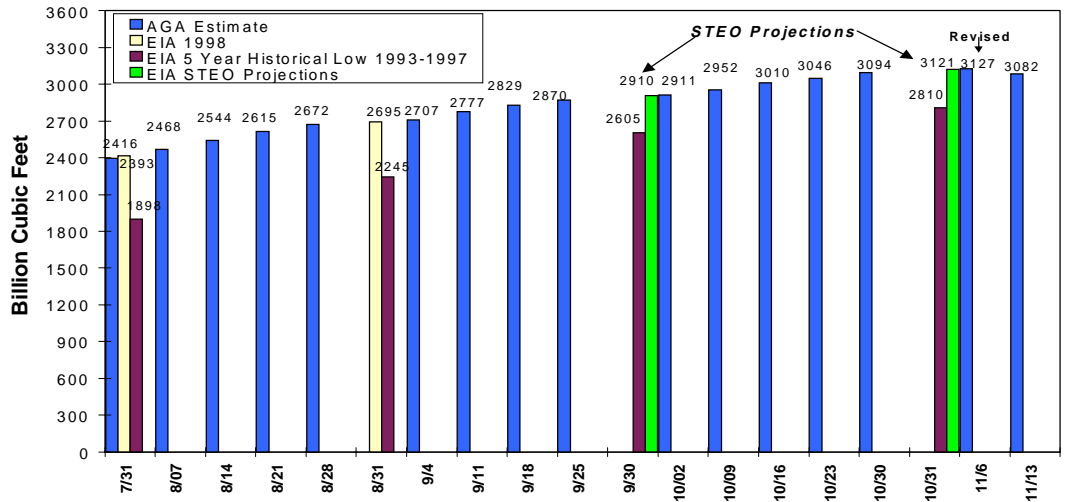


The bounds are computed by adding and subtracting from the average temperatures for the last 10 years an amount equal to twice an estimate of the standard deviation for temperatures on a day.

Working Gas In Storage

Working Gas Volume as of 11/13/98		
	BCF	% Full
EAST	1738	96
WEST	441	90
Prod Area	903	95
U. S.	3082	95

Source: AGA



The NYMEX futures contract for December delivery at the Henry Hub opened on Monday, November 23, at \$2.11 per MMBtu, \$0.053 less than Friday's settlement price. The weather remained generally moderate last week with temperatures in the Midwest and the East averaging above normal most days. National Weather Service (NWS) forecasts are calling for temperatures to continue above normal in most parts of country through the end of this week. The moderate weather pattern, along with dominant market fundamentals consisting of ample current supply, elevated stocks, and relatively low demand, continue to apply downward pressure on prices. Spot market prices at the Henry Hub trended down most days and ended the week off more than 10 cents at \$2.10 per MMBtu. A downward trend also dominated the futures market as the December contract began the week down \$0.15 per MMBtu and continued to decline most days to end the week at \$2.163—off almost \$0.30 per MMBtu from the previous Friday's price. Withdrawals from storage averaged almost 6.5 Bcf per day in the second week of November. Revisions in the American Gas Association's (AGA) estimate of working gas capacity, however, resulted in overall higher estimated stock levels. The price of West Texas Intermediate crude oil dropped almost \$1.50 per barrel to end the week at \$12.15, roughly equivalent to \$2.10 per MMBtu.

Storage: Net withdrawals nearly doubled in the second week of November, to 45 Bcf, according to AGA estimates. With its report for the week ending Friday, November 13, AGA revised its estimate of total working gas capacity upward by 58 Bcf, from 3,190 to 3,248 Bcf. This adjustment was apportioned regionally as follows: Consuming East: +21 Bcf (1,788 to 1,809), Producing: +29 Bcf (920 to 949), and Consuming West: +8 Bcf (482 to 490). Since AGA estimates storage levels based on the percentage of capacity utilization, a change in the available working gas capacity has a direct impact on estimated stock levels. For example, AGA estimated that as of November 13, storage facilities in the Producing region were 95 percent utilized ($949 \times 0.95 = 902$ vs. $920 \times 0.95 = 874$ under the previous capacity estimate). This capacity change, in turn, prompted an upward revision of 33 Bcf to AGA's November 6 estimate of working gas in storage, from 3,094 to 3,127 Bcf. The revision included increases of 27 and 14 Bcf, respectively, in the Producing and Consuming West regions, but a decrease of 8 Bcf in the Consuming East. This compares with EIA's estimate of 3,121 Bcf on hand as of the end of October—the largest inventory level since the beginning of the heating season in 1992 (3,223 Bcf). AGA's nearly 2-percent increase in estimated total working gas capacity still leaves its capacity estimate over 500 Bcf less than EIA's measure of capacity of almost 3,800 Bcf. The majority of this additional capacity (325 Bcf) is located in the Consuming East region, where EIA survey data indicate that almost 2,140 Bcf of working gas capacity is available in the region's more than 300 storage facilities.

Spot Prices: For the second consecutive week, the spot price at the Henry Hub and most major market locations moved down about \$0.10 per MMBtu. This trend, combined with the almost \$0.30 per MMBtu decline in the near-month futures price, reduced the differential between the two price series to less than 10 cents per MMBtu (\$2.10 vs. \$2.16). Compared with this time last year, when colder-than-normal November temperatures were prevalent, the spot price at the Henry Hub is trading about \$0.65 per MMBtu lower (\$2.10 vs. \$2.76). Price decreases at other market locations compared with year-earlier levels range from \$0.30 per MMBtu in the Rockies (\$1.95 vs. \$2.25) to \$0.70 in Chicago (\$2.20 vs. \$2.90).

Futures Prices: Because of the Thanksgiving holiday, the NYMEX December contract will close on Tuesday, November 24. The prevailing market fundamentals, coupled with moderate weather forecasts, have contributed to declines in the near-month futures contract price. Since early November, the December contract has dropped almost \$0.40 per MMBtu, and it appears likely that it will close well below last year's level of \$2.577. Unlike the price patterns in the prior 6 weeks, the spot and near-month futures prices appear to be headed for convergence. This movement is another indication of the overall strength of current and near-month supply. The January contract was trading for \$2.294 per MMBtu on Friday—down more than \$0.35 in November.

Summary: Prices continue to move down as moderate November weather is prevalent in most parts of the country. A revision in the amount of working gas capacity increased AGA's estimates of available working gas storage stocks. As an indication of the strength of overall supply, the December futures contract continues to trend down and appears to be moving toward convergence with the spot market price.