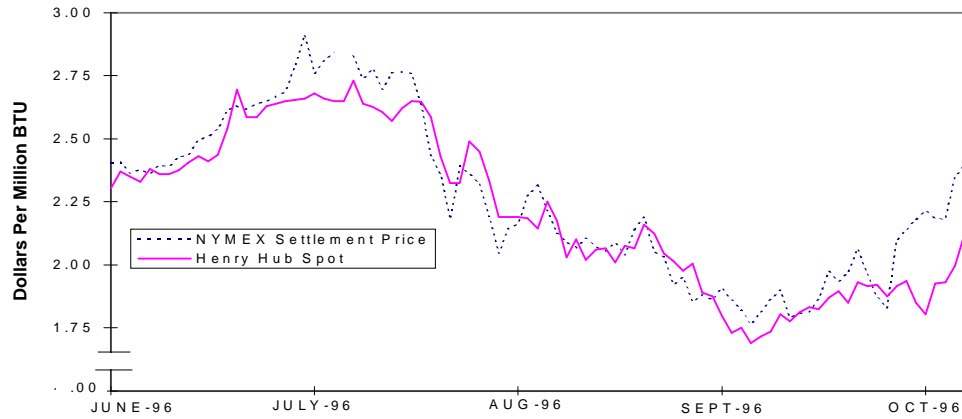


**NYMEX Price Futures vs Henry Hub Spot Price**

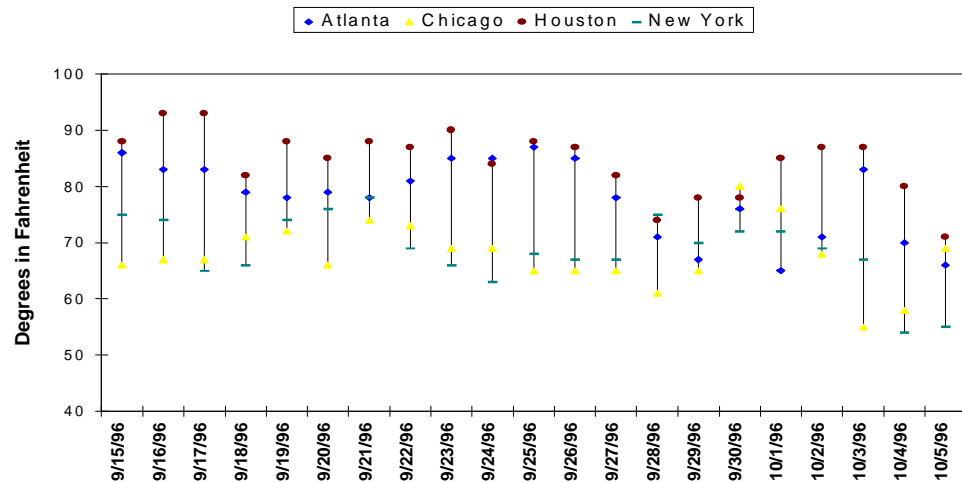
HENRY HUB PRICE		
	CASH	FUTURES
	Oct.	Nov.
	Del	Del
	(\$ per MMBtu)	
9/30	1.76-1.85	2.214
10/1	1.90-1.95	2.185
10/2	1.91-1.95	2.180
10/3	1.95-2.04	2.346
10/4	2.07-2.18	2.396



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

**High Temperature for Four Selected Cities**

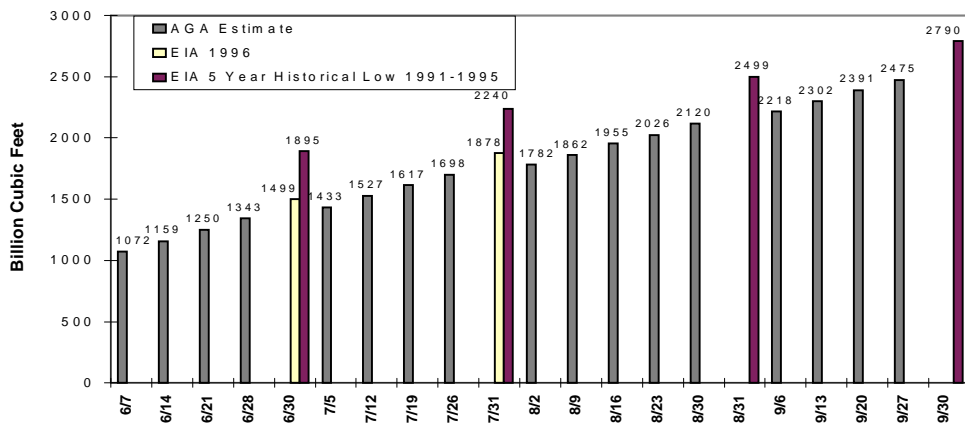
Average Temperature for Four Major Gas Consuming Areas			
	Actual	Normal	Diff
9/29	62	67	-5
9/30	64	67	-3
10/1	65	67	-2
10/2	68	66	2
10/3	65	66	-1
10/4	59	65	-6
10/5	57	65	-8



**Working Gas In Storage 1996**

Working Gas Volume as of 9/27/96		
	BCF	% Full
EAST	1,545	86
WEST	330	69
Prod Area	600	66
U. S.	2,475	78

Source: AGA



Futures prices at the Henry Hub were \$2.40 per MMBtu for November delivery at the beginning of trading on Monday, October 7. On Thursday, October 3, futures prices at the Henry Hub for November delivery varied widely from \$2.175 to \$2.355 per MMBtu and closed at \$2.346 per MMBtu. This closing price was significantly higher than the previous day's level (\$2.180 per MMBtu) and significantly higher than cash prices at the Henry Hub for October delivery, which were near \$2.00 per MMBtu. The higher futures prices stemmed from concerns about prices this coming heating season. Last season's high prices persisted into the spring of 1996 and were, in large part, a consequence of colder-than-normal weather and relatively low storage levels. Thus, the unseasonably cold weather forecast for the end of the week and the perception by some parts of the industry that storage levels should be higher, is reminiscent of conditions last heating season when prices not only were high but at times rose dramatically. Another factor contributing to the increase in futures prices was technical trading where traders buy futures contracts when certain predetermined price levels are exceeded. This naturally tends to drive up prices further. However, the relatively high prices for November delivery and low prices for current delivery will tend to result in buying and storing gas now for forward delivery in November. This will tend to raise current prices and reduce forward prices.

**Storage:** As expected, storage injections were again robust at 84 Bcf for the week ending September 27, according to American Gas Association estimates. Storage levels in the East consuming region are consistently improving from one week to the next and injections in the producing region can be extended into early December. Current storage levels are viewed differently by many segments in the gas industry from several months ago. At that time low storage levels, high temperatures in the West and high injection rates in the East supported high prices through mid-July. Conditions are also different in that Canadian storage levels are now 10 percent higher than last year at this time.

**Futures Prices:** The futures price for November delivery rose \$0.25 per MMBtu from Thursday, September 26 to Thursday, October 3. At the end of trading on September 26, prices were \$2.096 per MMBtu. Futures prices are once more very volatile, with options having an implied (20 day annualized) volatility of about 65 percent, more than 3 times as high as most other commonly traded commodities.

**Spot Prices:** Cash prices were \$2.12 per MMBtu on Friday, October 4, an increase of about 12 cents in a day. Compared with futures prices, cash prices had been relatively stable in late September and early October and generally ranged near \$1.90 to \$2.00 per MMBtu. Nonetheless, cash prices were still about \$0.15 per MMBtu higher than year earlier levels. Some of the support for higher gas prices is a consequence of very high oil prices which are being influenced by low stocks levels and rising demands for oil products throughout the world.

**Summary:** Futures prices at the Henry Hub for November delivery jumped \$0.30 per MMBtu the last two days of the week as the first hint of cold weather was forecasted in the East. Recent reports of low propane and heating oil stocks and the possible impact on gas demand this winter are factors adding uncertainty to the market.