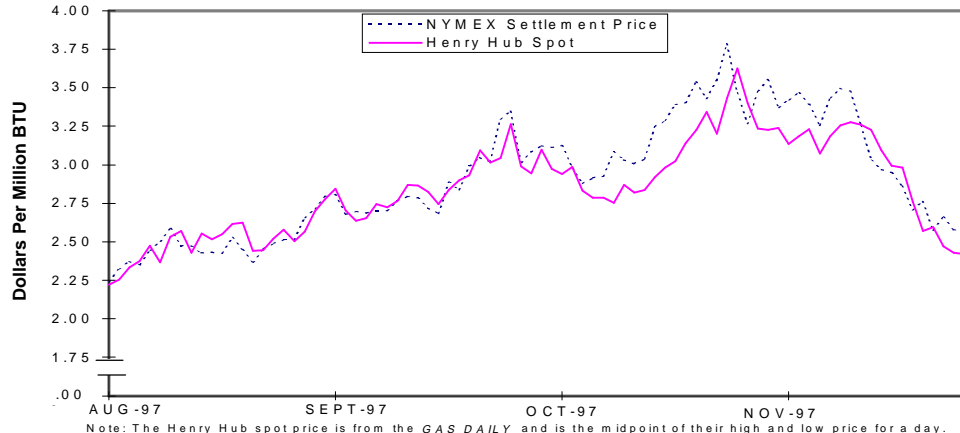


NYMEX Future Prices vs Henry Hub Spot Prices

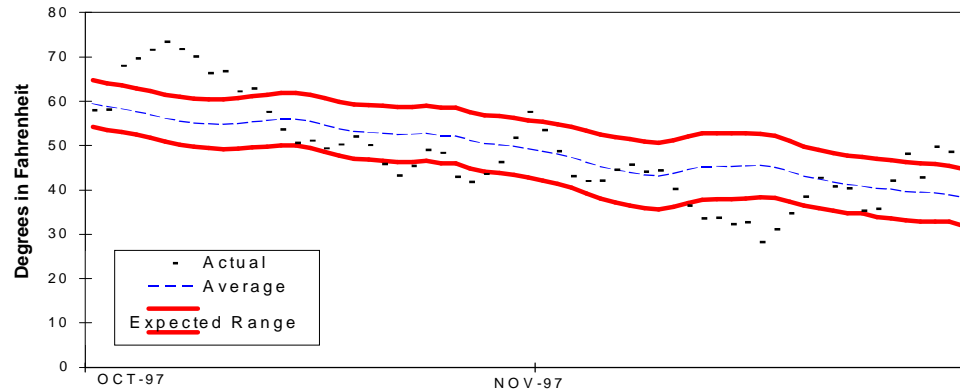
HENRY HUB PRICE		
	SPOT	FUTURES
	Nov	Dec/Jan
	Del	Del
	(\$ per MMBtu)	
11/24	2.56-2.63	2.577
11/25	2.45-2.49	2.660
11/26	2.38-2.48	2.578
11/27	holiday	holiday
11/28	2.37-2.47	2.576



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
11/23	35	41	- 6
11/24	36	40	- 4
11/25	42	40	2
11/26	48	40	8
11/27	43	39	4
11/28	50	39	11
11/29	50	39	11

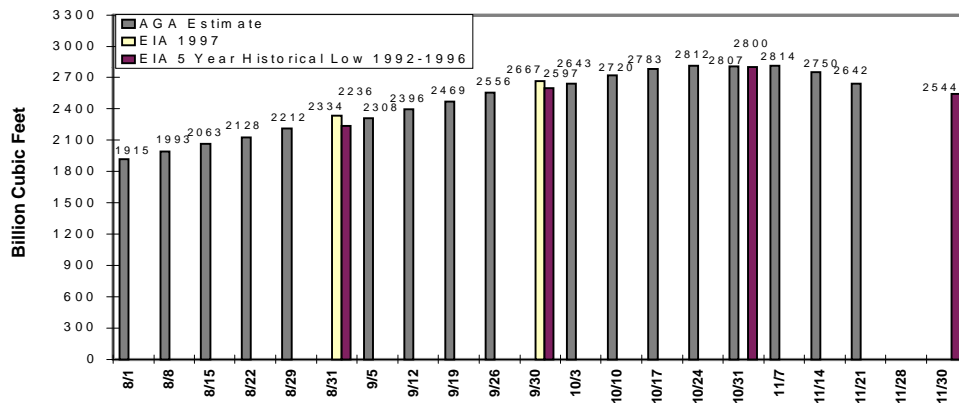


The bounds are computed by adding and subtracting from the average temperatures for the last 10 years an amount equal to twice an estimate of the standard deviation for temperatures on a day.

Working Gas In Storage 1997

Working Gas Volume as of 11/21/97		
	BCF	% Full
EAST	1606	90
WEST	359	74
Prod Area	677	74
U. S.	2642	83

Source: AGA



The NYMEX futures price for January delivery at the Henry Hub opened Monday, December 1, at \$2.66 per MMBtu, \$0.083 more than the final price for the December contract, which closed the previous Monday at \$2.577. This marks the second consecutive month that the expiring futures contract closed at a lower level (almost \$0.70 per MMBtu) than the prior month's contract. Average temperatures in the four cities monitored by this report (Chicago, Kansas City, New York, and Pittsburgh) were generally moderate last week with daytime temperatures in the 50s and 60s most days. Prices on the Henry Hub spot market continued to decline last week and by Friday were trading at levels (\$2.40 per MMBtu) last seen in August. The futures price for the January contract was stable during the holiday-shortened week and remained below \$2.58 per MMBtu, then moved up on Monday, December 1. The cold weather during the third week of November resulted in average estimated storage withdrawals of more than 15 Bcf a day. The price of West Texas crude oil also moved down and ended the week at \$19.20 per barrel.

Coal Deliveries to Texas Utilities: News reports appear to be mixed on the Union Pacific Railroad's (UP) efforts to resolve the problems regarding coal shipments to Texas. UP is reporting that the situation is slowly improving and should be "fluid" by the end of the year, while some of the railroad's critics are expressing the view that they see little evidence of improvement in the situation. A comment from a fuels manager at one of the largest utilities in Texas indicates that the utility substituted less than 1 Bcf of natural gas for coal in September. Current price activity at major market hubs in Texas seem to indicate that supplies of natural gas are adequate at present to meet any increased demand from electric utilities.

Storage: According to American Gas Association (AGA) estimates, a total of 108 Bcf was withdrawn from storage inventories during the week ended November 21, with 60 Bcf of net withdrawals in the Consuming East and 40 Bcf in the Producing region. Colder-than-normal temperatures throughout that week helped boost stock drawdowns above 100 Bcf for the first time this winter. The average temperature during the 7 days, November 15 through November 21, for the four cities tracked by this report was over 6 degrees F. below normal and 2.5 degrees colder than the similar 7-day period last year. Last year, AGA estimated total net withdrawals of 66 Bcf for the week ended November 22, with 46 Bcf withdrawn from storage facilities in the Consuming East region and 14 Bcf in the Producing region. Inventories in the Consuming East region as of November 21, at 1,606 Bcf, are only 4 Bcf lower than at this time last year, while stock levels in both the Producing and Consuming West regions are comfortably above last year's levels. For the 7-day period ending Friday, November 28, the average temperature for this report's four cities was 2.5 degrees F. warmer than normal and nearly 9 degrees warmer than during the comparable period last year. (During that week last year, AGA estimated total net withdrawals of 104 Bcf, with 62 Bcf of net withdrawals in the Consuming East region and 36 Bcf in the Producing region.) Given the slight warming trend last week, withdrawals for last week are likely to be lower than for the previous week.

Spot Prices: At the end of last week, the spot price at the Henry Hub had declined almost \$0.60 per MMBtu from the previous week and had lost over a \$1.00 since November 10. The price has dropped steadily since late October when it had reached a recent high of more than \$3.70 per MMBtu. Some of the factors that appear to be affecting this price trend are: 30 to 90 day weather forecasts from the National Weather Service and others calling for warmer-than-normal temperatures, working gas storage levels that are viewed as adequate by many in the industry, consecutive price declines in the November and December futures contracts, and the current trading price for the January contract of about \$2.60 per MMBtu. Compared with last year, which saw spot prices during the last week of November of \$3.80 per MMBtu at the Henry Hub, prices at all major U.S. markets have moved down dramatically. For example: on Friday, November 28, Katy in East Texas was \$2.25 per MMBtu compared with \$3.65 last year; Waha in West Texas was \$2.14 vs. \$3.62; and Chicago was \$2.42 vs. \$4.05. Some of the lowest prices have been seen in the Rocky Mountains where prices have been below \$2.00 for more than 2 weeks.

Futures Prices: The final settlement price for the December contract, \$2.577 per MMBtu, was almost \$1.25 less than either of the October and November contracts. This price trend is the opposite of last year's when the futures contract for December settled at \$3.90 per MMBtu, more than \$2.30 higher than the October 1996 contract. At present, this price trend appears to be continuing with the January contract, which was trading for almost \$3.50 per MMBtu last year at this time, currently trading for almost \$0.90 less.

Summary: The December futures contract settled well below the previous 2 months, and spot prices at all major natural gas markets are now more than \$1.25 less than those seen in October. However, the downward pressure on prices could lessen given the recent period of relatively heavy storage withdrawals of more than 100 Bcf.