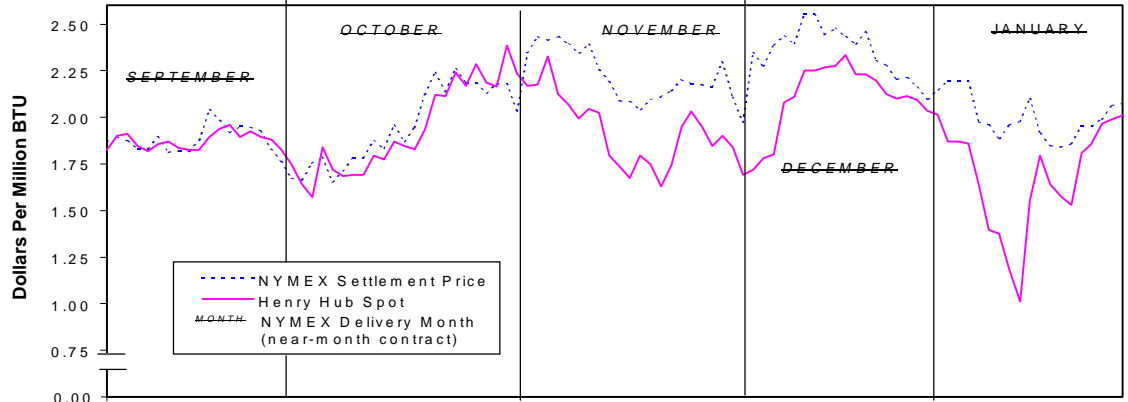


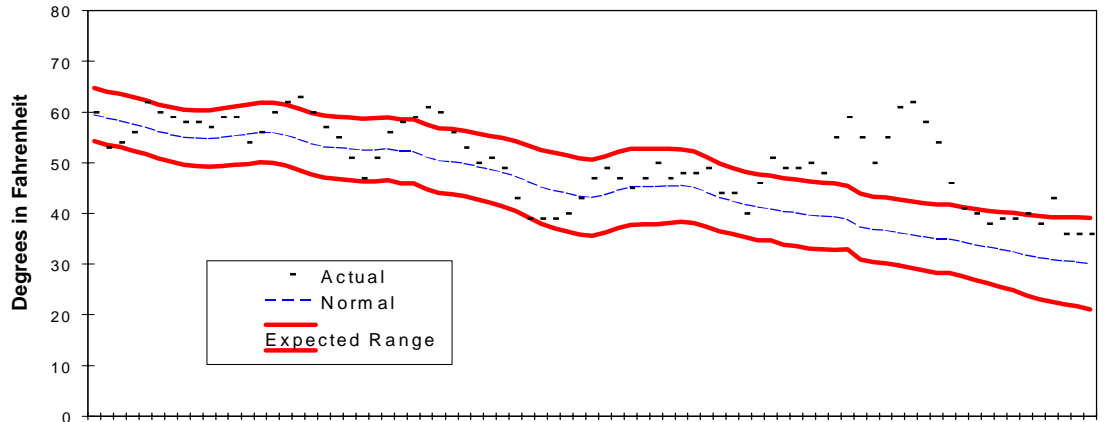
NYMEX Future Prices vs Henry Hub Spot Prices



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.

HENRY HUB PRICE (\$ per MMBtu)		
SPOT		FUTURES
December	January	
Del	Del	
12/14	1.75-1.87	1.952
12/15	1.83-1.88	1.952
12/16	1.92-2.01	1.990
12/17	1.94-2.04	2.064
12/18	1.99-2.03	2.074

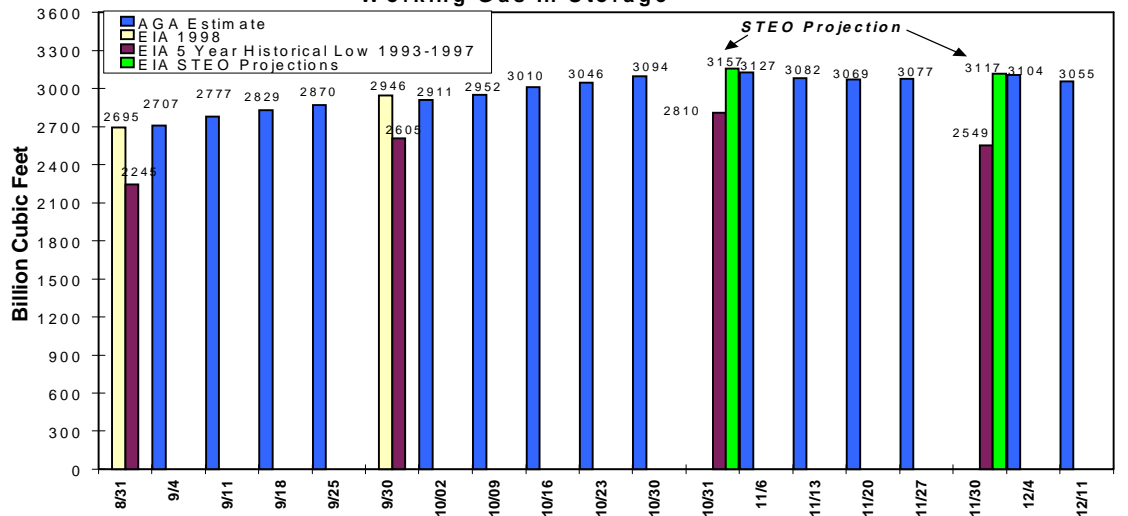
Average Temperature for Four Major Gas Consuming Metro Areas
(Chicago, Kansas City, New York, and Pittsburgh)



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.

Average Temperature for Four Major Gas Consuming Areas			
	Actual	Normal	Diff
12/12	39	33	6
12/13	40	32	8
12/14	38	31	7
12/15	43	31	12
12/16	36	31	5
12/17	36	30	6
12/18	36	30	6

Working Gas In Storage



Working Gas Volume as of 12/11/98		
	BCF	% Full
EAST	1714	95
WEST	437	89
Prod Area	904	95
U. S.	3055	94

Source: AGA

The NYMEX futures contract for January delivery at the Henry Hub opened Monday, December 21, at \$2.100 per MMBtu, \$0.026 higher than Friday's settlement price. Normal weather prevailed in much of the country last week, although temperatures slightly above average for mid-December persisted for the most part in the four cities monitored for this report (Chicago, Kansas City, New York City, and Pittsburgh). The more typical seasonal temperatures contributed to a steady rise in prices at most major market locations. Spot prices at Henry Hub ended the week at about \$2.00 per MMBtu-more than 50 cents higher than the previous Friday. The January futures contract also moved up, but modestly compared to spot prices, gaining about 22 cents from the previous Friday to end the week at \$2.074. Industry storage facilities reported average net withdrawals of 7 Bcf per day during the second week of December. The price of West Texas intermediate crude oil rose to \$12.40 per barrel at midweek in response to the outbreak of hostilities in Iraq. However, given the ample supplies of oil on the world market, this increase could not be sustained. By Friday the price had dropped to \$11.00-roughly equivalent to \$1.91 per MMBtu.

Storage: The American Gas Association (AGA) estimated that 49 Bcf were withdrawn from storage in the week ended Friday, December 11. This follows two weeks of net additions to working gas levels-highly unusual during the heating season-and is the smallest amount of net withdrawals for a full week in December reported by AGA since the beginning of its weekly survey in January, 1993. The estimated level of working gas available remained well above 3,000 Bcf in early December and, compared to the same time last year, the industry's storage facilities contained 654 Bcf, or 27 percent, more gas (3,055 vs 2,401 Bcf). Storage levels in Canada are also reported to be well ahead of last year at the same time. The Canadian Gas Association estimates that as of Friday, December 11, 80 Bcf more gas was on hand than at the same time last year, (471 vs 391 Bcf)-a 20 percent increase.

Spot Prices: Spot prices in the Gulf and most locations in the Northeast held their own or edged up a bit, as seasonal temperatures took hold in the eastern half of the Nation for most of the week. Some regional markets, however, did see considerable price volatility at the end of the week as local weather turned harsh. Prices soared past \$20 per MMBtu at Sumas, WA, on Friday as truly frigid temperatures began to creep throughout the Canadian Pacific Northwest and into the Rockies and northern Plains States, with forecasts for temperatures well below normal to continue into Christmas week in this region. Trade press reports had BC Gas, the major LDC for southern British Columbia, recalling peaking load gas it had contracted to sell earlier. Physical constraints were quickly reached as marketers and others scrambled to secure weekend supplies and avoid non-delivery penalties. Prices at locations throughout western Canada and the Rockies jumped up on Friday, while points as far away as northern CA, the San Juan Basin, and even the Permian Basin felt the pull. Spot gas at Stanfield, OR, exceeded \$3 per MMBtu, while northern CA locations, on the strength of weather forecasts of unseasonably cold temperatures for the San Francisco Bay area, saw prices above \$2.50. Prices at Western Canadian locations moved up 15-35 cents, prices in San Juan Basin markets were up 12 to 26 cents, and price increases ranging from 3 to 17 cents were seen in the Permian area.

Futures Prices: The NYMEX contract for January delivery began the week nearly 10 cents above its Friday, December 11 close, then continued to gain ground, passing \$2 for the first time in two weeks to close at \$2.074 per MMBtu at week's end. End-of-week trading was relatively strong, exceeding 40,000 contracts each of the last 3 days. The positive spread of the near-month contract price over the Henry Hub spot price has narrowed dramatically over the past two weeks. Whereas the futures premium was nearly \$1 on Friday, December 4, last week it ranged between 3 and 14 cents. This would seem to reflect moderate changes in market fundamentals (demand increasing with the advent of more seasonal temperatures, net inventory changes moving in the expected direction) and the market's perception of near-term prospects. The convergence of spot and near-month futures prices is also consistent with normal expectations for the approaching bid week (the January contract closes on December 29).

Summary: The season's first Arctic cold snap boosted prices significantly in the West at week's end, while seasonal temperatures in most of the rest of the country fostered moderately increasing demand and firming spot prices. Though modest, there were net storage withdrawals for the first time since the end of November. Futures and spot prices are once again converging as bid week approaches.