FT
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Eastern Edition

Gas Daily®

Daily Price Survey

Listed in the left column are the midpoints of the daily ranges for the most common prices, paid in $/mmBtu of a typical volume of 5 thousand mmBtu. The middle column shows absolute low-high prices for transactions reported on the date at the top of the column; the third column shows that day's ranges for the most common prices. The prices are generally for gas flowing today; weekends are usually priced using data collected Friday. Ranges are for deals done before nomination deadlines. Boldface indicates the price range is based on data reported the previous day. Plain type indicates insufficient data to reconfirm or change the previous range. The common range is built around the volume weighted average and the midpoint is calculated for the common range.

NATIONAL AVERAGE PRICE: $2.015******

Trans. date	**1/7**	**1/7**	**1/7**
Flow date(s)	**1/8**	**1/8**	**1/8**
	Midpoint	**Absolute**	**Common**
Permian Basin Area			
El Paso	1.775	**1.71-81**	**1.75-80**
Northern (Mids 1-6)	1.825	**1.78-85**	**1.81-84**
Tex intras, Waha area	1.815	**1.75-89**	**1.78-85**
Transwestern	1.775	**1.74-81**	**1.76-79**
East Texas—North La. Area			
Carthage Hub tailgate	1.855	**1.82-88**	**1.84-87**
Koch (Zones 1&2)	1.745	**1.70-77**	**1.73-76**
Lone Star	1.750	**1.74-76**	**1.74-76**
MRT mainline	1.930	**1.90-96**	**1.91-95**
MRT west leg	1.870	**1.86-88**	**1.86-88**
NGPL TexOk (West)	1.835	**1.79-88**	**1.81-86**
NGPL TexOk (East)	1.835	**1.78-92**	**1.80-87**
Tennessee, 100 leg	1.845	**1.82-88**	**1.83-86**
Texas Eastern (ETX)	1.850	**1.81-90**	**1.83-87**
Texas Gas (entire Z 1)	1.855	**1.82-92**	**1.83-88**
East—Houston—Katy			
Houston Ship Channel	1.895	**1.84-95**	**1.87-92**
Katy plant tailgate	1.830	**1.77-89**	**1.80-86**
Trunkline North	1.855	**1.80-89**	**1.83-88**
North—Texas Panhandle			
NGPL (Permian)	1.780	**1.76-80**	**1.77-79**
Northern (Mid 10)	1.850	**1.82-93**	**1.82-88**
Transwestern	1.775	**1.74-81**	**1.76-79**
South—Corpus Christi			
Agua Dulce hub	1.810	**1.78-86**	**1.79-83**
Florida Gas	1.860	**1.84-88**	**1.85-87**
HPL	1.790	**1.75-87**	**1.76-82**
Koch (Zone 1)	1.770	**1.73-81**	**1.75-79**
MidCon Tex (UTTCO)	1.940	1.93-95	1.93-95
NGPL (STX)	1.845	**1.80-90**	**1.82-87**
Tennessee	1.845	**1.76-94**	**1.80-89**
Texas Eastern (STX)	1.830	**1.76-88**	**1.80-86**
Transco, St 30	1.820	**1.75-87**	**1.79-85**
Trunkline South	1.815	**1.76-90**	**1.78-85**
PG&E-GTT (Valero)	1.765	**1.76-78**	**1.76-77**
Louisiana—Onshore South			
ANR	1.855	**1.80-91**	**1.83-88**
Columbia	1.860	**1.80-92**	**1.83-89**
Columbia, Mainline	1.900	**1.82-95**	**1.87-93**
FGT Z1	1.860	**1.84-88**	**1.85-87**
Z2	1.910	**1.86-94**	**1.89-93**
Z3	1.900	**1.85-93**	**1.88-92**
Henry Hub	1.895	**1.83-95**	**1.87-92**
Koch (Zones 2&4)	1.800	**1.77-84**	**1.78-82**
La. intrastates	1.895	**1.85-95**	**1.87-92**
NGPL (La.)	1.850	**1.78-91**	**1.82-88**
Sonat	1.915	**1.86-97**	**1.89-94**
Tennessee, 500 leg	1.875	**1.84-94**	**1.85-90**
Tennessee, 800 leg	1.870	**1.83-94**	**1.84-90**
Texas E. (WLA)	1.865	**1.83-92**	**1.84-89**
Texas E. (ELA)	1.885	**1.84-93**	**1.86-91**
Texas Gas SL	1.875	**1.82-91**	**1.85-90**
Transco, St. 45	1.855	**1.79-93**	**1.82-89**
Transco, St. 65	1.895	**1.83-96**	**1.86-93**
Trunkline WLA	1.905	**1.84-93**	**1.88-93**
Trunkline ELA	1.860	**1.80-92**	**1.83-89**
Oklahoma			
ANR	1.875	**1.78-2.00**	**1.82-93**
NGPL (Midcont.)	1.825	**1.75-98**	**1.77-88**
NorAm (North/South)	1.845	**1.79-92**	**1.81-88**
NorAm (West)	1.820	**1.80-87**	**1.80-84**
Northern (Mid 11)	1.865	**1.80-97**	**1.82-91**
ONG	1.850	**1.77-2.00**	**1.79-91**
PEPL	1.855	**1.78-2.04**	**1.79-92**
Williams	1.855	**1.79-90**	**1.83-88**
New Mexico—San Juan Basin			
El Paso, Bondad	1.780	**1.72-80**	**1.76-80**
El Paso, non-Bondad	1.765	**1.70-81**	**1.74-79**
TW (Ignacio, pts south)	1.710	**1.70-72**	**1.70-72**

continued on next page

Texaco cuts cap ex budget by $600 million

Texaco yesterday reduced its 1999 capital and exploratory plan to $3.7 billion, down $600 million from its original $4.3 billion plan.

The company also said it would accelerate its $650 million cost and expense reduction program announced last month. The announcement places Texaco among a growing list of oil and gas companies that have cut back on capital expenditure plans in the face of a worldwide low hydrocarbon price environment.

"Given this period of low energy prices, our revised spending plan together with our cost and expense reduction program are appropriate actions," said Texaco Chairman and CEO Peter Bijur. "We are strategically focusing capital on the key projects that represent

(continued on page 8)

Cash reversals surprise many in the market

Chicago prices, which ran up very strongly on Wednesday, did the opposite yesterday. Evidently, everybody who could get gas to the citygates rushed to capture some of the high prices only to fall victim to the law of supply and demand.

The Market

One trader who bought too early and too high said he felt like roadkill. After grabbing what he needed before the price went up again, he saw the price fall to around $2. He said, "I've got tire tracks across my backside."

"It's still cold as heck in Chicago, but it's warmer than it was," one trader said. "The market dried up once the LDCs [local distribution companies] stopped buying," a marketer said.

Reported trades at the Michigan citygates fell to a fairly narrow range around $2, not

(continued on page 7)

New York seeks sales tax on local carriage

Local transportation of gas by New York utilities could be subjected to sales tax after a Jan. 1 opinion issued by a state tax commissioner lifted an exemption for local carriage of electricity.

The opinion, written by Deputy Commissioner and Counsel Steven Teitelbaum, specifically levies a sales tax under Section 1105(b) of the state's tax code on the transport of electricity to a customer, and was prompted by the restructuring of power markets in New York. The state levies 4% sales tax, and localities impose additional tax under the code, with much of the state paying a total tax of about 8%.

A spokesperson for the New York Dept. of Taxation and Finance said the opinion applies only to electricity, but that the department is "reviewing the logical and legal

(continued on page 6)

Ga. muni wins right to serve N.C. community

The North Carolina Utilities Commission (NCUC) last month approved a new $21 million pipeline that will cross state lines and establish a new distribution system in a small town roughly 12 miles from the Georgia border. The ruling cedes gas distribution rights in the town of Franklin, N.C., to the stewardship of the town of Toccoa, Ga., which distributes its own gas.

Toccoa, in partnership with Georgia's Municipal Gas Authority (MGA), plans to build a 58-mile pipeline to Franklin, thanks to the NCUC's favorable ruling. MGA, a state-owned corporation in Georgia, sells gas wholesale to Toccoa and other municipals — including some in Florida and Alabama — moving 42 billion cf yearly.

Under the Toccoa Project arrangement, MGA would build the 58-mile pipeline to Franklin by December 2000, allowing Toccoa to buy the facility through gradual bond-payments. Total cost of the Toccoa Project will not exceed $24 million, MGA said at the

Daily Price Survey continued

Trans. date	1/7	1/7	1/7
Flow date(s)	**1/8**	**1/8**	**1/8**
	Midpoint	**Absolute**	**Common**
TW SJ (Blanco)	1.650	1.64-66	1.64-66
Rockies			
CIG (N. syst)	1.700	**1.65-74**	**1.68-72**
DJ Basin	1.675	**1.51-78**	**1.61-74**
Kern River	1.735	**1.70-77**	**1.72-75**
Northwest, domestic	1.710	**1.65-77**	**1.68-74**
Northwest, Stanfield	1.715	**1.68-75**	**1.70-73**
Questar	1.700	**1.65-76**	**1.67-73**
Canadian Gas			
Iroquois	2.050	**2.04-06**	**2.04-06**
Niagara (NFG, Tenn)	2.010	**1.96-2.04**	**1.99-2.03**
NW Sumas	1.765	**1.70-80**	**1.74-79**
NOVA (AECO-C, NIT)*	C2.275	**C2.25-30**	**C2.26-29**
Dawn, Ont.	1.935	**1.92-98**	**1.92-95**
PGT (Kingsgate)	1.720	**1.71-73**	**1.71-73**
WestCoast, St. 2*	C2.360	**C2.31-39**	**C2.34-38**
Appalachia			
CNG North Point	2.170	**2.11-35**	**2.11-23**
CNG South Point	2.130	**2.06-17**	**2.10-16**
Columbia, App	1.940	**1.90-2.00**	**1.92-96**
Miss./Ala.			
FGT, Mobile Bay	1.855	**1.83-89**	**1.84-87**
Koch, Mobile Bay	1.775	**1.70-84**	**1.74-81**
Texas E., M-1 (Kosi)	1.935	**1.89-98**	**1.91-96**
Transco, St. 85	1.905	**1.85-95**	**1.88-93**
Others			
Algonquin	2.755	**2.70-80**	**2.73-78**
SoCal gas, large pkgs***	1.935	**1.89-2.00**	**1.91-96**
PG&E, large pkgs***	1.925	**1.88-97**	**1.90-95**
Malin	1.780	**1.75-82**	**1.76-80**
PG&E citygate	2.105	**2.06-23**	**2.06-15**
Chicago-LDCs, large e-us	2.295	**2.00-45**	**2.18-41**
Mich.-Consum. Power**	2.010	**1.90-2.10**	**1.96-2.06**
Mich.-Mich Con**	1.970	**1.91-2.07**	**1.93-2.01**
NGPL Amarillo receipt	2.010	**1.90-2.10**	**1.96-2.06**
NGPL Iowa-Ill. receipt	2.175	**1.95-2.38**	**2.07-28**
Northern (Mid 13)	1.905	**1.84-93**	**1.88-93**
Northern (Ventura)	2.165	**2.02-39**	**2.07-26**
Northern (demarc)	2.020	**1.90-2.18**	**1.95-2.09**
Texas E., M-3	2.715	**2.15-90**	**2.53-90**
Transco Z6 (non-NY)	2.745	**2.45-92**	**2.63-86**
Transco Z6 (NY)	2.915	**2.70-3.20**	**2.79-3.04**

***NOTE: Price in C$ per gj; C$1=US$.66146 (Canadian currency settlement from one business day prior EST.) **Large end-user prices. ***Deliveries at Topock, Daggett, Blythe, Needles, Ehrenberg. ****Volume-weighted for all points except AECO-C and Westcoast St. 2.**

Citygate, Pooling Point Prices

(Price in $/mmBtu for deals done on date of column heading. Ranges reflect absolute lows/highs reported.) Data in this table is Copyright 1999 by FT Energy.

Trans. date	1/6	1/7
Flow date	**1/7**	**1/8**
Cal. Border (Topock, Daggett Blythe, Needles, Ehrenberg)		
SoCal gas, small pkgs*	1.99-2.09	**1.91-2.02**
PG&E, small pkgs*	2.01-06	**1.90-99**
Cal. Border, Kern River St.	1.98-2.04	**1.89-95**
Chicago LDCs, small end-users*	2.35-75	**2.23-60**
Florida gates via FGT	2.45-70	**1.99-2.25**
Michigan Consumers Power small end-users**	2.15-22	**2.05-25**
Mich Con small end-users**	2.13-20	**2.02-18**
Mid-Atlantic Citygates		
CNG, FT	2.32-74	**2.17-34**
Columbia Gas, FT	2.52-54	**2.53-70**
Iroquois, Zone 2	2.70-3.15	**2.40-80**
National Fuel Gas, FT	2.19-21	2.19-21
Tennessee, Zones 4-5, FT	3.04-06	**2.00-3.00**
New England Citygates	3.00-40	**2.90-3.75**
Northern Natural TBS	2.43-71	**2.31-33**
Northwest (all gates)	1.90-95	**1.83-88**

*2,000 mmBtu/d or less. **1,000 mmBtu/d or less

outset. MGA and NCUC staff would later revise this figure to $20.9 million — most of it for the North Carolina leg.

Franklin and the rest of Macon County, N.C., actually lie within the service territory of the Public Service Co. of North Carolina (PSNC). But PSNC currently distributes no gas anywhere in Macon County, a mountainous region in the state's far southwest.

State law allows that even though PSNC maintains a particular service territory, the company does not have to serve all locations if doing so results in economic hardship. Indeed, PSNC has said it will not develop distribution systems there until the area has more economic development — and more ratepayers.

According to NCUC, the county needs gas service badly. "There is no question about the public need for natural gas in Macon County," NCUC wrote in its ruling. "There is no local distribution company serving the county at this time and never has been." Local witnesses who addressed the NCUC last fall unanimously supported the Toccoa line to Franklin.

Because NCUC regards Toccoa as an established distributor, it will cede jurisdiction over Toccoa's rates to the Georgia regulators.

PSNC, for its part, has agreed to relinquish the service area to Toccoa and MGA, as long as they make good on their word within two years. If they don't, PSNC says, Macon County should revert to PSNC's domain.

While NCUC issued Toccoa and MGA a certificate of public convenience and necessity, however, the commission did not mention any possible federal oversight over such an interstate facility. JP

Seagull raises $52.5 million in asset sales

Seagull Energy said it would use $52.5 million generated by late-1998 asset sales to further reduce its long-term debt as it heads into a merger with Ocean Energy.

The sales were mostly of non-strategic oil and gas producing properties in the onshore Southwest United States, representing about 60 billion cf of proved gas reserves. A small gas gathering pipeline and processing facility also sold for $4 million, with the remaining gathering and pipeline products assets expected to be sold in the first quarter of 1999.

The sales are designed to streamline the company and "focus more attention on our core operations in today's environment of low commodity prices," said James Hackett, Seagull president, chairman and CEO.

Once the Ocean Energy merger is complete, the companies plan to sell another $100 million-$200 million of assets through 2000. The merger received federal approval last week, and is set to close before the end of the first quarter. SGS

Duquesne launches Internet real-time bidding

Duquesne Enterprises, a subsidiary of DQE, hopes to boost the number of customers able to conduct real-time bids for gas and power over the Internet through an agreement with Internet retail energy exchange operator North American Power Brokers.

DQE has an ownership interest in North American and has licensed its Internet Commerce System with the intent of offering it to commercial and industrial customers in Pennsylvania's deregulating energy markets, as well as to groups of residential customers aggregated by local governments, agencies and others.

The service "ensures customers that the energy orders are considered by the largest possible group of suppliers, in real time, resulting in lower prices than would be available

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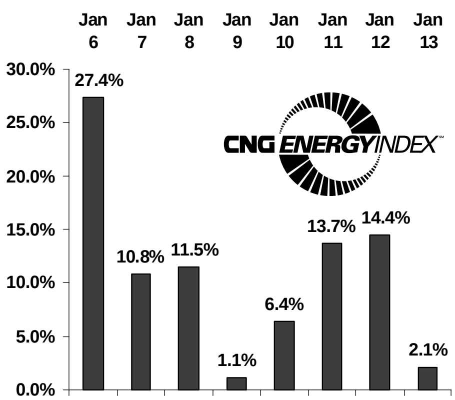
Midcoast to acquire Flare, DPI

Midcoast Energy Resources has reached an agreement to acquire Flare and Dufour Petroleum (DPI) for $14.4 million.

The acquisition of Flare and DPI will expand Midcoast's presence in the natural gas processing, treating and transportation markets, the company said. "DPI and Flare's operations are centered in one of Midcoast's core operating areas in Mississippi. This should increase the opportunities for operational synergies once this acquisition is fully integrated," Midcoast President Dan Tutcher said.

Flare, based in Columbia, Miss., has 27 natural gas processing and treating plants operating in Florida, Alabama, Mississippi, Louisiana, Texas and California. DPI operates 43 natural gas liquid (NGL) and crude oil trucks and trailers, a fleet of 40 pressurized railcars and more than 400,000 gallons of NGL storage facilities and product treating and handling equipment. VT

U.S. Energy use forecast



The full version of the CNG Energy Index is available to enhanced Gas Daily online subscribers. For information about Gas Daily online, phone 713-939-5800. The baseline of 0 represents normal for that day based on historical data.

Electronic Trading System Prices

Daily index prices in this table are supplied by the electronic trading services indicated The prices are volume weighted averages, in $/mmBtu, for deals done on the column date. Boldface prices indicate new data.

January	1/6 Index	1/7 Index
QuickTrade		
Chicago	2.435	**2.189**
Streamline		
Transco St. 65	2.031	**1.876**

Spot crude up 80¢

Change is from day before
Dow Jones reported from Thursday
Prices are in dollar per barrel when not in Btus

	Buy	Sell	Change
West Texas Intermediate			
Spot Crude	13.05	13.10	+80¢
Crude futures (Feb.)*	13.09	—	+29¢
#6 resid, max 1%:			
East Coast	11.80	12.00	—-
	$1.90/mmBtu		
Gulf Coast	10.25	10.50	—-
	$1.67/mmBtu		
Low-sulfur waxy resid:			
FOB Singapore	11.00	11.30	+30¢
	$1.88/mmBtu		

using traditional procurement approaches," said David Marshall, president and CEO of DQE.

North American said 50 energy suppliers, including several of the country's largest, regularly participate in its auctions. The Internet company said its service has saved customers 19% compared to previous utility bills, as well as saving time and money in the decision-making process. SGS

Regulatory roundup

Dynegy Marketing this week issued a protest against a proposed **Trunkline Gas** rate change which, if FERC approves it, will take effect later this month. Dynegy objects to a modification that would allow shippers to request changes in their primary firm receipt and delivery points in five days rather than 15 — on the grounds that one day should suffice.

The modification "does not go far enough, particularly in view of advances in computer technology since Trunkline's restructuring tariff first was adopted," Dynegy complained. Trunkline fails to show why its infrastructure "cannot accommodate more rapid changes to primary firm points," nor why shippers must still be limited to just two such changes per month.

Panhandle Eastern Pipe Line, like Trunkline a Duke Energy subsidiary, filed a similar application last month. (RP99-191 [Trunkline], RP99-192 [Panhandle]) …

The long and difficult process of untangling **Wyoming Interstate's (WIC)** rate settlement took a step forward this week as FERC Administrative Law Judge (ALJ) Warren Albrecht ordered the case back to the commissioners. FERC will now rehear the case on the merits of the original settlement issues, including opposition to the settlement, the ALJ said.

Since Nov. 3, when the case went to the ALJ for further deliberation, nothing much has changed, however. WIC will resubmit its original settlement offer, and a group of shippers — including Amoco Production, Amoco Energy Trading, Chevron U.S.A. and Marathon Oil — still consider that submission lacking substantial evidence for FERC's edification.

WIC has been unable to pass its new rates since submitting them in August *(GD 8/12/98)*. The rates would have gone into effect Jan. 1. (RP97-375) …

FERC, like a number of firm transportation customers of **Williams Gas Pipelines Central**, has bristled at the notion of Williams directly billing these customers for recovery of $735,000 in gas supply realignment (GSR) costs for interruptible transportation. The proper collection would be through a reservation surcharge to firm customers who held contracts during earlier GSR cost-collections, FERC said.

"While it is appropriate for Williams to reallocate unrecovered interruptible GSR costs to its firm shippers, the costs cannot be assessed in a manner that fails to allocate costs to short-term and other new firm shippers that were not previously apportioned GSR costs in Williams' original quarterly filing," FERC ruled.

The validity of the ruling will depend on whether the commission passes a related docket that would let Williams assign 5% of its GSR costs to interruptible customers, FERC added. (RP99-174) …

FERC this week sent copies of a preliminary draft environmental impact statement (EIS) concerning the **Millennium Pipeline** proposal to the U.S. Army Corps of Engineers in Buffalo, N.Y., and to the New York State Dept. of Agriculture and Markets. In a cover letter, Richard Hoffmann, chief of FERC's Environmental Review and Compliance Branch II, encourages these agencies to participate actively in drawing up the final Millennium EIS. (CP98-150) …

In recent weeks, **Koch Gateway Pipeline** has approached FERC with two unrelated requests for constructing new facilities in Louisiana. Koch wishes to build pipelines for an Air Liquide facility in Ascension Parish in southeastern Louisiana. The new line would deliver up to 15,000 mmBtu in firm service and cost Koch about $300,000.

Koch would also build new pipelines for two affiliates — Koch Power Louisiana and Koch Energy Trading, both in the northern Ouachita Parish — for a total cost of $330,000. Maximum daily deliveries there could reach 60,000 mmBtu. (CP99-139 [Air Liquide], CP99-135 [Koch affiliates]) JP

Black Hills renames E&P unit

Western Production, an oil and gas producer, changed its name to Black Hills Exploration and Production on Jan. 1. Black Hills, which bought Western Production in 1986, said the name change is a part of a corporate identity plan to unify the Black Hills family of companies. VT

FUTURES

NYMEX @ Henry Hub

Results from Thursday

	Settlement	High	Low	Change	Volume
February	1.836	1.855	1.791	-9.5	37,401
March	1.856	1.865	1.810	-8.0	14,364
April	1.847	1.855	1.819	-6.9	6,725
May	1.865	1.875	1.830	-6.3	3,727
June	1.885	1.900	1.855	-6.1	2,600
July	1.905	1.925	1.880	-5.6	2,838
August	1.928	1.950	1.910	-4.7	1,045
September	1.950	1.970	1.935	-4.5	600
October	1.990	2.000	1.970	-3.5	763
November	2.125	2.140	2.115	-3.0	608
December	2.290	2.295	2.280	-3.0	1,488
Jan. 2000	2.350	2.360	2.340	-3.5	1,423
February	2.275	2.280	2.270	-2.9	341
March	2.176	2.200	2.175	-2.9	217
April	2.095	2.110	2.090	-1.8	299
May	2.070	2.080	2.065	-1.7	179
June	2.080	2.080	2.070	-1.3	740
July	2.093	2.100	2.085	-1.3	66
August	2.096	2.100	2.090	-1.5	25
September	2.097	2.100	2.100	-1.7	23
October	2.116	2.121	2.121	-2.0	25
November	2.243	2.252	2.245	-2.0	88
December	2.390	2.395	2.390	-2.0	226
Jan. 2001	2.420	2.435	2.435	-3.0	220
February	2.305	—	—	-2.1	15
March	2.206	—	—	-2.1	15
April	2.107	—	—	-2.1	15
May	2.092	—	—	-2.1	15
June	2.094	2.095	2.095	-2.1	40
July	2.094	—	—	-2.1	15
August	2.102	2.102	2.102	-2.0	40
September	2.108	—	—	-2.0	15
October	2.133	2.133	2.133	-2.0	40
November	2.271		—	-2.0	0
December	2.410	—	—	-2.0	0
Jan. 2002	2.450	2.450	2.450	-2.0	35

Volume of contracts (unofficial) 76,276
Front-months open interest Wednesday:
Feb., 45,774; Mar., 29,809; Apr., 21,452
Total open interest Wednesday: 227,014

KCBT @ Waha

	*Settlement	High	Low	Change	Volume
February	1.755	1.780	1.760	-9.5	11
March	1.785	1.780	1.780	-7.5	1
April	1.785	—	—	-6.5	50
May	1.815	—	—	-6.0	50
June	1.805	—	—	-5.0	50
July	1.810	—	—	-5.0	50
August	1.870	—	—	-4.0	50
September	1.890	—	—	-4.0	50
October	1.920	—	—	-1.0	50
November	2.010	—	—	+5.0	0
December	2.175	—	—	+13.5	0
Jan. 2000	2.210	—	—	+0.5	0
February	2.110	—	—	-13.0	0

Volume of contracts (unofficial*) 362
Total open interest Wednesday: 2,782
*Not all months reported
Weighted average of x number of trades in the last two minutes of trading. Change is from previous settlement price.

OPTIONS

NYMEX@Henry Hub

Results from Thursday

Strike	Calls-Settle			Puts-Settle		
Price	Feb.	Mar.	Apr.	Feb.	Mar.	Apr.
1.70	—-	—-	—-	6.2¢	8.7¢	9.1¢
1.75	16.6¢	—-	—-	8.1¢	10.9¢	11.2¢
1.80	13.9¢	18.6¢	—-	10.5¢	13.2¢	13.5¢
1.85	11.5¢	16.2¢	15.7¢	12.9¢	15.7¢	16.2¢
1.90	9.5¢	14.1¢	13.7¢	15.9¢	18.5¢	19.0¢
1.95	7.8¢	12.3¢	11.8¢	19.2¢	21.7¢	22.0¢
2.00	6.3¢	10.6¢	10.6¢	22.7¢	24.9¢	25.8¢
2.05	5.1¢	9.2¢	8.9¢	26.4¢	28.5¢	29.0¢
2.10	4.1¢	8.0¢	7.8¢	30.4¢	32.3¢	32.9¢

Estimated Volume Call 17,672 Put 7,485
Open Interest (Wed.) Call 143,605 Put 124,030
Not all strike and settlement prices listed.
Implied Volatility for at-the-money strike price
Calls: 72.91% Puts: 72.93% Source: Bloomberg

Avista seeks use of benchmark in Northwest

Washington Water Power, which changed its name to Avista Utilities as of the new year, has asked the Idaho Public Utilities Commission (PUC) for permission to implement a pilot natural gas benchmark mechanism that the utility says will save Idaho customers about half a million dollars per year.

Starting off, Avista Utilities will merge its natural gas procurement operations under Avista Energy. "We will combine two groups into one to gain synergies and cut costs for customers," said Kelly Norwood, a regulatory policy analyst at Avista Utilities. The company said the consolidation will have several benefits: synergies from pooling supply, storage and transportation arrangements; savings in labor, administrative and general costs; reduced risk and lower rates for retail customers, according to the company's proposal.

The gas benchmark will guarantee costs "can't be gamed or manipulated" to retail customers regardless of the performance or success of Avista, Norwood said.

During the experimental period, each month Avista will set an average price for customers that is based on the market index prices from three supply basins, including Alberta, British Columbia and the Rocky Mountains. The company has provided customers fixed-percentages of the amount of gas purchased from each of those areas — 50%, 25% and 25%, respectively. "These numbers are set for customers to have an idea where the prices come from," but the percentages are subject to change by Avista depending on the price and market conditions, Norwood said.

In Idaho, Avista has requested an approval of a three-year experimental period for the gas benchmark from February 1999 to March 2002. With the proposed gas benchmark, Idaho customers would have saved $450,500 from May 1995 to August 1998, the company said. Besides Idaho, Norwood said, the company has filed the same petition in Washington and will soon file in Oregon.

"This plan will benefit Avista's existing customers in those three states. The estimated savings for Idaho customers will be $440,000 annually, and for Washington customers will be $1.3 million," he said. The estimated savings for Oregon customers, however, has not been estimated.

"After the end of two-year experiment, we will evaluate the performance of the mechanism and decide whether it should be modified or continued," Norwood said.

The Idaho PUC has set a Jan. 15 deadline for written comments on the plan. "So far, there's no indication that a public hearing is necessary for this case. The commission should have a decision made by mid-February," said David Scott of the Idaho PUC. "The possibility of customer savings will greatly influence the commission in granting permission for Avista," he said.

The Washington PUC is now considering the petition but has not made any decision yet. The company expects to implement the gas benchmark in Idaho and Washington in early February and in Oregon in March. VT

Tejas, Enterprise Partners form NGLs venture

Tejas Natural Gas Liquids and Houston-based Enterprise Products Partners have formed a joint venture, Entell NGL Services, to develop links between natural gas liquids (NGLs) production centers and markets.

Entell is a limited liability company in which Enterprise and Tejas each have a 50% interest. The joint venture's initial asset base will include substantially all of Enterprise's existing pipeline facilities in Louisiana. In addition, Entell will create a pipeline system linking storage at Breaux Bridge, La., to a major storage and processing center in Mont Belvieu, Texas, said Tejas' Jimmy Fox.

O.S. Andras, president of Enterprise, said plans call for building new pipeline or buying existing interconnecting pipeline systems to link Enterprise's westernmost point, a salt-dome storage facility in Breaux Bridge, to Mont Belvieu, a distance of approximately 200 miles. "We've done the preliminary right of way and done some capital estimating," he said.

As the new system would cross a state border, Entell would be required to receive FERC approval on all or part of the project, Andras said. The project should be completed by the fourth quarter.

The system will be capable of distributing products from key NGL sources in south-

Phillips to lay off 1,400 workers

Phillips Petroleum has become the latest oil company to announce plans to lay off employees and make other cutbacks in the wake of low oil prices.

The company announced this week it would cut about 1,400 positions — approximately 8% of its 17,200-member work force — primarily in Phillips' exploration and production (E&P) segment and corporate staffs.

Approximately 550 layoffs will be in foreign locations and about 850 will take place in the United States. Of the reductions in the United States, approximately 400 will take place at the company's corporate headquarters in Bartlesville, Okla. A company spokesperson said where the other layoffs would take place has not been determined, although Oklahoma and Texas, where Phillips has many of its operations, are expected to be hard hit.

Laid-off employees will receive a severance package based on completed years of service with a maximum of 60 weeks of pay. They will also be eligible for limited benefit packages and job counseling.

In addition to the job cutbacks, Phillips said it had reduced its capital expenditures budget for 1999 to $1.5 billion, approximately $650 million, or 31%, lower than 1998. The reduction primarily impacts the company's E&P segment, where proposed expenditures are being reduced approximately 44%, from about $1.4 billion in 1998 to $800 million in 1999.

Phillips also said it expects to report a loss for the fourth quarter of 1998, primarily due to anticipated special charges resulting from the low prices and margins. These charges include after-tax estimated amounts of $222 million for oil and gas property impairments; $71 million for the write-off of costs associated with the Tyonek Deep prospect in Kenai, Alaska; and $46 million of severance costs. Excluding these special charges, the company expects net operating income to be near break-even or a slight loss for the quarter.

Wall Street seemed unimpressed by the announcement of cost-cutting moves. Phillips' stock closed yesterday at $42 5/8 down 1 3/16 from Wednesday's closing price.

James Falvey, an analyst with Dresdner Kleinwort Benson, said Phillips' announcement was not a surprise, and reflects an industrywide trend to slash costs in the face of low profit margins. "It's being driven by the current macro conditions. They will have some cost savings," he said. "It remains to be seen whether they're able to maintain their cost cutting."

Falvey said Phillips may see some savings from the cutbacks in the near term, but may be hurt by them in the longer term. "I've questioned their capacity to deliver on their production profile. It's going to be difficult," he said. JM

ern Louisiana directly to major NGL markets, including the lower Mississippi River corridor, Dixie pipeline, Lake Charles, La., and Mont Belvieu.

The new company also owns 250 miles of pipe connecting several market centers within Louisiana, including Breaux Bridge, Promix, Terrebonne, Riverside, Sorrento and Garyville. The system currently has the capacity to move a total of 80,000 barrels per day with planned expansions capable of increasing the capacity to over 110,000 barrels per day.

Entell will be based in Houston and run by a management committee with two members from each parent company, and will utilize employees of the two parents to staff the joint-venture company.

Venture launched in depressed time

The joint venture is being launched at a time when NGL prices, which move in sync with crude oil prices, are depressed. However, Dan Lippe, president of Houston-based Petral, which follows the NGL industry, said the Entell NGL transportation and distribution system should provide a good revenue stream for the new company.

"Transportation is a fee-based business. Pipeline transportation of natural gas liquids generates revenue at a constant rate as long as there is product to move, regardless of the price," he said. "Any problems they would have would be from competing pipeline systems. There are several different pipelines that bring NGL from Louisiana."

Lippe said the joint venture gives Tejas, a subsidiary of Shell Oil, access to markets for Shell's LGN volumes associated with its deepwater Gulf of Mexico gas production.

"Shell basically put all of its Midstream assets into the Tejas organization," he said. "What this really says is, because of Shell's position in exploration in the Gulf of Mexico, Shell has growing NGL production."

Entell will provide benefits to both its parent companies, Lippe said. "This is kind of a convenient way for Shell to move natural gas liquids that it doesn't want to market in Louisiana into Mont Belvieu. It probably helps Enterprise achieve high utilization of its existing assets."

Andras said the joint venture would also increase Enterprise's ability to serve existing and potential customers and suppliers. "Enterprise has been a natural gas liquids fractionation, storage and pipeline service provider in southern Louisiana and Mont Belvieu, for more than 25 years," he said. "Combining our Louisiana pipeline system with Tejas through Entell creates a link between these two major market areas."

Curtis Frasier, executive vice president of Tejas Energy, said that Tejas' growing NGL production and Enterprise's asset base would create synergies. "Entell supports Tejas' desire to grow its downstream NGL storage and distribution systems both within the Louisiana market and through linkage to Mont Belvieu," he said. JM

Equity fund invests $222 million in Triton

A Dallas-based private equity fund has bought a large ownership interest in an independent exploration and production company, also based in Dallas.

Triton Energy said it has received $222 million in gross proceeds following completion of the company's rights offering, the second phase of a $350 million equity investment in the company led by Hicks Muse, Tate & Furst. In September, Triton received $128 million following completion of the first phase of the Hicks Muse investment.

With its investment, Hicks Muse now holds an approximate 37.3% equity stake in Triton on a fully diluted basis, including approximately 1.5 million shares of common stock that it acquired in the open market.

Triton President and Interim CEO James Musselman said the infusion of cash will put Triton in a good position to grow through acquisitions. "With the Hicks Muse investment completed we have the equity capital needed to strengthen our balance sheet and position Triton as an effective participant in the industry consolidation that we see coming," he said. "At a time of near record low oil prices, companies with financial strength and liquidity will be best positioned to build shareholder value in this industry."

Triton's Greg Dunlevy said the Hicks Muse deal "represents a significant investment by what has traditionally been a financial firm." With oil commodity prices at the lowest point in a decade, some investors see an opportunity to buy into producing companies.

"It is a unique time to get into the E&P industry. From our point of view it allows us to participate in the consolidation we foresee in the industry," Dunlevy said. "We are

Union completes transfer

Union Gas says it has completed the transfer of its retail merchandise programs to Union Energy, an unregulated energy service affiliate, on Jan. 1 as part of its plan to get into retail energy marketing.

The move included its water heater and other equipment rentals, sales of heating and cooling equipment, retail financing and the servicing of heating and cooling equipment and appliances.

The transfer of these programs to Union Energy should save it nearly $8 million a year in operating costs. Union Gas will continue to distribute natural gas and will be regulated by the Ontario government.

Union Gas, a subsidiary of Westcoast Energy, has 1,050,000 residential, commercial and industrial customers in southwestern, northern and eastern Ontario. PM

TCPL picks up straddle plant

TransCanada PipeLines says its TransCanada Midstream division has purchased Alberta Energy's 50% stake in PanAlberta Resources for $23 million plus about $4.5 million in assumed debt.

PanAlberta owns about 50% of the Empress II straddle plant in southeastern Alberta and holds natural gas liquids extraction rights with Pan-Alberta Gas. PM

Enron to export Canadian gas

Enron Capital and Trade Resources is looking for approval from Canada's National Energy Board (NEB) to export nearly 20 million cfd starting this November to meet its U.S. market needs.

The gas would be exported at the St. Clair border between Ontario and Michigan and would come from PanCanadian Petroleum's reserves. The NEB said it would later announce how it would deal with the application. PM

actively looking at other companies. We will look at international and domestic assets." Currently, Triton's main assets are international oil and gas prospects, chiefly in Colombia and the Gulf of Thailand.

Since its formation in 1989, Hicks Muse has completed or currently has pending more than 245 transactions with a total capital value in excess of $31 billion. Hicks Muse previously had announced plans to invest in the industry with an investment in Coho Energy *(GD 8/25/98).* JM

Canadian gas wells total 12,000 in 1998

Two of Canada's top natural gas producers, PanCanadian Petroleum and Renaissance Energy, picked up the most licenses from Canadian regulatory authorities last year.

Renaissance Energy received 944 licenses followed by 872 licenses obtained by PanCanada. That was followed closely by Alberta Energy, operator of the AECO-C gas hub in southern Alberta, with 636 licenses and Canadian Natural Resources with 457 licenses.

There was a flurry of activity in December as gas producers scrambled to find new reserves in the wake of approval of the 1.3 billion cfd Alliance Pipeline to Chicago. Some 1,541 well approvals were awarded in the month, pushing the total to nearly 11,955 for the year.

Drilling activity for the year fell behind the 1997 record of 21,115 with activity in western Canada at the lowest levels since 1993. However, drilling in British Columbia nearly match 1997 record levels.

There were 34 wells drilled in eastern Canada, mainly because of the Sable Island gas project as well as the nearby Hibernia oil project. PM

N.Y. energy tax questioned ... *(from page 1)*

transaction implications" for gas.

"In a restructured environment, one company will be generating and selling electricity and another company will be providing the service of (among other things) getting the electricity to the customer," Teitelbaum wrote. "It is my opinion that the phrase "electricity … and electric … service of whatever nature" imposes tax on the services of both parties in the provision of electricity."

The opinion drew an immediate condemnation from the National Energy Marketers Assn. (NEMA), which termed the tax regressive. NEMA President Craig Goodman said the opinion technically levies a sales tax on personal property.

"Neither the facts relating to the transportation of energy nor the legal and regulatory structure ('environment') under which such transportation services are currently provided, changes either the underlying nature of the transaction, or the legal and policy reasons underlying the long-standing exclusion of transportation services and/or contract carriage from existing sales or use taxes imposed on tangible personal property," NEMA said in a written response to the opinion.

"The net effect of this ill-advised and ill-timed opinion is that energy marketers will depart from the New York market, thereby undermining recent PSC attempts to encourage competition and economic growth within the state," NEMA added. "Worse yet, many consumers will have the prices they negotiated under pre-existing transportation contracts increased, changing radically the economics of many past transactions."

In an opinion issued two years ago, Teitelbaum, found that local carriage of gas for a third party did not constitute a sale, and was not subject to the tax.

Wayne Stoughton, sales manager for North American Energy, which has about 3,500 gas and 50 electric customers across New York, said the tax change would be harmful to the company and to industry restructuring.

"That would have serious implications to us," Stoughton said. "Any strides that were made towards full electric deregulation, if this is true, would be gone."

The intricacies of how states will tax energy under fully deregulated markets is a thorny issue, one which reached the U.S. Supreme Court in an Ohio case regarding the tax treatment for regulated and unregulated gas sales. The Supreme Court found that a state may tax differently the gas sold by a marketer versus bundled sales service without violating the commerce clause of the U.S. Constitution *(GD 2/24/97).*

"Remarkably, the issue has not cropped up in other states. I expected there would be more noise about it," said Charles Gray, general counsel for the National Assn. of Regulatory Utility Commissioners. SGS/ML

Players gather in Powder River

Four companies have joined forces to take part in Fort Union Gas Gathering, a limited liability company, which will build a 106-mile, 24-inch gathering header to gather coalbed methane in the Powder River Basin in northeast Wyoming.

CMS Gas Transmission and Storage, an international gas pipeline unit of CMS Energy, and Enron Capital & Trade Resources (ECT) will each hold a 33 1/3% interest in the company, with CMS serving as the managing member (*GD 12/28/98*). Western Gas Resources will have a 23 1/3% interest and be the construction contractor and field operator of the header and a related gas treating facility. CIG Resources, a subsidiary of Coastal, will hold a 10% interest and provide administrative and gas control services.

The new gathering header will have an initial capacity of approximately 450 million cfd of natural gas with expansion capability. The header will deliver coalbed methane gas to a treating facility to be constructed near Glenrock, Wyo. Construction is scheduled to begin in April with operations to commence on or about Sept. 1.

In addition, a 40 million cfd expansion of Western's MIGC pipeline will be completed in January, increasing its total capacity to 130 million cfd.

Western Gas together with joint venture partner Barrett Resources controls more than 800,000 gross acres in the Powder River coalbed methane play. Current production is approximately 72 million cfd from about 300 producing wells. Western and Barrett plan to drill about 500 wells in 1999. A recent reserve study estimated that Western has net proved developed and undeveloped reserves of 189 billion cf, which represents development of less than 17% of its net acreage position.

Kevin Hannon, president and chief operating officer of ECT, said the pipeline would enable ECT "to provide producers with an economical means to deliver gas to the market as well as offer more comprehensive gathering, compression and marketing services to our customers."

Robert Christensen, an analyst with First Albany, said the joint venture would greatly benefit Western Gas, which holds the largest producer position in the Powder River coalbed methane play. "There could be upwards of 2.5 trillion cf of net reserves on its Powder River acreage, which it is jointly developing with Barrett resources," he said. "That's $200 million at today's prices or $6 per share. To realize this value pipeline expansion is essential."

Stuart Wagner, an energy analyst with Petrie, Parkman, said the Powder River Basin play is expected to become more important to Rockies production in the near future. "There's a lot of optimism," he said. "The current pipeline, MIGC, is expected to reach capacity soon. They've got major producers committed to it." JM

Chicago prices turn south ... *(from page 1)*

coincidentally perhaps, where Chicago prices ended in late trading.

Regional traders said it was inevitable Chicago would fall as ample regional supplies found the citygate, but it was stunning to see a 40¢ basis disappear. "If you could get it there [Chicago], what you had was free money," said a regional trader, adding that because of the improved transportation grid, marketers were lucky to get a two-day windfall. "But if this had happened last winter, we'd have seen prices well over $10."

On Northern Border Pipeline's expansion — the newest addition to the regional equation — citygate deliveries were increased from 340 million cfd yesterday to 544 million cf today.

"The Northern Border expansion can receive 700 million cfd, but deliveries to Chicago are limited to 614 million cfd," said Beth Jensen, manager of public relations and community affairs for the pipeline.

Another trader reported rest-of-the month deals at the Chicago citygates going for about $1.94-98. Reported prices at Ventura, Iowa, on Northern Natural Gas still traded at a premium to demarcation point prices, but both had dipped nearly 20¢ from Wednesday prices.

Natural Gas Pipeline of America (NGPL) still had its operational flow order (OFO) in place yesterday as players kept pushing gas north to the Chicago citygates. One utility buyer said he had 10,000 mmBtu of interruptible supply cut on the pipe earlier this week. "We're staying away from it and not pulling storage gas until things settle down," he said. Reported prices for NGPL and other field pipes ranged from $2 down to the upper-$1.70s.

Williams Natural Gas on Wednesday issued an OFO until further notice, limiting interruptible transport (IT) supply because of extremely high peak hour demand. Midwestern Gas Transmission also restricted IT volumes because of increased nominations on its system.

Enough Arctic chill lingered in Illinois and the upper Plains for nominations to exceed capacity on Northern. A company spokeswoman said Northern was allocating supply passing through the Plains interconnection between El Paso Natural Gas and Northern's system in West Texas and the Viking Gas Transmission-Chicago interconnection in eastern Minnesota.

On the Gulf Coast, one Louisiana trader said that as Chicago turned south everything else seemed to follow. Prices at Henry Hub "started out rather ambitious," but as soon as the screen opened, prices fell off quickly.

NYMEX's February Henry Hub contract also appeared to react to weather forecasts calling for normal to above-normal temperatures after a second Arctic blast early next week. "We're still getting bearish information about weather and storage," one Gulf trader said. "We had a good pull from storage last week, but there's plenty of gas left."

Southern Natural Gas said its injection capacity would be reduced for maintenance work scheduled to begin Wednesday. Tennessee Gas Pipeline issued several notices restricting nominations on secondary capacity throughout its system.

The Florida Gas Transmission Overage Alert notice was lifted yesterday. However, due to an unrelated problem, FGT cut all scheduled volumes at NGPL Vermillion yesterday and is not accepting nominations at that location today. The problem was caused by FGT receiving gas in zone 2 that did not meet quality standards, the pipeline said.

Traders from coast to coast said they were prepared for a fall in weekend prices given a moderating weather pattern. One Gulf trader said he thought the weekend prices would flirt with indexes, and would probably go lower next week.

The NYMEX February Henry Hub contract opened at $1.85, down 8.1¢, and only

Pipeline operational update

Emergency repairs to the exhaust system at **El Paso Natural Gas'** Gallup "C" turbine will limit San Juan capacity to 2,675 million cfd. The turbine is expected to return to service by tomorrow.

Florida Gas Transmission (FGT) yesterday lifted its overage alert day notice. The restoration project at compressor station 15, however, prevents FGT from accepting any deviations of scheduled quantities.

Due to nominations exceeding available capacity today, **Midwestern Gas Transmission** may be required to restrict and seal through interruptible services for volumes flowing downstream of MLV 2115, in Paris, Ill.

Nova Gas Transmission has combined two outages for Jan. 14-18. The NPS36 Grande Prairie Mainline corrosion repairs and the Swartz Creek compressor station tie-ins to the NPS48 Edson Mainline will occur at the same time to reduce effects on customers. RAS

Spirit forms deepwater alliance

Spirit Energy 76 and five deepwater engineering and services companies have formed the first comprehensive, deepwater field development organization in the United States.

The Venture 76 Alliance will be directly involved in pre-drilling activities, such as field development scenario planning and screening concepts for handling deepwater production, said Spirit Energy, Unocal's Lower 48 states exploration and production (E&P) subsidiary.

In addition to the Unocal Engineering and Construction Group, which will serve as project director of the alliance, participants in the group include Aker Maritime, an international offshore engineering and construction contractor; Deepwater Consultant Alliance — comprising W.H. Linder and Associates and W. S. Nelson and Co. — FCM, an industrial chemical and machinery producer; INTEC Engineering, which provides specialized engineering services for pipelines and subsea and floating production systems; and J. Ray McDermott, a Houston-based company that supplies offshore oil and gas engineering services.

A Spirit Energy spokesperson said the company would use the expertise of the alliance members on an ongoing basis, rather than rely on the traditional method of bringing in different contractors for each individual project.

Shawn Narancich, an energy analyst with D.A. Davidson & Co., said the formation of the alliance is indicative of a trend among major E&P companies to work with a smaller number of reliable service providers. "The trend in the offshore industry is the big companies want to go with fewer suppliers," he said. "The oil producers are spending less money for E&P. The smaller companies are going to have to eliminate excess cost."

He predicted a wave of consolidation would take place among the oil service industry, particularly in the offshore segment, where a number of smaller companies are competing for a decreasing amount of business.

Initially, Venture 76 Alliance will focus on projects in water depths between 2,500 and 5,000 feet. However, a new deepwater drilling ship is scheduled for delivery to Unocal in the second quarter of 2000, at which time the alliance will work on prospects in water depths up to 10,000 feet. JM

Help wanted

Gas pipeline scheduler — familiar with GISB, Internet and EBBs. Experience with Transco, TETCO, CNG, NIPSCO, Columbia, a plus. Must be familiar with balancing and able to reconcile monthly pipeline statements for billing. Must be computer literate. Salary negotiable. Please fax resume to Encina Gas Marketing at 713-759-6979, or mail to 1200 Smith Street, Suite 3580, Houston, TX 77002.

moved up half a cent to $1.855 for the day's high. After hitting a low of $1.80, down 13.1¢, the contract hovered in the low-$1.80s during the afternoon. It settled at $1.836, down 9.5¢.

"Big trade stops were hit early in the contract's slide," said a futures trader. "Then good buying showed up at $1.80 in front of the major support of $1.79 to stop the slide. This time every year we have to remind folks about backwardation being the norm," he added. "The prompt contract should be selling below current month cash all the way through the end of March."

In the West, prices tumbled a dime or more as forecasts held out little hope for a cold weather spike any time soon. "The Western outlook is horrible for the rest of the month," said one trader.

February deals at the Southern California border were being done around $1.90, a few cents below reported cash prices. February deals in the Permian and San Juan basins were being done in the mid- to upper $1.60s.

"We did see a little squeeze at the end of the day on both El Paso [Natural Gas] and Northwest [Pipeline], " a marketer said, but there wasn't much of a range. "Everything's kind of flattening out."

Northeast market area prices also took a 20¢-30¢ dive as the market adjusted for this weekend's expected brief warm spell. Temperatures are anticipated to plunge again Monday, but the weather break was enough for one utility to make more sales than purchases Thursday.

Rest-of-the-month deals were reported at Niagara for $2.09 and at Dawn, Ontario, for $1.89-895. An intraday deal was done on Tennessee Gas Pipeline zone 6 in New England for $5. RS/KB/TH/DMB/MK/ER

Texaco revises 1999 plan ... *(from page 1)*

optimum long-term growth opportunities, and at the same time continuing our effort to drive down costs."

Following its announcement yesterday afternoon, the White Plains, N.Y.-based company's stock price closed at $54 1/2 down 5/16 from the previous day's trading.

At Texaco's annual securities analysts meeting last month, the company announced a 1999 capital and exploratory plan of $4.3 billion, based on an average West Texas Intermediate crude price of $15 per barrel. The revised plan of $3.7 billion is based on predictions of a lower crude price.

The company also said it expects its 1998 capital expenditures will be 11% below the $4.6 billion originally planned. Texaco reduced its spending program in 1998 when it became evident that oil prices would remain low for an extended period.

In the U.S. upstream, spending will be directed primarily toward continuing development of the deepwater Gulf of Mexico.

At the securities analysts meeting, Texaco outlined other steps the company is taking to manage in the low price environment, including cost and expense reductions. The company identified recurring annual cost and expense reductions of $650 million through the year 2000, of which $450 million is expected to be realized in 1999. JM