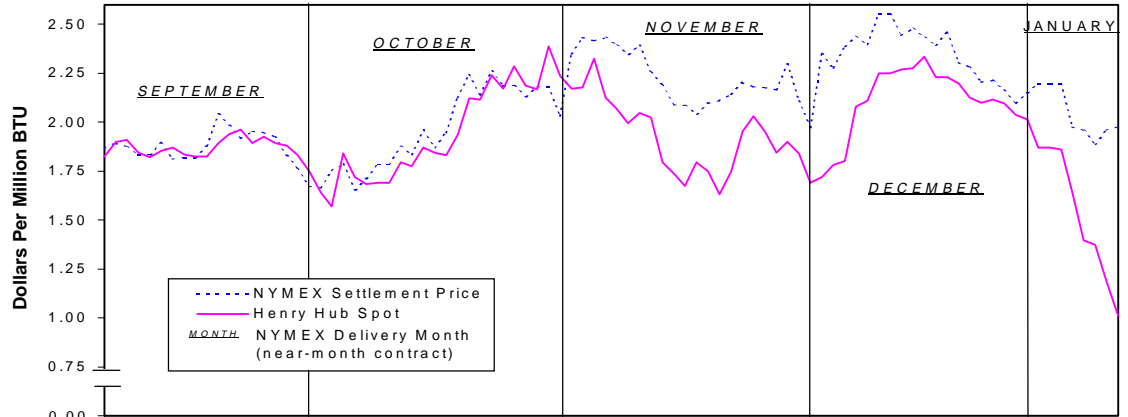


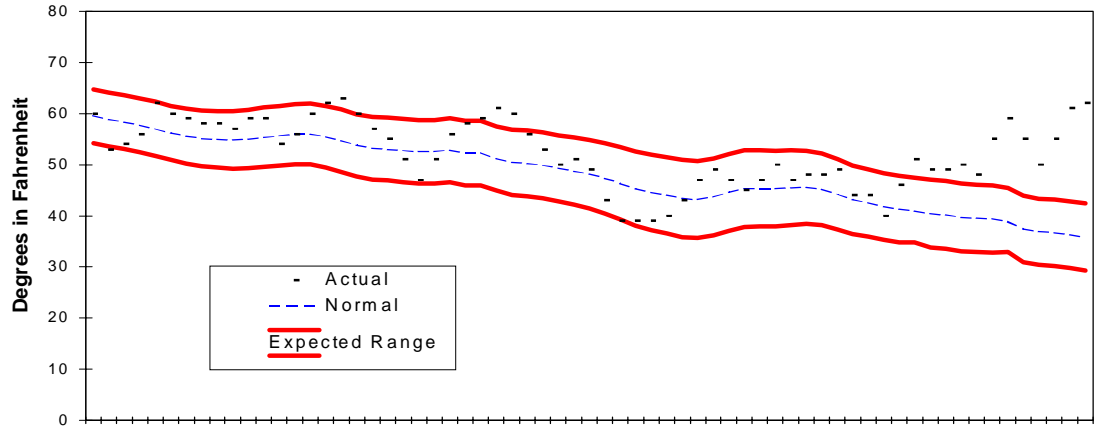
NYMEX Future Prices vs Henry Hub Spot Prices



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.

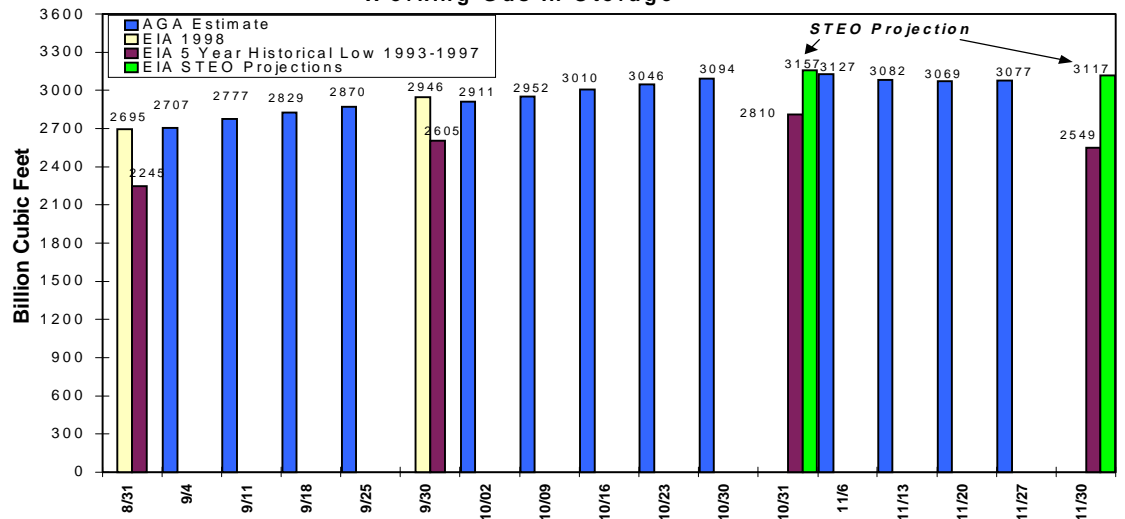
Average Temperature for Four Major Gas Consuming Metro Areas

(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.

Working Gas In Storage



HENRY HUB PRICE

(\$ per MMBtu)

SPOT FUTURES
Nov/Dec January
Del Del

11/30	1.52-1.77	1.976
12/01	1.36-1.43	1.958
12/02	1.35-1.40	1.886
12/03	1.14-1.23	1.959
12/04	0.95-1.07	1.978

Average Temperature for Four Major Gas Consuming Areas

	Actual	Normal	Diff
11/28	55	39	16
11/29	59	39	20
11/30	55	37	18
12/01	50	37	13
12/02	55	37	18
12/03	61	36	25
12/04	62	36	26

Working Gas Volume as of 11/27/98

	BCF	% Full
EAST	1719	95
WEST	452	92
Prod Area	906	96
U. S.	3077	95

Source: AGA

The NYMEX futures contract for January delivery at the Henry Hub opened Monday, December 7, at \$2.01 per MMBtu, \$0.032 more than Friday's settlement price. Unseasonably warm weather was again prevalent last week as daytime temperatures in most parts of the country were in the 60s and 70s. Record high temperatures were reported in cities from Des Moines to Baltimore. The daily temperature range was between 55 to 75 degrees in many cities in the Midwest and the East for several days last week and continued into the past weekend. The National Weather Service (NWS) is forecasting that normal temperatures will return to the Midwest early this week and spread eastward by midweek. The four cities monitored by this report (Chicago, Kansas City, New York, and Pittsburgh) recorded average daily temperatures that were 13 to 26 degrees above normal most days last week. All this balmy weather had the predictable downward impact on prices. Spot prices at the Henry Hub and all other major markets dropped about \$0.80 per MMBtu and ended the week trading for less than \$1.00 at most locations. The January futures contract ended the week virtually unchanged, resulting in nearly a \$1.00 per MMBtu differential between the near-month NYMEX contract and the Henry Hub spot price (\$1.00 vs. \$1.978). The widespread warm weather resulted in net additions to storage during the last week of November. The price of West Texas Intermediate crude oil was stable and ended the week again at \$11.20 per barrel—roughly equivalent to about \$1.95 per MMBtu.

Storage: In a highly unusual occurrence, the American Gas Association (AGA) estimated that working levels increased by 8 Bcf during the week ended Friday, November 27. This increase brings the stock level at the end of November to about 3,075 Bcf. This is the highest level in 6 years and more than 470 Bcf more than last year at the same time (3,077 vs. 2,606 Bcf). The unseasonably mild weather during the last half of November resulted in net withdrawals for the month of only about 75 Bcf. According to EIA data for 1993-97, net storage withdrawals during November have averaged 205 Bcf. In addition to the low demand brought about by warm weather, the incentive to withdraw gas from storage this November also was reduced by the relatively low prices on the spot market.

Spot Prices: The downward trend in spot prices that began in early November accelerated last week as the posted price at Henry Hub dropped below \$1.00 per MMBtu on Friday—a decrease of more than \$0.80 for the week. Prices at all markets moved down in similar fashion as the prevailing market fundamentals (ample supply/stocks, warm weather, and low demand) continue to dominate the gas market. An indication of the imbalance in current supply and demand is the large differential between the spot price and the NYMEX near-month (January) futures price—at or above \$1.00 per MMBtu at most major market locations.

Futures Prices: On November 25, the NYMEX January contract began trading as the near-month contract at about \$2.15 per MMBtu, and last Friday settled for \$1.978, a drop of about \$0.17. Many observers believe that the January futures contract is only remaining near \$2.00 per MMBtu on the presumption that normal winter weather will eventually arrive.

Summary: Record high temperatures in most parts of the country, along with a robust supply picture, dropped prices at most spot markets to below \$1.00 last week and widened the price differential between the near-month NYMEX futures contract to more than \$1.00. The balmy weather and low prices contributed to an unusual late November increase in storage stock levels, as the month ended with more than 3,075 Bcf on hand.