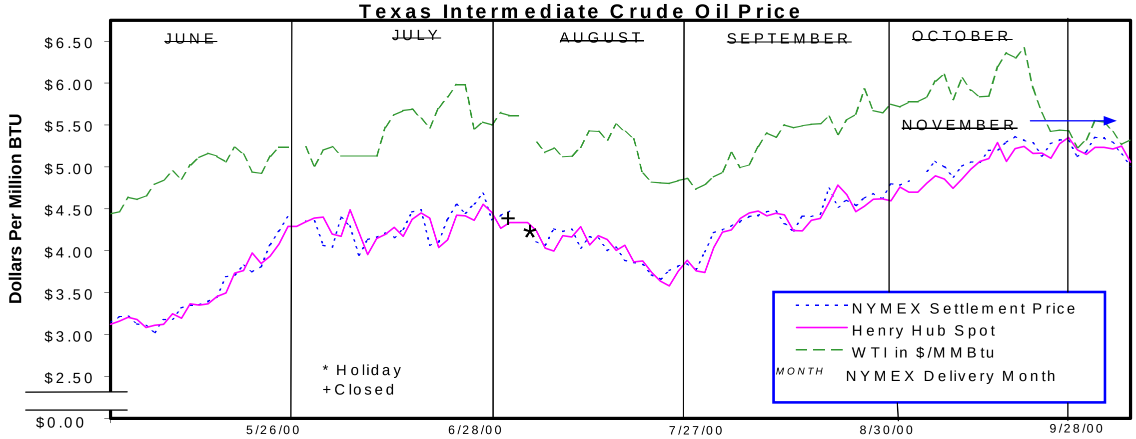
Natural Gas Weekly Market Update

Energy Information Administration
Office of Oil and Gas
October 10, 2000

http://www.eia.doe.gov/oil_gas/natural_gas/nat_frame.html

Henry Hub Price	Spot October Delivery	Futures November Delivery
($ per MMBtu)		
10/02	5.21-5.26	5.352
10/03	5.21-5.26	5.348
10/04	5.19-5.24	5.290
10/05	5.19-5.31	5.152
10/06	5.01-5.11	5.008

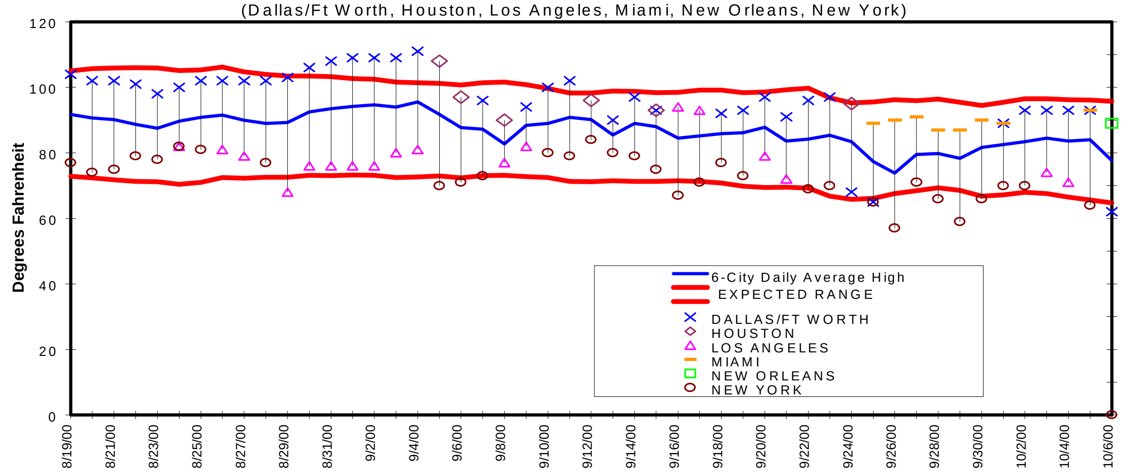
NYMEX Natural Gas Future Price, Henry Hub Spot Price, and West Texas Intermediate Crude Oil Price



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 West Texas Intermediate crude oil price, in dollars per barrel, is the "sell price" from the GAS DAILY, and is converted to $/MMBtu using a conversion factor of 5.80 MMBtu per barrel. The dates marked by vertical lines are the NYMEX near-month contract settlement dates.

Average High Temperature for Six Major Electricity Consuming Cities	Actual	Normal	Diff
09/30	82	81	1
10/01	83	81	2
10/02	83	82	1
10/03	85	82	3
10/04	84	81	3
10/05	84	81	3
10/06	78	80	-2

Daily Average of High Temperatures, and Daily Highest and Lowest High Temperatures for 6 Cities
(Dallas/Ft Worth, Houston, Los Angeles, Miami, New Orleans, New York)

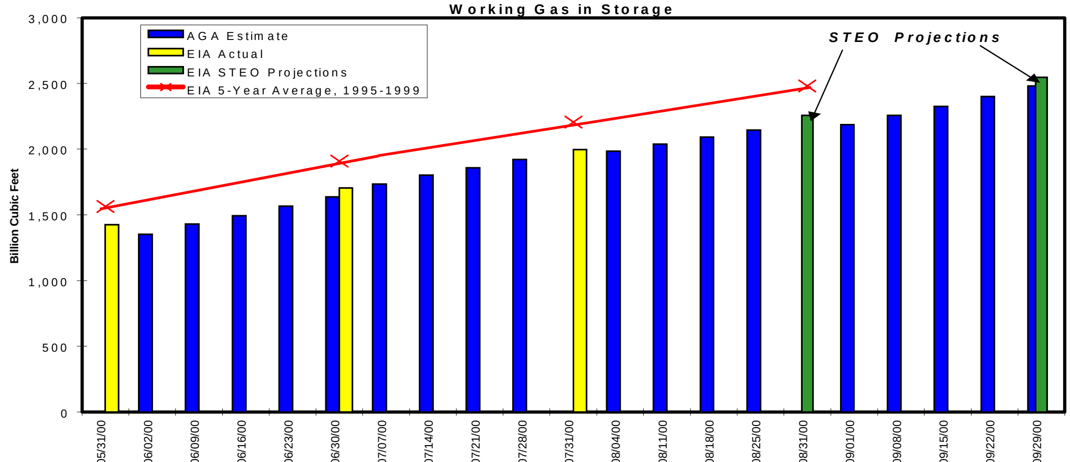


The bounds are computed by adding to and subtracting from the daily average high temperatures for the last 10 years an amount equal to twice an estimate of the standard deviation for high temperatures for each day.

Working Gas Volume as of 09/29/00	Bcf	% Full
East	1499	82
West	372	74
Prod Area	609	64
U. S.	2480	75

Source: AGA

Working Gas in Storage



Prices on the spot and futures market began last week up about 11 and 16 cents per MMBtu, respectively, at the Henry Hub before trending down over the remainder of the week. Key factors in the decline of the spot price that ended trading on Friday at $5.06 (from Monday's $5.24) were National Weather Service (NWS) reports that Hurricane Keith had weakened to a tropical storm and generally cooler temperatures in the South reducing electric utility air-conditioning load. The NYMEX futures contract for November delivery, which settled on Monday at $5.352 per MMBtu, moved down steadily during the rest of the week to end trading on Friday at $5.008. Trading on the futures market appeared to be affected by stock additions that averaged more than 10 Bcf per day for the third consecutive week and a 20 percent decline in the price of crude oil. The NWS forecast calling for cooler-than-normal temperatures in the Northeast over the long Columbus Day weekend had no apparent impact on spot prices at major market locations that serve those markets as prices remained stable, e.g. Transco Z-6 in New York traded near $5.60 per MMBtu for the weekend. The price of West Texas Intermediate crude oil traded below $30.00 per barrel on Friday for the first time in two months as it moved down to $29.10 or about $5.02 per MMBtu, although prices did move up $1.00 per barrel yesterday. Also, the Department of Energy announced the firms that would be receiving the 30 million barrels of crude oil from the Strategic Petroleum Reserve in order to build heating oil inventories and to increase crude oil stocks.

Storage: For the third week in a row, net storage injections have averaged more than 10 Bcf per day. In its most recent estimate, the American Gas Association (AGA) put net U.S. injections at 78 Bcf for the week ending September 29. A dip of 7 Bcf in net injections in the East from levels the previous week was offset by a 7 Bcf rise in the Producing Region. As of September 29, the East was 6.1 percent below the EIA 5-year (1995-1999) inventory average with 1,605 Bcf in storage, while the strong injections in the Producing Region reduced the difference from 12.3 to 10.9 percent below average, with 626 Bcf in inventory. Total U.S. stocks of working gas were 2,528 Bcf, 8.7 percent below average. In the West Region, inventories were 297 Bcf or 16.5 percent below average. At the NASEO/EIA Winter Fuels Conference held last Friday in Washington, DC, a natural gas industry spokesman noted that storage inventories, though lower than last year, already exceed the volume of gas withdrawn during the most recent colder-than-normal winter heating season of 1995-96. In addition, most storage facilities continue adding to stocks in October. During the past 5 years, storage additionsave averaged 160 Bcf during October.

Spot Prices: After starting the week up between 10 and 15 cents per MMBtu at most major market locations that serve the East , spot prices moved down most days. Contributing to this decrease were the dissipation of Hurricane Keith, recent declines in the price of oil, and reduced electric utility demand in the south. In southern New England, even with early fall cool temperatures bringing night time lows in the 30s, city gate prices along the Algonquin system in Massachusetts actually fell about 15 cents per MMBtu to $5.47 per MMBtu. Gas supplies in southern New England have expanded this year with the influx of more than 400 MMcf per day of Canadian gas from Sable Island (Nova Scotia). In the West, spot prices moved up early in the week as warm weather returned to southern California and nuclear outages continued to cause brisk demand. Prices climbed back over $6.00 per MMBtu on the SoCal system before declining to $5.76 on Friday. In Oklahoma, Midcontinent began the week at $5.13, then moved up to $5.15 at midweek before dropping sharply to end the week at $4.99, and in Chicago citygate prices moved down 13 cents to $5.24.

Futures Prices: The NYMEX futures contract for November delivery at the Henry Hub peaked last week on Monday at $5.352, up $0.16 per MMBtu from the prior Friday, then proceeded downward to end the week at $5.008. Another week of greater-than-expected additions to storage, especially in the East Consuming region, along with a decrease in oil prices, contributed to these NYMEX declines. Futures trading rebounded yesterday (Monday, October 9) as the November contract gained back Friday's loss to end the day at $5.150 per MMBtu. Trading in the November contract on both Friday and Monday was estimated to have exceeded 47,000 contracts compared to less than 30,000 earlier in the week. Following yesterday's trading (Monday, October 9), futures contracts for December and January settled at $5.150 per MMBtu and $5.217, respectively. The projected relatively high price levels are not expected to decline before the end of the winter, which will increase costs to consumers. The latest EIA *Short Term Energy Outlook* forecasts the price to residential consumers in the Midwest, assuming normal weather, will average $8.32 per MMBtu this winter season, $1.91 higher than last year.

Summary: Spot prices softened at most market locations as the threat of a storm in the Gulf weakened and moderating temperatures lowered electric utility demand in the south. Early fall cool weather in the East had little impact on prices at Northeast citygates. Futures prices moved down sharply at the end of the week as stocks continued to build at more than 10 Bcf per day and oil prices moved below $30.00 per barrel.