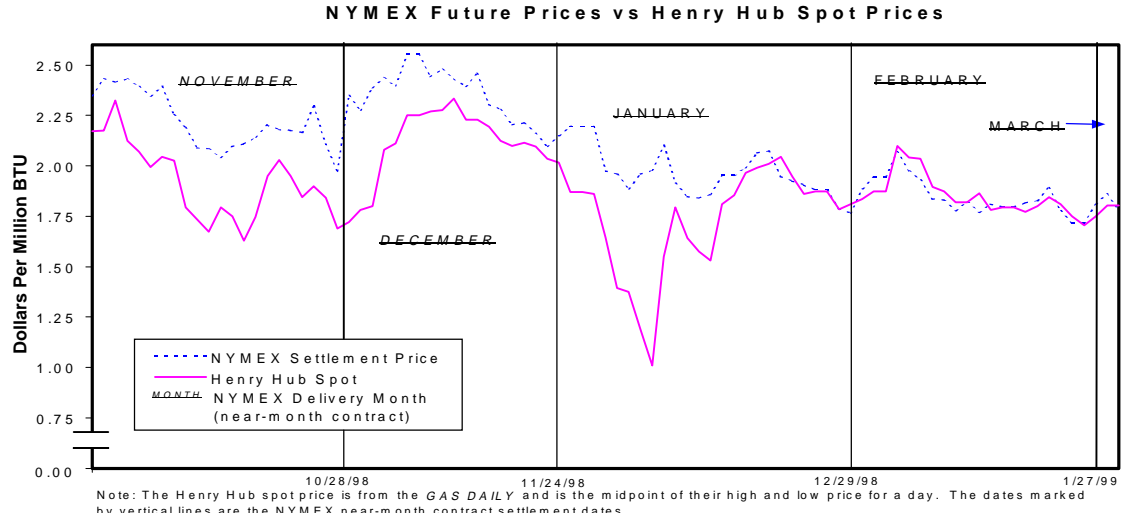
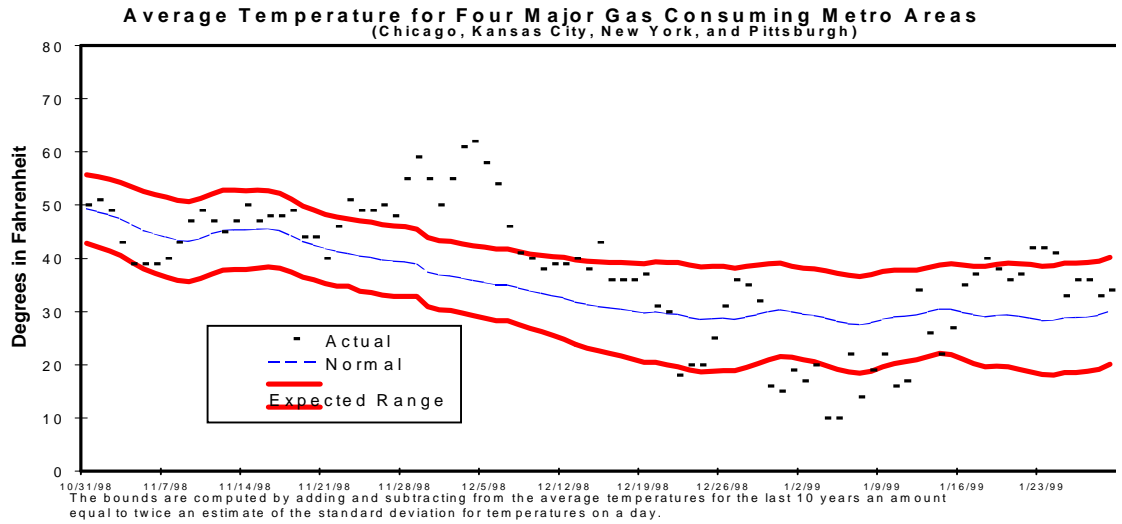


HENRY HUB PRICE (\$ per MMBtu)		
	SPOT	FUTURES
	January	Feb/March
	Del	Del
1/25	1.74-1.76	1.714
1/26	1.69-1.72	1.714
1/27	1.74-1.76	1.810
1/28	1.78-1.83	1.860
1/29	1.78-1.83	1.777



Average Temperature for Four Major Gas Consuming Areas

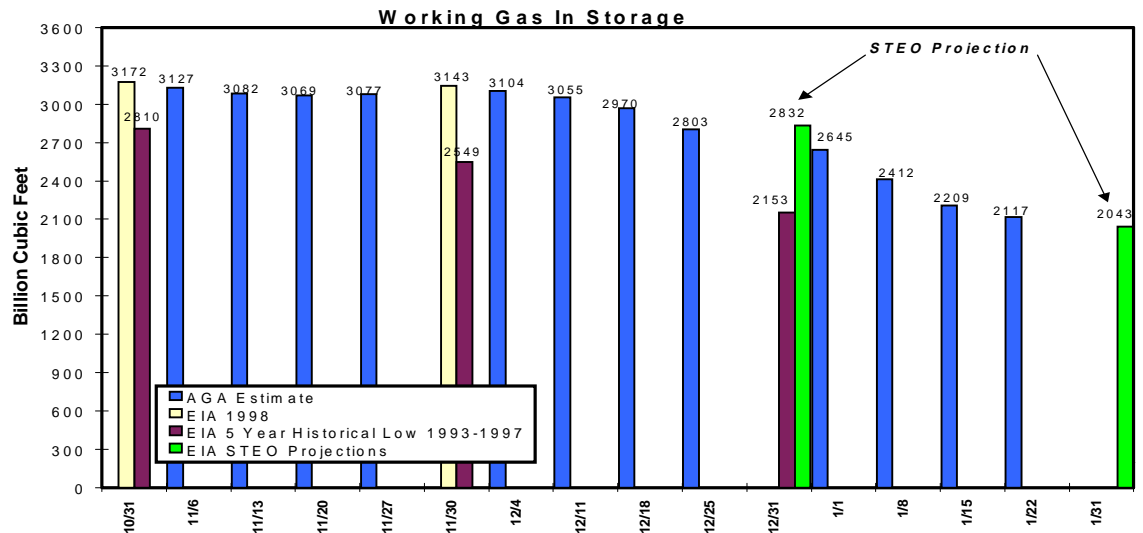
	Actual	Normal	Diff
1/23	42	28	14
1/24	41	28	13
1/25	33	29	4
1/26	36	29	7
1/27	36	29	7
1/28	33	29	4
1/29	34	30	4



Working Gas Volume as of 1/22/99

	BCF	% Full
EAST	1115	62
WEST	350	71
Prod Area	652	69
U. S.	2117	65

Source: AGA



After displaying no change during the first 2 days of bid-week, the NYMEX futures contract for February delivery at the Henry Hub increased by almost \$0.10 per MMBtu on the last day of trading to close at \$1.810 on Wednesday, January 27. The last-day increase in the contract price was attributed to some large buyers being short going into next month, and bargain hunters who waited until the last day to acquire February supplies. The final price was more than \$0.05 per MMBtu higher than the final price for the January contract (\$1.763) and almost \$0.20 less than last year's February contract. Temperatures in the Midwest and the East remained above normal most days last week. The composite daily average temperatures for the four cities monitored for this report (Chicago, Kansas City, New York, and Pittsburgh) remained moderate for the second consecutive week as daily temperatures ranged between 4 and 12 degrees above normal. The National Weather Service forecast calls for the above normal temperatures to continue through the end of this week. The spot price at the Henry Hub remained in the \$1.70s early last week before following the NYMEX price up on Thursday and ending the week at about \$1.80 per MMBtu. The mild weather of 2 weeks ago contributed to a slowing of storage withdrawals as the American Gas Association (AGA) estimated that less than 100 Bcf was taken out during the third week of January. The price of West Texas Intermediate crude oil moved up 10 cents a barrel to end the week at \$12.80—roughly equivalent to \$2.20 per MMBtu. The posted price of low sulfur residual fuel in New York Harbor remains at about \$1.85 per MMBtu.

Storage: According to AGA, the amount of gas withdrawn from storage during the week ending Friday, January 22, was 92 Bcf, which is 111 Bcf less than during the previous week. AGA estimates that working gas levels were 2,117 Bcf with one week remaining in January. This is 416 Bcf or nearly 25 percent more than last year at the same time (2,117 vs. 1,701). EIA estimates that about 2,040 Bcf of working gas will remain at the end of January. The EIA estimate is derived from the Short-Term Energy Outlook model and on survey data that indicated net withdrawals in November were only 34 Bcf, or 155 Bcf less than last year. Estimated net withdrawals in December and January were 420 and 650 Bcf, respectively. EIA data indicate that 3,143 Bcf of working was available at the beginning of November—the highest level in 4 years.

Spot Prices: For the third consecutive week, spot prices remained generally in the \$1.70 to \$1.80 per MMBtu range at most major market locations. On Wednesday, January 27, spot gas traded for about \$1.75 per MMBtu—6 cents less than the closing price for the February NYMEX contract. This is a much narrower differential than those seen in November and December (see price figure). It does, however, continue to indicate the “softness” in the market owing to the prevailing market fundamentals of ample supply, relatively moderate-to-low winter demand, 4-year-high storage levels, and depressed petroleum prices. Several market observers have begun to speculate on how prices will react over the next 2 months if there is no change in the market fundamentals. The markets saw a somewhat similar scenario in 1995. That year, spot prices in the first quarter averaged \$1.52 per MMBtu as the mild winter weather that began in December 1994 continued into January; overall the 1994-95 heating season had almost 11 percent fewer heating degree days than normal. Supplies of natural gas and storage resources were ample with an end-of-January storage level of 2,045 Bcf. Prices remained relatively “soft” until demand patterns changed with the onset of the colder-than-normal winter of 1995-96.

Futures Prices: The NYMEX futures contract for March delivery at the Henry Hub began trading as the near month contract on Thursday, January 28, at \$1.860 per MMBtu. It moved down at the end of last week and settled on Friday at \$1.770 per MMBtu. Today, it opened down 4 cents at \$1.730. The March contract will close on February 25.

Summary: The moderate winter temperatures continued in most parts of the country last week as the February futures contract closed at \$1.81 per MMBtu and spot prices remained stable. Withdrawals from storage slowed significantly with the mild temperatures, and stocks at the end of January appear near a 4-year high of 2,045 Bcf.