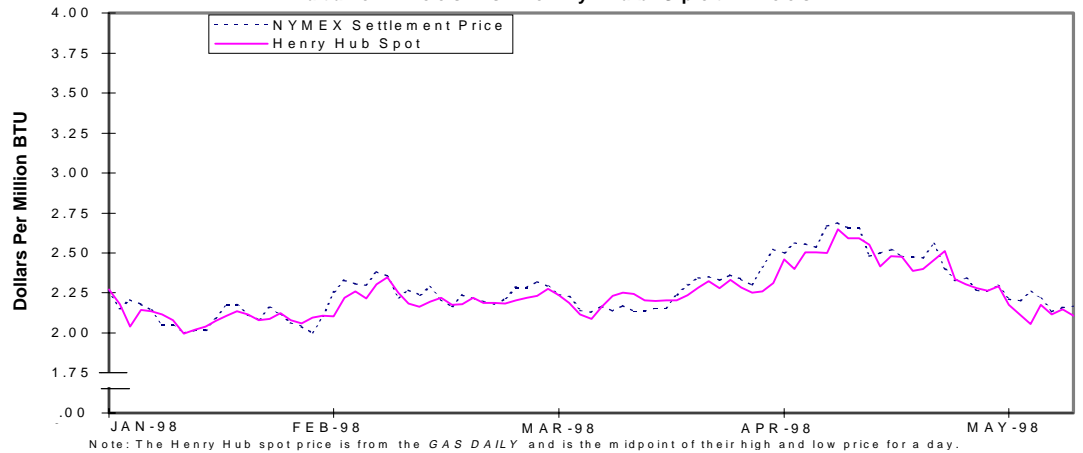


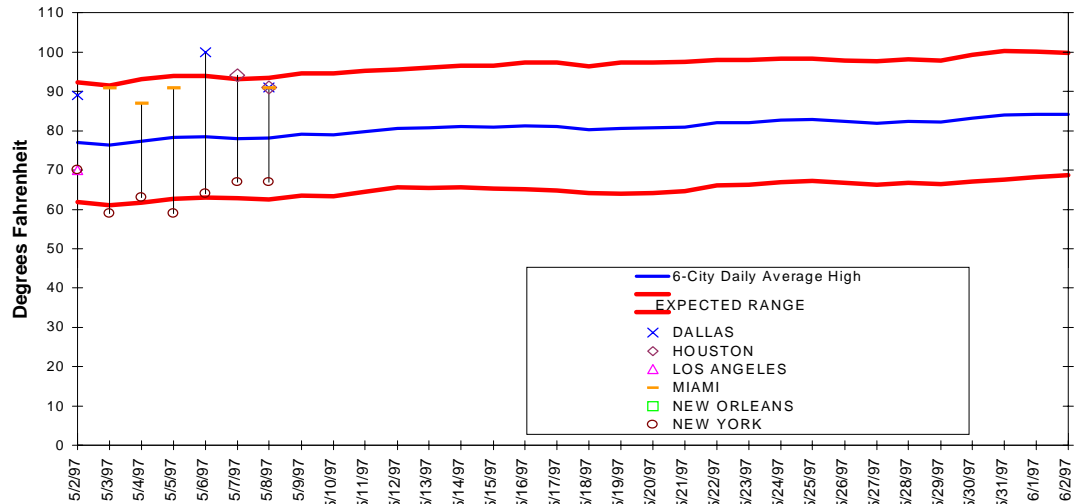
NYMEX Future Prices vs Henry Hub Spot Prices



HENRY HUB PRICE
SPOT FUTURES
May June
Del Del
(\$ per MMBtu)

| | | |
|------|-----------|-------|
| 5/04 | 2.02-2.09 | 2.257 |
| 5/05 | 2.16-2.19 | 2.215 |
| 5/06 | 2.09-2.14 | 2.135 |
| 5/07 | 2.13-2.17 | 2.159 |
| 5/08 | 2.09-2.13 | 2.167 |

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

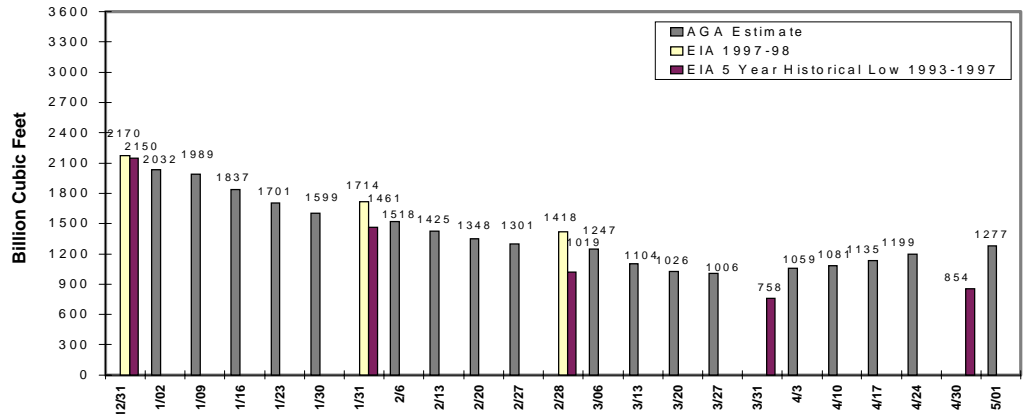


The bounds are computed by adding to and subtracting from the daily average high temperatures for the last 10 years an amount equal to twice an estimate of the standard deviation for high temperatures for each day.

Average High Temperature for Six Major Electricity Consuming Cities

| | Actual | Normal | Diff |
|------|--------|--------|------|
| 5/02 | 81 | 77 | 4 |
| 5/03 | 78 | 76 | 2 |
| 5/04 | 79 | 77 | 2 |
| 5/05 | 78 | 78 | 0 |
| 5/06 | 82 | 79 | 3 |
| 5/07 | 83 | 78 | 5 |
| 5/08 | 83 | 78 | 5 |

Working Gas In Storage



Working Gas Volume as of 5/01/98

| | BCF | % Full |
|-----------|------|--------|
| EAST | 635 | 36 |
| WEST | 182 | 38 |
| Prod Area | 460 | 50 |
| U. S. | 1277 | 40 |

Source: AGA

The NYMEX futures contract for June delivery at the Henry Hub opened on Monday, May 11 at \$2.185 per MMBtu, \$0.018 more than Friday's settlement price. Other than some high temperatures and humidity in parts of the Southwest (notably Texas) during mid-week, the weather nationwide during the first full week of the "shoulder month" of May has been basically a "non-event" with respect to gas consumption: neither too cold nor hot to engender significant space heating or cooling. The American Gas Association (AGA) storage survey data released last Wednesday indicated net injections of 78 Bcf, continuing the trend of robust storage activity for April. With this issue, the weekly market update switches to its non-heating season temperature graph, wherein we track the highest and lowest daily high temperatures from among 6 major cities (Dallas, Houston, Los Angeles, Miami, New Orleans, and New York) and an expected temperature range for daily highs. These cities were chosen for their potential for large summer-season air conditioning loads, and the associated graph is intended to give some indication of how temperature-driven space-cooling requirements in selected electricity markets might affect electric utilities' incremental demand for natural gas. Spot prices for natural gas at the Henry Hub bounced up and down throughout the week, then settled Friday with the mid-point of the range just a half of a penny less than the previous Friday, at \$2.11 per MMBtu. The June futures price settled at \$2.167 per MMBtu, losing nearly 4 cents from the previous Friday. West Texas crude oil was off \$0.35, ending the week at \$15.15 per barrel.

Storage: For the fourth consecutive week net additions to storage grew at an accelerated rate as AGA estimated that 78 Bcf of working gas was added during the week ending Friday, May 1. It appears that storage operators and their customers are taking advantage of the drop in prices and the ample supplies to get an early start on the refill season. The level of working gas on hand at the end of April was estimated to be 377 Bcf greater than last year at this time (1,277 vs 900 Bcf). Total net additions in April are estimated to be more than 270 Bcf. Based on EIA data, this is the highest level of net injections in April since 1994 when 218 Bcf were added. The average level of additions to storage in April in the previous 5 years (1993-1997) was only 110 Bcf.

Spot Prices: Friday to Friday net spot price movements were mixed throughout the country. While the mid-point of the Henry Hub spot price range fluctuated by as much as 12 cents in a day, with each day's direction of price change being the opposite of the preceeding day, it ended the week down just ½ of 1 cent net from the previous Friday at \$2.11 per MMBtu. Prices at Permian Basin area points, as well as north and south Texas locations, were unchanged or up a few pennies, while locations in east Texas and northern as well as southern on-shore Louisiana were mixed. For example, Carthage hub tailgate gained \$0.055 to \$2.105, Katy dropped \$0.015 to \$2.090, ANR in south LA gained \$0.015 to \$2.080, while Transco St. 65 dropped \$0.03 to \$2.110. Prices were down at 6 out of the 7 Canadian gas import points, 2 of the 3 Appalachia price points, and 3 of the 6 Rocky Mountain price points quoted by *Gas Daily*. The price on PGT (Kingsgate) dropped \$0.105 to \$1.455; on Questar in the Rockies, the price was down \$0.195 to \$1.825; CNG South Point in Appalachia was off \$0.02 to \$2.310, but Columbia gained \$0.025 to \$2.290.

Futures Prices: The June contract price started the week fairly strong, settling on Monday at nearly \$2.26 per MMBtu, up \$0.055 from the previous Friday's settlement price. The price then began a two-day slide, falling to \$2.135 per MMBtu on Wednesday--the lowest level since March 17. The last two days of the week saw a slight recovery, with the June contract ending the week at \$2.167 per MMBtu. With the futures price losing 3 ½ cents from its previous Friday's level, and the Henry Hub spot price virtually unchanged, the differential between the two narrowed to just under 6 cents.

Summary: Springtime weather, with generally moderate temperatures, is prevailing throughout the nation for the most part. With no significant weather-driven influences on demand apparent for the near term, and other fundamentals seemingly in order, prices seem to be reacting to local, short-term stimuli with no longer-term trend emerging as yet.