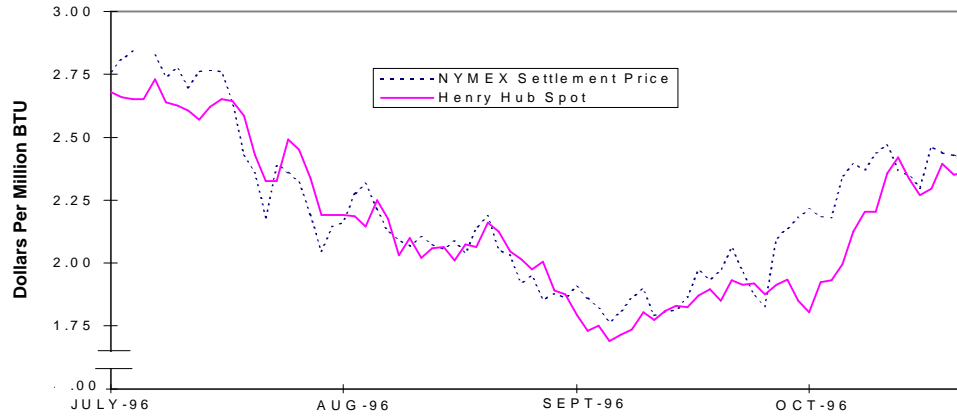


NYMEX Price Futures vs Henry Hub Spot Price

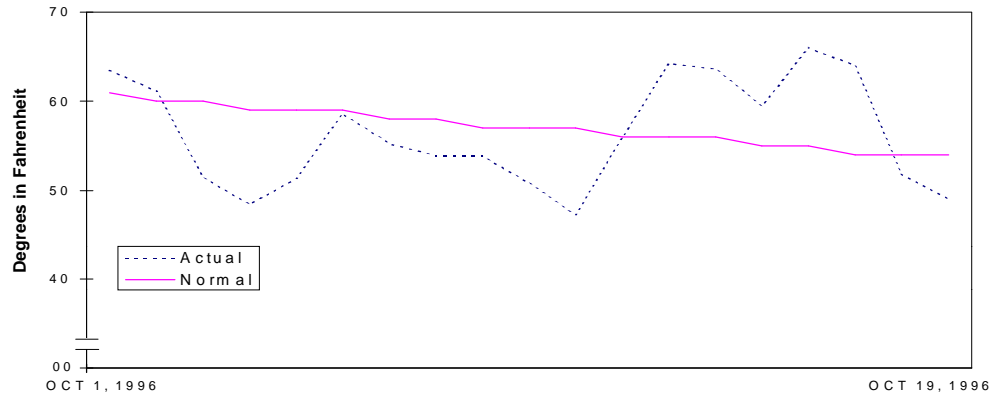
HENRY HUB PRICE		
	CASH	FUTURES
	Oct.	Nov.
	Del	Del
	(\$ per MMBtu)	
10/14	2.25-2.29	2.300
10/15	2.28-2.31	2.464
10/16	2.32-2.47	2.437
10/17	2.30-2.40	2.428
10/18	2.34-2.38	2.400



Note: The Henry Hub spot price is from the GAS DAILY and is the midpoint of their high and low price for a day.

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

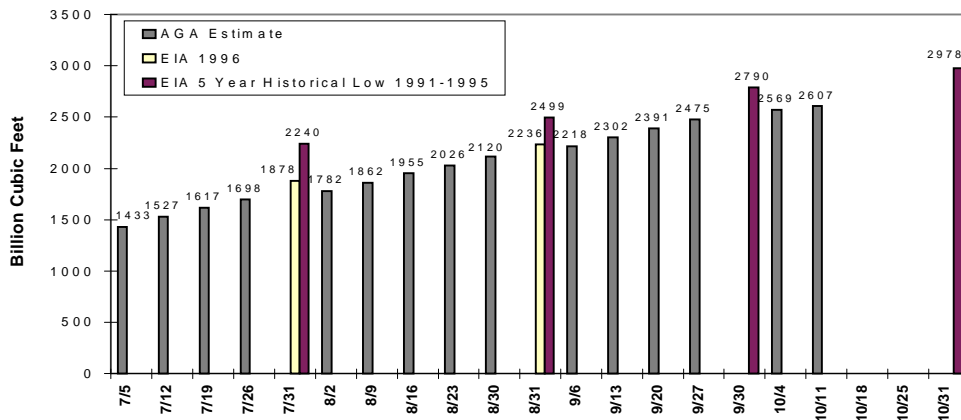
Average Temperature for Four Major Gas Consuming Areas			
	Actual	Normal	Diff
10/13	64	56	8
10/14	64	56	8
10/15	60	55	5
10/16	66	55	11
10/17	64	54	10
10/18	52	54	-2
10/19	49	54	-5



Working Gas In Storage 1996

Working Gas Volume as of 10/11/96		
	BCF	% Full
EAST	1,629	91
WEST	336	70
Prod Area	642	71
U. S.	2,607	82

Source: AGA



The NYMEX price for November delivery at the Henry Hub opened Monday, October 21 at \$2.400 per MMBtu, \$0.10 higher than the price one week earlier. The great uncertainty in natural gas prices was noticeable this last week when prices did not fall when temperatures rose both above normal levels and significantly above last weeks levels. Concerns about possible damage to producing properties from hurricane Lili and the temporary (2 to 3 days) lost capacity of 250 million cubic feet per day (which represents about one-third of one percent of the gas flowing to markets and storage during a day at the time) were offered as explanations of the continuation of relatively high prices last week. On another note the Bureau of Labor Statistics (BLS) reported in it's consumer price index (CPI-U) that household energy prices for September were higher than last year's level. The CPI-U for natural gas, fuel oil and electricity increased from year earlier levels by 13, 7 and 3 percent, respectively. Thus, the increase from natural gas and fuel oil was significantly higher than the overall increase in inflation between years of 3 percent.

Consumer Prices: The CPI-U for natural gas increased significantly in some areas of the country such as the Chicago area where it increased by 38 percent from year earlier levels. Yet, overall the index increased by only 7 percent from year earlier levels despite generally higher prices during much of the latter period. The lack of a very large increase in the index everywhere can be explained both by hedging before the run up in prices last year at this time and by the lag between commodity price increases and prices in consumer bills. In addition the cost of the commodity only accounts for about 25 percent of residential customers bill. Thus, if other residential costs were constant between years, a 7 percent increase in end-use price would be associated with a 28 percent increase in the commodity cost. However, with the run up in prices that occurred this past June and July, household bills are likely to increase significantly in the next several months.

Storage: Net injections to storage were only 38 Bcf for the week ending Friday, October 11, according to the latest American Gas Association (AGA) estimate. This is the lowest weekly level in 5 months and is 56 Bcf less than the previous week's total. Contributing to this decline in additions to storage were price increases of \$0.15 per MMBtu or more on the spot market in many locations and increased demand brought on by the low temperatures in the Midwest and the East during the second week of October. This may have diverted some gas from storage to end-users. Since early October, prices have risen by about \$0.50 per MMBtu at the Henry Hub. The decline in storage injections, though significant, results in a level which is still close to the latest 5-year weekly average for injections in October (42 Bcf). In the case of the previous week's total - 94 Bcf - the 5-year average was eclipsed by almost 125 percent. Since mid-April, according to AGA estimates, over 2,060 Bcf has been added to working gas storage levels.

Canadian Storage: Canadian working gas inventories as reported by the Canadian Gas Association, have continued their steady growth and reached 454 Bcf for the week ending Friday, October 11. This total represents almost 90 percent of working gas capacity and is now more than 10 percent higher than last year at this time.

Spot Prices: Spot prices were very volatile during the week generally ranging between \$2.25 and \$2.50 per MMBtu at the Henry Hub. Prices were influenced by such factors as changes in the weather, concerns about possible damage to production facilities from hurricane Lili, continued high prices for oil and propane and short term reductions in deliverability from pipeline shutdowns.

Futures Prices: The very large differences of \$0.25 to \$0.35 per MMBtu between futures and cash prices of previous weeks disappeared by the end of last week. This was expected as the November contract moved closer to termination. The November contract terminates on Friday, October 25.

Summary: Prices are still very volatile since storage levels of all heating fuels are low by historical standards. Prices are high with respect to last year's levels as they have been for most of the past year while productive capacity at the wellhead has increased. This will allow producers to flow more gas to market this coming heating season than last year and barring any persistent bottlenecks in the system, could put downward pressure on prices.

