Natural Gas Weekly Market Update

EIA

Energy Information Administration
Office of Oil and Gas
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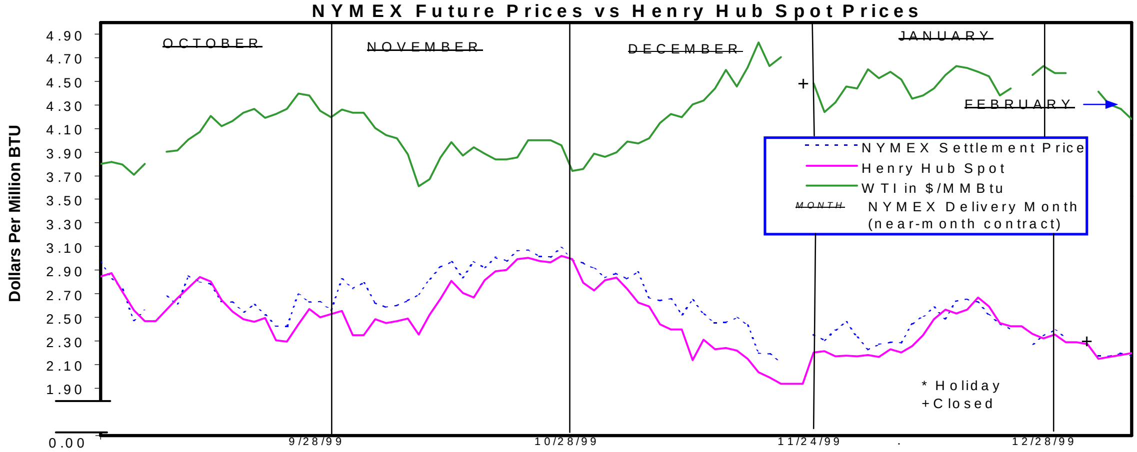
HENRY HUB PRICE ($ per MMBtu)		
	SPOT	**FUTURES**
	January Del	February Del
1/03	2.20-2.35	Holiday
1/04	2.12-2.17	2.176
1/05	2.14-2.19	2.168
1/06	2.16-2.20	2.196
1/07	2.17-2.22	2.173

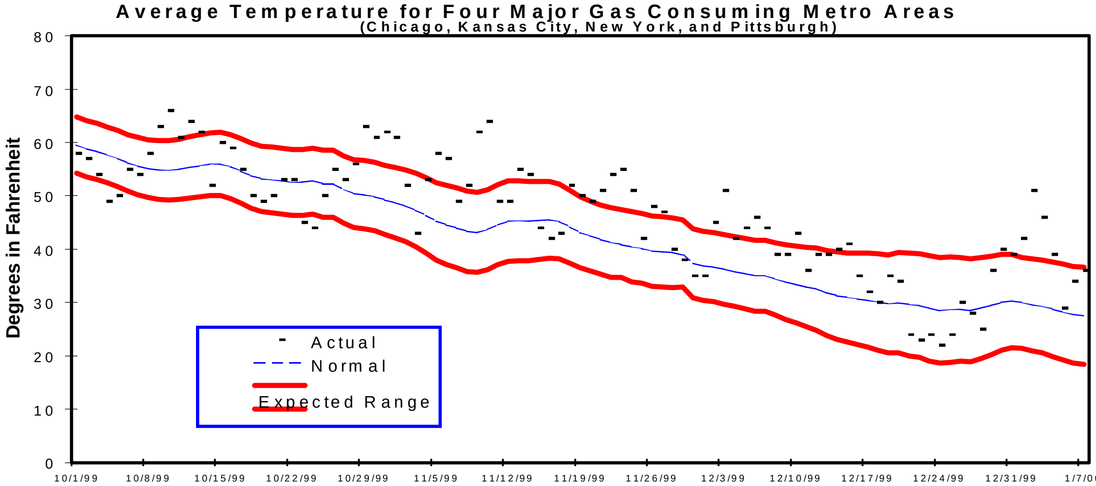
NYMEX Future Prices vs Henry Hub Spot Prices



Note: The Henry Hub spot price is from the *GAS DAILY* and is the midpoint of their high and low price for a day. The dates marked by vertical lines are the NYMEX near-month contract settlement dates.

Average Temperature for Four Major Gas Consuming Areas			
	Actual	**Normal**	**Diff**
1/01	42	30	12
1/02	51	30	21
1/03	46	29	17
1/04	39	29	10
1/05	29	28	1
1/06	34	28	6
1/07	36	28	8

Average Temperature for Four Major Gas Consuming Metro Areas
(Chicago, Kansas City, New York, and Pittsburgh)

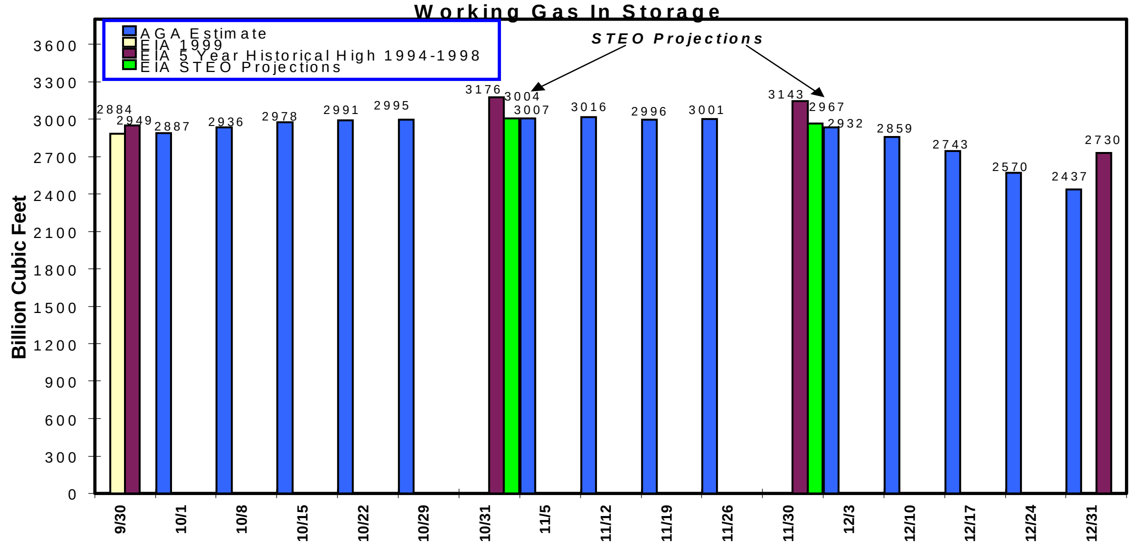


The bounds are computed by adding and subtracting from the average temperatures for the last 10 years an amount equal to twice an estimate of the standard deviation for temperatures on a day.

Working Gas Volume as of 12/31/99		
	BCF	**% Full**
EAST	1339	74
WEST	383	78
Prod Area	715	75
U. S.	2437	75

Source: AGA

Working Gas In Storage



The NYMEX futures contract for February delivery at the Henry Hub opened on Monday, January 10, at $2.180 per MMBtu, virtually the same as Friday's settlement price. Spring-like temperatures greeted the new year in many parts of the country with Sunday, January 2 being particularly warm along the eastern seaboard and in areas of the Midwest. In the four cities monitored for this report (Chicago, Kansas City, New York, and Pittsburgh), the composite daily average temperatures were above normal by double digits for 4 of 7 days; on Sunday, January 2, the differential was 21 degrees. Spot prices generally declined from their levels of the previous week. The February NYMEX futures contract dropped sharply on Tuesday, January 4 from its settlement level of the previous Thursday, then traded flat or down between days for the rest of the week. The price of West Texas Intermediate crude oil fell steadily and ended the week at $24.25 per barrel, or $4.18 per MMBtu, down $2.25 per barrel from the previous week. On Tuesday, January 4, gas began moving into the new Maritimes and Northeast Pipeline from the Sable Island gas fields off the coast of Nova Scotia at an initial rate of 110 MMcf/day. Most of this gas is earmarked for the U.S. Northeast, and it will be an important influence on natural gas markets in this region.

Storage: Net withdrawals from storage were estimated by the American Gas Association (AGA) to have exceeded 100 Bcf for the third consecutive week with 133 Bcf withdrawn during the week ended Friday, December 31. This brings estimated net withdrawals for the entire month of December to 525 Bcf. The National Weather Service reports that, nationally, December 1999 had generally mild temperatures as it recorded about 10 percent lower-than-normal heating degree days (HDD). EIA data indicate that in December 1998, which had over 11 percent lower-than-normal HDD, the net stock drawdown was 436 Bcf. The significantly higher spot prices in December 1999 likely motivated increased storage utilization this season under similar weather patterns, because it generally is more advantageous to withdraw gas from storage rather than acquire gas supplies on the spot market during periods of relatively high prices. In December 1999, the simple average of daily spot gas prices at the Henry Hub was $2.36 per MMBtu, while a year earlier that average was $1.72, making reliance on storage withdrawals for market supplies more economically attractive in December 1999 relative to market conditions in December 1998. According to EIA, the estimated level of working gas available at the beginning of January 2000 was 2,442 Bcf, which is 75 Bcf higher than the average 2,367 Bcf on hand at the same time during the previous 5 years (1994-98).

Spot Prices: On balance, spot prices were down for the week almost uniformly across all regions, with a rather sharp drop on Tuesday, as continuing warm weather, the realization of virtually no Y2K-related problems, and a falling February futures contract exerted downward pressure on prices. There were minor exceptions: a brief cold snap in the Southwest that caused scattered well freeze-offs in the San Juan Basin, coupled with a 3-day overpull alert on El Paso Natural Gas, boosted prices slightly in the San Juan and Permian Basins and firmed up Western prices for a day or two mid-week. Likewise, prices at many points in Texas and Louisiana moved up slightly on Wednesday and Thursday, possibly influenced by the sidelining of a Texas nuclear electricity generating plant on Tuesday and the restart of two gas-fired plants in Kansas on Thursday. For the week, only two of four San Juan points held onto gains, which were no more than 3 cents, to pennies over $2.10 per MMBtu. Some of the largest price drops were seen at Northeast supply points (e.g., Transco Zone 6 for New York delivery, down $0.55 to $2.53). Losses in other markets were more moderate: PG&E citygate, down 1 cent to $2.41; Katy, down 7 cents to $2.17; Texas Eastern (South TX), down 9 cents to $2.11; NGPL (midcontinent), down 4 cents to $2.10.

Futures: Futures prices fell sharply on Tuesday, January 4, the first day of trading in the new year. The February contract, settling on Tuesday at $2.176 per MMBtu, lost $0.153 from its Thursday, December 30, level. Losses for the March and April contracts were about 12 and 10 cents, respectively, to the low $2.20s per MMBtu. This movement was probably influenced by continuing forecasts of mild winter weather. Futures prices were down slightly in 2 of the 3 remaining days in the week; the February contract settled on Friday, January 7, at $2.173. Still, the near-month contract is trading about 30 cents above its level at this same time last year.

Summary: Spot and futures prices continued to fall slowly for a third consecutive week, as unseasonably warm weather and forecasts for more of the same prevailed. Storage withdrawals for December were within the historical range, and inventories continue at higher-than-average levels.