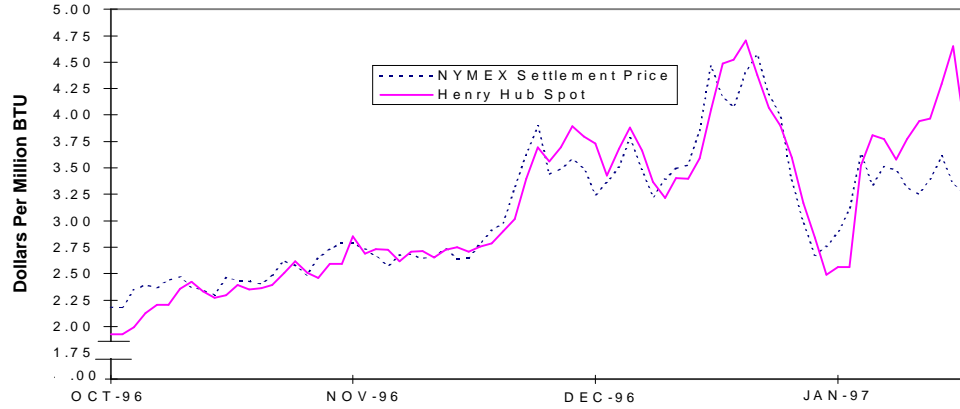


**NYMEX Price Futures vs Henry Hub Spot Price**

HENRY HUB PRICE		
	CASH	FUTURES
	Jan	Feb
	Del	Del
	(\$ per MMBtu)	
01/13	3.87-4.01	3.254
01/14	3.91-4.02	3.393
01/15	4.19-4.40	3.611
01/16	4.50-4.80	3.341
01/17	3.67-4.07	3.257

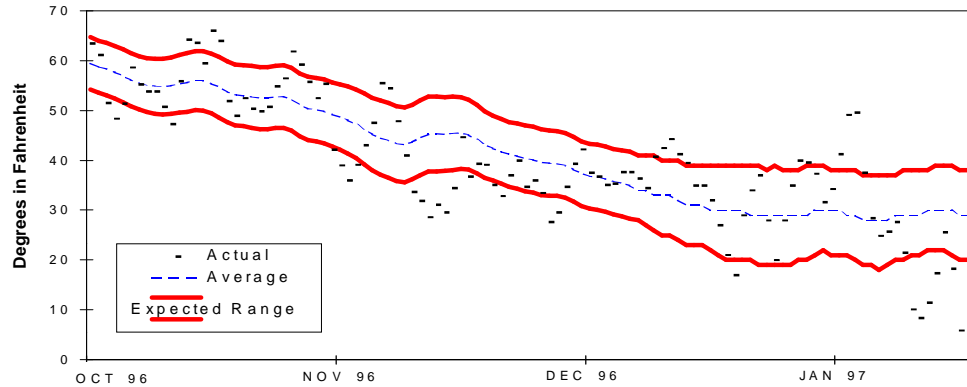


Note: The Henry Hub spot price is from the GAS DAILY and is the midpoint of their high and low price for a day.

**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
01/12	8	29	-21
01/13	12	30	-18
01/14	17	30	-13
01/15	19	30	-11
01/16	18	30	-12
01/17	6	29	-23
01/18	9	29	-20

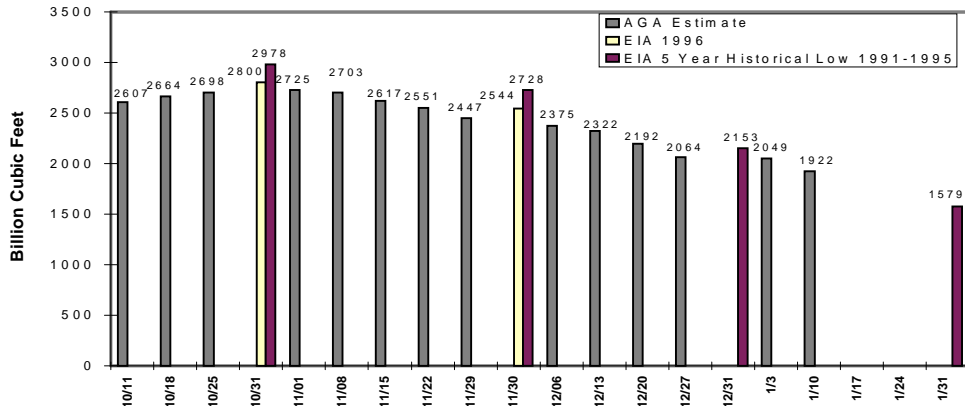


The bounds are computed by adding and subtracting from the average temperatures for the last 10 years an amount equal to twice an estimate of the standard deviation for temperatures on a day.

**Working Gas In Storage 1996-1997**

Working Gas Volume as of 01/10/97		
	BCF	% Full
EAST	1,217	68
WEST	265	55
Prod Area	440	49
U. S.	1,922	60

Source: AGA



The NYMEX futures price for February delivery at the Henry Hub opened Tuesday, January 21, at \$3.069 per MMBtu, virtually the same as Monday's settlement price of \$3.070. Last week the Midwest and the East had the coldest weather of the season as average temperatures most days were 40 to 80 percent colder than normal. This was especially true in the upper Midwest where temperatures did not rise above single digits for several consecutive days in many areas including Chicago, Milwaukee, and Minneapolis. Prices on the spot market at the Henry Hub rose steadily during the week and by Thursday were close to \$4.75 per MMBtu - more than \$1.00 higher than the previous Friday. Cash prices at other major markets also increased, rising over \$1.50 per MMBtu in a day as the severe cold temperatures persisted. Prices exceeding \$8.00 per MMBtu were reported on Wednesday at the Chicago city gate, but dropped over \$2.00 per MMBtu by Friday, on reports of moderating temperatures returning to the area by the beginning of the next week. The futures market continued to be volatile as prices for the February contract at the Henry Hub gained or lost \$0.06 to \$0.30 per MMBtu between days. Net estimated withdrawals from storage returned to normal winter levels, but the volume of working gas available remains above that of last year. Canadian working gas in storage also is at a higher level compared to last year. For residential consumers, the Bureau of Labor Statistics reports that the price of natural gas in December 1996 was 11.5 percent higher than in December 1995.

**Storage:** The American Gas Association (AGA) estimated that 127 Bcf of working gas was withdrawn from storage during the week ending Friday, January 10. This was in sharp contrast to the previous week when only an estimated 15 Bcf was withdrawn. This low level of withdrawals was in response to the unseasonably mild weather for the first week of January. Temperatures in the four metropolitan areas that are monitored for this report were on average 30 percent warmer than normal during that period. Based on AGA's latest weekly estimate, 8 percent (1,922 vs 1,783 Bcf) more working gas is available this year compared with the same time last year and the level in eastern storage facilities is almost 25 percent greater (1,217 vs 984 Bcf). EIA regional data on November's storage activities are now available and indicate that 2,544 Bcf of working gas remained in storage at the end of the first month of the heating season. This compares with AGA's estimate of 2,447 Bcf for about the same time. The largest difference between the EIA and AGA estimates was in the East Consuming region where EIA data showed 1,665 Bcf of working gas was available at the end of November compared with AGA's estimate of 1,548. Estimates for the other storage regions, Producing and the West, were closer with differences of -22 and +2 Bcf, respectively. According to the Canadian Gas Association, the level of working gas available as of January 10, was 266 Bcf - more than 3 percent greater than last year at this time.

**Spot Prices:** In response to the coldest weather of the winter, prices on all major markets that have access to Midwest and East gas consumers rose last week, reaching their highest levels on Wednesday and Thursday. This was especially true for those Midcontinent markets where prices moved up sharply, reaching the highest level of the year by Thursday. For example, prices were \$4.80 per MMBtu at Katy, East Texas, \$4.95 at Waha, West Texas, \$5.05 at Oklahoma, Mid 11, and \$8.10 at the Chicago city gate. In most instances, these prices are more than double price levels last year during the heavy snows and low temperatures in January 1996. By Friday, however, prices at these markets dropped almost as fast as they increased when weather forecasts called for a return of normal to moderate temperatures this week in the Midwest and the East. Prices on Friday were all below \$4.00 per MMBtu and continued the decline on Monday as most markets ended the day with posted cash prices of less than \$3.00.

**Futures Prices:** The high degree of volatility that has been present in the market for the past few weeks remained a factor last week as the price for the February contract moved both up and down close to \$0.30 per MMBtu on some days. By the end of the week, the price was about \$0.10 per MMBtu lower than a week earlier and almost \$0.65 less than the January futures contract closing price. Some industry observers now feel that storage levels are more than adequate for the remainder of the winter, especially in the East Consuming region, which is the market area most dependent on adequate storage. This view of the industry's storage resources is a factor in the more than \$1.00 premium - the difference between the price of short term gas on the spot market and to the futures settlement price - that was observed most days last week at the Henry Hub. Even with the recent price decline, the current February futures settlement price remains more than \$0.80 per MMBtu higher than last year's final settlement for the February contract. The February 1997 contract will close on January 27.

**Consumer Prices:** The January 15, report on consumer prices from the Bureau of Labor Statistics (BLS) showed that the price of gas to residential consumers increased 11.5 percent nationally between December 1995 and 1996. Chicago and Pittsburgh saw the largest increases of almost 22 percent each, while Boston prices rose just over 2 percent. Between November and December of 1996 prices rose 3.6 percent nationally.

**Summary:** The lowest temperatures of the season drove prices of most natural gas spot markets to new highs. A combination of forecasts calling for a return to normal weather and continued good storage levels have contributed to a volatile futures market that is lower than the cash markets. This situation may provide gas consumers with their first significant level of price relief this heating season.