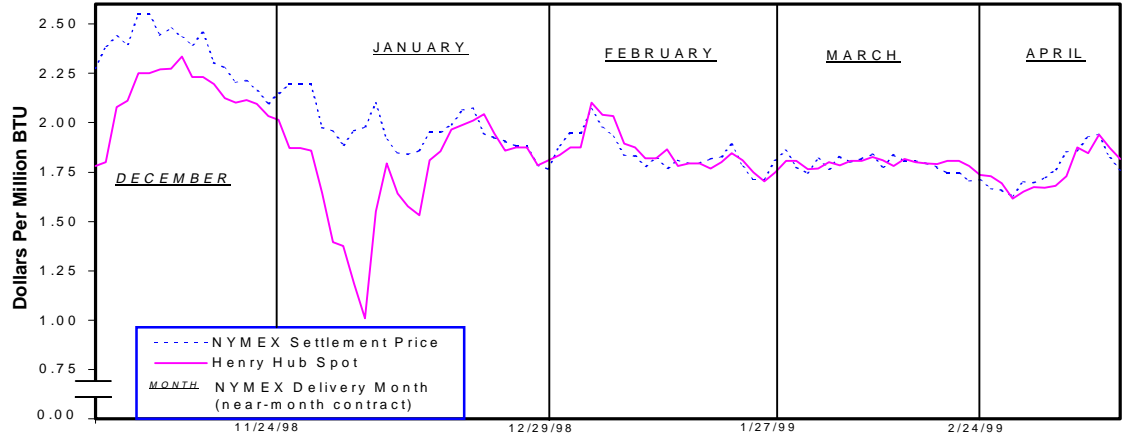


**NYMEX Future Prices vs Henry Hub Spot Prices**

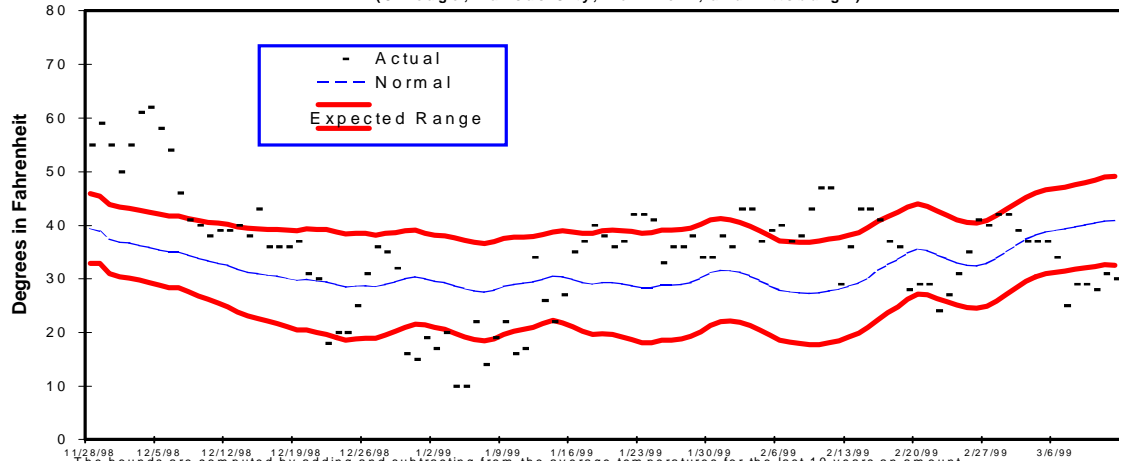
HENRY HUB PRICE (\$ per MMBtu)		
	SPOT	FUTURES
	March	April
	Del	Del
3/08	1.86-1.89	1.859
3/09	1.82-1.87	1.928
3/10	1.92-1.96	1.941
3/11	1.85-1.89	1.820
3/12	1.80-1.83	1.759



Note: The Henry Hub spot price is from the GAS DAILY and is the midpoint of their high and low price for a day. The dates marked by vertical lines are the NYMEX near-month contract settlement dates.

**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
3/06	34	39	-5
3/07	25	39	-14
3/08	29	40	-11
3/09	29	40	-11
3/10	28	40	-12
3/11	31	41	-10
3/12	30	41	-11

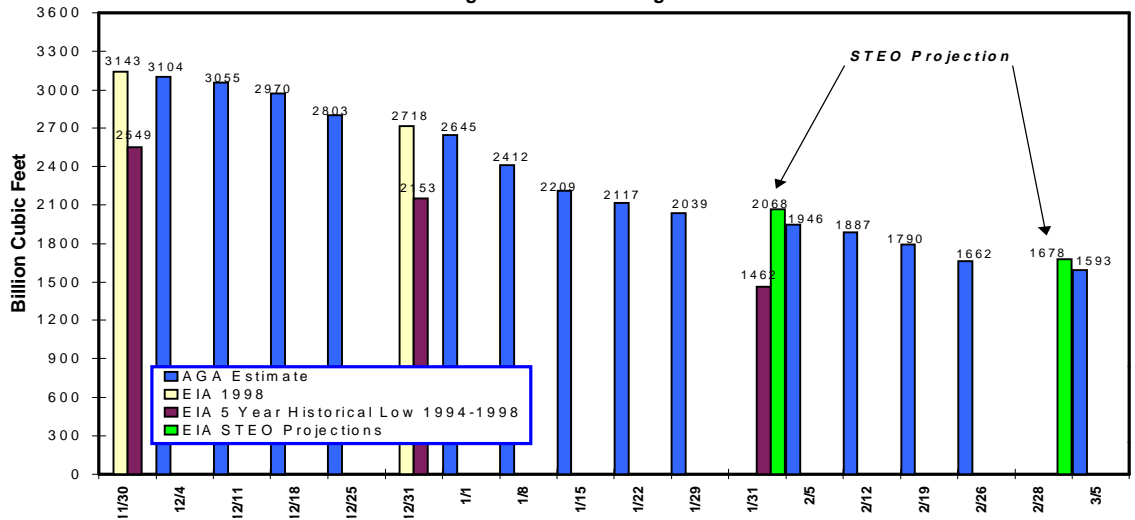


The bounds are computed by adding and subtracting from the average temperatures for the last 10 years an amount equal to twice an estimate of the standard deviation for temperatures on a day.

Working Gas Volume as of 3/05/99		
	BCF	% Full
EAST	736	41
WEST	282	57
Prod Area	575	61
U. S.	1593	49

Source: AGA

**Working Gas In Storage**



The NYMEX futures price for April delivery at the Henry Hub opened Monday, March 15, at \$1.75 per MMBtu, virtually the same as Friday's settlement price. A late winter storm dropped between 1 to 2 feet of snow in Kansas, Missouri, and Oklahoma. The storm then moved eastward and brought varying amounts of snow and lower-than-normal temperatures throughout the Mid-Atlantic States over the past weekend before turning north into New York and New England. Weather forecasts for this week are calling for a warming trend in parts of the Midwest and the East with daytime highs in the 60s in the Mid-Atlantic region. The spot market at the Henry Hub and at some other major market locations displayed the highest levels of volatility in 2 months as prices moved between 4 and 15 cents per MMBtu most days last week. The near-month (April) NYMEX contract also had some of its largest degree of daily price volatility in over a month as it gained almost 10 cents per MMBtu in the first 3 days of trading, only to drop by nearly twice that amount to end the week at \$1.759. Lower-than-anticipated storage withdrawals of less than 10 Bcf per day during the first week of March were a key factor in the sharp decrease in the April futures contract price. OPEC and some non-OPEC oil producers have agreed to new crude oil output cuts of more than 2 million barrels per day. News of this agreement, which is supposed to be effective on April 1, caused oil prices to increase to their highest levels in almost a year. The price of West Texas Intermediate moved up almost \$1.25 per barrel to end the week at \$14.50—roughly equivalent to \$2.52 per MMBtu.

**Storage:** Based on the American Gas Association (AGA) weekly estimate, net storage withdrawals for the week ended Friday, March 5, were 69 Bcf—almost 60 Bcf less than during the previous week. With about 3.5 weeks remaining in the heating season, 1,593 Bcf of working gas was available—342 Bcf, or 27 percent, more than last year at the same time. This represents almost 50 percent of full working gas capacity (3,248 Bcf). As is usually the case, the overwhelming majority of storage withdrawals (59 Bcf) occurred in the East Consuming region, which still had an estimated 736 Bcf on hand at the end of the first week of March, or 41 percent of its estimated working gas capacity (1,809 Bcf). The other two regions, the Producing and the West Consuming, have 61 percent (575 Bcf) and 57 percent (282 Bcf), respectively, remaining in inventories. EIA data indicate that total net withdrawals during March of last year was 241 Bcf with 205 Bcf coming from storage facilities in the East Consuming region.

**Spot Prices:** Prices at the Henry Hub began last week at \$1.88 per MMBtu, up about 15 cents from the level the previous Friday, and then moved down 5 cents on Tuesday as Monday's NYMEX trading was generally "flat." Wednesday saw the price move up about 10 cents as weather forecasts indicated that the winter storm developing over Kansas and Missouri would gain strength and move eastward. Also contributing to this rise was the increase in the near-month futures contract from the previous day. On Thursday, the "follow the screen" tendency quickly affected spot prices. Prices dropped about 10 cents per MMBtu at most major markets while the NYMEX April contract settled down 12 cents for the day. The downward trend continued on Friday as it became clear that the winter storm would not significantly affect the major gas-consuming areas of the Midwest.

**Futures Prices:** The upward trend in the price of the April contract that began the previous week continued early last week on news of a major winter storm developing. At the end of trading on Wednesday, the April contract settled at \$1.941 per MMBtu, up almost \$0.35 since February 26. But the estimated storage withdrawals for the first week of March, at 69 Bcf, were less than anticipated, and the southeasterly track of the winter storm resulted in less of an impact than expected. Consequently, the NYMEX contract fell by almost 20 cents to end the week at \$1.759 per MMBtu, indicating the market recognition of the prevailing fundamentals. These continue to be: ample supply, generally warmer-than-normal winter weather, the highest stock levels in 6 years, and until recently, decreasing petroleum prices.

**Summary:** The price increases brought about by late winter storms over the previous 2 weeks appear to have run their course as prices on both the spot and futures markets moved down late last week. Storage withdrawals slowed in early March and stock levels remain at a 6-year high.