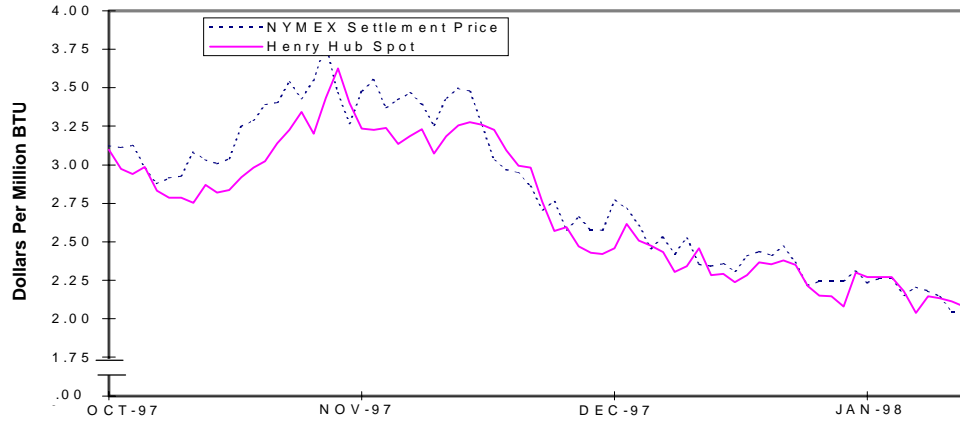


NYMEX Future Prices vs Henry Hub Spot Prices

HENRY HUB PRICE		
	SPOT	FUTURES
	Jan	Feb
	Del	Del
	(\$ per MMBtu)	
1/05	1.99-2.09	2.207
1/06	2.11-2.18	2.182
1/07	2.11-2.16	2.145
1/08	2.10-2.13	2.046
1/09	2.06-2.10	2.046

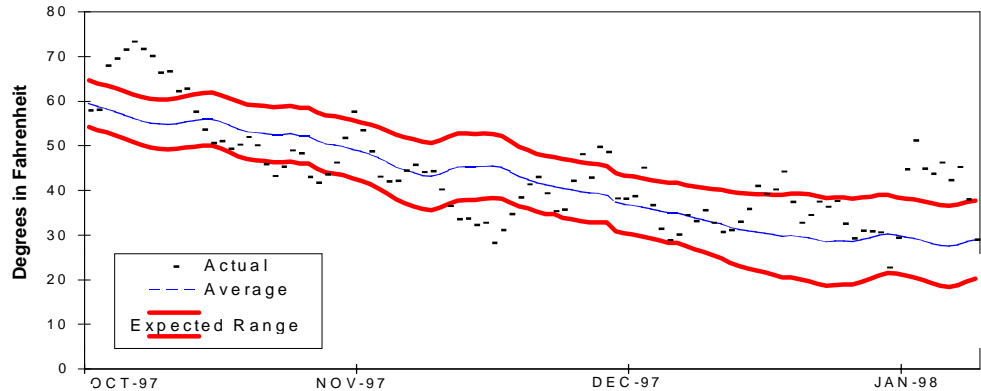


Note: The Henry Hub spot price is from the GAS DAILY and is the midpoint of their high and low price for a day.

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
1/03	51	29	22
1/04	45	29	16
1/05	44	28	16
1/06	46	28	16
1/07	42	28	14
1/08	45	28	17
1/09	38	29	9

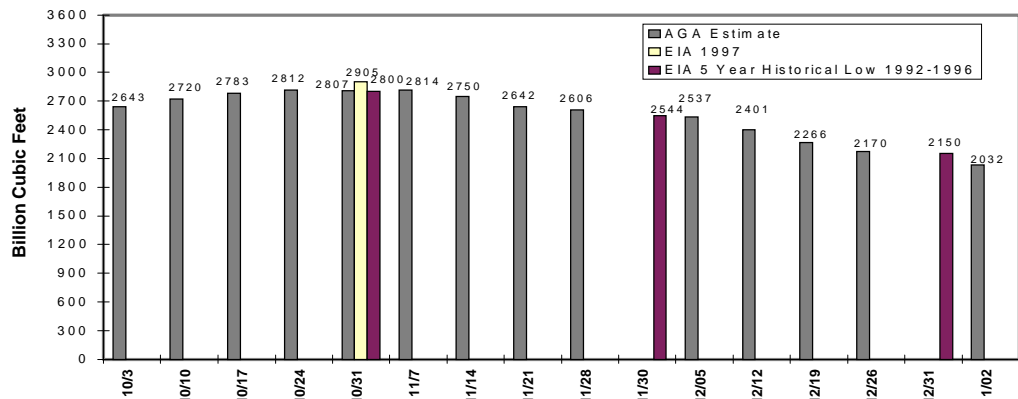


The bounds are computed by adding and subtracting from the average temperatures for the last 10 years an amount equal to twice an estimate of the standard deviation for temperatures on a day.

Working Gas In Storage 1997

Working Gas Volume as of 1/02/98		
	BCF	% Full
EAST	1266	71
WEST	263	55
Prod Area	503	55
U. S.	2032	64

Source: AGA



The NYMEX futures contract for February delivery at the Henry Hub opened Monday, January 12, at \$2.00 per MMBtu, \$0.046 less than Friday's settlement price. Average temperatures in the four cities monitored by this report (Chicago, Kansas City, New York, and Pittsburgh) were above normal most days during the last 2 weeks of December. The weather continued to be unseasonably mild in January as daily temperatures during the first 10 days of the month were 9 to 22 degrees above normal. In response to the warm weather, prices moved down sharply. The January futures contract closed at \$2.246 per MMBtu and spot market prices at the Henry Hub moved down most days and were below \$2.00 in early January. Prices on the spot and futures markets at most locations are currently 30 to 40 percent lower than year-earlier levels. The only region with stable prices appears to be the West Coast where prices at the California border have remained near \$2.35 per MMBtu since early January. [At the present time, little information is available regarding what impact the severe ice storm in northern New England and eastern Canada has had on U.S. gas markets in the region. The Iroquois Gas Transmission system, the largest U.S. pipeline company in the area, has only encountered some minor communication problems that have not caused any service disruptions.] The price of West Texas crude oil continues to decline and ended last week trading for \$16.65 a barrel. Prices of other major winter heating fuels - propane and heating oil - are now more than 30 percent below what they were last year. The estimated level of gas in storage at the end of December remained above 2 Tcf, similar to last year.

Coal Deliveries to Texas Utilities: The level of Union Pacific (UP) coal deliveries to Texas utilities continues to improve slowly, according to DOE's Office of Emergency Management. Coal train return cycle is now down below 5.5 days while average train speed is nearly 15 mph. Several utilities that had increased their use of natural gas under coal conservation programs are now using less gas to meet their generating fuel requirements.

Storage: According to American Gas Association (AGA) estimates, net withdrawals from storage for the week ending Friday, January 2, were 138 Bcf - more than 40 Bcf greater than the total the previous week and similar to the level 2 weeks earlier (135 Bcf). Based on the AGA estimates, total withdrawals during December exceeded 500 Bcf. It appears that many industry entities may be utilizing their storage resources differently than last year when, under somewhat similar weather conditions, less than 375 Bcf was withdrawn in December. However, if prices remain low through the rest of January, storage withdrawals could again be reduced. Current spot market prices are between \$0.50 and \$0.75 per MMBtu less than those paid to refill storage facilities in August, September, and October. Total working gas in storage at the end of December was estimated to be about 15 Bcf less than last year (2,032 vs. 2,049 Bcf). The Canadian Gas Association reports that working gas levels at the beginning of the New Year were estimated to be more than 17 percent greater than last year at the same time (68.6 vs. 58.5 Bcf).

Spot Prices: Since the third week of December, the spot price at the Henry Hub has moved down most days. On January 9, natural gas was trading for less than \$2.10 per MMBtu, which is similar to prices seen in June of last year. Prices at other major market locations have also moved lower as the mild winter weather reduced demand for natural gas. Katy in East Texas ended last week at about \$2.04 per MMBtu, while at Waha in West Texas natural gas traded for less than \$2.02 and in Chicago at \$2.15. All of these prices are over \$1.00 per MMBtu less than last year at this time. Prices at major import points on the Canadian border have also declined. At Emerson in Minnesota, the price was less than \$1.80 per MMBtu on Friday, January 9, while in November it was \$2.15. In New York, the Iroquois pipeline had reported postings of \$2.18 per MMBtu compared to a price of \$3.35 in early December.

Futures Prices: For the third consecutive month, the final settlement price of the current futures contract for delivery at the Henry Hub was lower than the previous month. November's contract closed at \$3.346 per MMBtu followed by December at \$2.577. The mild winter weather appears to have accelerated this trend as the January contract settled at \$2.246 per MMBtu - almost \$1.75 less than last year. At present, the February contract appears to be continuing this downward price trend. The trading price for the February contract dropped almost \$0.10 per MMBtu on Thursday and ended the week at less than \$2.05.

Summary: An extended period of warmer-than-normal weather in most parts of the country has resulted in steadily declining prices for natural gas at all market venues. Withdrawals from storage in December were 33 percent greater than in the previous December, but storage levels remain above 2 Tcf.