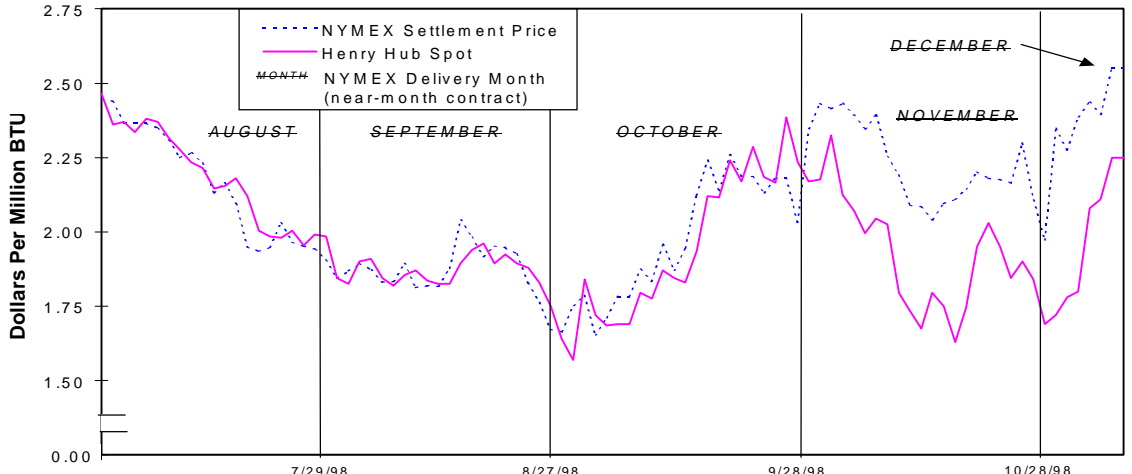


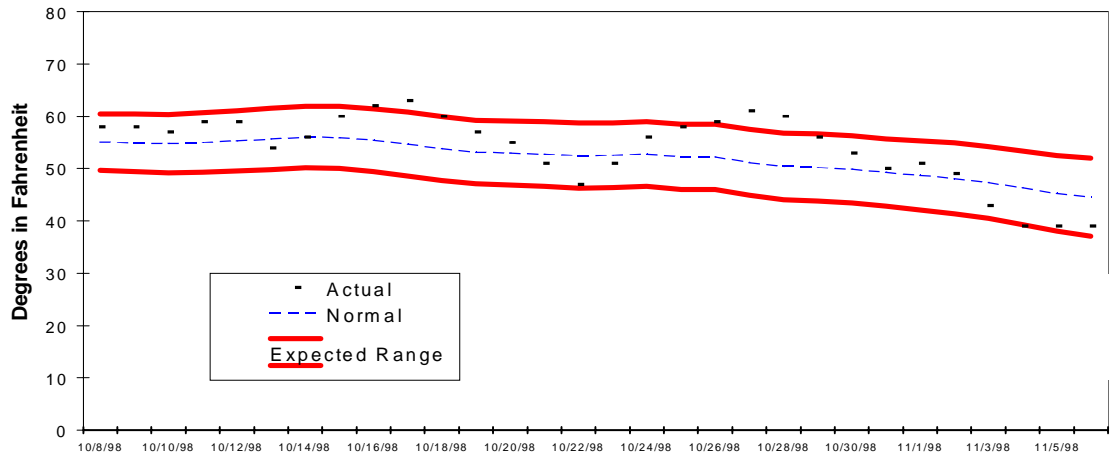
**NYMEX Future Prices vs Henry Hub Spot Prices**



Note: The Henry Hub spot price is from the GAS DAILY and is the midpoint of their high and low price for a day. The dates marked by vertical lines are the NYMEX near-month contract settlement dates.

**Average Temperature for Four Major Gas Consuming Metro Areas**

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

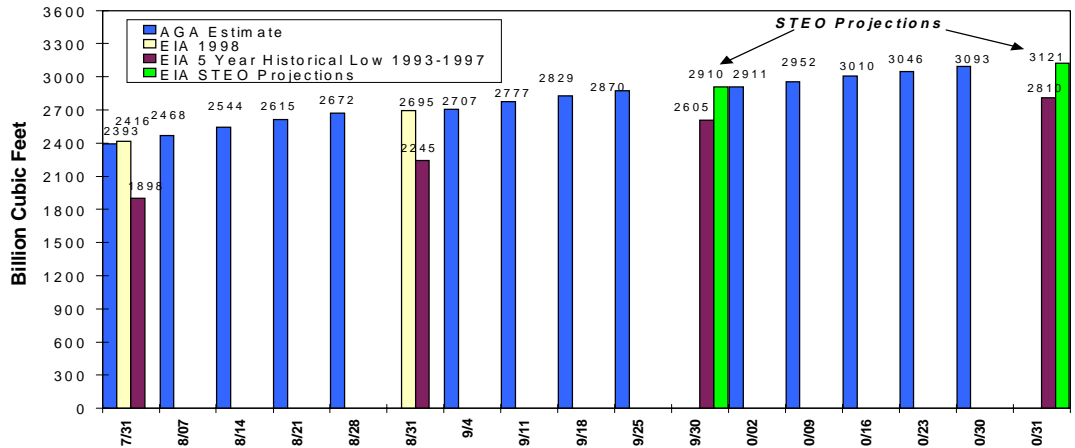


The bounds are computed by adding and subtracting from the average temperatures for the last 10 years an amount equal to twice an estimate of the standard deviation for temperatures on a day.

HENRY HUB PRICE		
SPOT	FUTURES	
November	December	
Del	Del	
(\$ per MMBtu)		
11/2	1.72-1.88	2.387
11/3	2.04-2.12	2.436
11/4	2.07-2.15	2.395
11/5	2.21-2.29	2.553
11/6	2.22-2.28	2.553

Average Temperature for Four Major Gas Consuming Areas			
	Actual	Normal	Diff
10/31	50	49	1
11/1	51	49	2
11/2	49	48	1
11/3	43	47	-4
11/4	39	46	-7
11/5	39	45	-6
11/6	39	45	-6

**Working Gas In Storage**



Working Gas Volume as of 10/30/98		
	BCF	% Full
EAST	1763	99
WEST	435	90
Prod Area	896	97
U. S.	3093	97

Source: AGA

The NYMEX futures contract for December delivery at the Henry Hub opened on Monday, November 9, at \$2.560 per MMBtu, virtually the same as Friday's settlement price. The first period of widespread cold weather was seen last week as many cities from Minneapolis to Baltimore experienced nighttime temperature lows in the 20s. In anticipation of the drop in temperatures, spot market prices rose almost \$0.30 per MMBtu on Tuesday, and by the end of the week, spot prices at the Henry Hub were trading at \$2.25—almost \$0.50 more than levels the previous Friday. The National Weather Service's (NWS) latest 7-to-10-day forecast calls for below normal temperatures to continue in the upper Midwest, the Great Lakes region, and the Northeast. The early season low temperatures and short-term forecast also affected the December futures contract price as it gained about \$0.30 per MMBtu to \$2.553. Net injections in the last week of October increased to almost 7 Bcf per day. The price of West Texas Intermediate crude oil trended down 10 to 15 cents a barrel most days and ended the week at \$13.90—roughly equivalent to \$2.40 per MMBtu.

**Storage:** The American Gas Association (AGA) estimated that the industry added 48 Bcf to storage stocks during the week ended Friday, October 30. The last week of October is traditionally the end of the storage refill season, and according to AGA estimates, working gas on hand at that time was 3,094 Bcf—the highest level in 6 years. Based on last week's weather and the current NWS short-term forecast, this November appears poised to repeat the same cold weather pattern that prevailed during November in each of the past 3 years. Temperatures were 13 percent colder than normal in November 1995, 18 percent colder than normal in November 1996, and 11 percent in November 1997. Based on EIA data, these low temperatures put early demand on heating season storage resources, with net withdrawals averaging more than 240 Bcf during November 1995-97. Net withdrawals in November 1995 were at record levels of almost 275 Bcf and 1996 was not too far behind at 265 Bcf. Last year, November withdrawals slowed to almost 190 Bcf, but still higher than the average for November during the period 1992-94 (160 Bcf).

**Spot Prices:** Prices at the Henry Hub and most major market locations moved up between \$0.30 and \$0.50 per MMBtu last week, reaching a high of \$2.29 per MMBtu in response to the season's first widespread cold weather. Cold weather in November, resulting in increased demand and elevated storage withdrawals, in the past has set the stage for higher prices in the following months. However, higher prices were realized only if the cold weather continued into other winter months, as it did in the winter of 1995-96 when February spot prices averaged more than \$4.40 per MMBtu at the Henry Hub. Last winter temperatures began to moderate in December and were more than 20 percent warmer than normal in January and February, causing prices to drop below \$2.00 per MMBtu. Working gas in storage at the end of February 1998 was about 1,425 Bcf compared with 1,000 Bcf in 1996.

**Futures Prices:** The futures contract for December delivery moved up most days last week and ended the week at \$2.553 per MMBtu. Current supply remains ample, and, even with a \$0.50 per MMBtu increase in the spot price at the Henry Hub, the differential between the cash price and the December settlement price continues to be more than \$0.30. The December contract will expire on November 24th. Last year the December contract closed at \$2.577 per MMBtu.

**Summary:** Several days of overnight freezing temperatures in the Midwest and the East saw spot prices move up \$0.50 per MMBtu at the Henry Hub last week, although they remain \$0.30 lower than the near month NYMEX contract. Working gas in storage concluded the refill season at almost 3,100 Bcf, the highest level since 1992.