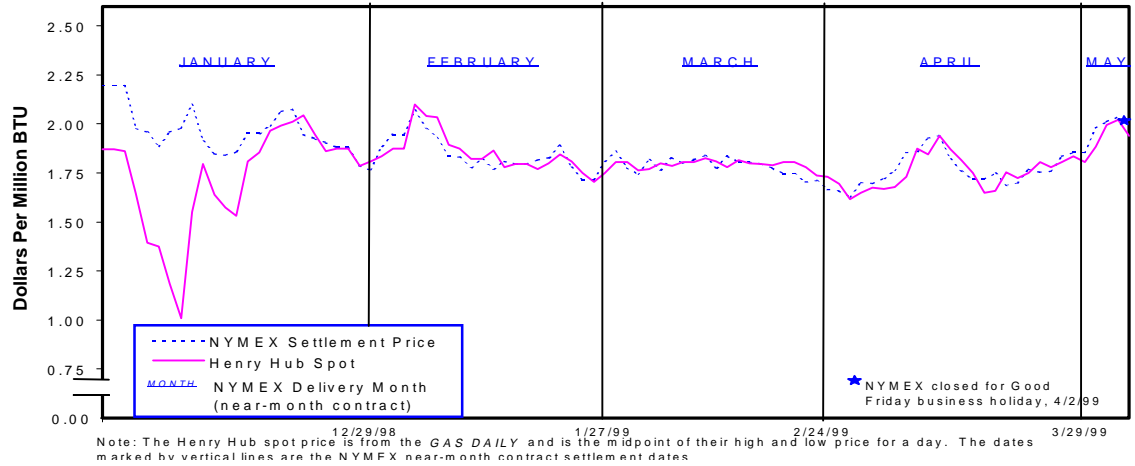


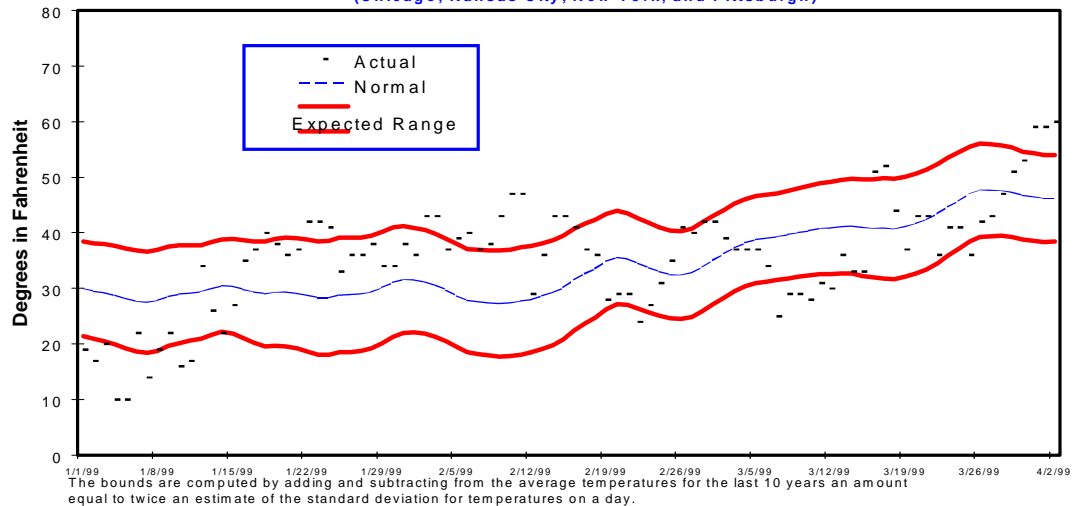
**NYMEX Future Prices vs Henry Hub Spot Prices**

HENRY HUB PRICE (\$ per MMBtu)		
	SPOT	FUTURES
March/April	April/May	
Del	Del	
3/29	1.79-1.82	1.852
3/30	1.84-1.93	1.978
3/31	1.94-2.05	2.013
4/01	1.96-2.08	2.038
4/02	1.90-1.98	Holiday



**Average Temperature for Four Major Gas Consuming Metro Areas  
(Chicago, Kansas City, New York, and Pittsburgh)**

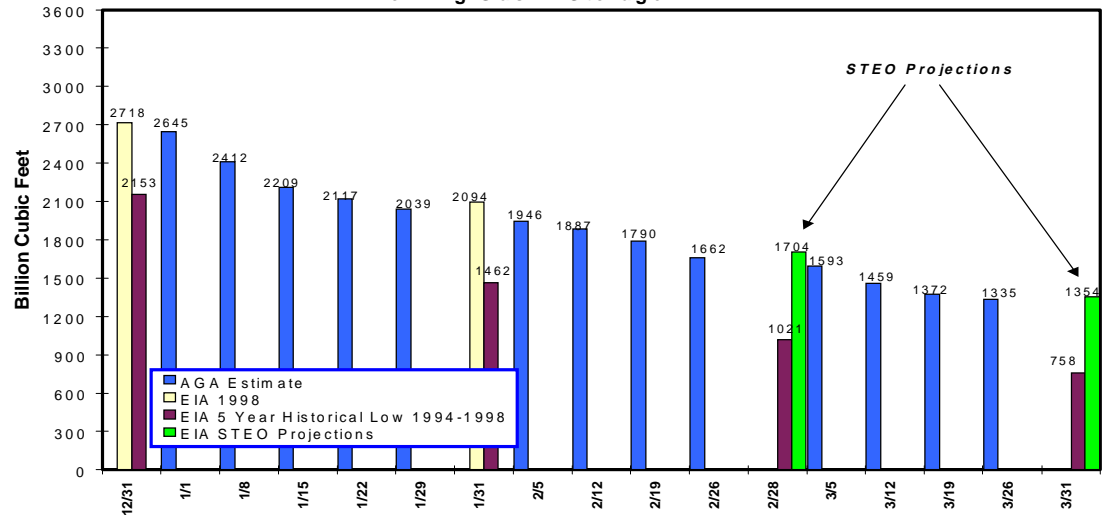
Average Temperature for Four Major Gas Consuming Areas			
	Actual	Normal	Diff
3/27	43	48	-5
3/28	47	48	-1
3/29	51	47	4
3/30	53	47	6
3/31	59	46	13
4/01	59	46	13
4/02	60	46	14



Working Gas Volume as of 3/26/99		
	BCF	% Full
EAST	556	31
WEST	258	53
Prod Area	521	55
U. S.	1,335	41

Source: AGA

**Working Gas In Storage**



The NYMEX futures contract for May delivery at the Henry Hub opened on Monday, April 5, at \$2.045 per MMBtu, virtually the same as Thursday's settlement price. Most of the country had generally springtime temperatures last week. The four cities monitored for this report (Chicago, Kansas City, New York, and Pittsburgh) all reported daytime highs near 70 degrees on Friday, although an early spring snowstorm in the central Rockies disrupted traffic and closed schools in Colorado. The National Weather Service's (NWS) 6-to-10-day forecast is calling for above normal temperatures for most of the country. NWS data for the past winter (November to March) indicate that overall there were 9 percent fewer heating degree days (HDD) than normal and in major gas-consuming areas of the country the decrease was even greater. For example; Chicago and Kansas City had 13 percent fewer HDD while New York City, Philadelphia and St. Louis had 11 percent less than normal. The April NYMEX contract closed on Monday at \$1.852 per MMBtu-almost \$0.20 above the March contract. The near-month (May) futures contract began trading at \$1.978 per MMBtu and ended trading on Thursday at \$2.038. (The market was closed on Good Friday). Some very preliminary data that indicates that U.S. gas production declined in late 1998 and remains flat may be contributing to these price increases on the futures market. Prices on the spot market continued to "follow the screen" as they gained \$0.20 per MMBtu to about \$2.02 by Thursday, before moving down on Friday to end the week at about \$1.95. Net withdrawals during the 4th week of March declined to less than 7.5 Bcf per day. The price of West Texas Intermediate crude oil was up about \$0.50 per barrel from last week to end Thursday at \$16.65- roughly equivalent to \$2.88 per MMBtu.

**Storage:** According to the American Gas Association (AGA), net storage withdrawals were 37 Bcf for the week ended March 26. This brings the level of working gas on hand to 1,335 Bcf with less than a week remaining in the withdrawal season. Compared to last year's level at the same time (1,006 Bcf), this is an almost 330 Bcf differential. Based on EIA estimates, the end of March inventory level may exceed 1,350 Bcf.

**Spot Prices:** At most major market locations, prices trended up most days as the spot price appeared to be influenced by the increases on the NYMEX futures market. The dominant market fundamentals still appear to be intact. These consist of: good supply, large stocks in storage, and warm spring weather in most parts of the country. The recent increases in the price of oil may be a factor in these price up-ticks, but the pattern of increases in gas prices last week at the Henry Hub followed trading for the May NYMEX contract (see Table). On Friday, April 2, prices at major markets ranged from a low of about \$1.62 per MMBtu in the Rockies to a high of \$2.05 in Chicago.

**Futures Prices:** On its last day of trading on Monday, March 29, the April NYMEX contract was generally flat as it closed at \$1.852-down slightly from Friday's settlement price of \$1.854 per MMBtu. The May contract began trading on Tuesday as the near-month contract and settled at \$1.978 per MMBtu. During the remaining days of the holiday-shortened week the May contract moved up another 6 cents per MMBtu. Market interest in the May contract was strong as almost 180,000 contracts were initiated in 3 days last week.

**Summary:** The April NYMEX contract closed above \$1.85 per MMBtu-up almost 20 cents from March and the new near-month (May) contract moved up each day to end trading last week over \$2.00 per MMBtu. The view that U.S. production is flat and may even have slowed appears to be contributing to the current price increases in the futures market. As the storage withdrawal season comes to an end, it seems likely that more than 1,350 Bcf in stocks will remain at the end of March-the highest level since 1992.