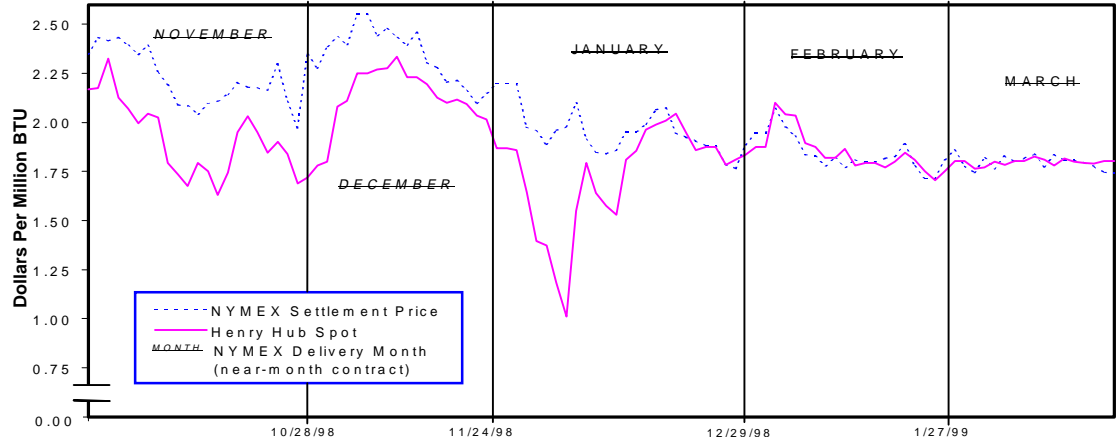


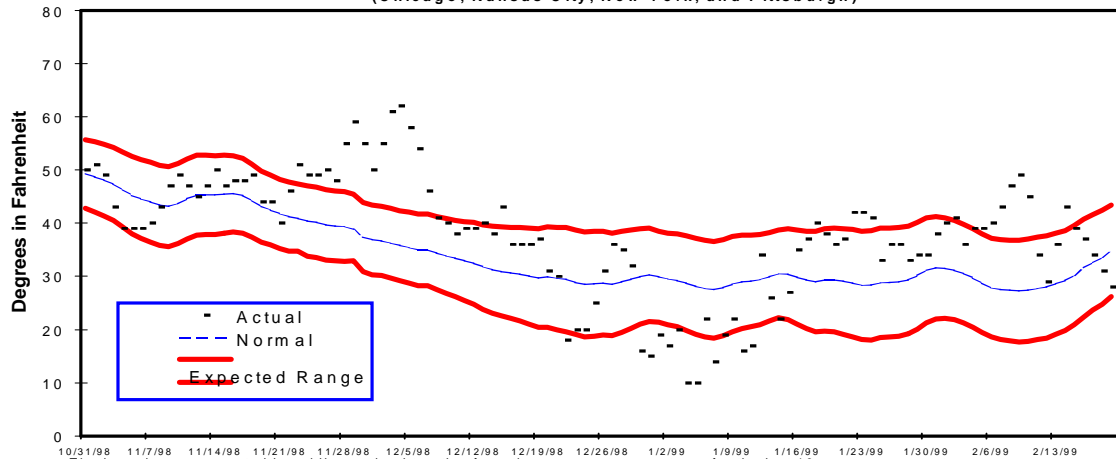
**NYMEX Future Prices vs Henry Hub Spot Prices**



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
	February	March
	Del	Del
2/15	1.79-1.82	Holiday
2/16	1.81-1.84	1.838
2/17	1.79-1.83	1.775
2/18	1.77-1.79	1.837
2/19	1.80-1.83	1.807

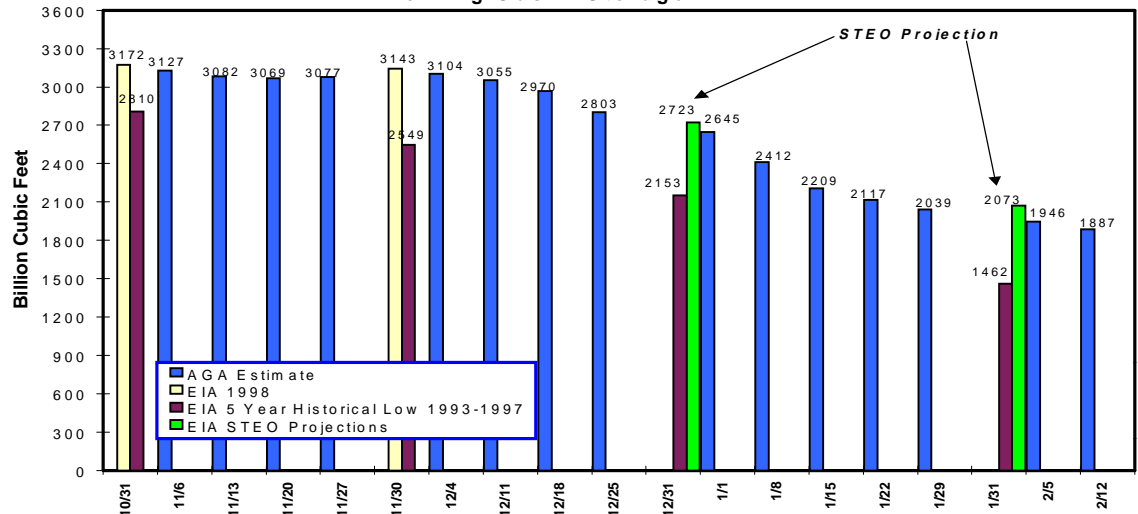
**Average Temperature for Four Major Gas Consuming Metro Areas  
(Chicago, Kansas City, New York, and Pittsburgh)**



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
2/13	36	29	7
2/14	43	29	14
2/15	39	30	9
2/16	37	32	5
2/17	34	33	1
2/18	31	34	-3
2/19	28	35	-7

**Working Gas In Storage**



Working Gas Volume as of 2/12/99		
	BCF	% Full
EAST	963	53
WEST	299	61
Prod Area	625	66
U. S.	1887	58

Source: AGA

The NYMEX futures price for March delivery at the Henry Hub opened Monday, February 22, at \$1.750 per MMBtu, virtually the same as Friday's settlement price. Temperatures last week were again above normal in most parts of the country. The composite average daily temperatures in the Midwest and the East, as reported in the four major metropolitan areas monitored by this report (Chicago, Kansas City, New York, and Pittsburgh), were above normal for the fifth consecutive week. Some short-term forecasts were calling for colder air to be moving into many parts of the Midwest and the Northeast over the week-end and to extend into the first half of this week. Spot prices at the Henry Hub maintained their stability as posted prices remained close to \$1.80 per MMBtu most days last week. The futures contract for March trended down 2 to 3 cents per MMBtu each day and traded for \$1.745 before the start of bid week. In response to the moderate temperatures, storage withdrawals again slowed, averaging less than 8.5 Bcf per day during the second week of February. West Texas Intermediate crude prices declined about 60 cents per barrel early in the week but then rallied and ended the week again at \$11.80—roughly equivalent to \$2.05 per MMBtu. According to the latest Bureau of Labor Statistics (BLS) data for January, the seasonally adjusted price index for natural gas delivered to residential consumers declined by more than 1 percent between December and January.

**Storage:** According to the American Gas Association (AGA), an estimated 59 Bcf was withdrawn from storage in the week ending Friday, February 12. This is the lowest level of stock drawdown in 4 weeks and leaves more than 1,885 Bcf, or almost 60 percent, of working gas capacity still available with about 6 weeks of the heating season remaining. Compared with last year at the same time, more than 460 Bcf remains in storage (1,887 Bcf vs. 1,425). Demand for storage withdrawals has been slow enough that the Producing region reported net additions to storage of 5 Bcf during the second week of February.

**Spot Prices:** Natural gas at the Henry Hub continued to be traded at generally the same price level as that of the previous 4 weeks—about \$1.80 per MMBtu. On Friday, February 19, the spot price was more than 6 cents higher than the near-month (March) futures contract (\$1.81 per MMBtu vs. \$1.745). This is the largest differential in several weeks and could be an indication that current demand owing to prevailing weather forecasts could cause this gap to widen when the March contract expires on Thursday.

**Futures Prices:** The futures contract for March delivery ended last week at its lowest level (\$1.745 per MMBtu) since it became the near-month contract on January 27 at \$1.860. This week's forecasts calling for seasonal to lower-than-normal temperatures in many areas of the Midwest and the Northeast are the first predictions of winter-like weather in over a month but will probably have little impact on the final settlement price for the March NYMEX contract, which closes February 25. The dominant market fundamentals, consisting of ample supply, generally low winter demand, near-record stocks, and depressed petroleum prices, continue to prevail. Last year's March contract closed at \$2.286 per MMBtu.

**Consumer Prices:** The BLS Consumer Price Index of natural gas delivered to residential consumers moved down in January 1999 by 1.3 percent nationally from the December 1998 level and by 2.6 percent compared with January of last year. As in past months, BLS data indicate that price movements vary throughout the country. For example, Los Angeles saw a decline of almost 7 percent between December and January, while Chicago and San Francisco had reductions of 2 and 1.8 percent, respectively. BLS reported that Atlanta, Detroit, and Philadelphia had increases of between 0.4 and 1 percent. The majority of other metropolitan areas surveyed by BLS had little or no price change from December to January.

**Summary:** The prospect of the first period of seasonal temperatures in over a month kept spot prices stable but appears to have had little impact on the March futures contract, which continues to trend down. Withdrawals from storage slowed again in the second week of February, and the working gas surplus compared with last year is now more than 460 Bcf or 32 percent greater with 6 weeks remaining in the heating season.