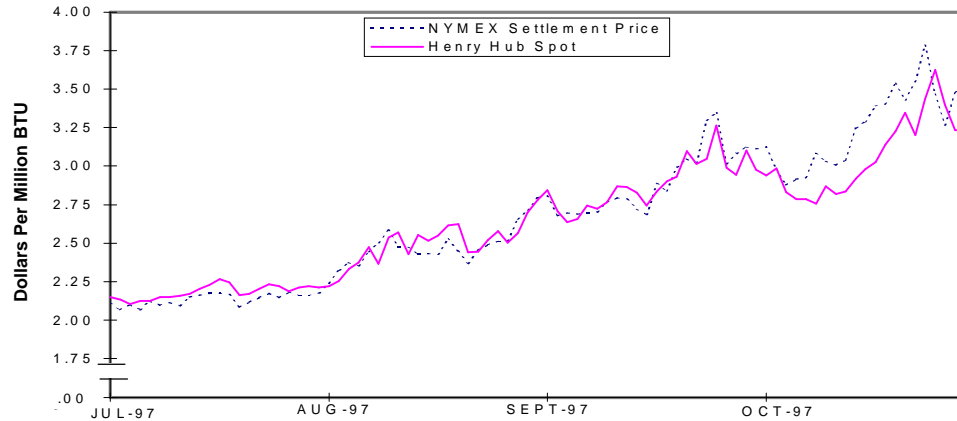


NYMEX Future Prices vs Henry Hub Spot Prices

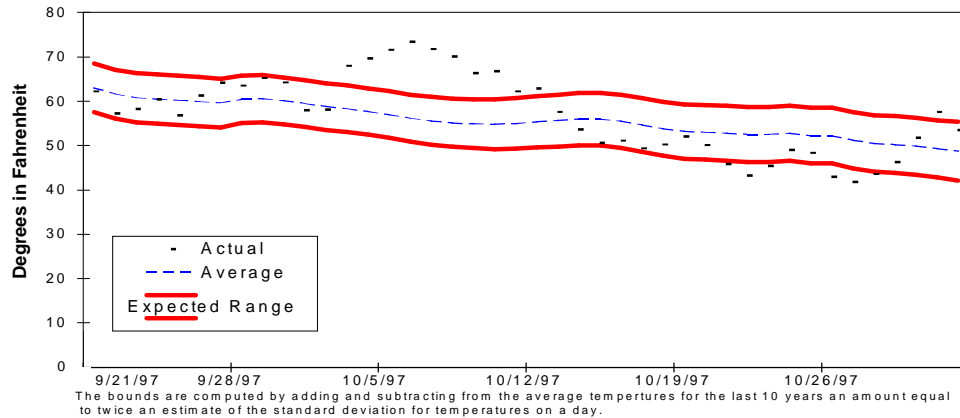
HENRY HUB PRICE		
	SPOT	FUTURES
	Oct	Nov/Dec
	Del	Del
	(\$ per MMBtu)	
10/27	3.40-3.47	3.785
10/28	3.56-3.69	3.467
10/29	3.37-3.43	3.266
10/30	3.19-3.28	3.478
10/31	3.17-3.28	3.552



Average temperature for Four Major Gas Consuming Metro Areas

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

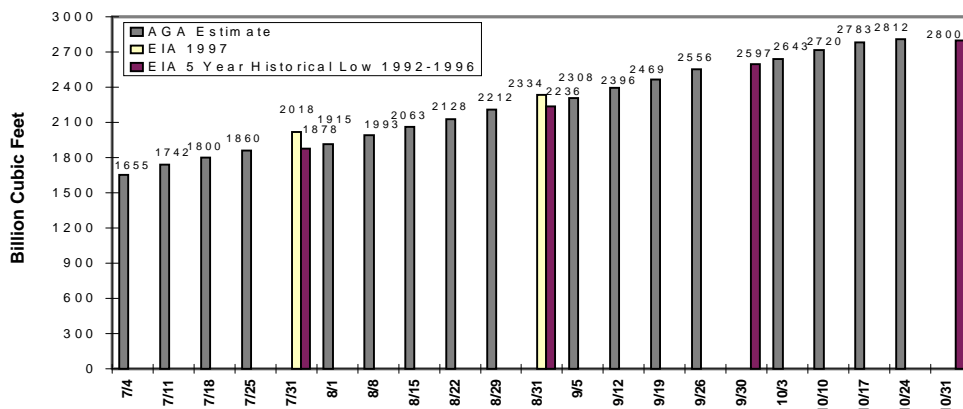
Average Temperature for Four Major Gas Consuming Areas			
	Actual	Normal	Diff
10/26	43	52	-9
10/27	42	51	-9
10/28	44	50	-6
10/29	46	50	-4
10/30	52	50	2
10/31	58	49	9
11/01	54	49	5



Working Gas In Storage 1997

Working Gas Volume as of 10/24/97		
	BCF	% Full
EAST	1693	95
WEST	369	77
Prod Area	750	82
U. S.	2812	88

Source: AGA



After reaching its high point of \$3.785 per MMBtu last Monday, the NYMEX futures contract for November delivery at the Henry Hub fell more than \$0.30 on Tuesday and \$0.20 on Wednesday to its final settlement price of \$3.266 at Wednesday's close. On the same day, the contract for December delivery, now the near-month contract, closed at \$3.475 per MMBtu. On Monday, November 3, the December contract opened at \$3.598 per MMBtu, \$0.046 more than Friday's settlement price. The average temperature for the four cities monitored by this report (Chicago, Kansas City, New York, and Pittsburgh) were below normal in the first half of the week. A warming trend then moved in, and by Saturday average temperatures were 9 degrees above normal. With a 1-day lag, spot market prices followed the November futures price downward and continued this trend through the end of the week. As the futures price fell, the Henry Hub spot price displayed a high degree of volatility and rose about \$0.20 per MMBtu on Tuesday to about \$3.65, then proceeded to fall to about \$3.22 by Friday's close. The price for West Texas crude oil dipped to around \$20.50 per barrel on Tuesday, then steadily climbed back to \$21.10 by Friday. Net injections to storage during the week ending October 24 moved down to about 4 Bcf per day, less than half the estimated rate for the previous week.

Gas Consumption by Texas Utilities: As a result of the widespread breakdown in rail service in the Southwest, the Surface Transportation Board (STB) has ordered Union Pacific (UP) railroad temporarily to open the Houston area to other railroads. It is hoped that this move will provide some relief to the summer-long shipping delays of coal to electric utilities in the area. The STB also ordered UP to continue allowing Burlington Northern to use UP lines in central Texas to move delayed shipments of coal and other commodities to utilities and other businesses in that part of the state.

Storage: According to American Gas Association (AGA) estimates, net storage injections were 29 Bcf during the week ending Friday, October 24, with only 7 Bcf going into facilities in the Consuming East region. Total injections are similar to AGA's historical estimates for this time of year. With a full week remaining in October, AGA's estimate of total working gas in storage, at 2,812 Bcf, is almost 100 Bcf more than its estimated peak level last year of 2,725 Bcf, as of November 1. And in the Consuming East, AGA's estimate of working gas of 1,693 Bcf is only 2 percent below the estimated level as of November 1 of last year. Working gas inventories as of October 24 for the Producing and Consuming West regions, as estimated by AGA, are already 12 percent and 10 percent, respectively, above their peak levels of last year.

Spot Prices: The spot price at the Henry Hub moved up sharply last Monday and Tuesday, increasing about \$0.20 per MMBtu each day to reach almost \$3.65 per MMBtu on October 28. It appeared that it was being pulled up by the hefty increases seen Friday and Monday in the November futures contract price. On Wednesday, the day the November contract closed, the spot price was more than \$0.15 per MMBtu higher than the futures at the Henry Hub. This was the first time in more than 2 weeks that the spot price was higher than the November contract price. This could be an indication that the short-term supply of gas has now tightened or that some involved in the market saw an opportunity based on the large gap between the two prices for some market advantage. With no serious weather-related demand and the slowing of net injections, the latter case would appear to be more likely.

Futures Prices: Before closing out on Wednesday, October 29, the futures contract price for November delivery at the Henry Hub fell precipitously from its Monday settlement price of \$3.785 per MMBtu to its closing price of \$3.266. Even with this loss, the November contract was more than \$0.60 per MMBtu higher than last year's record settlement of \$2.652. The final November contract price was almost \$0.10 per MMBtu less than October's record contract of almost \$3.35. This could be an indication that those involved in the natural gas markets are viewing the supply of natural gas during the coming winter months with more confidence.

Summary: The November futures contract closed on Wednesday after moving down more than \$0.50 per MMBtu from Monday's settlement price. Spot prices also moved down most days as the market appears to be searching for some indications as to what price levels should be entering the heating season. Working gas additions slowed, but the level of gas at the end of October will probably exceed last year by more than 100 Bcf.