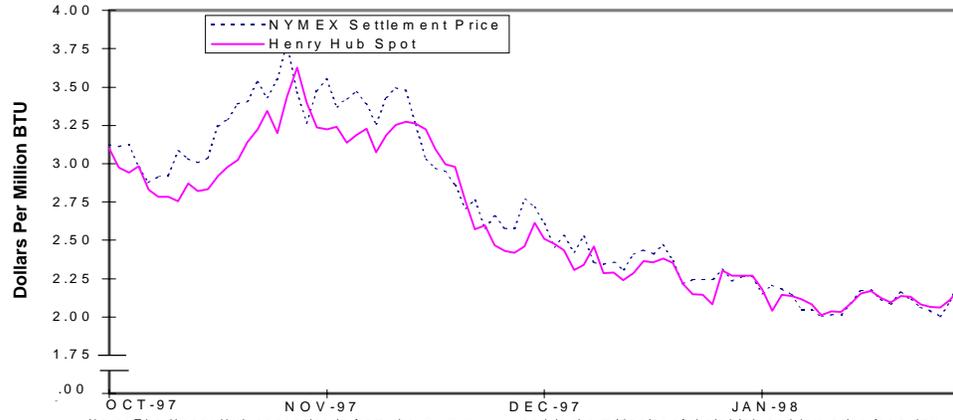


**NYMEX Future Prices vs Henry Hub Spot Prices**

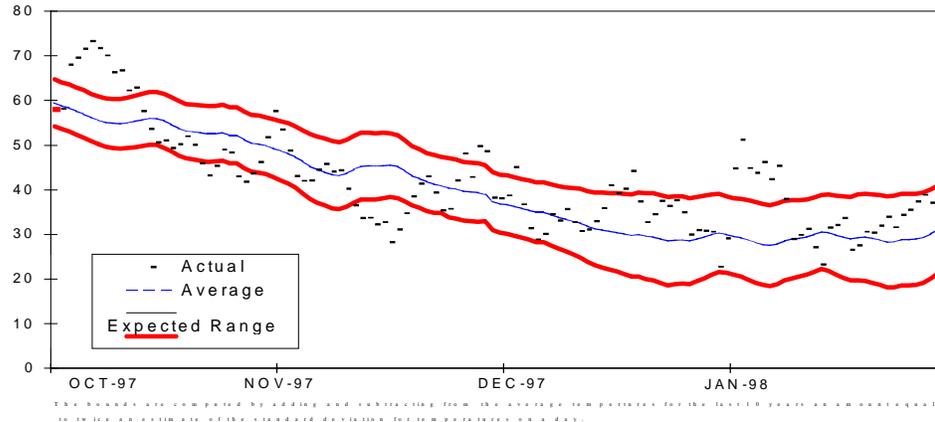
HENRY HUB PRICE		
SPOT	FUTURES	
Jan	Feb/Mar	
Del	Del	
(\$ per MMBtu)		
1/26	2.06-2.10	2.064
1/27	2.03-2.09	2.042
1/28	2.07-2.12	2.001
1/29	2.08-2.12	2.101
1/30	2.06-2.12	2.257



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

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

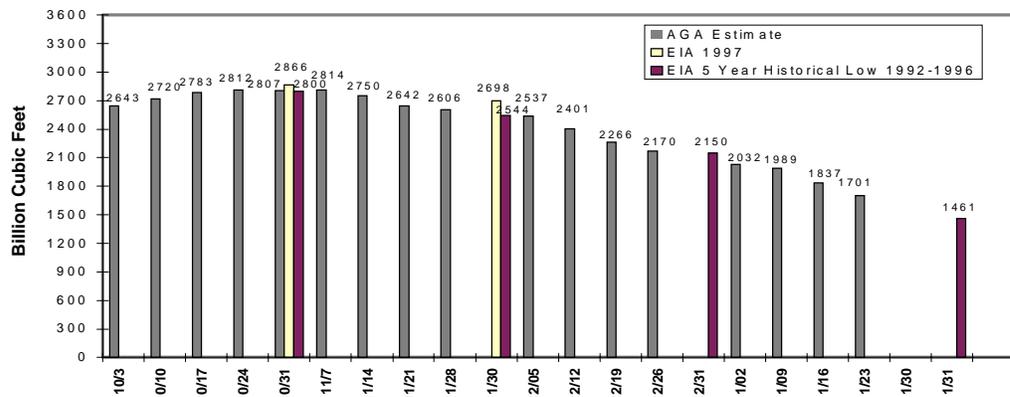
Average Temperature for Four Major Gas Consuming Areas			
	Actual	Normal	Diff
1/24	32	28	4
1/25	34	29	5
1/26	36	29	7
1/27	37	29	8
1/28	39	29	10
1/29	37	30	7
1/30	37	31	6



**Working Gas In Storage**

Working Gas Volume as of 1/23/98		
	BCF	% Full
EAST	1061	59
WEST	221	46
Prod Area	419	46
U. S.	1701	53

Source: AGA



The NYMEX futures price for March delivery at the Henry Hub opened Monday, February 2, at \$2.220 per MMBtu, \$0.037 lower than Friday's settlement price. This winter continues to be warmer than normal in all parts of the country. The National Weather Service reports that heating degree days nationally this past January were 20 percent less than normal. On a regional level, heating degree days during January for major gas-consuming areas in the East and Midwest were 25 and 32 percent lower than normal, respectively. This winter's relatively mild weather, along with forecasts calling for it to continue, are the main factors in the current level of natural gas prices. February's futures contract closed on Wednesday (January 28) at \$2.001 per MMBtu, almost \$1.00 less than last year's February contract price of \$2.967. Spot prices for natural gas continue to be generally flat, remaining in the \$2.05 to \$2.10 per MMBtu range most days last week at the Henry Hub. Heavy snows in North Carolina and Tennessee and a supply disruption on a major Permian Basin pipeline that carries gas to Southern California had little or no impact on prices in those market areas. Estimated net withdrawals from storage in the third week of January were again about 20 Bcf per day. The price of West Texas crude oil gained \$1.60 to reach \$17.25 a barrel last week as tensions surrounding U.N. weapons inspections in Iraq continue to increase.

**Storage:** According to the American Gas Association (AGA), the amount of gas withdrawn from storage during the week ending January 24 was 136 Bcf - 26 Bcf less than during the previous week. AGA estimates that working gas levels were about 1,700 Bcf with one week remaining in January. This is 191 Bcf or nearly 13 percent more than last year at the same time (1,701 vs. 1,510). EIA estimates that 1,703 Bcf of working gas remained at the end of January. The EIA estimate is derived from the Short-Term Energy Outlook model and is based on survey data that indicated net withdrawals in November totaled 189 Bcf and estimated withdrawals in December were 475 Bcf. Assuming that AGA's estimate for withdrawals in the last week of January is about 100 Bcf, both the EIA and AGA storage surveys indicate similar monthly net withdrawals for the first 3 months of the heating season. The projected difference of about 100 Bcf between the AGA and EIA storage monitoring systems is primarily the result of the 79 Bcf differential at the start of the heating season ( EIA: 2,886 Bcf vs. AGA: 2,807 Bcf).

**Spot Prices:** For the second consecutive week, the spot price at the Henry Hub continued to trade in a range of \$2.00 to \$2.10 per MMBtu most days last week. On Wednesday when the February futures contract closed, the spot price was about 10 cents more than the closing price of \$2.00 per MMBtu. This could be an indication that buyers continue to hold a positive view regarding future supplies. Prices at other market centers have moved down, although slowly, over the past 2 weeks, and are now trading below \$2.00 per MMBtu at most locations. For example: on Friday, January 29, prices were about \$2.03 per MMBtu at Katy in East Texas; \$1.94 at Waha in West Texas; and \$1.84 at the San Juan Basin in New Mexico. The lowest prices posted at a major U.S. market were in the Rocky Mountains where natural gas was trading for about \$1.65 per MMBtu most days last week.

**Futures Prices:** February's futures contract final settlement price of \$2.001 per MMBtu marks the fourth consecutive month that the current contract had closed below the price of the previous month's contract. Prices over this period now range from the October contract's record high of \$3.346 per MMBtu to February's \$2.001 level, which is down from January's contract closing of \$2.246. Trading on the March contract settled at \$2.08 per MMBtu on Thursday. Then, lacking any external fundamentals (weather, supply disruption, etc.), it moved up more than 15 cents on Friday to end the week at \$2.257. Many market observers viewed this increase as a mostly technical correction. Last year the March contract closed out at \$1.78 per MMBtu.

**Summary:** The moderate winter temperatures continued in most parts of the country last week as the February futures contract closed at about \$2.00 per MMBtu, almost \$1.35 less than the October 1997 contract. Working gas in storage is now about 200 Bcf more than last year at this time.