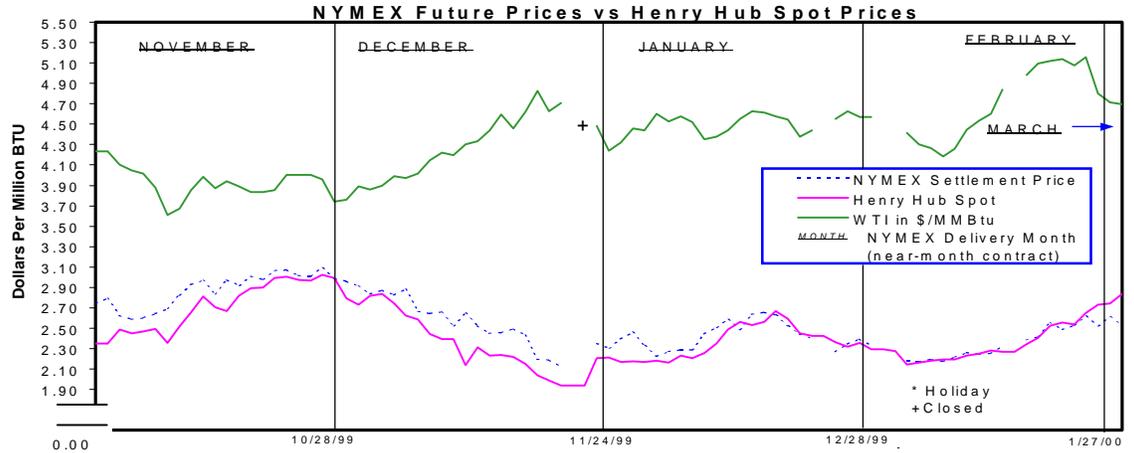
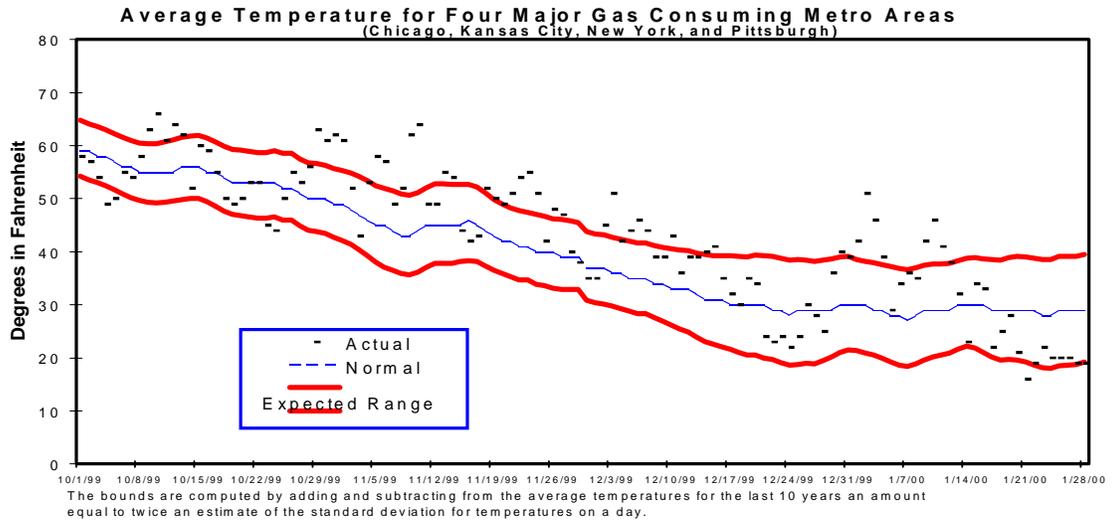


HENRY HUB PRICE (\$ per MMBtu)		
	SPOT	FUTURES
January	Del	Feb/Mar Del
1/24	2.51-2.56	2.528
1/25	2.62-2.68	2.616
1/26	2.70-2.76	2.523
1/27	2.69-2.80	2.610
1/28	2.75-2.92	2.532

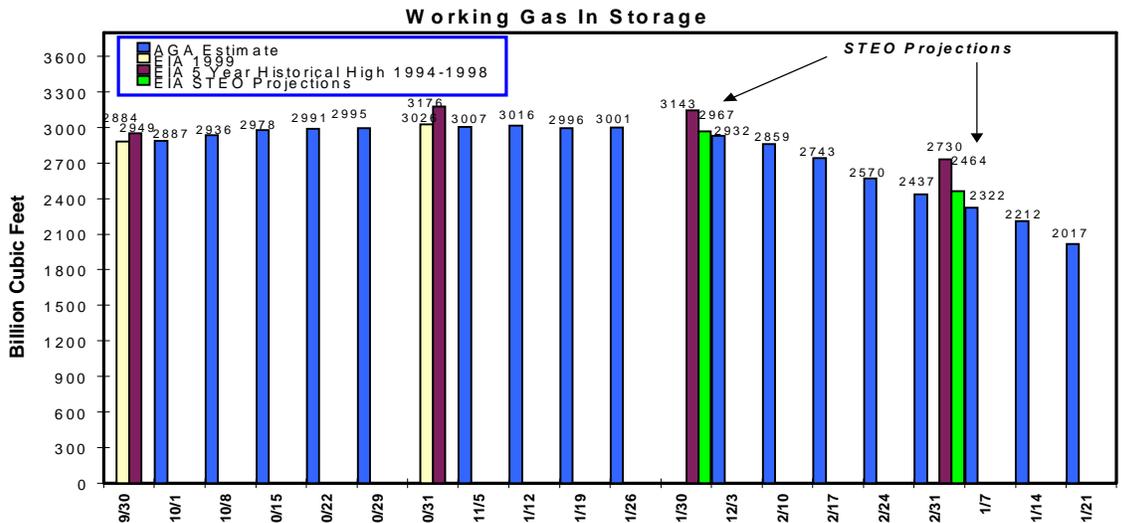


Average Temperature for Four Major Gas Consuming Areas			
	Actual	Normal	Diff
1/22	19	29	-10
1/23	22	28	-6
1/24	20	28	-8
1/25	20	29	-9
1/26	20	29	-9
1/27	19	29	-10
1/28	19	29	-10



Working Gas Volume as of 1/21/00		
	BCF	% Full
EAST	1064	59
WEST	337	69
Prod Area	616	65
U. S.	2017	62

Source: AGA



As a second week of low temperatures dominated the weather on the East Coast, prices at most major spot markets moved up close to \$0.30 per MMBtu—their largest weekly increases this winter. On the futures market, the NYMEX February contract for delivery at the Henry Hub closed on Thursday, January 27, at \$2.610 per MMBtu—\$0.27 higher than the final price for the January contract (\$2.341) and \$0.80 above last year's February contract (\$1.810). The winter season's most severe weather covered an area from North Carolina to New England, while cold weather also prevailed in many areas of the Midwest and the Southeast. The composite average temperatures for the four cities monitored by this report (see temperature graph) were 6 to 10 degrees below normal each day last week. This was reflected in spot price increases of \$0.20 to \$0.30 per MMBtu at markets that serve the Midwest and the East last week. A combination of increased demand from the low temperatures and restricted supply due to operational flow orders (OFO) affecting transportation volumes to areas in the Northeast resulted in spot prices ranging between \$7.00 and almost \$11.00 per MMBtu in markets serving New York City and southern New England. The price of West Texas Intermediate crude oil retreated from the previous week's 9-year high level of \$29.80 per barrel to end the week at \$27.25 or \$4.70 per MMBtu.

**Storage:** According to the American Gas Association (AGA), an estimated 195 Bcf was withdrawn from storage during the week ending Friday, January 21. This is the largest level of weekly withdrawals this winter and is the result of low temperatures during the third week of January (see temperature graph). The majority of the withdrawals occurred in the East consuming region where 136 Bcf was taken from storage to meet the weather-induced demand. The Consuming West and the Producing regions reported withdrawals of 10 and 49 Bcf, respectively. Combining the EIA estimate of 2,464 Bcf in storage at the end of December with AGA's withdrawal reports through January 21, working gas on hand at the end of the third week of January stood at 2,044 Bcf. As low temperatures expanded over a larger area to affect almost all of the eastern third of the country, net withdrawals during the fourth week of January are likely to exceed the previous week's estimate. Just a slight increase in the average rate of net storage withdrawals during the final 10 days of the month would result in end-of-month stocks below the 1,762 Bcf average for the previous 5 years (1995-99).

**Spot Prices:** Consistent with a second week of some of the coldest weather of the season, spot prices at the Henry Hub increased each day last week and ended trading at about \$2.85 per MMBtu—up \$0.55 in 2 weeks. Prices at other markets that supply customers in the Midwest and the Northeast also moved up, while those that primarily provide gas to customers west of the Mississippi saw their prices either remain flat or decline somewhat. Some of the highest prices were reported at markets in the upper Northeast because of high demand and volume restrictions on transportation due to OFOs. Transco (Zone 6) in New York had posted prices of \$10.95 per MMBtu on Wednesday and in Massachusetts Algonquin had postings near \$7.50. (Transco reported that the OFO will be lifted on Tuesday, February 1.) In contrast, prices were stable most days last week in markets in the West, where temperatures have remained generally above normal this winter. For example, prices in the Rockies moved up only 2 cents per MMBtu to \$2.38, while prices at the California border remained generally flat at about \$2.50 per MMBtu last week.

**Futures Prices:** Although the February contract moved up only 9 cents per MMBtu during its final week of trading to expire at \$2.610, it had increased almost \$0.45 per MMBtu since the January 7 settlement price of \$2.172. Most of this increase took place after temperatures in the Northeast began to drop in mid-January. Between January 14 and 20, the February contract gained more than \$0.30 per MMBtu (\$2.252 to \$2.559). Interest in the February contract increased each day last week as the estimated contracts entered into grew from 36,000 on Monday, January 24, and reached 65,000 on the final day of trading, Thursday, January 27. After ending trading at \$2.532 per MMBtu on Friday, the NYMEX futures contract for March delivery at the Henry Hub opened on Monday, January 31, at \$2.575 per MMBtu.

**Summary:** Widespread cold weather contributed to the steepest spot market prices increases of the winter last week. The February futures contract continued to trend up, closing \$0.27 higher than the January contract. Net storage withdrawals during the third week of January reached their highest level of the season at 195 Bcf. Continued high storage withdrawals would cause stock levels to fall below the previous 5-year average.