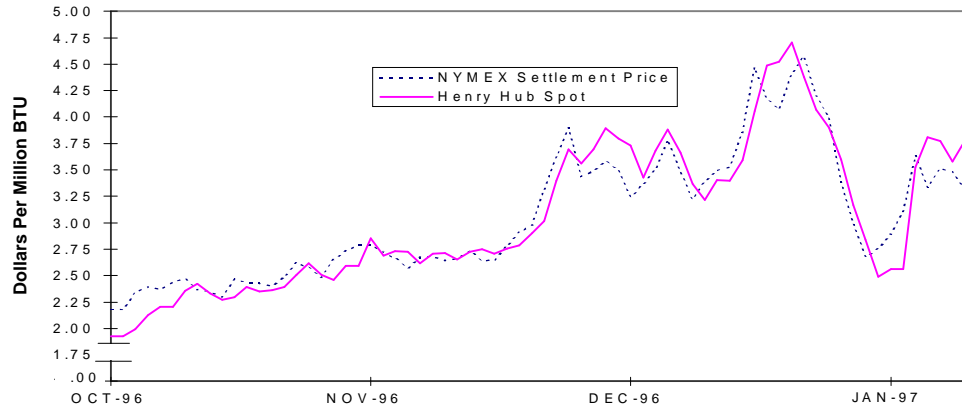


**NYMEX Price Futures vs Henry Hub Spot Price**

HENRY HUB PRICE		
	CASH	FUTURES
	Jan	Feb
	Del	Del
	(\$ per MMBtu)	
01/06	3.47-3.58	3.636
01/07	3.73-3.89	3.334
01/08	3.69-3.85	3.513
01/09	3.50-3.66	3.481
01/10	3.65-3.89	3.316

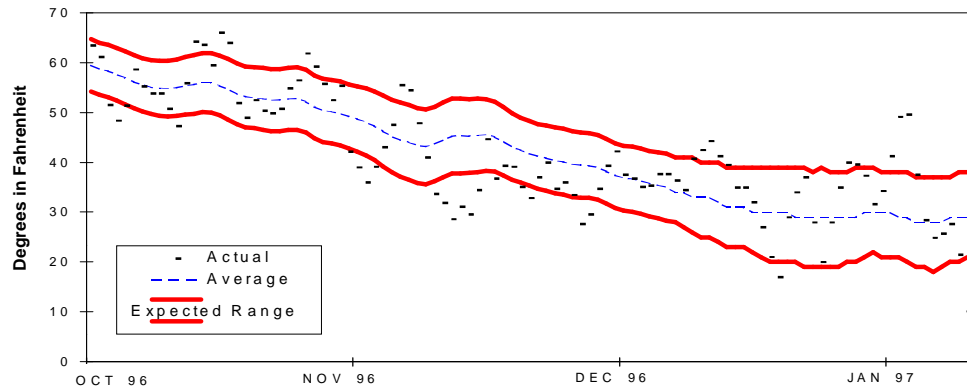


Note: The Henry Hub spot price is from the GAS DAILY and is the midpoint of their high and low price for a day.

**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
01/05	38	28	10
01/06	28	28	0
01/07	25	28	-3
01/08	26	28	-2
01/09	29	28	-1
01/10	22	29	-7
01/11	10	29	-19

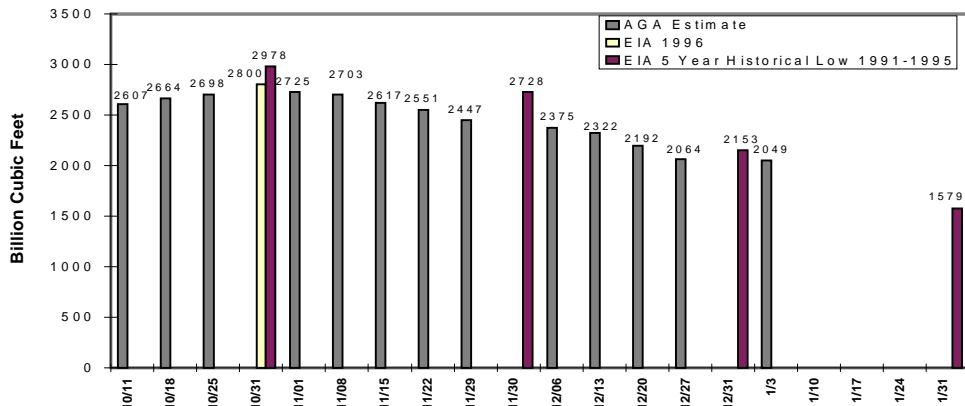


The bounds are computed by adding and subtracting from the average temperatures for the last 10 years an amount equal to twice an estimate of the standard deviation for temperatures on a day.

**Working Gas In Storage 1996-1997**

Working Gas Volume as of 01/03/97		
	BCF	% Full
EAST	1,292	72
WEST	282	58
Prod Area	475	52
U. S.	2,049	64

Source: AGA



The NYMEX futures price for February delivery at the Henry Hub opened Monday , January 13, at \$3.280 per MMBtu, \$0.036 lower than Friday's settlement price. Last week saw the return of seasonal weather in most parts of the country. Average temperatures at the four metropolitan areas that are monitored in this report (Chicago, Kansas City, New York City, and Pittsburgh) were more than 30 percent colder than a week earlier. Resumption of winter-like temperatures saw prices on the spot market at the Henry Hub rise steadily and end the week more than \$1.00 per MMBtu higher than the previous week. The futures price also increased but displayed a high degree of volatility as the price of the February contract moved 3 to 53 cents per MMBtu between days. Overall, the futures price rose more than \$0.20 per MMBtu and ended the week at \$3.316. With several weather forecasts calling for the coldest weekend of the winter, cash prices on all markets moved up between \$0.25 and \$1.60 per MMBtu on Friday. The price of West Texas crude oil remains high at close to \$26.50 per barrel as does the price of other major space heating fuels - distillate oil and propane. The record-setting mild weather during the first week of the new year resulted in record low estimates for storage withdrawals during the period of only 15 Bcf - a level not seen since April of last year. Such low withdrawal activity reinforces the current view that storage stocks appear to be adequate to meet this winter's needs.

**Storage:** According to the American Gas Association's (AGA) estimates, net storage withdrawals for the week ending January 3, were only 15 Bcf - 113 less than during the previous week. Unseasonably warm weather reduced the demand on the industry's storage resources to such an extent that the Producing and the West regions were able to make net additions to their storage levels of 7 and 4 Bcf, respectively. The latest AGA estimates indicate that the level of working gas in storage is now almost 3.5 percent greater than last year at the same time. Net withdrawals for December 1996 were probably close to 400 Bcf or 30 percent less than the 582 Bcf withdrawn during December 1995. Based on EIA data, the 5-year average (1991 to 1995) for storage withdrawals in December is 420 Bcf. The record high occurred during the frigid December of 1989 when 752 Bcf was withdrawn.

**Spot Prices:** With the return of cold weather during the past week, spot prices at the Henry Hub rose more than \$1.15 per MMBtu during the week and by Friday afternoon were above \$3.70. On forecasts calling for the lowest temperatures of the season in the Midwest, prices at several market locations that serve the Midcontinent rose over \$1.60 per MMBtu on Friday. The forecasts proved accurate as Saturday's average temperatures were 50 percent colder than normal in many areas; e.g. the high temperature in Chicago on Saturday was only 5 degrees Fahrenheit. The price at the Chicago city gate increased sharply as the average posted price for the Friday was reported to have been above \$5.60 per MMBtu. This price spike on the spot markets resulted in a premium of almost \$0.50 per MMBtu between the spot and futures price for near term gas (1 to 3 days) at the Henry Hub. Last week's price increases returned prices to levels seen throughout most of December. The Henry Hub average cash price for December 1996 was more than 50 percent higher than the average price for the same month in 1995 - \$3.78 per MMBtu compared with \$2.45.

**Futures Prices:** The futures price on the NYMEX again had a high level of volatility over the past week as buyers explored a variety of price levels for February delivery. The settlement price ended the week up \$0.20 per MMBtu from the previous Friday. It gained \$0.53 per MMBtu on Monday, January 6, then was down more than \$0.30 over the remainder of the week. Friday's settlement of \$3.316 per MMBtu is \$0.976 higher than last year's February contract settlement of \$2.340. The price for the March contract is more than \$0.634 per MMBtu higher than last year at this time.

**Summary:** The return of colder than normal weather along with accompanying forecasts calling for the season's lowest temperatures in most areas of the Midwest have provided the impetus for a rebound in the spot price of natural gas. The status of the industry's storage resource continues to be adequate or better than the same time last year, especially in the East Consuming region which is estimated to have almost 20 percent more working gas available. This may apply some downward pressure on prices over the remainder of the heating season.