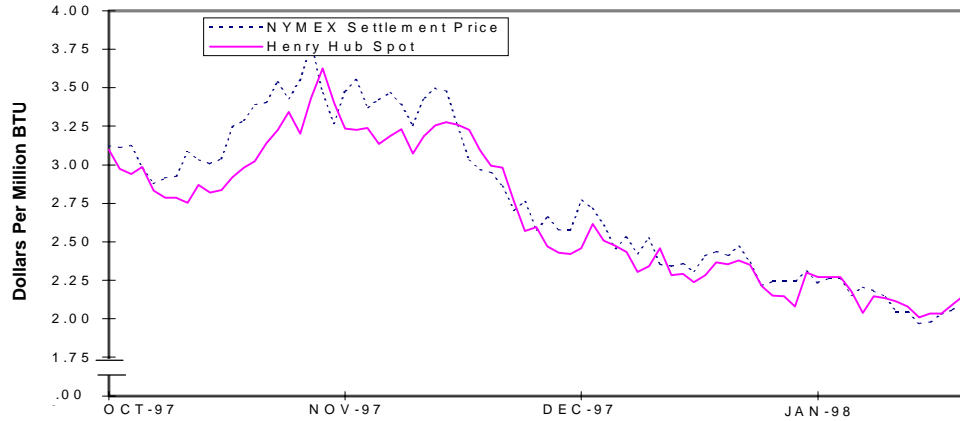


**NYMEX Future Prices vs Henry Hub Spot Prices**

HENRY HUB PRICE		
	SPOT	FUTURES
	Jan	Feb
	Del	Del
	(\$ per MMBtu)	
1/12	1.97-2.02	2.002
1/13	1.98-2.06	2.014
1/14	2.03-2.05	2.016
1/15	2.06-2.09	2.091
1/16	2.09-2.13	2.176

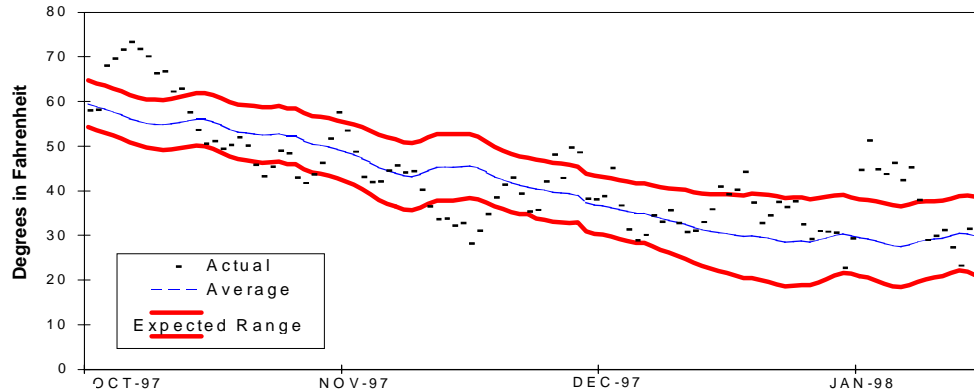


Note: The Henry Hub spot price is from the GAS DAILY and is the midpoint of their high and low price for a day.

**Average temperature for Four Major Gas Consuming Metro Areas**

(Chicago, Kansas City, New York, and Pittsburgh)

Average Temperature for Four Major Gas Consuming Areas			
	Actual	Normal	Diff
1/10	29	29	0
1/11	30	29	1
1/12	31	29	2
1/13	27	30	-3
1/14	23	30	-7
1/15	32	30	2
1/16	32	30	2

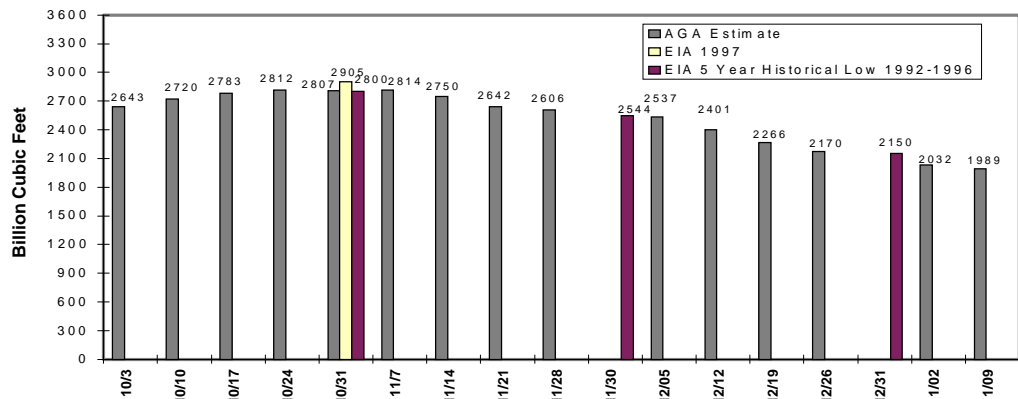


The bounds are computed by adding and subtracting from the average temperatures for the last 10 years an amount equal to twice an estimate of the standard deviation for temperatures on a day.

**Working Gas In Storage 1997**

Working Gas Volume as of 1/09/98		
	BCF	% Full
EAST	1249	70
WEST	247	51
Prod Area	493	54
U. S.	1989	62

Source: AGA



The NYMEX futures contract for February delivery at the Henry Hub opened Tuesday, January 20, at \$2.17 per MMBtu, virtually the same as Friday's settlement price. Temperatures have cooled from the near record highs seen during the first week of January but in most parts of the country heating degree-days remain below normal. This is especially the case in major gas heating markets such as Philadelphia at 9 percent less; Chicago and New York, both at 7 percent; and Kansas City, at 5 percent less. The National Weather Service is forecasting that this weather pattern will continue through the end of January. The moderate temperatures have been the main reason for the continued low level of gas prices at the Henry Hub where both the spot and futures market were trading below \$2.00 per MMBtu early last week. According to the latest data from the Bureau of Labor Statistics (BLS), both the producer (wellhead) and consumer price indices for natural gas declined from November to December. The price of West Texas crude oil continued the decline that began in mid-December as it ended last week below \$16.60 per barrel, which is almost \$10.00 less than last year at this time. The disruption in coal deliveries to Texas electric utilities continues to improve daily and could return to typical levels by the end of January. Additional evidence of reduced gas demand pressures appears in estimated withdrawals from storage during the first full week of January at only 50 Bcf, compared to a normal January weekly withdrawal level of about 150 Bcf.

**Consumer Prices:** The BLS price index of natural gas to consumers declined for the first time since August as the national average for all residential consumers moved down almost 2 percent in December. As in the past, BLS data indicate that the price movements vary throughout the country. For example; Baltimore and Washington, DC saw consumer prices decline more than 10 percent compared to November levels while Chicago had a 2 percent drop. Most other markets covered by the BLS survey remained generally the same and one, St. Louis, rose more than 10 percent. Based on preliminary data from the BLS's producer price index survey for gas, the wellhead price moved down more than 20 percent in December. Based on this data, consumer prices should decline again in January.

**Storage:** For the week ending Friday, January 9, the American Gas Association (AGA) estimated that the withdrawals from storage totaled 50 Bcf. This estimate is more than 80 Bcf less than the previous week, reflecting the mild weather for the period and declining spot market prices. The level of working gas remaining in storage is now almost 70 Bcf greater (1,989 vs. 1,922 Bcf) than last year's estimate at the same time. Many industry observers now hold the view that the amount of gas still available in storage is more than adequate to meet expected demand during the remainder of the heating season.

**Spot Prices:** The week began with natural gas trading below \$2.00 per MMBtu at most major market locations. The return of cooler temperatures in the Midwest and the East did contribute to increased prices at the Henry Hub, which moved up about 10 cents and ended the week near \$2.11 per MMBtu. Prices at most other markets ended the week closer to \$2.00 per MMBtu. The California border price, which had been the major exception to the early January price declines, saw its trading level move down almost 10 cents to about \$2.10 per MMBtu by the end of last week. Prices at the Canadian border remained stable or declined slightly.

**Futures Prices:** Trading on the February futures contract at the Henry Hub last week followed a pattern similar to the spot price at that location. Futures prices declined somewhat early in the week, closing just above \$2.00 per MMBtu on Monday and remaining at that level before moving up almost 8 cents on both Thursday and Friday to end the week at \$2.176. The February contract will close on January 28 and, as a reflection of the warmer-than-normal weather and adequate storage levels, is trading almost \$1.00 per MMBtu less than last year at this time.

**Summary:** Average daily temperatures moved down in most parts of the country last week but for the winter remained warmer-than-normal. The latest BLS survey data indicate that natural gas prices declined in December: 2 percent for residential consumers and more than 20 percent at the producer level. Both spot and futures prices had gains at the end of last week but remained considerably lower than in early December. Storage withdrawals