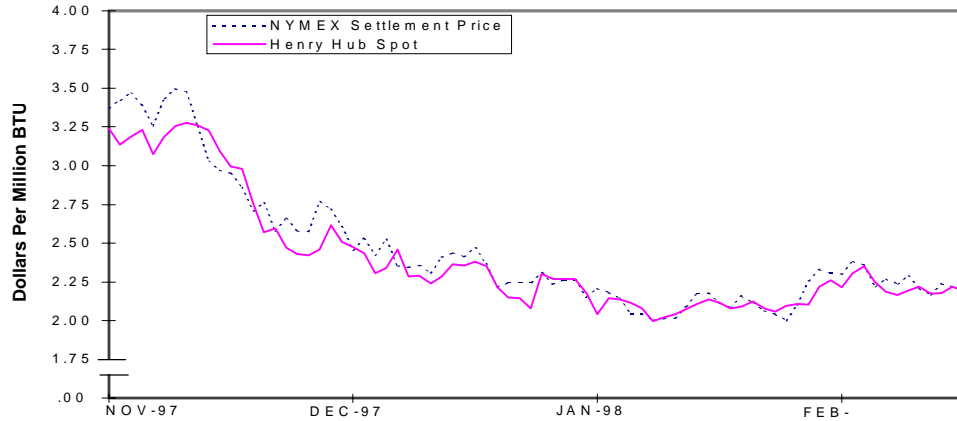


NYMEX Future Prices vs Henry Hub Spot Prices

HENRY HUB PRICE		
SPOT	FUTURES	
Feb	Mar	
Del	Del	
(\$ per MMBtu)		
2/16	Holiday	Holiday
2/17	2.15-2.20	2.166
2/18	2.15-2.21	2.238
2/19	2.20-2.24	2.217
2/20	2.17-2.21	2.198

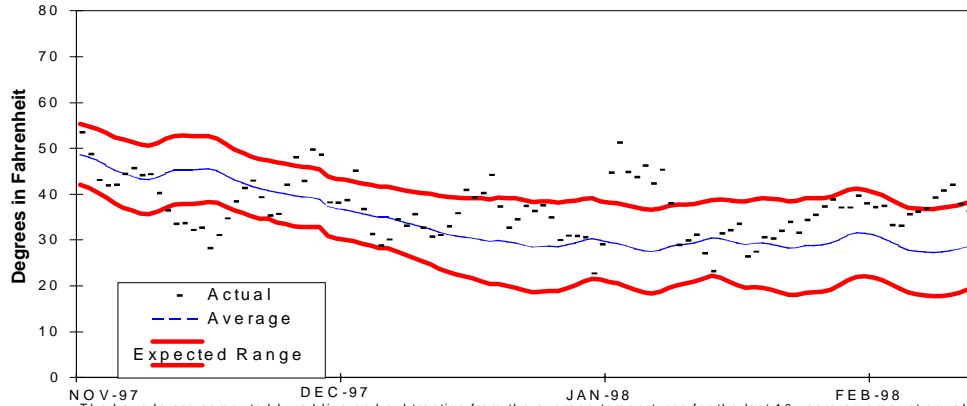


Note: The Henry Hub spot price is from the GAS DAILY and is the midpoint of their high and low price for a day.

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
2/14	37	29	8
2/15	38	30	8
2/16	40	32	8
2/17	40	33	7
2/18	42	34	8
2/19	41	35	6
2/20	42	36	6

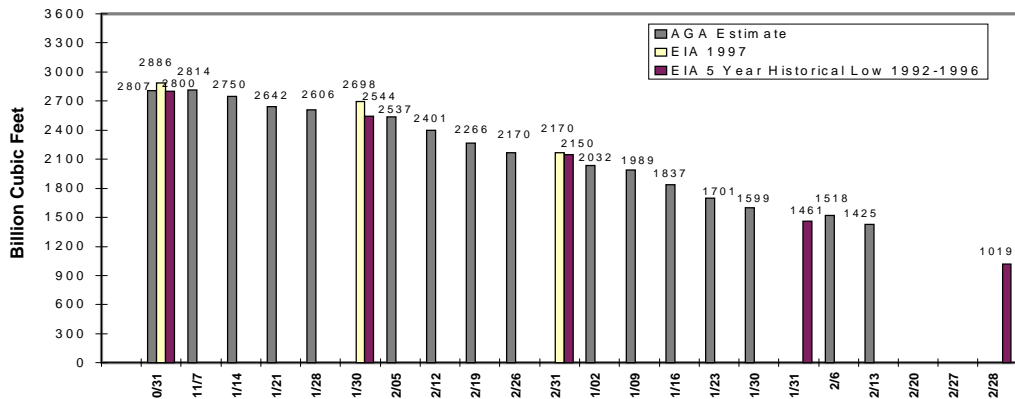


The bounds are computed by adding and subtracting from the average temperatures for the last 10 years an amount equal to twice an estimate of the standard deviation for temperatures on a day.

Working Gas In Storage

Working Gas Volume as of 2/13/98		
	BCF	% Full
EAST	842	47
WEST	212	44
Prod Area	371	40
U. S.	1425	45

Source: AGA



The NYMEX futures contract for March delivery at the Henry Hub opened Monday, February 23, at \$2.18 per MMBtu, \$0.018 less than Friday's settlement price. Warmer-than-normal weather continued to prevail throughout the country for another week. The daily average of temperatures for the four metropolitan areas monitored by this report (Chicago, New York, Kansas, and Pittsburgh) ranged from 6 to 8 degrees above normal last week, and the composite average temperature for the week was 22 percent warmer than normal. The American Gas Association's (AGA) latest storage report estimated net storage withdrawals for the week ended February 13 at a modest 93 Bcf. While both the March futures price and Henry Hub spot price began the holiday-shortened week off a few cents from the previous Friday's closing levels, by Friday, February 20, they were back to virtually identical levels from the end of the previous week. Despite the Iraqi/weapons inspection crisis, the price of West Texas Intermediate crude oil fell below \$16 per barrel midweek, then recovered somewhat to close the week at \$16.20 per barrel.

Storage: AGA's estimate of 93 Bcf of net withdrawals for the week ended Friday, February 13, is almost 70 Bcf less than for the same week last year. This latest AGA estimate indicates that 1,425 Bcf of working gas was still available in mid-February - almost 300 Bcf more than last year at the same time. The great majority of this additional gas is located in storage facilities in the Consuming East and Producing regions, 155 and 119 Bcf, respectively. If the mild weather continues, as forecasted by the National Weather Service (NWS), then this difference or surplus between years is likely to remain and may even increase. Last year, temperatures in February and March were above normal in most parts of the country and heating degree days were almost 12 percent below normal. Thus far in February, according to the NWS, heating degree days have been more than 15 percent lower than normal overall, and in major gas-consuming areas in the Midwest and the East the difference is over 20 percent. EIA data for February and March of last year indicate that net withdrawals were 512 Bcf during these 2 months. If current weather forecasts prove to be correct, then based on EIA's most recent estimate of gas on hand at the end of January, the level of working gas at the end of March could be close to 1,200 Bcf. This would be the highest level of working gas at the end of the heating season since the 1995 level of 1,332 Bcf. Based on EIA data, the end-of-March levels in 1996 and 1997 were 758 and 990 Bcf, respectively.

Spot Prices: Over the past 2 weeks, the spot price at the Henry Hub price has settled around \$2.20 per MMBtu. Since reaching the February peak (thus far) of \$2.35 on Friday, February 6, the mid-point of the common daily range fluctuated between \$2.17 and \$2.25. On Friday, February 20, the mid-point settled at \$2.19, just \$0.03 less than its level on the previous Friday. Intra-day variability has been even smaller, with no more than a 6-cent price spread on any day of trading last week. Likewise, prices were relatively constant at other major trading points, with price changes during the week generally no more than a few cents. Last year at this time, the Henry Hub spot price settled at \$1.91 per MMBtu, with still lower prices to come.

Futures Price: March futures prices for delivery at the Henry Hub have shown a bit more volatility over the past 2 weeks than their counterpart spot prices. Yet the March contract settled Friday, February 20, at \$2.198 per MMBtu, just 1 cent less than its closing level the previous week. When the contract settled at \$2.166 on the first trading day last week, Tuesday, February 17, some might have thought that the current fundamentals (mild weather, supply, distribution, etc.) were again beginning to be reflected. Just as quickly, however, the price bounced back the next day to \$2.238. During the past 2 weeks, the high and low settlement prices have been \$2.288 and \$2.166, respectively. The March contract is due to close out trading on Wednesday, February 25.

Summary: The winter continues to be very mild in most areas of the country, and storage levels remain well ahead of last year. Henry Hub spot and futures prices have largely stabilized around \$2.20 over the past couple of weeks.