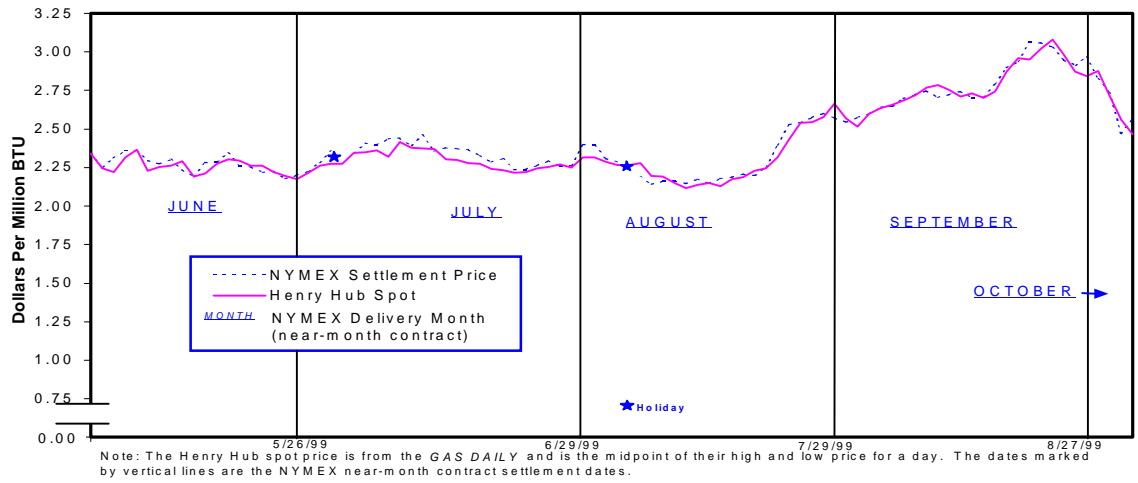


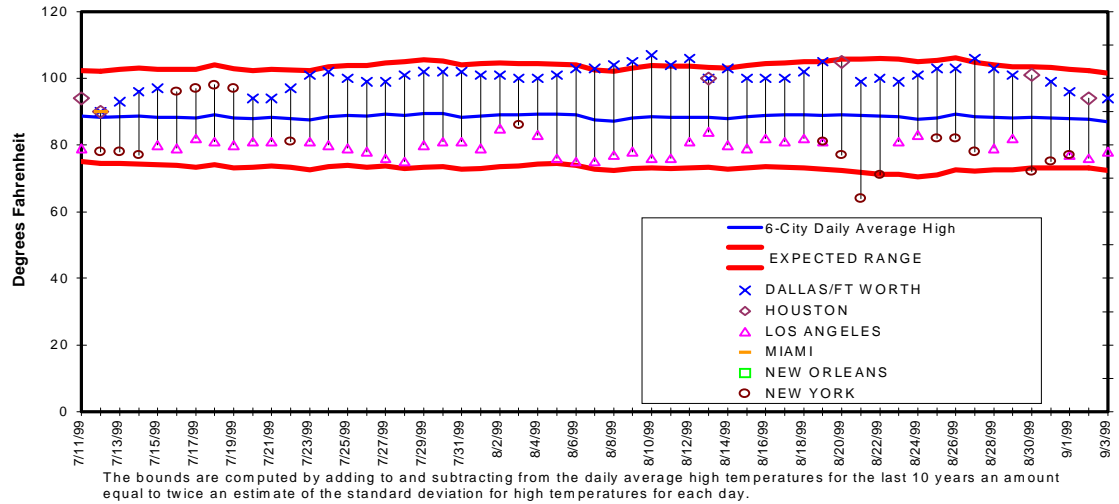
**NYMEX Future Prices vs Henry Hub Spot Prices**

HENRY HUB PRICE		
	SPOT	FUTURES
	September	October
	Del	Del
	(\$ per MMBtu)	
08/30	2.83-2.86	2.969
08/31	2.84-2.91	2.825
09/01	2.69-2.74	2.737
09/02	2.55-2.57	2.471
09/03	2.43-2.50	2.561



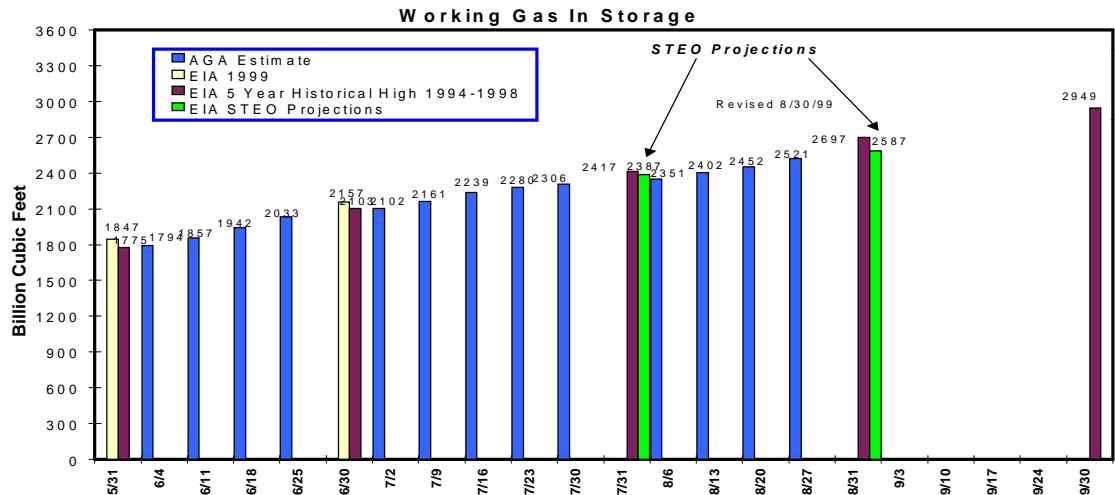
**Ten-Year Average of High Temperatures, and Daily Highest and Lowest High Temperatures for 6 Cities, May-September**  
(Dallas/Ft Worth, Houston, Los Angeles, Miami, New Orleans, New York)

Average High Temperature for Six Major Electricity Consuming Cities			
	Actual	Normal	Diff
08/28	93	88	5
08/29	93	88	5
08/30	88	88	0
08/31	90	88	2
09/01	86	88	-2
09/02	84	88	-4
09/03	88	87	1



Working Gas Volume as of 08/27/99		
	BCF	% Full
EAST	1382	76
WEST	390	80
Prod Area	749	79
U. S.	2521	78

Source: AGA



The NYMEX futures contract for October delivery at the Henry Hub opened on Tuesday, September 7, at \$2.540 per MMBtu, down \$0.021 from Friday's settlement. Temperatures began to moderate throughout the nation last week. In the Northeast, several cities had one or more days in which high temperatures were only in the 60s, while in Texas, high temperatures in Dallas retreated to the 90s. Prices on both the spot and futures markets fell significantly, although the October contract recovered somewhat on Friday. Spot prices at most market locations fell by 30 to 50 cents or more between Tuesday and Friday. At the Henry Hub, the midpoint price dropped from \$2.875 to \$2.465 per MMBtu. The October futures contract fell nearly half a dollar in 3 days before halting its slide on Friday, recovering 9 cents to end the week at \$2.561 per MMBtu. West Texas Intermediate crude oil traded above \$22 per barrel for the first 3 days of the week, then fell slightly to end the week at \$22.05—roughly equivalent to \$3.80 per MMBtu.

**Storage:** The American Gas Association (AGA) estimates that net additions to storage for the week ended Friday, August 27, were 69 Bcf. This is the highest weekly total since the second week of July and raises estimated stock levels to 2,521 Bcf. The Producing region reported a dramatic increase in net additions with 20 Bcf added. Over the previous four weeks, the region's stocks were drawn down by 5 Bcf overall. Estimated stock levels in the Producing region are now almost 750 Bcf or 79 percent full. This turnaround in storage additions is likely the result of the moderating temperatures in most gas-consuming areas of the country. Overall, AGA estimates show that storage inventories are running less than 6 percent, or 151 Bcf (2,521 vs. 2,672 Bcf), behind last year at the same time. EIA estimates show a smaller difference at the end of August with an estimated 2,587 Bcf of working gas in storage, about 1 percent behind last year's levels. Based on EIA's estimates, with over 9 weeks remaining in the refill season, the industry would have to add a weekly average of about 50 Bcf to reach a level of 3,000 Bcf by November 1. This is well within the range of 2,810 to 3,176 Bcf seen during the 5-year period from 1994 through 1998.

**Spot Prices:** As temperatures began to moderate at the beginning of last week, spot prices at most market locations lost 1 to 3 cents from Friday's ranges. The Henry Hub midpoint spot price moved down from \$2.870 per MMBtu on Friday to \$2.845 on Monday. Western prices tended to have a bit more support, reportedly from end-of-month balancing demand. Prices turned up somewhat in early trading Tuesday, but this slight show of strength was shortlived: demand in the Northeast was almost nonexistent, Midcontinent utilities were turning gas back to suppliers, and the October futures contract fell 14 cents by Tuesday's close. By Friday, spot prices had fallen 30 to 50 cents or more from their Monday levels at almost every market location tracked by *Gas Daily*. Only a couple of locations trading imported Canadian gas saw price drops of less than 30 cents.

**Futures Prices:** Futures prices underwent a major correction last week, as the near-month contract fell sharply each day from Tuesday through Thursday, August 31-September 2. On its first day as the near-month contract, the October contract gained about 6 cents in trading on Monday, settling at \$2.969 per MMBtu, up from September's expiry price of \$2.912. However, over the next three days, several factors seemed to combine to drive the price down. First, with the passing of Hurricane Dennis up the East Coast, concerns about its impact dissipated. Second, the market reaction to the AGA's weekly storage report proved to be quite bearish.

Apparently, with hot weather having prevailed for much of the week ending August 27, many were expecting net injections to be at or below 50 Bcf, in keeping with AGA estimates over the previous 5 weeks. Third, the rapidly falling prices served to accelerate selling by institutional and speculative investors, helping to fuel the more than 26-cent drop on Thursday. The October contract bounced back 9 cents on Friday to finish the week at \$2.561 per MMBtu.

**Summary:** Prices on both spot and futures markets had their largest declines since December, as temperatures moderated in most major gas-consuming areas, and storage injections picked up. This dramatic drop in prices indicates the market seems to have reassessed the fundamentals and found them to be solid: there have been no production interruptions, storage refill appears adequate, and the summer heat has begun to recede as we move into the fall.