Natural Gas Weekly Market Update

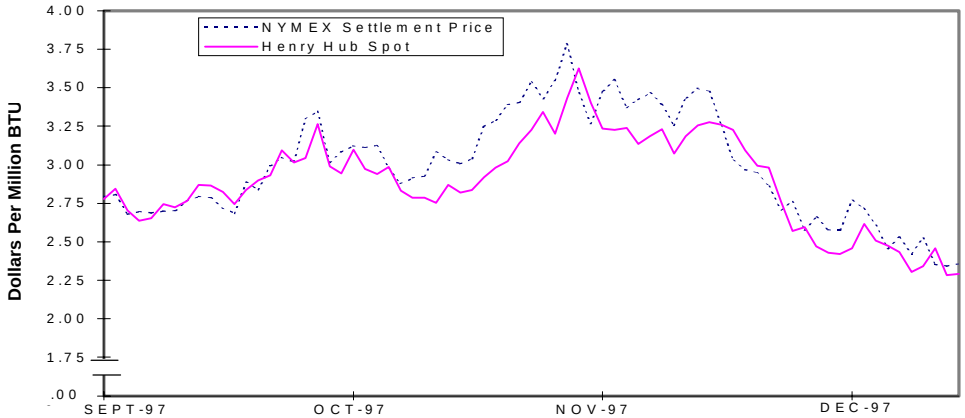
EIA

Energy Information Administration
Office of Oil and Gas
December 15, 1997

http://www.eia.doe.gov

	HENRY HUB PRICE	
	SPOT	FUTURES
	Dec Del	Jan Del
	($ per MMBtu)	
12/08	2.27-2.34	2.422
12/09	2.31-2.37	2.526
12/10	2.42-2.50	2.354
12/11	2.23-2.34	2.343
12/12	2.26-2.32	2.357

NYMEX Future Prices vs Henry Hub Spot Prices

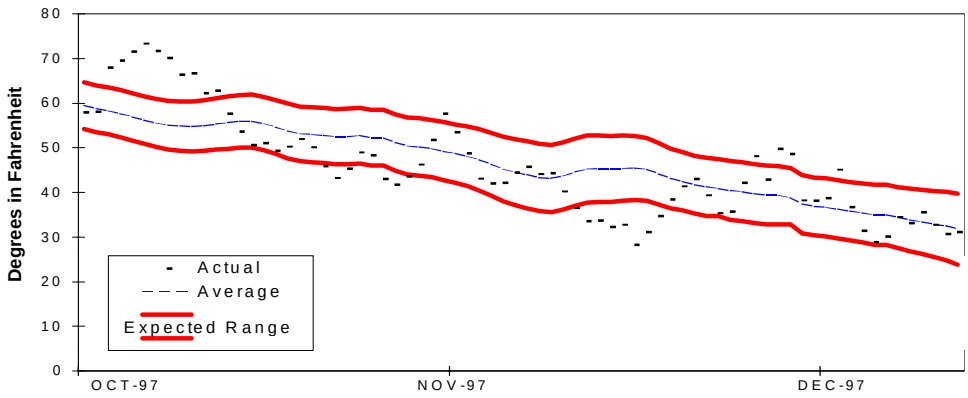


Note: The Henry Hub spot price is from the *GAS DAILY* and is the midpoint of their high and low price for a day.

Average Temperature for Four Major Gas Consuming Areas			
	Actual	Normal	Diff
12/07	30	35	-5
12/08	35	35	0
12/09	33	34	-1
12/10	36	33	3
12/11	33	33	0
12/12	31	33	-2
12/13	31	32	-1

Average temperature for Four Major Gas Consuming Metro Areas

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

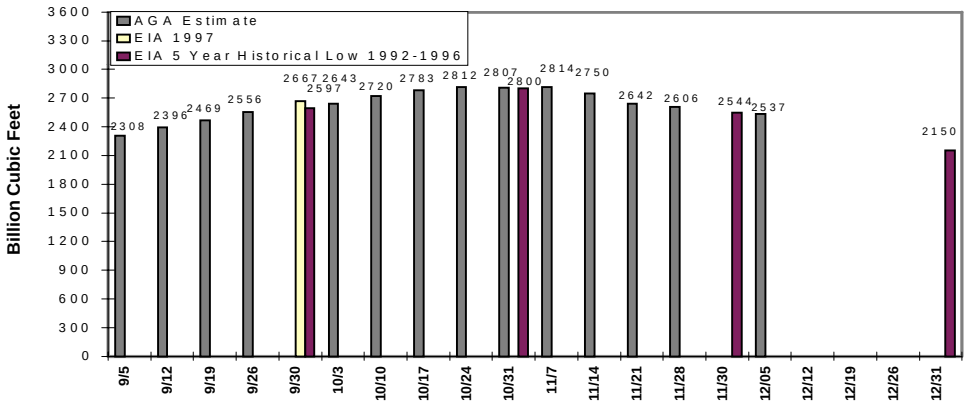


The bounds are computed by adding and subtracting from the average tempertures for the last 10 years an amount equal to twice an estimate of the standard deviation for temperatures on a day.

Working Gas Volume as of 12/5/97		
	BCF	% Full
EAST	1549	87
WEST	344	71
Prod Area	644	70
U. S.	2537	80

Source: AGA

Working Gas In Storage 1997



The NYMEX futures contract for January delivery at the Henry Hub opened on Monday, December 15, at $2.305 per MMBtu, down $0.057 from Friday's settlement price. Some areas of the country saw cold temperatures early to mid-week, but by week's end temperatures had moderated again in much of the Nation. Saturday saw temperatures in the low- to mid-forties in a broad area including parts of the Midwest and northern central States. For the four cities tracked by this report, the average temperature hovered near or slightly below normal most days last week. Hence, both spot and futures prices exhibited no significant shift in levels during the week. They did, however, exhibit continued volatility, as indicated by changes in the futures price on consecutive days of +$0.10 and -$0.17, and a brief run-up in cash prices mid-week of about $0.16 before returning to Monday's level by week's end. For the week ended Friday, December 5, net withdrawals from storage were 69 Bcf or 33 Bcf greater than for the previous week.

Coal Deliveries to Texas Utilities: The U.S. Surface Transportation Board conducted a hearing on December 3, concerning the backlog of coal deliveries from Union Pacific Railroad. While Union Pacific presented an optimistic progress report, many shippers and customers complained that service is nowhere near normal and might not be for several months. The Edison Electric Institute, for example, stated that the situation poses a “serious threat” to the continued reliability of the electric grid. The impact is greatest in Texas where several utilities continue to burn natural gas to conserve coal inventories. Meanwhile, some utilities in the Eastern United States that rely on mixing western (low sulphur) coal with higher sulphur eastern coal to meet environmental regulations are instead having to purchase more expensive low-sulphur eastern coal. If western coal remains scarce through the winter, some utilities may resort to requesting short-term waivers of air quality regulations. The higher costs associated with burning natural gas or other types of coal could result in higher electric bills for consumers.

Storage: According to the American Gas Association (AGA), net storage withdrawals for the week ended December 5 totaled 69 Bcf with 32 Bcf from the East Consuming region and 25 Bcf from the Producing region (with the possibility of under-reporting in the Producing region of about 10 Bcf). AGA's estimate of total working gas in storage of 2,537 Bcf still exceeds year-earlier levels by more than 160 Bcf. More importantly, estimated storage stocks in the East Consuming region (1,549 Bcf) are 41 Bcf higher than year-earlier levels. Thus, even if some under-reporting occurred, storage inventories remain at high levels. Net withdrawals during the week ended December 12 are likely to exceed those of the same week last year, based on a cursory examination of temperatures for the four cities tracked by this report. For last week, the cumulative difference from normal temperature of the 4-city average temperatures was -11, while for the similar period last year, it was +44. Net withdrawals for this period last year were 53 Bcf, with 44 Bcf withdrawn from East Consuming region facilities.

Spot Prices: Spot prices at the Henry Hub started the week down from the previous Friday, then rebounded and moved higher on Tuesday and Wednesday, perhaps in response to some colder temperatures mid-week. But by Friday, there was little net change in the level of prices during the week. On Thursday, the mid-point price of the trading range fell to $2.285 per MMBtu, only $0.02 below Monday's mid-point price, and ended the week at $2.290. Weekly average spot prices continue to decline in nearly every area of the country. The one major exception is in the Rockies, where prices have increased by $0.20 to $0.35 per MMBtu since the latter part of November at five of the six widely quoted price points in this area.

Futures Prices: The brief rally in the price of the January futures contract on Tuesday--gaining 10 cents to $2.526 per MMBtu--ended abruptly on Wednesday when prices dropped by 17 cents to $2.354. The contract settled Friday at virtually the same level, $2.357 per MMBtu, but traded in a much narrower range ($2.315-$2.365) than on Wednesday when prices varied by 23 cents. As with spot prices, the near-month futures contract exhibited little change in level during the week. Two weeks ago (December 1), the January contract settled at $2.768. Just 7 weeks ago (October 27), the near-month contract (November deliveries) had reached its year-to-date high of $3.785.

Summary: Spot and futures prices have fallen to late-summer levels. With storage levels continuing to exceed year-ago levels and with no notable cold spells currently on the horizon, there seem to be few factors to push prices up.