Natural Gas Weekly Market Update

EIA

Energy Information Administration
Office of Oil and Gas
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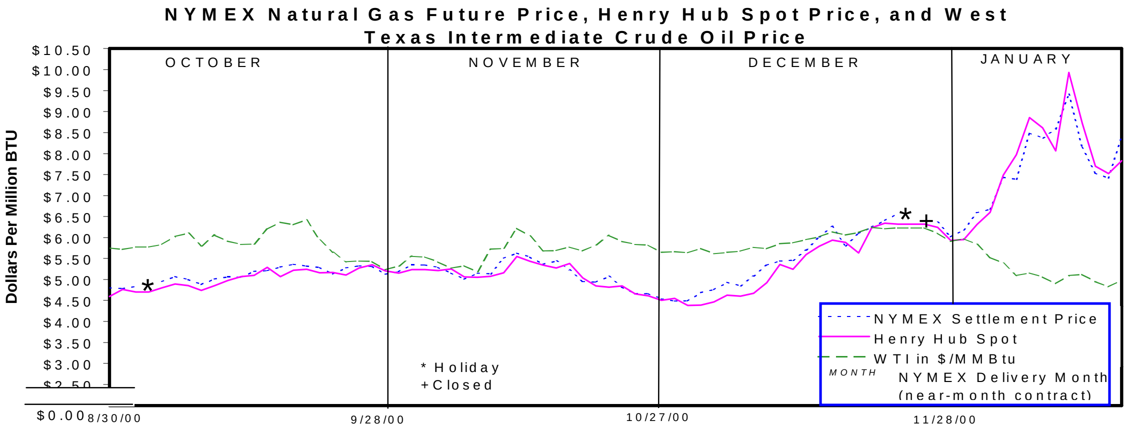
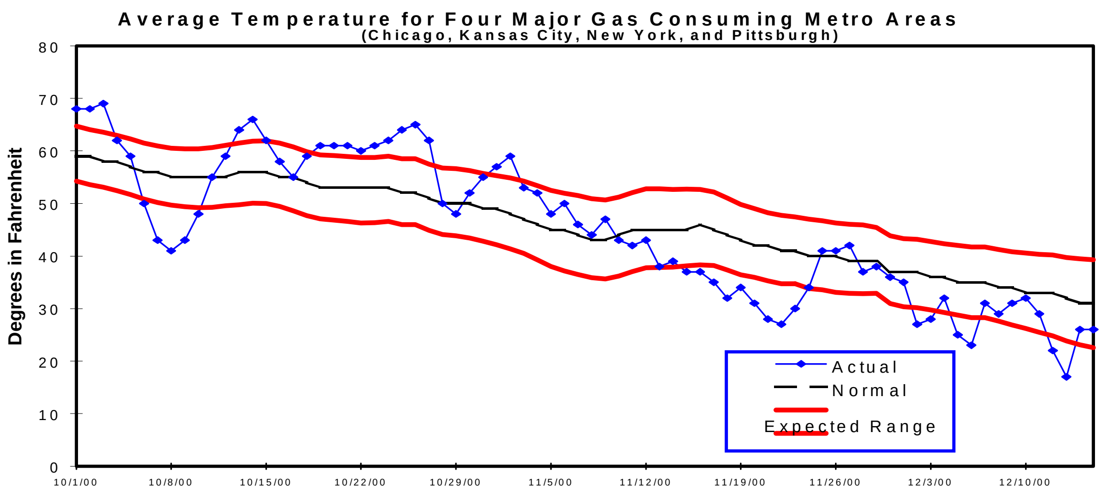
HENRY HUB PRICE ($ per MMBtu)	SPOT December Del	FUTURES January Del
12/11	9.70-10.17	9.413
12/12	8.34-9.10	8.145
12/13	7.41-7.98	7.537
12/14	7.41-7.63	7.413
12/15	7.63-8.03	8.396



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 Temperature for Four Major Gas Consuming Areas

	Actual	Normal	Diff
12/09	31	34	-3
12/10	32	33	-1
12/11	29	33	-4
12/12	22	33	-11
12/13	17	32	-15
12/14	26	31	-5
12/15	26	31	-5

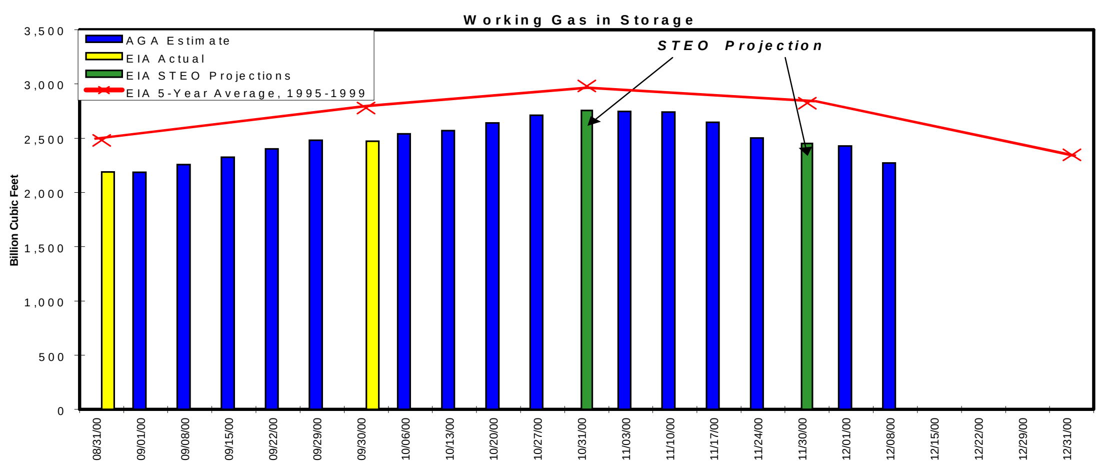


The bounds are computed by adding and subtracting from the average temperatures for the last 10 years an amount equal to twice an estimate of the standard deviation for temperatures on a day.

Working Gas Volume as of 12/08/00

	BCF	% Full
East	1385	75
West	316	62
Prod Area	570	60
U. S.	2271	69

Source: AGA



Variability was the order of the day for spot prices at the Henry Hub last week. After beginning the week with spot prices reaching double-digit highs of $10.17 per MMBtu, prices dropped sharply to $7.52 per MMBtu by Thursday, then gained over $0.30 to end Friday at $7.83. On the NYMEX, the January futures contract began the week $0.829 above the previous Friday=s record ($8.584) to set yet another record settlement price at $9.413 per MMBtu. The January contract fell precipitously to settle at $7.413 per MMBtu on Thursday, only to bounce back to $8.396 on Friday upon release of the National Weather Service (NWS) revised forecast calling for lower-than-normal temperatures for much of the United States during the first 3 months of next year. The Midwest experienced some of the heating season=s lowest temperatures along with significant snow falls early last week. This weather pattern stalled west of the Appalachian Mountains, and prices at spot markets in Pennsylvania, New York, and New England moved down from Monday=s $10.00 to $12.00 highs to $8.40 to $8.80 at the week=s end. In California, natural gas markets began the week with reports of some truly remarkable prices that exceeded $59.00 per MMBtu in the southern part of the state, but ended the week at still high but much-reduced levels close to $17.00 per MMBtu. With Iraq announcing that it would again ramp up oil exports, the price of West Texas Intermediate crude oil remained below $29.00 per barrel most days last week, trading Friday at $28.90 or about $4.98 per MMBtu.

Storage: The American Gas Association (AGA) estimated that 158 Bcf was withdrawn from underground storage during the week ended Friday, December 8. This is one of the largest weekly withdrawals in December since 1990 and puts withdrawal activity on pace to eclipse the previous 5-year high for the month of 575 Bcf in 1995. As a result, U.S. stocks were left at 2,256 Bcf as of December 8, or 16.5 percent below the 5-year (1995-1999) average as calculated by EIA. The East Region had the lion=s share of the withdrawals at 110 Bcf, which exceeds EIA=s 5-year average December weekly rate by 44 Bcf and left stocks at 1,479 Bcf, or 10.3 percent below average. Both the East Region and the Producing Region withdrew about 7 percent of their working gas in storage to meet last week=s requirements. As of December 8, the Producing Region had 530 Bcf in storage, 23.9 percent below the 5-year average. The West Region, already facing low stocks, used only 7 Bcf from holdings despite reportedly higher week-to-week demand from electricity generation. At 247 Bcf, the West Region was 30.5 percent below the 5-year average.

Spot Prices: The past week was highlighted by unprecedented prices in the large California market where contributing energy problems include: long-delayed maintenance at several nuclear facilities in California, reduced generating capacity, low availability of hydroelectric power, unseasonably cool temperatures, below average natural gas stock levels, and reduced transmission capacity to southern California. This resulted in midpoint prices at California=s PG&E and SOCAL citgyates of $44.00 and $59.42 per MMBtu, respectively, on Monday with prices reaching a high of $72.00 for a period of time on SOCAL. In response to this situation, the U.S. Department of Energy imposed its authority to require independent electricity generators to continue to operate and the Federal Energy Regulatory Commission reimposed rate controls on electricity generation. These governmental actions along with moderating temperatures appear to have calmed the markets for the time being. The prices at the California border on Friday ranged from $10.85 in the north to $17.06 in the southern parts of the state. Also, prices at major Canadian import points in Washington and Idaho that were over $35.00 per MMBtu on the previous Friday ended last week at $10.13. In the Midwest and the East, citygate prices also rose sharply early last week but then moved down through Thursday, falling to $7.73 per MMBtu in Chicago and $8.25 in New York Bdown from Monday=s respective highs of $12.63 and $12.23. These prices moved back up on Friday to $8.20 and $8.79 per MMBtu, respectively, on news of a revised NWS 6 to 10 day forecast calling for colder-than-normal temperatures over most of the country between December 21 to 26.

Futures Prices: Settlement prices for the near-month (January) NYMEX contract displayed some of their sharpest price variability in the over-10 years that gas futures contracts have been traded. On Monday, the near-month contract reached another all-time record at $9.417 before moving down over $2.00 to $7.413 per MMBtu on Thursday. It then gained back almost $1.00 on Friday to end the week at $8.396 per MMBtu. Trading on the February and March contracts also followed this pattern but at a slower pace as they settled on Friday at $8.290 and $7.600 per MMBtu, respectively. The recently released NWS long-range forecast and the below average stock levels appear to be the key factors in these record-high prices.

Summary: Prices on the spot and futures market at the Henry Hub displayed wide levels of variability last week as prices reacted to revised NWS forecasts and continuing concerns regarding natural gas stocks. The price situation in California improved dramatically at the end of last week following Federal intervention and the arrival of warmer weather.