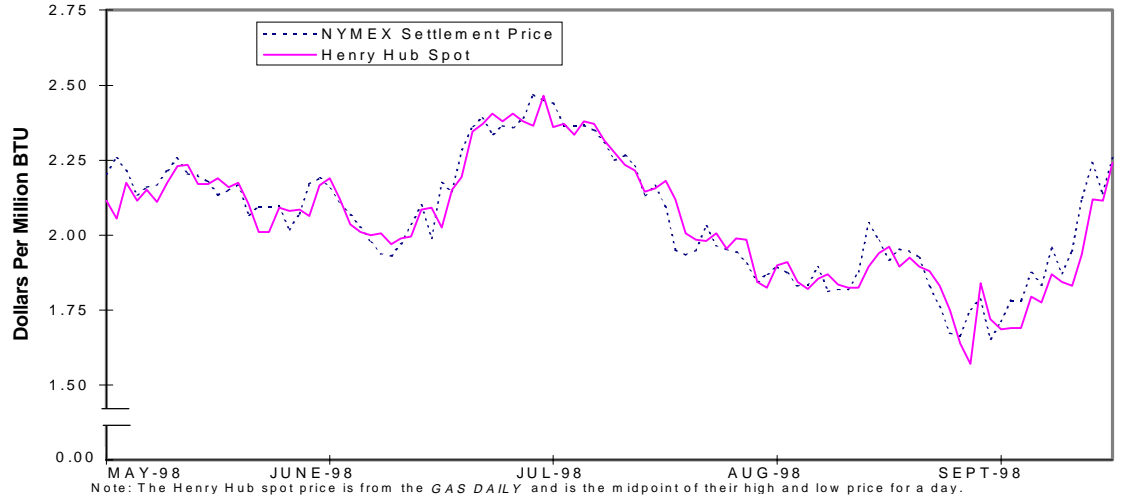
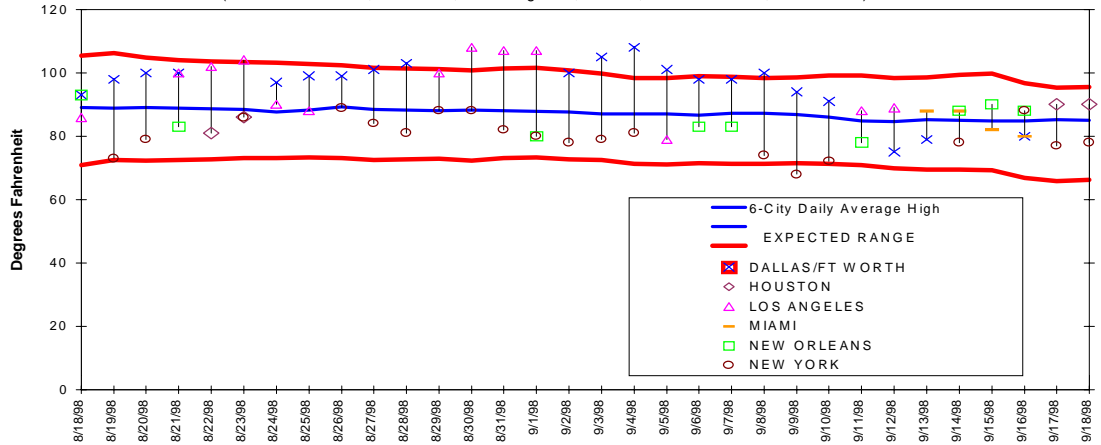


NYMEX Future Prices vs Henry Hub Spot Prices



HENRY HUB PRICE		
	SPOT	FUTURES
	Sept	October
	Del	Del
	(\$ per MMBtu)	
9/14	1.80-1.86	1.945
9/15	1.90-1.97	2.123
9/16	2.09-2.15	2.241
9/17	2.09-2.14	2.138
9/18	2.19-2.29	2.260

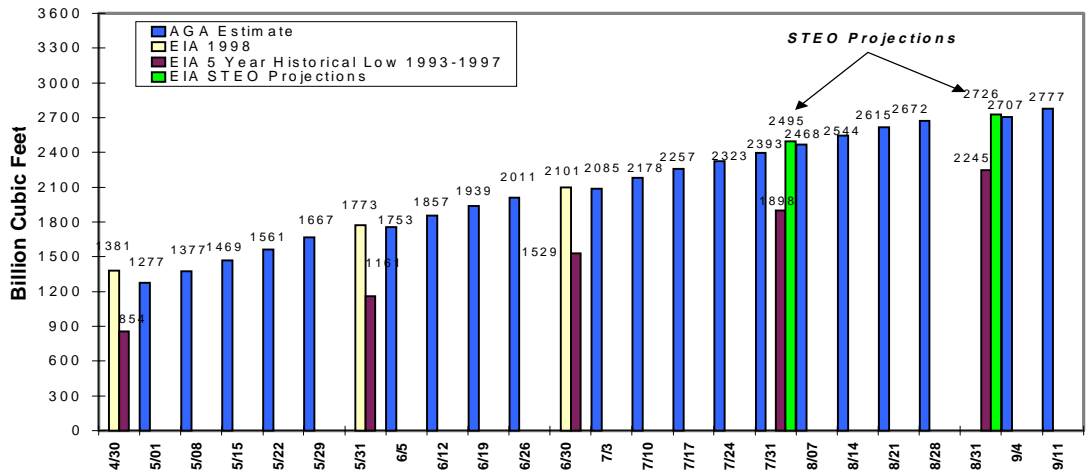
Ten-Year Average of High Temperatures, and Daily Highest and Lowest High Temperatures for 6 Cities, May-September
(Dallas/Ft Worth, Houston, Los Angeles, Miami, New Orleans, New York)



Average High Temperature for Six Major Electricity Consuming Cities			
	Actual	Normal	Diff
9/12	83	85	-2
9/13	84	85	-1
9/14	85	85	0
9/15	85	85	0
9/16	83	85	-2
9/17	86	85	1
9/18	84	85	-1

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

Working Gas In Storage



Working Gas Volume as of 9/11/98		
	BCF	% Full
EAST	1578	88
WEST	379	79
Prod Area	820	89
U. S.	2777	87

Source: AGA

The NYMEX contract for October delivery at the Henry Hub opened on Monday, September 21, at \$2.155 per MMBtu, \$0.09 less than Friday's settlement price. Temperatures in most parts of the country were generally seasonal during the last full week of summer. Forecasts of another tropical storm developing in the Gulf of Mexico and the movement of hurricane "Georges" in the Caribbean Ocean contributed to a nearly \$0.40 per MMBtu increase in the October futures contract price, which ended the week at \$2.260. Spot prices appear to be again "following the screen" as prices at most major markets moved up, taking their lead from the NYMEX near-month daily settlement price. On Friday, the Henry Hub spot market was trading for about \$2.25 per MMBtu—up over \$0.40 from the previous Friday. Some production was interrupted at the end of last week as several platforms in the Gulf were evacuated Friday in a precautionary move under the threat of tropical storm "Hermine." The volume of gas production that was disrupted by the storm is estimated to be about 0.6 Bcf per day—considerably less than the more than 1.5 Bcf per day interrupted by the previous two Gulf storms. Additions to storage returned to earlier levels as an average 10 Bcf per day was added in the second week of September. The price of West Texas crude oil moved up \$1.00 a barrel at the end of the week as off shore oil production was also disrupted by the Gulf storms. On Friday, the price per barrel traded for \$15.50—roughly equivalent to \$2.70 per MMBtu.

Storage: Net injections to storage were estimated by the American Gas Association (AGA) to be 70 Bcf for the week ended Friday, September 11. This was twice as much as the previous week's estimate, which apparently was affected by production interruptions in the Gulf caused by hurricane "Earl." During that week, the Producing region had reported net withdrawals of 2 Bcf. During the week ended September 11, the region had net additions of 18 Bcf, bringing its working gas total thus far in the refill season to more than 800 Bcf. Overall working gas in storage through September 11 is 16 percent greater than at the same time last year (2,777 Bcf vs. 2,396). The Producing region, which has almost 90 percent of its working gas capacity filled, continues to have the largest increase compared with last year—802 Bcf vs. 614. The other two regions, the Consuming East and Consuming West, are also reporting increases over last year of 135 and 30 Bcf, respectively. It still appears likely that the level of working gas at the end of October will be near 3,000 Bcf, the highest level since 1994.

Spot Prices: It appears that the combination of Gulf coast storms and steadily climbing futures prices were the key factors in last week's spot market increases. The spot market price at the Henry Hub began the week flat at \$1.82 per MMBtu, but moved up more than 10 cents a day over the remainder of the week as it tracked the increase in the NYMEX near-month October contract. On Friday, the spot price was trading for about \$2.25 per MMBtu. Prices at most other market locations also moved up between 30 and 40 cents per MMBtu. Without the threat of a serious storm-induced supply disruption, prices would probably remain below \$2.00 per MMBtu as current market fundamentals—ample supply, low-to-moderate summer demand, and elevated stock levels—continue to exist virtually nationwide.

Futures Prices: During the past week, the futures contract for October moved up almost \$0.40 per MMBtu—the biggest weekly increase in the near-month contract since June. With the existing market fundamentals as we enter the beginning of autumn, the threat of tropical storms and hurricanes appears to be the only thing that can apply upward price pressure in the market. Even with the large increase in the October contract last week, it is still trading more than \$1.20 per MMBtu below last year's final settlement price of \$3.472 for October. This year's October contract will close on Monday, September 28.

Summary: Prices on both the spot and futures markets trended up most days last week as the threat of more tropical storms and hurricanes continues. Stock levels remain well ahead of last year with almost 2,800 Bcf of working gas on hand.