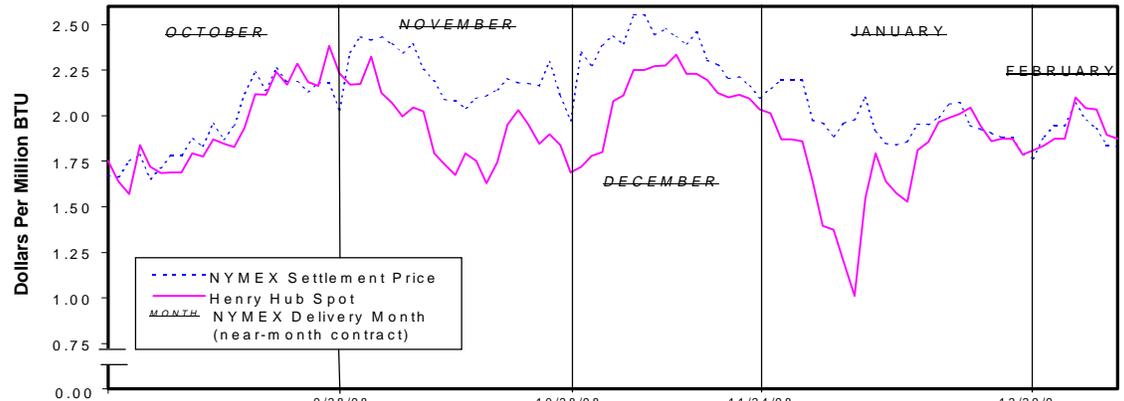


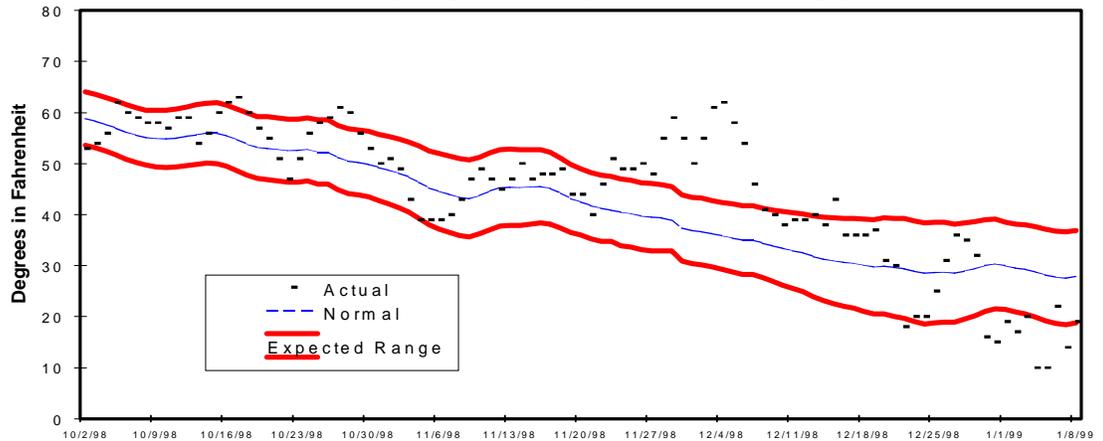
**NYMEX Future Prices vs Henry Hub Spot Prices**



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.

HENRY HUB PRICE (\$ per MMBtu)		
SPOT		FUTURES
January	February	
Del	Del	
1/04	2.07-2.13	2.071
1/05	2.00-2.08	1.975
1/06	2.01-2.06	1.931
1/07	1.87-1.92	1.836
1/08	1.86-1.89	1.830

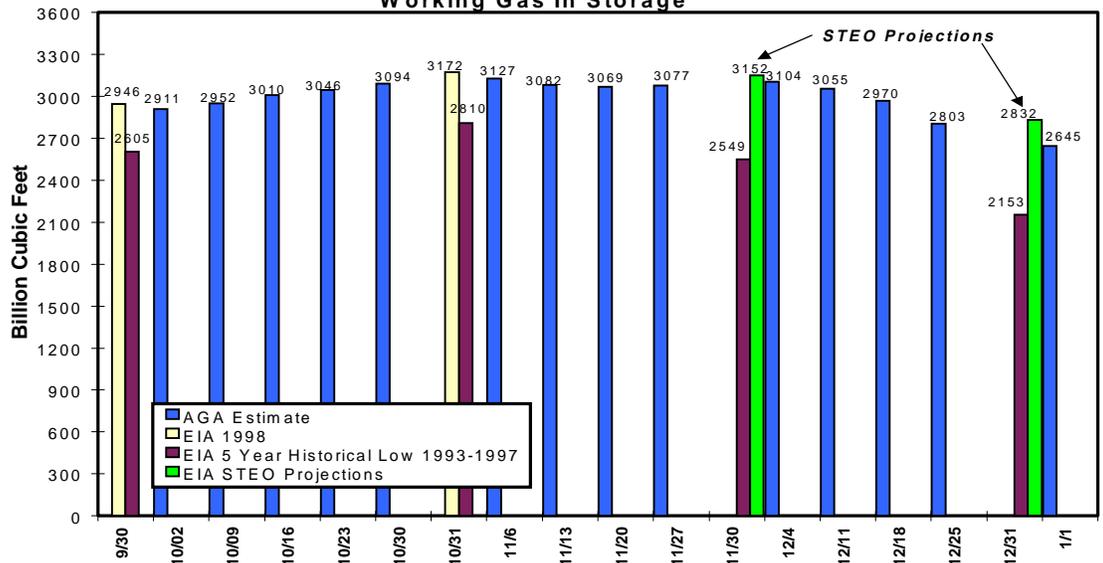
**Average Temperature for Four Major Gas Consuming Metro Areas**  
(Chicago, Kansas City, New York, and Pittsburgh)



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.

Average Temperature for Four Major Gas Consuming Areas			
	Actual	Normal	Diff
1/02	17	30	-13
1/03	20	29	-9
1/04	10	29	-19
1/05	10	28	-18
1/06	22	28	-6
1/07	14	28	-14
1/08	19	28	-9

**Working Gas In Storage**



Working Gas Volume as of 1/1/99		
	BCF	% Full
EAST	1469	81
WEST	385	79
Prod Area	791	83
U. S.	2645	81

Source: AGA

The NYMEX futures contract for February delivery at the Henry Hub opened Monday, January 11, at \$1.790 per MMBtu, \$0.04 less than Friday's settlement. Blizzard conditions and severe cold weather was the order of the day in many areas of the Midwest last week. Record low temperatures were reported in Illinois, Indiana, Michigan, and Ohio. The cold weather reached as far south as Tallahassee and Pensacola, Florida, where daytime highs in the mid 30s occurred for several days last week. Composite average temperatures for the four cities monitored for this report (Chicago, Kansas City, New York, and Pittsburgh) were between 6 and 19 degrees below normal last week. Spot prices at the Henry Hub trended down most days ending the week at \$1.88 per MMBtu. The futures contract for February also moved down and ended the week \$0.115 per MMBtu below the end-of-week price for the previous week. Even with the recent spell of cold, wintry weather in the Midwest and the East, most market fundamentals remained favorable for gas consumers. Withdrawals from storage during the last week of December slowed a little from the previous week as they averaged almost 23 Bcf per day. The price of West Texas Intermediate crude oil again trended up most days as tensions in Iraq again heated up. The price per barrel was \$13.10 at the end of last week—roughly equivalent to \$2.27 per MMBtu.

**Storage:** For the week ending Friday, January 1, the American Gas Association (AGA) estimated that withdrawals from storage were 158 Bcf. This estimate is similar to the previous week's 167 Bcf and, according to EIA data, is about 16 Bcf more than for an average week in January over the past 6 years. The overall level of working gas in storage remains well ahead of last year at the same time (2,645 vs. 2,039 Bcf). Last January, during which temperatures nationwide averaged almost 20 percent warmer than normal, the month ended with 1,711 Bcf remaining in storage, according to EIA data. If January weather leads to average withdrawal levels for the month, stocks at the end of January will be over 2,000 Bcf, a level not seen at that point in the year since 1995. It would take record-level cold temperatures throughout the month of January for inventories to drop substantially more, and even so, end-of-January inventories will still be well above last year's levels at the same time. In Canada, the story is much the same, with Canadian storage facilities holding 86 Bcf, or 25 percent, more gas than at the same time last year (427 Bcf vs. 341 Bcf). Canadian facilities were about 82 percent full as of January 1, compared with about 69 percent at the same time last year.

**Spot Prices:** At most major market locations, spot prices for gas were in the \$1.75-\$1.90 range per MMBtu most days last week, about \$0.20 higher than levels the previous week. With moderate weather in the West, prices in markets that serve that region moved down last week. Prices in the Rockies ended the week in the low to mid \$1.60s per MMBtu.

**Futures Prices:** The price of the near-month February futures contract moved down most days and ended the week at \$1.830 per MMBtu—down \$0.115 from the previous week's closing price on Thursday, December 31 (the NYMEX was closed on Friday, January 1). The prevailing market fundamentals of uninterrupted supplies, large inventory surplus, and demand levels not meeting expectations continue to dominate prices on the futures market. Last year at this time when temperatures were considerably above normal, the February contract was trading for about \$2.05 per MMBtu before settling at \$2.00 later in the month. (The National Weather Service continues to forecast warmer-than-normal weather for the first 3 months of 1999 in the major natural gas consuming regions of the United States.)

**Summary:** Cold weather in the Midwest and parts of the East for a second consecutive week again did not have any significant impact on prices at most major markets. The level of gas in storage at this time remains well ahead of that seen in recent years.