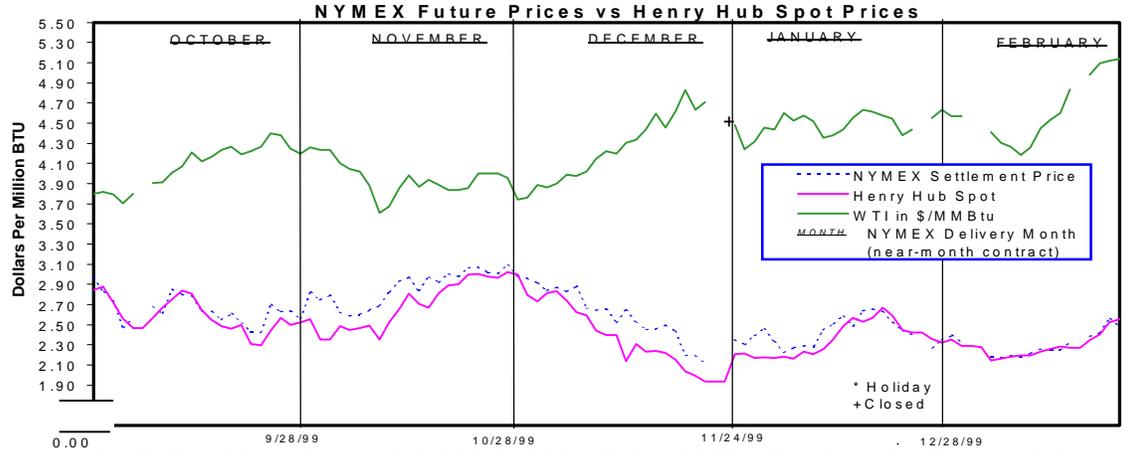
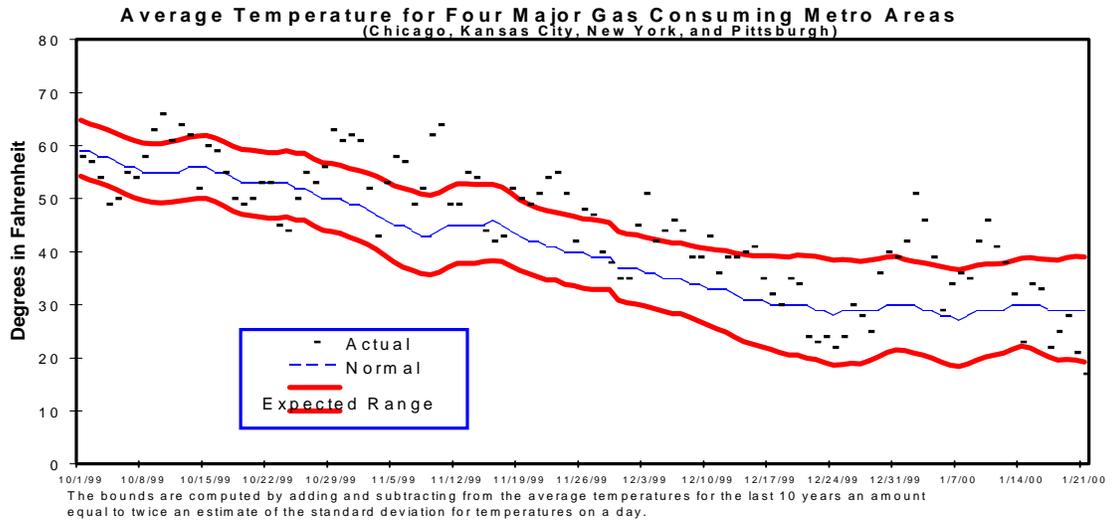


HENRY HUB PRICE (\$ per MMBtu)		
	SPOT	FUTURES
	January	February
	Del	Del
1/17	2.26-2.28	Holiday
1/18	2.33-2.36	2.383
1/19	2.38-2.43	2.417
1/20	2.50-2.55	2.559
1/21	2.51-2.60	2.485

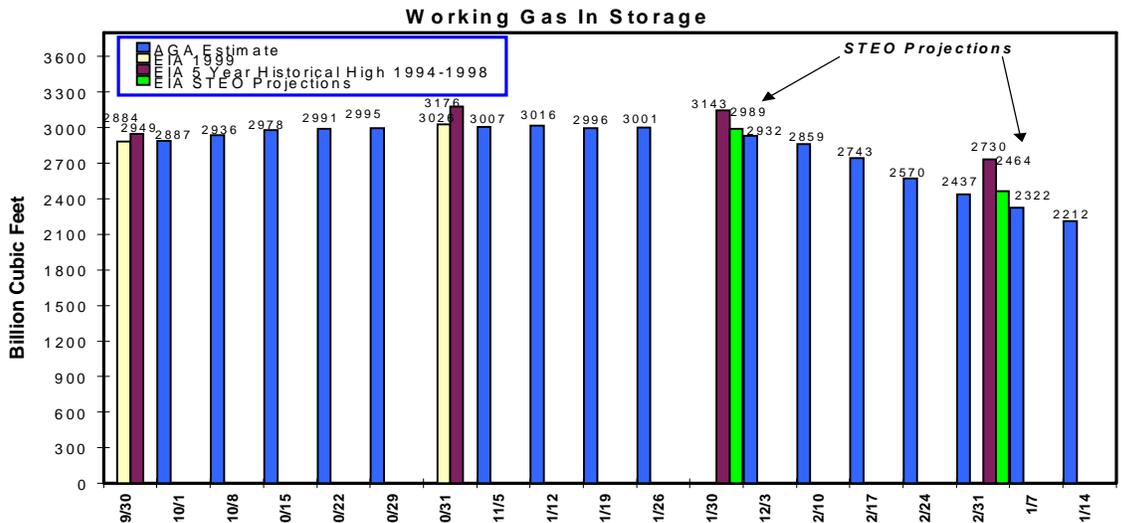


Average Temperature for Four Major Gas Consuming Areas			
	Actual	Normal	Diff
1/15	34	30	4
1/16	33	30	3
1/17	22	29	-7
1/18	25	29	-4
1/19	28	29	-1
1/20	21	29	-8
1/21	16	29	-13



Working Gas Volume as of 1/14/00		
	BCF	% Full
EAST	1200	66
WEST	347	71
Prod Area	665	70
U. S.	2212	68

Source: AGA



The NYMEX futures contract for February delivery at the Henry Hub opened on Monday, January 24, at \$2.530 per MMBtu, \$0.045 more than Friday's settlement price. Winter asserted itself emphatically last week as temperatures plummeted in the northern tier and plains States, the Midwest, and the Northeast. Below-zero lows and highs in the teens or single digits prevailed in many locations in these regions, and the bitter cold was accompanied by medium to heavy snowfall in the Midwest and Northeast. Spot prices everywhere moved up sharply in reaction to the frigid temperatures; prices at selected locations serving Northeast markets jumped well above \$10 per MMBtu by Thursday. At the Henry Hub, spot gas gained about 29 cents over the previous Friday, ending trading last week with a midpoint price of \$2.555 per MMBtu. The February futures contract also gained, but more modestly. The price of West Texas Intermediate crude oil continued its upward march, increasing in price each day last week to end trading on Friday at \$29.80 per barrel, or \$5.14 per MMBtu, an increase of \$1.75 per barrel from the previous Friday.

Storage: For the week ending Friday, January 14, the American Gas Association (AGA) estimated that net storage withdrawals were 110 Bcf. This is the third consecutive week that net withdrawals have declined from the season's high of 173 Bcf attained during the week ended Friday, December 24, 1999. This steady decline in storage utilization is a result of the generally mild temperatures between late December and mid-January, especially during the first 2 weeks of the new year, when the four-city composite average temperature (see temperature graph) often exceeded the previous 10-year average by 10 to 21 degrees. EIA's most recent storage level estimate, appearing in the December issue of the *Natural Gas Monthly*, shows 2,464 Bcf of working gas in storage at the end of 1999. Based on estimated withdrawals of 225 Bcf during the first 2 weeks of January, 2,239 Bcf remains on hand in mid January, just slightly below an estimated 2,280 Bcf in storage in mid-January 1999.

Spot Prices: Prices increased significantly at most markets last week, despite some decreases on Friday. Prices edged up by several cents on Tuesday at virtually every location tracked by *Gas Daily*, then continued upward with increases of 10 to more than 15 cents per day at most locations by Thursday as the extremely cold temperatures persisted. The sharp increase in demand put pressure on pipelines serving Midwest and Northeast markets as evidenced by the Operational Flow Orders issued by at least four major pipelines by Wednesday. Prices at many locations serving Northeast markets surged beyond normal seasonal patterns. On Transco, heavy demand and restrictions on interruptible transportation sent the spot price range for New York delivery from \$3.60-\$4.95 per MMBtu for holiday-weekend (January 15-17) gas to \$12.46-\$18.21 by Thursday. The top end of the ranges of prices for most deals done on Thursday at other Northeast points ranged from \$7.98 per MMBtu on Iroquois to \$10.38 on Tennessee Zone 6. Markets in close proximity to the Northeast experienced robust price increases through Thursday (e.g., CNG North Point in Appalachia jumped 71 cents to \$3.23). Cash prices generally reversed the upward trend during trading on Friday, as futures prices tumbled and some moderation in temperatures was forecast for the weekend. Still, all markets showed solid gains over Friday, January 14 levels: up about 25 cents in the Midcontinent to the low \$2.40s per MMBtu; about 30 cents in the Gulf area to the mid-\$2.50s; 16 to 27 cents in the Southwest production areas; and about 25 cents in the Rockies to the upper \$2.30s in these markets.

Futures: The February contract enjoyed a brief run of price increases Tuesday through Thursday, with a jump of over 14 cents on Thursday to a new high as the near-month contract of \$2.559 per MMBtu. The significant episode of wintry weather appeared also to have increased interest in the contract, as contracts initiated on Tuesday through Friday averaged 15,000 more than the approximately 26,500 per day entered into during the period from December 29 through Friday, January 14. However, the upward trend could not be sustained through Friday, as the February contract fell back to settle at \$2.485 per MMBtu.

Summary: Both spot and futures prices increased last week with normal to below-normal winter temperatures persisting throughout the week in most of the country. Most notably, sharply increased demand in the Northeast strained deliverability, leading to instances of unusually high prices. However, inventories remain relatively high and longer-term forecasts continue to call for normal to above-normal temperatures in major gas-consuming areas.