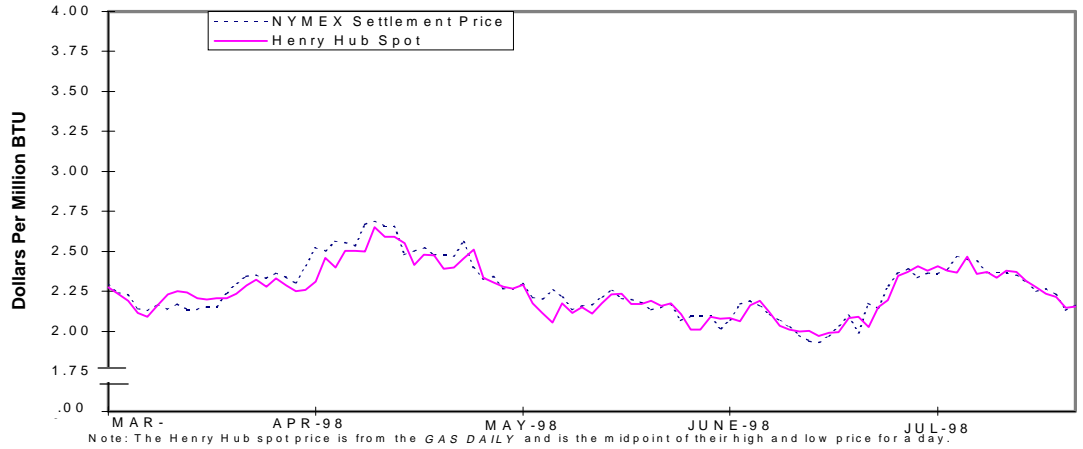


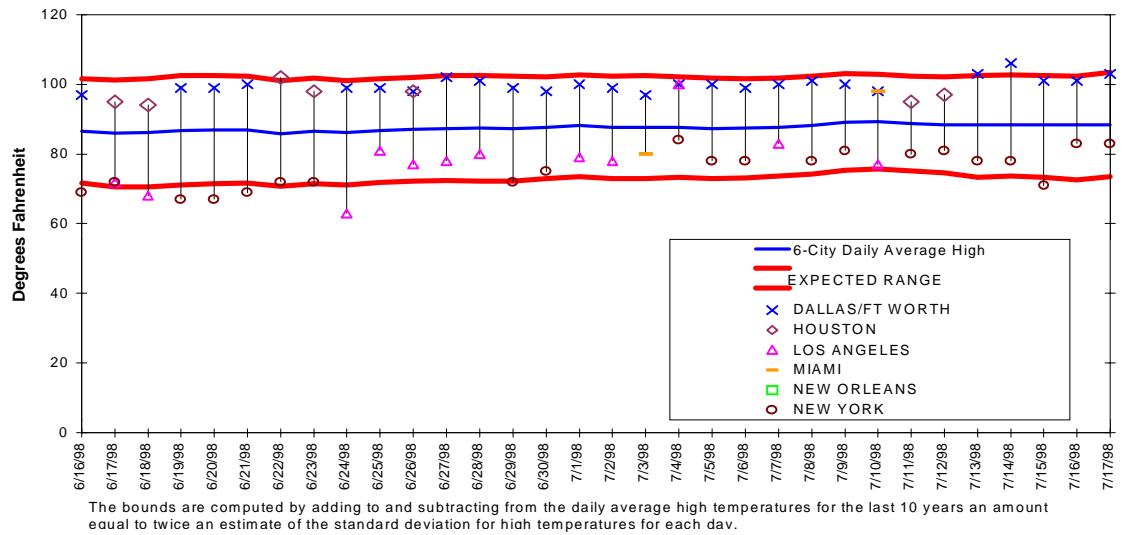
NYMEX Future Prices vs Henry Hub Spot Prices

HENRY HUB PRICE		
	SPOT	FUTURES
	July	August
	Del	Del
	(\$ per MMBtu)	
7/13	2.25-2.30	2.249
7/14	2.22-2.25	2.266
7/15	2.20-2.23	2.231
7/16	2.13-2.16	2.132
7/10	2.13-2.18	2.165



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)

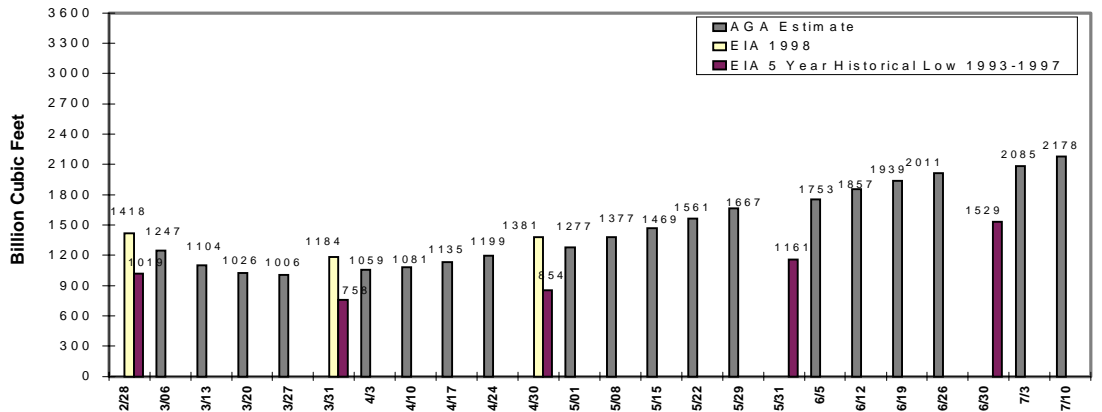
Average High Temperature for Six Major Electricity Consuming Cities			
	Actual	Normal	Diff
7/11	89	88	1
7/12	95	88	7
7/13	94	87	7
7/14	94	88	6
7/15	91	88	3
7/16	94	89	5
7/17	94	89	5



Working Gas In Storage

Working Gas Volume as of 7/10/98		
	BCF	% Full
EAST	1179	66
WEST	321	67
Prod Area	678	74
U. S.	2178	68

Source: AGA



The NYMEX futures contract for delivery in August at the Henry Hub opened on Monday, July 20, at \$2.195 per MMBtu, \$0.03 more than Friday's settlement price. Temperatures in Texas remained high last week as the hottest summer in almost 20 years continued. In Dallas the mercury exceeded 100 degrees every day last week with a record high of 110 on Sunday, July 12. High temperatures also were dominant in the West where daytime highs in Denver, Los Angeles, and Salt Lake City were above 90 most days reaching over 100 in Los Angeles late last week. Meanwhile, temperatures in the Midwest and the East continued to be generally moderate with daytime highs in Chicago, Cleveland, Pittsburgh, and New York City staying in the mid 80s most days. Forecasters are calling for the high temperatures to continue in Texas and for warm weather to move into the Midwest and the East this week. With the sustained period of hot weather generally confined to Texas, prices at most major markets in the Southwest, the Midcontinent, and on the Gulf coast which had remained in a \$2.25 to \$2.35 per MMBtu range since late June, began to decline last week. On Friday spot gas was trading for about \$2.15 per MMBtu at the Henry Hub. In response to the heat, prices in the West did move up at most markets and were trading at the Southern California border for about \$2.60 per MMBtu at the end of last week. The August futures contract also declined most days at the Henry Hub and ended the week at \$2.165 per MMBtu-down almost 15 cents. The elevated level of gas in storage along with latest weekly estimate for net additions of 93 Bcf, is also contributing to the softness in prices. The price of West Texas intermediate crude oil moved up to almost \$15.00 per barrel at midweek before ending the week at \$14.00 - roughly equal to \$2.44 per MMBtu.

Storage: The AGA estimates that the level of working gas in storage for the week ended Friday, July 10, is 25 percent greater than at the same time last year (2,178 Bcf vs 1,742). All three storage regions are running ahead of last year with the Producing region showing the largest relative increase thus far with almost 35 percent more gas in storage. The other two regions, the Consuming East and West, are reported to have 24 and 11 percent more, respectively for the same time periods. With about four months remaining till the end of the refill season on October 31, the industry needs to add 700 to 800 Bcf in order to reach a typical level of about 3,000 Bcf for the start of the heating season on November 1. According to EIA data, last year net additions to storage over the period July through October, totaled 1,150 Bcf and for the same 4 months in 1996 it was 1,285.

Texas Market: It appears that supplies of natural gas in Texas, the highest consumer of gas in the U.S. (3.7 Tcf in 1997), are adequate to meet the needs of state's electric utilities during this sustained record heat wave. Two factors that contribute to supporting this view are the general stability of prices at the three largest natural gas markets in the state and the continued robust level of net injections to storage especially in the producing areas of the Southwest. On the price side, the spot prices for June of this year at Carthage and Katy in East Texas and Waha in West Texas were reported to be between 2 and 6 cents per MMBtu below last year. Thus far in July prices appear to have moved up, but less than 10 cents per MMBtu through the first 3 weeks of the month. Last year with normal summertime temperatures, EIA data indicates that in July the electric utilities in Texas consumed more than 144 Bcf of natural gas.

Spot Prices: At the Henry Hub spot prices moved down each day to end the week at \$2.15 per MMBtu. The prices at the Midcontinent markets in Oklahoma and Kansas also declined about 10 cents and were trading between \$1.99 and \$2.08 per MMBtu on Friday. Due to the warm temperatures in the West, prices at the Rocky Mountain markets were trading above \$1.90 per MMBtu at some locations-up more than 25 cents over the previous week.

Futures Prices: The NYMEX futures contract for August began the week down about 5 cents per MMBtu at \$2.249 per MMBtu then moved above \$2.30 by mid-week before dropping almost 10 cents on Thursday and ended the week at \$2.165. Most market observers expressed the view that the continued mild summer weather in the Midwest and the East along with the sustained elevated level of gas in storage at this time are the two main contributing factors to the downward price trend.

Summary: The high temperatures in Texas continue but with apparent ample supplies of gas, prices are trending down at most Southwest markets. This could change as weather forecasts are calling for the first widespread period of hot weather in the Midwest and much of the East. Storage levels are now almost 25 percent greater than last year at this time.