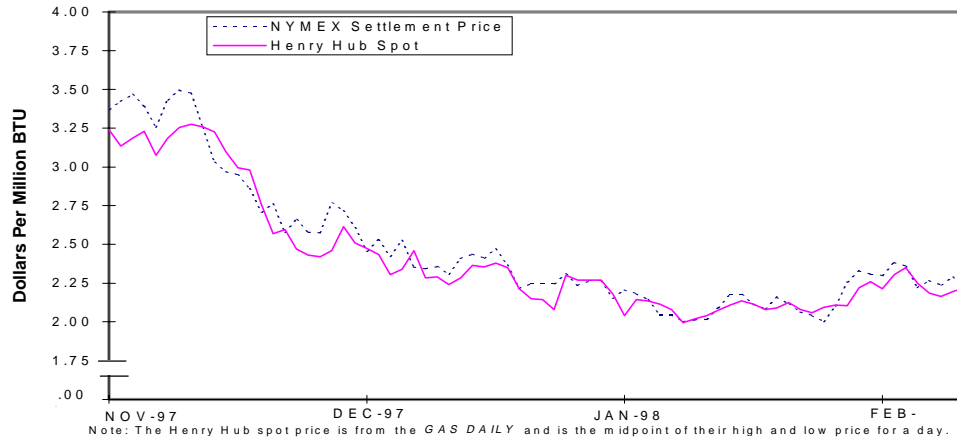


**NYMEX Future Prices vs Henry Hub Spot Prices**

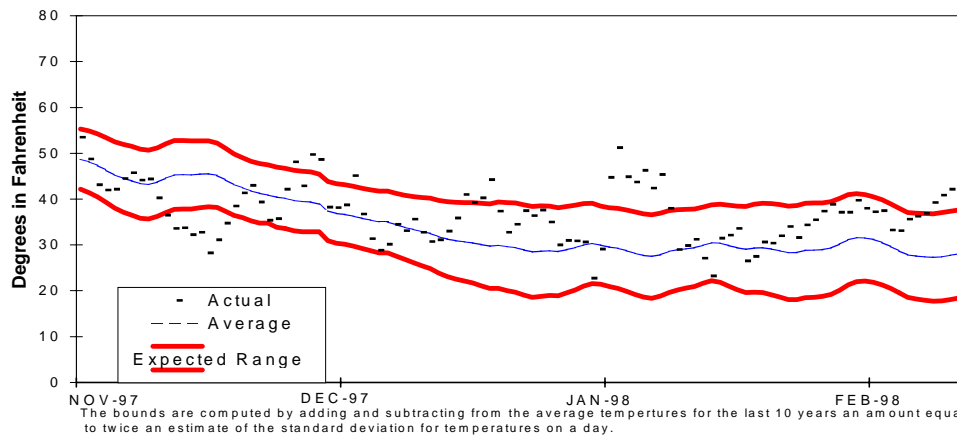
HENRY HUB PRICE		
	SPOT	FUTURES
	Feb	Mar
	Del	Del
	(\$ per MMBtu)	
2/09	2.22-2.28	2.221
2/10	2.17-2.20	2.268
2/11	2.18-2.25	2.238
2/12	2.18-2.21	2.288
2/13	2.20-2.24	2.208



**Average temperature for Four Major Gas Consuming Metro Areas**

(Chicago, Kansas City, New York, and Pittsburgh)

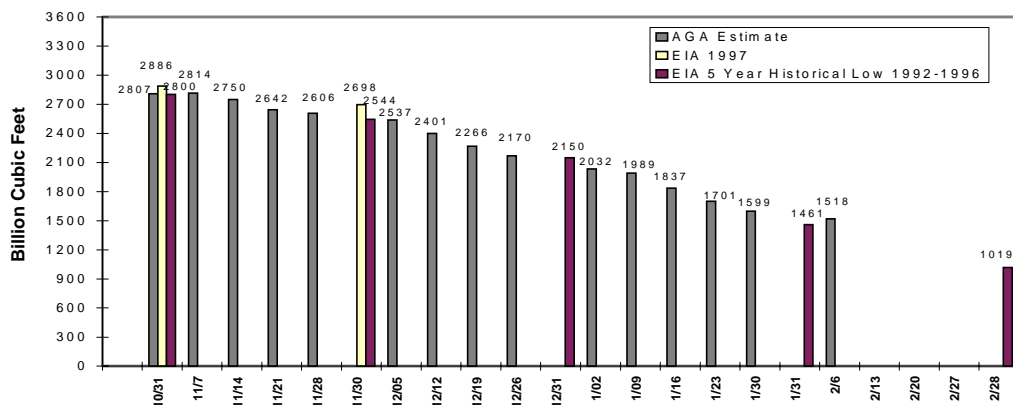
Average Temperature for Four Major Gas Consuming Areas			
	Actual	Normal	Diff
2/07	36	28	8
2/08	37	27	10
2/09	39	27	12
2/10	41	27	14
2/11	42	28	14
2/12	38	28	10
2/13	36	29	7



**Working Gas In Storage**

Working Gas Volume as of 2/06/98		
	BCF	% Full
EAST	904	51
WEST*	233	48
Prod Area	381	41
U. S.*	1518	48

Source: AGA  
\* Per AGA, WEST and U.S. data possibly over-estimated by up to 28 Bcf, due to survey sample change.



The NYMEX futures price for March delivery at the Henry Hub opened Tuesday, February 17, at \$2.180 per MMBtu, \$0.028 lower than Friday's settlement price. Average temperatures in the four metropolitan areas (Chicago, Kansas City, New York, and Pittsburgh) monitored for this report were 10 to 14 degrees warmer than normal most days last week. This continuing period of mild weather that began in mid-December has resulted in a more than 20-percent reduction in normal heating degree days since the beginning of the year. The National Weather Service, along with most commercial weather organizations, are calling for this "El Nino" dominated weather pattern to continue. The lack of any substantial weather-related demand for natural gas so far this winter has resulted in a more than 33-percent drop in gas prices on both the spot and futures markets since mid-November. Although external fundamentals (mild weather, supply, distribution, etc.) remain generally the same, this price trend has seen a recent shift as prices moved up during the first 10 days of February before beginning to decline last week. The price of West Texas crude oil continued to decline most days last week and by Friday was trading for \$16.05 per barrel.

**Storage:** The American Gas Association (AGA) estimate of net withdrawals for the week ending Friday, February 6, was 81 Bcf. This estimate could be understated by as much as 28 Bcf since a firm in the West region has stopped participating in AGA's voluntary survey effective January 30. In any event, the amount of working gas available continues to be more than 200 Bcf greater than at the same time last year. The differential is most prevalent in the Consuming East region where 120 Bcf or 15 percent more working gas was available compared with last year at the same time.

**Spot Prices:** Despite the continued mild weather and forecasts calling for it to remain dominant in most parts of the country, gas prices ended last week near \$2.20 per MMBtu at the Henry Hub. This price level is about 15 cents per MMBtu less than the level the previous Friday but still 15 cents more than at the end of January. Prices at other market locations are also lower than those seen in early February. For example: the spot price at Katy in East Texas was \$2.28 per MMBtu on Friday, February 6, and on the 13th it was trading for about \$2.15; Waha in West Texas went from \$2.22 to \$2.09, and Chicago citygate postings declined from about \$2.39 to \$2.26.

**Futures Prices:** The March futures contract has recently behaved in a similar fashion as the spot market, with prices moving up since the beginning of February. Last week, the trading-day price range for the March futures contract at the Henry Hub narrowed to less than 6 cents per MMBtu most days. On Friday the range expanded to 13 cents and the settlement price ended the week at \$2.208 per MMBtu - down 15 cents from the previous week. Again, with the lack of any of the normal fundamentals that apply upward price pressure, many market observers are not confident that this price level can be sustained. Last year at this time, the March contract was trading for about \$1.98 per MMBtu and eventually closed at \$1.764.

**Summary:** The mild winter temperatures continue in most parts of the country, storage levels remain well ahead of last year, and the early February price rally began to retreat last week.