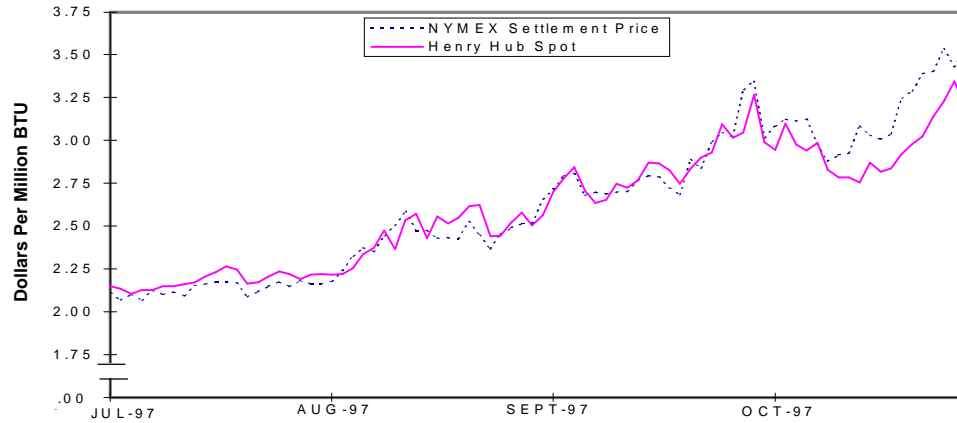


NYMEX Future Prices vs Henry Hub Spot Prices

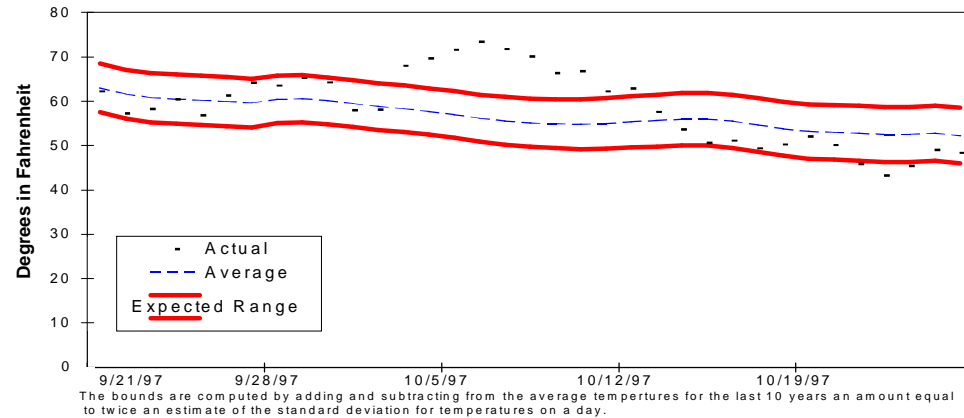
HENRY HUB PRICE		
	SPOT	FUTURES
	Oct	Nov
	Del	Del
	(\$ per MMBtu)	
10/20	2.98-3.07	3.390
10/21	3.11-3.17	3.404
10/22	3.20-3.25	3.537
10/23	3.31-3.38	3.429
10/24	3.16-3.24	3.548



Average temperature for Four Major Gas Consuming Metro Areas

(Chicago, Kansas City, New York, and Pittsburgh)

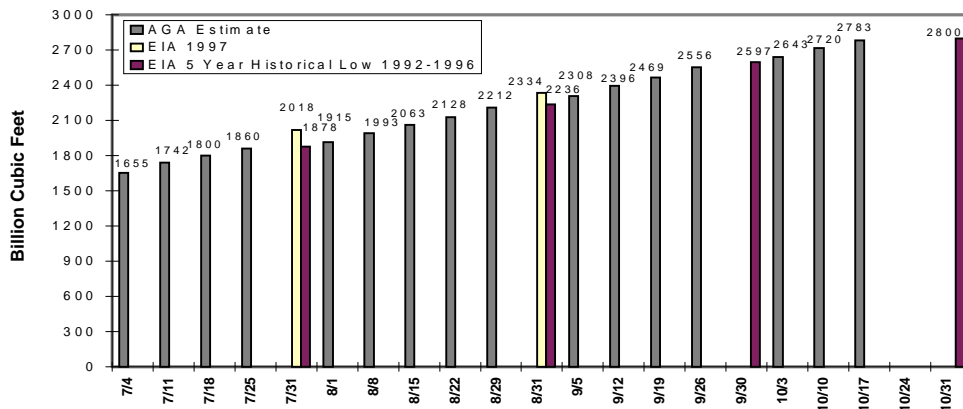
Average Temperature for Four Major Gas Consuming Areas			
	Actual	Normal	Diff
10/19	52	53	-1
10/20	50	53	-3
10/21	46	53	-7
10/22	43	53	-10
10/23	45	53	-8
10/24	49	53	-4
10/25	48	52	-4



Working Gas In Storage 1997

Working Gas Volume as of 10/17/97		
	BCF	% Full
EAST	1686	94
WEST	363	75
Prod Area	734	80
U. S.	2783	87

Source: AGA



The NYMEX futures price for November delivery at the Henry Hub opened Monday, October 27, at \$3.590 per MMBtu, \$0.042 more than Friday's settlement price. Cool weather predominated last week with daytime temperatures in many areas of the Midwest and the East generally in the high 40s to low 50s most days. The season's first major snowstorm roared through central Colorado on Saturday dropping 2 to 3 feet of snow in many areas, closing the Denver Airport along with major roadways. Futures trading on the November contract displayed a high degree of price volatility between days as the settlement price moved up and down more than \$0.10 per MMBtu most days last week. At the same time, prices on the spot market continued to increase. Since October 14, the price at the Henry Hub has moved up more than \$0.40 per MMBtu and ended last week at about \$3.22. Similar to the week before, the price of West Texas crude oil traded most days last week below \$21.00 per barrel. Net injections to storage were again above last year's weekly rate as 63 Bcf was added in the second week of October.

Coal Deliveries to Texas Utilities: Reports out of Texas on the coal delivery problems to electric utilities indicate that the situation remains a concern for state and industry organizations. Most of the state's major electric utilities normally have at least a 30-day supply of coal on site, but since mid-summer these inventories have declined to about a 20-day supply. Texas is the largest consumer of natural gas in the country (3.5 Tcf in 1996) with electric utilities accounting for almost a third of the state's consumption. However, based on EIA data for 1996, most of the consumption by electric utilities occurs during the months of April to October to meet air-conditioning demand. In 1996, 70 percent or 722 Bcf of the total 1,040 Bcf consumed by the Texas electric utilities, occurred in the April-to-October time period. Nevertheless, the coal delivery problems will continue to have a potential impact on this winter's supply of natural gas because Union Pacific Railroad, the key player in this situation, has indicated that all the delivery problems may not be cleared up until January. In addition to coal, this situation is affecting other goods and commodities that are transported by rail to such an extent that the Surface Transportation Board, the successor to the Interstate Commerce Commission, has scheduled a hearing for today, October 27, in Washington to discuss the problem.

Storage: According to American Gas Association (AGA) estimates, total U.S. working gas inventories are already 58 Bcf more than at the beginning of last year's heating season. AGA estimated total inventories for the week ended October 17 at 2,783 Bcf, with net injections of 63 Bcf during the week. This is the largest net injection estimate for the second full week of October since AGA began publishing such estimates in December 1993. AGA's estimates show that storage operators have added about 177 Bcf of gas to inventories in the first 17 days of October. EIA's current estimate for total inventories as of the end of September is 2,691 Bcf, just 109 Bcf less than the EIA measure of 2,800 Bcf of working gas in storage as of the end of October last year. Given the robust nature of net injections over the past 2 weeks, EIA's measure of working gas in storage for the beginning of this heating season should surpass 2,800 Bcf, and is likely to be greater than 2,900 Bcf.

Spot Prices: Last week, the price of spot market gas was trading for about \$0.30 per MMBtu less than the daily settlement prices for the November futures contract at the Henry Hub. The November contract will close on Wednesday, October 29. The season's first extended period of cool weather and the continuing coal delivery problem at Texas utilities is probably applying some upward price pressure on the spot market. Normally, these two price series are closer at this time of bid week. This could be an indication that natural gas supplies are more readily available now than they may be in the future. Even with this significant gap between the spot and futures price, the spot price at the Henry Hub and most other locations exceeded last year's level by more than \$.70 per MMBtu. Examples of some of these are: Katy in East Texas was trading for \$3.12 on Friday, October 24, compared with \$2.36 last year at this time; Waha in West Texas was \$3.05 vs. \$2.34; and Midcon. in Oklahoma was \$3.06 vs. \$2.32.

Futures Prices: The futures contract for delivery at the Henry Hub displayed some volatility last week but generally moved up most days and ended the week at \$3.548 per MMBtu - up \$0.26 for the week. Since October 1, the November contract has increased more than \$0.40 per MMBtu and is currently trading for almost \$0.90 more than last year's record settlement price of \$2.652. The December contract is also trading at record levels with prices at \$3.642 per MMBtu at this time. In addition to the Texas coal delivery situation, some of the issues that may be contributing to this price trend are: continuing concern about the lack of growth in available gas supply, constraints on Canadian import capacity, and some segments of the industry that view working gas storage levels of less than 3 Tcf as unsatisfactory.

Summary: Prices on the futures market continue to increase for both the November and December contracts. Spot prices are also moving up though at slower pace and the coal supply to electric utilities in Texas remains a concern. Additions to storage continue to be made at a strong rate nearing the end of the refill season.