Natural Gas Weekly Market Update

EIA

Energy Information Administration
Office of Oil and Gas
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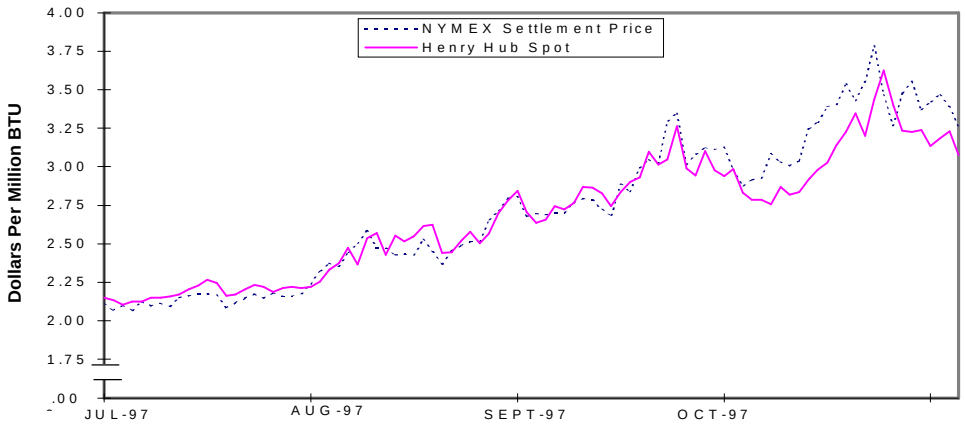
http://www.eia.doe.gov

	HENRY HUB PRICE	
	SPOT	FUTURES
	Oct	Nov/Dec
	Del	Del
	($ per MMBtu)	
11/03	3.17-3.31	3.371
11/04	3.10-3.17	3.423
11/05	3.16-3.21	3.468
11/06	3.20-3.26	3.392
11/07	3.02-3.13	3.256

NYMEX Future Prices vs Henry Hub Spot Prices

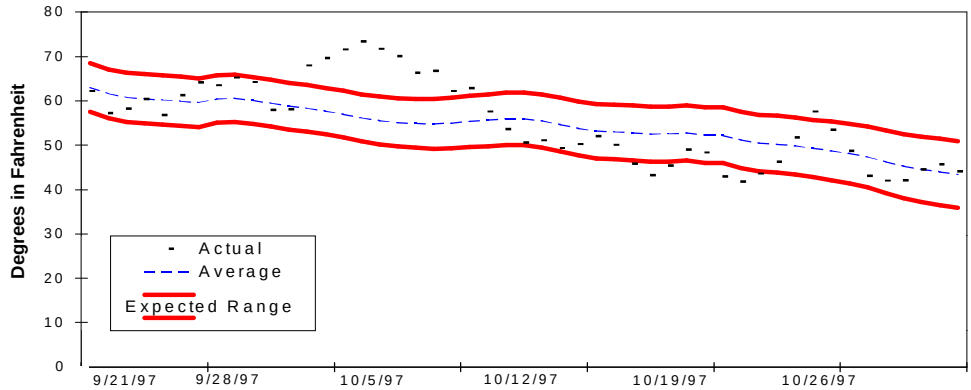


Note: The Henry Hub spot price is from the *GAS DAILY* and is the midpoint of their high and low price for a day.

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
11/02	49	49	0
11/03	45	47	-2
11/04	44	46	-2
11/05	44	45	-1
11/06	45	45	0
11/07	46	44	2
11/08	44	44	0

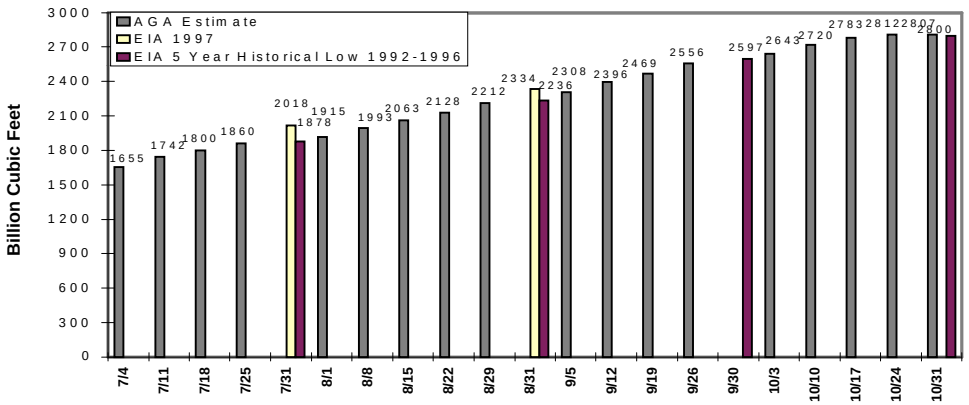


The bounds are computed by adding and subtracting from the average tempertures for the last 10 years an amount equal to twice an estimate of the standard deviation for temperatures on a day.

Working Gas In Storage 1997

Working Gas Volume as of 11/01/97		
	BCF	% Full
EAST	1691	94
WEST	367	76
Prod Area	749	82
U. S.	2807	88

Source: AGA



The NYMEX futures price for December delivery at the Henry Hub opened Monday, November 10, at $3.28 per MMBtu, $0.028 more than Friday's settlement price. Temperatures in most of the country were in the normal range much of last week. Some forecasts are calling for cooler temperatures to arrive later this week. With the absence of any weather-related demand, the spot price at the Henry Hub moved down most days and by the end of the week was more than $0.15 per MMBtu below the level the previous Friday. The futures contract for December began the week down and continued to decline most days, with the price at the end of the week almost $0.25 per MMBtu lower than a week earlier. Similar to last week, the price of West Texas crude oil declined early in the week then moved up, ending the week at $20.80 per barrel.

Coal Deliveries to Texas Utilities: The Union Pacific Railroad has informed the Surface Transportation Board that it hopes to have most of the problems regarding coal shipments to Texas utilities cleared up before November 20, which is earlier than first expected. In another move toward alleviating the situation, the Texas Utilities Electric Co. has notified the Texas Railroad Commission that it could increase production at its lignite mines to supply those utilities that are capable of substituting lignite for western coal. Lignite, which is mined at several sites in Texas, already constitutes more than 60 percent of the coal consumed by Texas electric utilities. The latest EIA data covering natural gas consumption at electric utilities in Texas indicate that more than 141 Bcf of natural gas was used to generate power in August. This is about 18 percent more than the August 1996 level. July consumption was over 144 Bcf - 6 percent more than a year earlier. Since 1990, the average monthly consumption of natural gas at Texas utilities for the period November to March is about 66 Bcf, with a high of 90 Bcf in March 1995 and a low of 51 Bcf in December 1996. EIA data also indicate that electricity demand in Texas during the winter months is, on average, about a third less than in the summer, due to the seasonal nature of the air-conditioning load.

Storage: According to American Gas Association estimates, the heating season may have gotten off to an early start, with net withdrawals totaling 5 Bcf for the week ended October 31. AGA estimated net withdrawals of 2 Bcf in both the Consuming East and West regions and 1 Bcf in the Producing region. However, it is too soon to know if the refill season is really over. Compared with the previous 3 years of AGA estimates, it is a bit premature, by perhaps a week to 10 days, for the heating season to have begun (i.e., to have consecutive weekly net withdrawals in all three regions for an extended period), although that is certainly a possibility. This week's nighttime temperatures in the East and Midwest are forecast to begin dipping below freezing in a number of major cities. If the withdrawal season has indeed begun in earnest, then, according to AGA's estimates, working gas in storage peaked as of October 24 with a national total of 2,812 Bcf, which is 87 Bcf more than last year's peak of 2,725 Bcf as of November 1. EIA's estimate for total inventories as of the end of October, to be published in the 4th Quarter *Short Term Energy Outlook*, is slightly more than 2,900 Bcf. In the Consuming East, AGA's estimate for the week ended October 24 was 1,693 Bcf, or 28 Bcf below last year's peak. As reported here last week, storage stocks in the Producing and Consuming West regions on October 24 were estimated by AGA to be at least 10 percent more than their respective peaks from last year.

Spot Prices: With the second consecutive week of price declines at the Henry Hub, Friday's spot price of $3.08 is now more than $0.50 per MMBtu lower than the level on October 28. Now that the storage refill season appears to have ended, barring any unforseen supply disruptions, the spot price of gas at Henry Hub and most other major market locations will primarily be determined by the vagaries of the weather. The presence of a large "El Nino" weather pattern in the Pacific Ocean could make this winter more unpredictable than most.

Futures Prices: The futures contract for December delivery at the Henry Hub settled last Friday at $3.252 per MMBtu, slightly below the November futures contract's final price of $3.262 and more than $0.10 below the October contract price. This is exactly opposite from the trend seen last fall when the futures contract price increased for each successive month between September and November. The December 1996 contract was more than $2.20 per MMBtu higher than the October 1996 contract. The current downward price trend may indicate that many in the industry feel that storage levels are adequate for the upcoming winter and that overall supply from U.S. production and imports is also at an acceptable level.

Summary: Seasonal weather dominated most of the country last week, and prices on both the spot and futures markets continued to decline. The coal supply problem in Texas appears to have stabilized and may improve before the end of November. The storage refill season appears to have ended with about 100 Bcf more working gas available than last year.