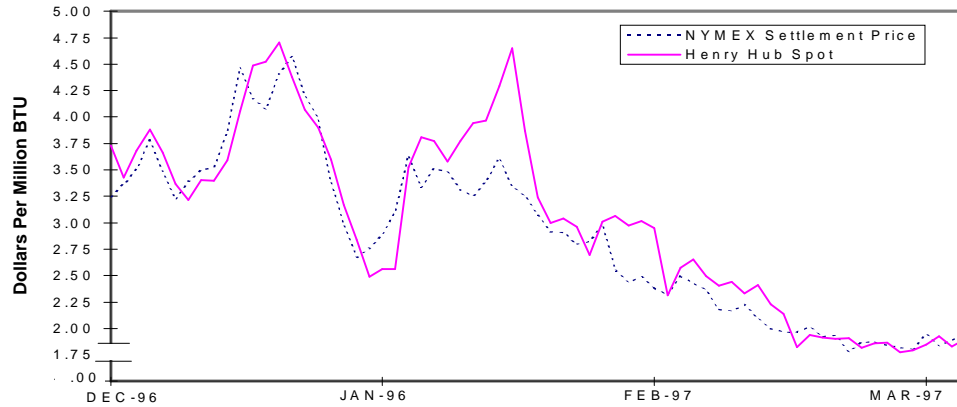


**NYMEX Future Prices vs Henry Hub Spot Prices**

HENRY HUB PRICE		
	CASH	FUTURES
	Mar	Apr
	Del	Del
	(\$ per MMBtu)	
03/03	1.76-1.83	1.803
03/04	1.82-1.88	1.943
03/05	1.90-1.96	1.839
03/06	1.80-1.86	1.886
03/07	1.83-1.96	1.947

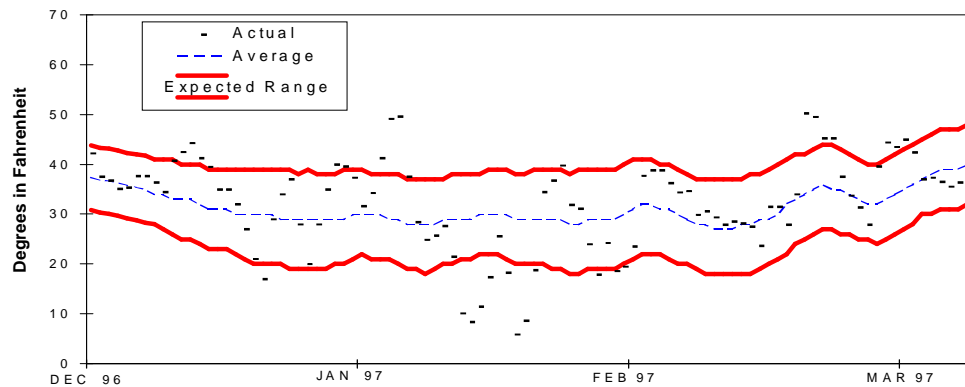


Note: The Henry Hub spot price is from the GAS DAILY and is the midpoint of their high and low price for a day.

**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
03/02	42	36	6
03/03	37	37	0
03/04	37	38	-1
03/05	37	39	-2
03/06	36	39	-3
03/07	36	39	-3
03/08	43	40	3

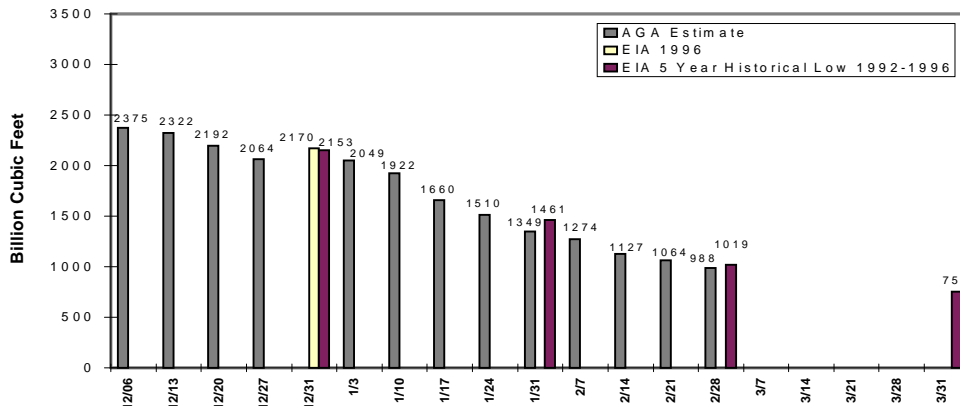


The bounds are computed by adding and subtracting from the average temperatures for the last 10 years an amount equal to twice an estimate of the standard deviation for temperatures on a day.

**Working Gas In Storage 1996-1997**

Working Gas Volume as of 02/28/97		
	BCF	% Full
EAST	575	32
WEST	176	37
Prod Area	237	26
U. S.	988	31

Source: AGA



The NYMEX futures price for April delivery at the Henry Hub opened Monday, March 10, at \$1.950 per MMBtu, just about the same as Friday's settlement price. Average temperatures returned to more seasonal levels last week in the four metropolitan areas monitored in this report and by Thursday averaged 3 degrees Fahrenheit colder than normal. The return of seasonal weather was most prevalent in the upper Midwest where daytime temperatures in Chicago, Milwaukee, and Minneapolis were in the 20s and lower 30s at mid-week. Temperatures in the East remained above normal most days with some daytime highs in the 60s. Prices on both the spot and futures markets at the Henry Hub increased most days and ended the week up \$0.10 and \$0.12 per MMBtu respectively. This was the first period of sustained price increases since late January. The price of West Texas crude oil also moved up and ended the week at \$21.35 per barrel—an increase of more than \$1.00. Estimated storage withdrawals for the last week in February were again considerably below average (76 vs 120 Bcf), and the level of working gas available remains well above last year.

**Storage:** The American Gas Association (AGA) estimated that 76 Bcf of working gas was withdrawn from storage during the week ending Friday, February 28. This brought the total estimated storage withdrawals for the month of February to 361 Bcf—more than 120 below EIA's estimated 5-year average for February of 484 Bcf. Based on EIA data, net storage withdrawals in February over the period from 1992 to 1996 have ranged from a low of 389 Bcf to a high of 547. Last year's February total was 447 Bcf. According to AGA, over 70 percent or 263 Bcf of net withdrawals for this February came from storage sites located in the East Consuming region; last year it was 245. The estimated level of working gas in eastern storage facilities at the end of February was more than 50 percent greater than last year (575 vs 377 Bcf).

**Spot Prices:** In response to the first period of colder-than-normal weather since January, the spot price of gas at the Henry Hub rose 4 out of 5 days to end the week up about \$0.10 per MMBtu. This reversed the trend that had seen the spot price of gas decline almost \$2.00 per MMBtu since mid January. The average cash price at the Henry Hub for February was 40 percent less than in January (\$2.55 vs \$3.47 per MMBtu) and nearly 75 percent less than in February 1996 (\$4.41). The other major market locations also saw prices rise last week, in contrast to the steady declines in February. However, different from the Henry Hub, their average prices in February were above those of last year. At one location, they were more than double—\$2.49 compared with \$1.22 per MMBtu at Blanco in New Mexico.

**Futures Prices:** A moderate degree of volatility returned to the futures market last week as the settlement price for April delivery at the Henry Hub moved both up and down \$0.02 to \$0.14 per MMBtu between days. Friday's settlement price of \$1.947 was more than \$0.12 per MMBtu higher than the previous Friday. Similar to the spot price, this was the first sustained upward trend in the futures price in about 5 weeks. Last year's April contract closed at \$2.779 per MMBtu. The current April contract is scheduled to close on March 24.

**Summary:** The first period of colder-than-normal weather in the Midwest in more than a month applied some upward price pressure on both the spot and futures markets. Supplies in storage remain at a good level and, barring the arrival of a sustained period of below normal temperatures, this price trend should be moderate and short-lived.