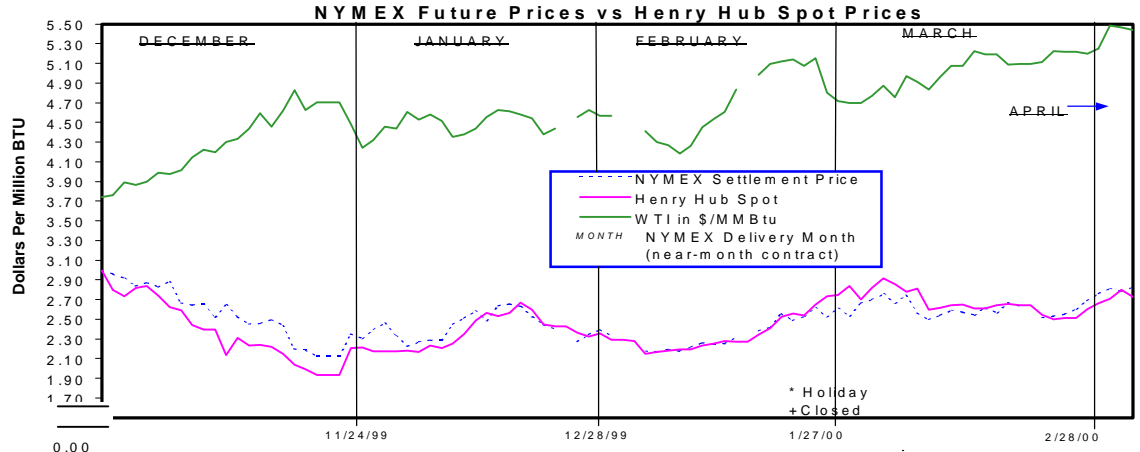
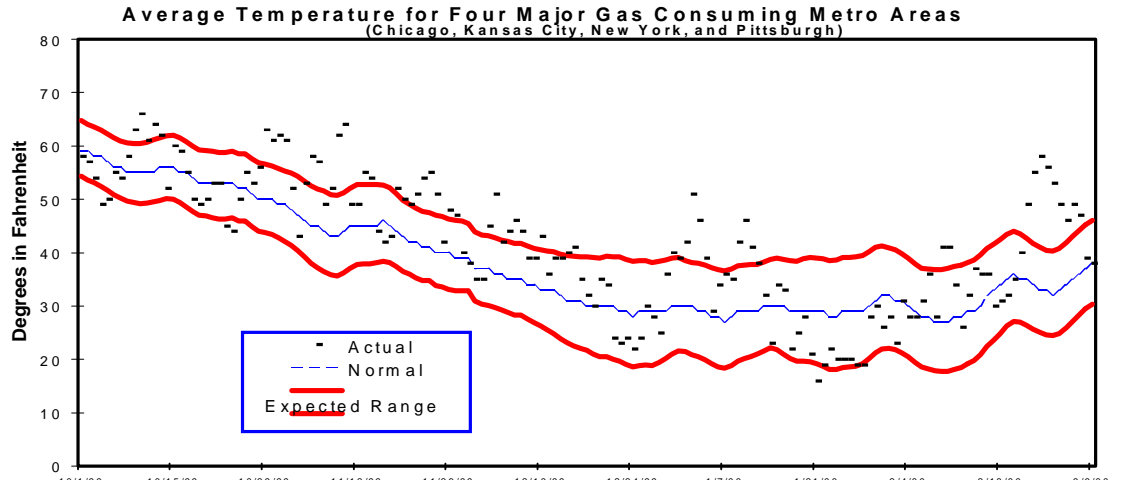


HENRY HUB PRICE (\$ per MMBtu)		
	SPOT	FUTURES
	Feb/Mar	April
	Del	Del
2/28	2.57-2.64	2.686
2/29	2.62-2.70	2.761
3/01	2.69-2.73	2.815
3/02	2.77-2.83	2.783
3/03	2.71-2.74	2.825



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.

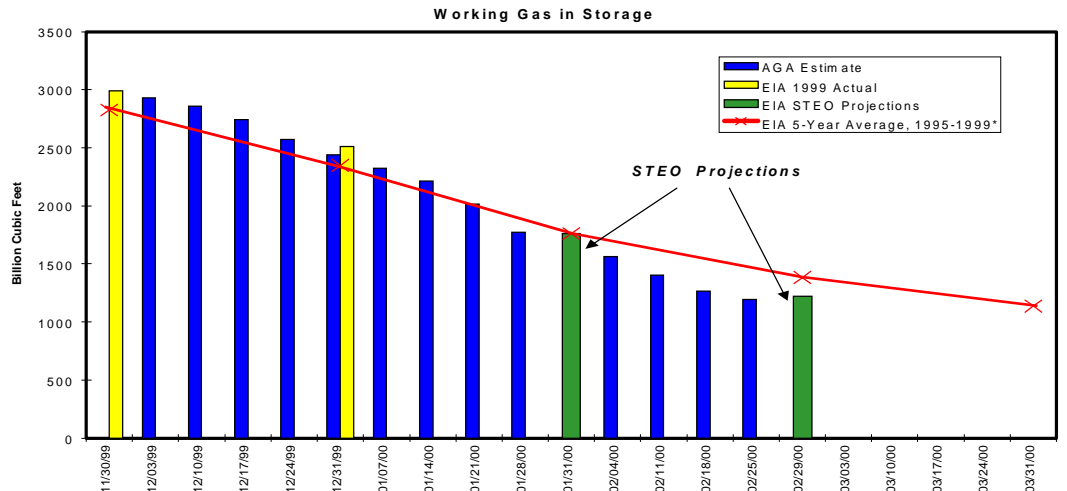
Average Temperature for Four Major Gas Consuming Areas			
	Actual	Normal	Diff
2/26	53	32	21
2/27	49	33	16
2/28	46	34	12
2/29	49	35	14
3/01	47	36	11
3/02	39	37	2
3/03	38	38	0



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.

Working Gas Volume as of 2/25/00		
	BCF	% Full
EAST	551	30
WEST	267	35
Prod Area	376	40
U. S.	1194	37

Source: AGA



*The data showing the EIA 5-year historical high inventory levels have been replaced with the EIA 5-year average inventory levels for 1995-1999.

Despite weakening demand conditions, prices in both the spot and futures markets moved steadily upward each day last week, with the exceptions of a small pull-back in futures prices on Thursday and a drop in cash prices on Friday. Comparatively warm temperatures continued to prevail throughout much of the nation, with high temperatures in the 40s and 50s and lows above freezing most days in much of the Midwest and well up into New England. Chicago, Kansas City, and Pittsburgh each had 1 or 2 days with highs in the 60s, while the composite daily average temperature for the 4 cities monitored for this report was equal to or greater than normal every day of the week, with the difference exceeding 10 degrees for 5 of the 7 days. Despite the warm weather and continuing National Weather Service short-term forecasts for more of the same in major gas-consuming areas, the April futures contract jumped more than 8 cents on Monday with additional gains on Tuesday, Wednesday, and Friday. It settled on Friday, March 3, at \$2.825 per MMBtu, \$0.222 higher than the previous Friday. The April contract opened on Monday, March 6, at \$2.795. Spot prices followed the lead of the April contract, gaining a momentum of their own that overrode the near-term contract's 3-cent drop on Thursday, but they took a tumble on Friday. Henry Hub spot prices increased \$0.21 from the previous Friday, to \$2.73 per MMBtu on Friday, March 3. Crude oil prices continued to climb, as West Texas Intermediate picked up \$1.30 per barrel to end trading on Friday, March 3, at \$31.55 per barrel, or \$5.44 per MMBtu.

Storage: According to the American Gas Association (AGA), net withdrawals from storage for the week ended Friday, February 25 were 74 Bcf. This is 62 Bcf below the previous week and the lowest weekly total since early December 1999. This recent decline in storage utilization has occurred as a result of the steady moderation of temperatures in the Midwest and the Northeast that began in the second week of February (see temperature graph). EIA's latest survey of storage operators indicates that working gas in storage at the end of December 1999 was 2,509 Bcf. Based on estimated withdrawals in January of 750 Bcf, stocks at the end of January were 1,759 Bcf. EIA's latest storage assessment, appearing in the February issue of the *Natural Gas Monthly*, estimates a near record 535 Bcf drawdown from stocks in February, leaving 1,224 Bcf on hand at the end of the month. This is 31 percent less than last year's 1,792 Bcf at the end-of-February and 160 Bcf below the 5-year average (1995-99) of 1,384. However, it is more than 200 Bcf above EIA's all-time low of 1,021.

Spot Prices: Spot prices had healthy gains each day Monday through Thursday of last week in all regional markets and at virtually every market location tracked by *Gas Daily*. However, the momentum could not be sustained through Friday, as the arrival of the weekend break and warming temperatures cut 7 to 10 cents or more from the 25 to 30-plus cents gains through Thursday, leaving Friday-to-Friday increases in a fairly tight range around 20 cents at most market locations. These pricing patterns and the drop-off in weather-driven demand in most major gas-consuming areas suggest that spot prices were influenced heavily by the strength of the futures market. By Friday, prices ranged from \$2.42 to \$2.54 per MMBtu in the Rockies, about a nickel more in the San Juan basin and in the low \$2.60s in the Permian basin; prices tended to cluster around \$2.70 in the Gulf Coast region but were closer to \$2.60 at most Midcontinent locations; Northeast prices tended to be just over \$3.00 per MMBtu.

Futures Prices: The solid price gains for contracts in April (and beyond) during a fourth consecutive week of generally warmer-than-normal temperatures in many major gas-consuming areas implies concerns for adequacy of future supplies beyond the near-term. Friday's settlement price for the April contract of \$2.825 per MMBtu is close to an historical high (in nominal terms) for the April contract in the prompt-month position. The April 1996 contract reached \$2.863 per MMBtu on March 22, 1996, coming at the end of a colder-than-normal winter and with gas inventories having reached historically low levels. The estimate for end-of-February stock levels is in the lower end of the historical range for this month. Some in the industry believe that the futures market's strength derives from projected heavy demand for gas in the upcoming storage refill season.

Summary: Spot and futures prices increased steadily, making significant week-to-week gains, even though there are no current or projected near-term supply shortfalls. Storage withdrawals fell well below 100 Bcf for the week ended February 25. Temperatures continued above normal in much of the nation and are forecast to remain so for at least another week along the Gulf Coast, the entire East Coast, and in the north central part of the country.