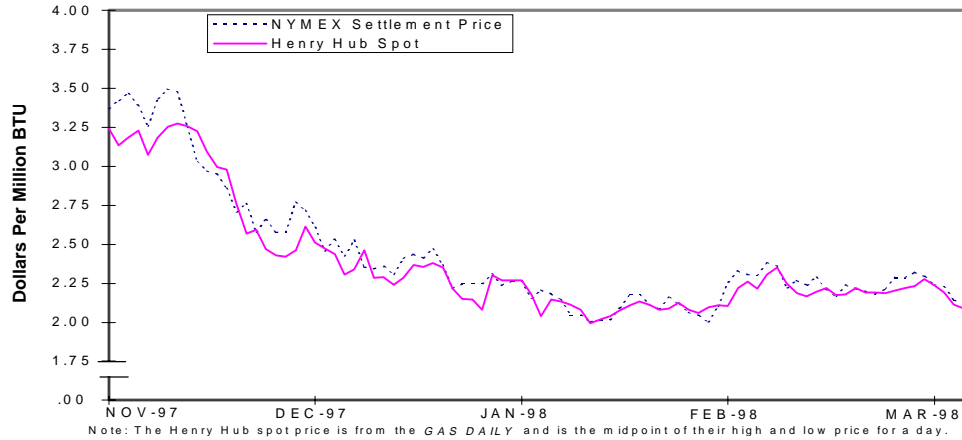


**NYMEX Future Prices vs Henry Hub Spot Prices**

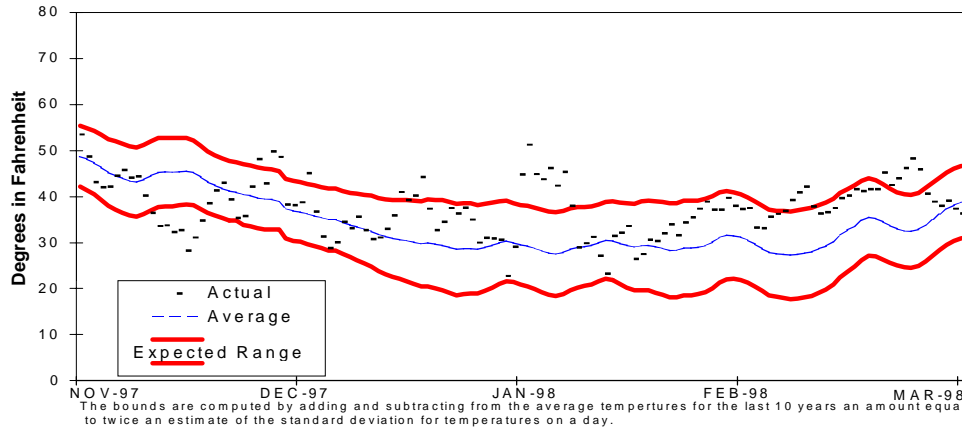
HENRY HUB PRICE		
	SPOT	FUTURES
	Mar	Apr
	Del	Del
	(\$ per MMBtu)	
3/02	2.23-2.32	2.292
3/03	2.22-2.25	2.241
3/04	2.17-2.21	2.228
3/05	2.09-2.14	2.141
3/06	2.07-2.11	2.129



**Average temperature for Four Major Gas Consuming Metro Areas**

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

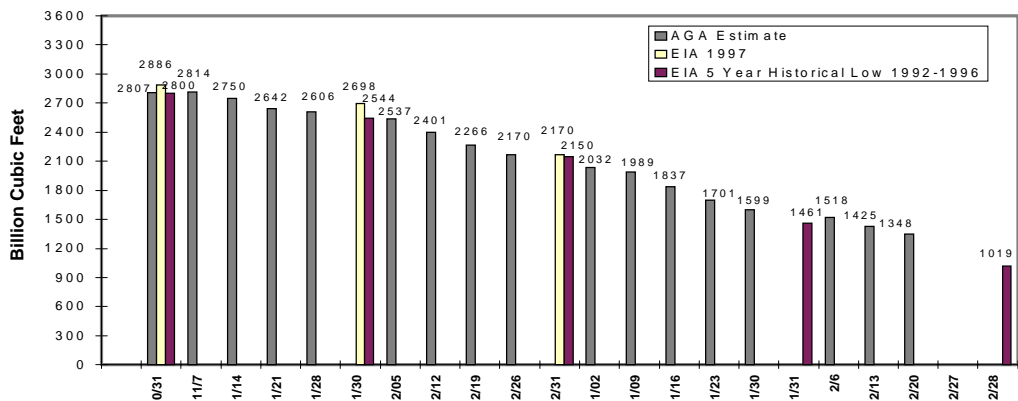
Average Temperature for Four Major Gas Consuming Areas			
	Actual	Normal	Diff
2/28	41	34	7
3/01	39	35	4
3/02	38	36	2
3/03	39	37	2
3/04	37	38	-1
3/05	36	39	-3
3/06	37	39	-2



**Working Gas In Storage**

Working Gas Volume as of 2/27/98		
	BCF	% Full
EAST	733	41
WEST	186	39
Prod Area	382	42
U. S.	1301	41

Source: AGA



The NYMEX futures contract for April delivery opened on Monday, March 9, at \$2.17 per MMBtu, up \$0.041 from its closing price on the previous Friday. While temperatures in various parts of the country declined somewhat Monday through Thursday, they were still generally above normal in most major gas consuming regions last week. One of this winter's few major snowstorms roared through parts of the Great Plains over the weekend. It dropped more than a foot of snow on parts of Kansas, Nebraska, and Iowa and the accompanying 40 MPH winds closed highways, stranding travelers. The lower temperatures that accompanied the storm are forecasted to be moving East, and the current outlook for Chicago is calling for daytime highs in the low 30s early this week. The American Gas Association's (AGA) estimate of only 47 Bcf of net storage withdrawals for the previous week lent no strength to the market. Indeed, the fact that AGA estimated 14 Bcf of net injections in the Producing region further underscored the weak demand. Prices for spot gas at the Henry Hub and for the NYMEX April futures contract seemed finally to begin to react to the continuing lack of fundamental price-supporting conditions, as they declined a few cents each day last week. The price of West Texas Intermediate crude oil fell below \$15.00 per barrel at the end of last week - the lowest price in more than 3 years.

**Storage:** According to the latest estimate from AGA, net withdrawals of natural gas from storage during the last week of February were 47 Bcf - 30 Bcf less than the previous week. This leaves AGA's estimated working gas levels at the end of February at more than 30 percent more than last year at the same time (1,301 Bcf vs. 988 Bcf). AGA's weekly estimates indicate that less than 300 Bcf of net withdrawals occurred in the entire month of February - about 140 Bcf less than the average for the three preceding February's. If the weather during the last three weeks of March continues to be warmer than normal in most major gas-consuming regions of the country (as forecast by the National Weather Service (NWS)), the level of working gas at the end of March could easily exceed 1,000 Bcf. Using EIA data, net withdrawals in March 1997 were about 150 Bcf during a period of mild weather. A repeat of last March's weather, which saw heating degree days that were about 18 percent below normal, could lead to similar withdrawal activity. If that is the case, end-of-March working gas totals could range between 1,150 and 1200 Bcf.

**Spot Prices:** The Henry Hub spot price declined slowly but steadily last week, apparently beginning to reflect what many have been saying for several weeks now: there are few fundamental supply or demand factors to support prices in the \$2.20 plus per MMBtu range. After showing surprising strength on Monday, March 2, with the midpoint of the common trading range closing at \$2.28 per MMBtu, up 5 cents from the Friday, February 27 midpoint price, the Henry Hub spot price declined a few cents each day to end the week at \$2.09. Spot prices at most other major trading points showed similar declines. Some examples of these declines were: Katy (East TX), down 8 cents at \$2.10; El Paso (Permian Basin), down 6 cents at \$2.03; Columbia (Appalachia), down 8.5 cents at \$2.255. On the other hand, spot prices for gas at most Rocky Mountain locations and several Canadian gas import locations bucked the downward trend, as colder weather persisted through the week in these areas. Increases at Canadian gas import points tended to be higher, with prices at Sumas, WA jumping \$0.26 per MMBtu to \$1.44.

**Futures Price:** Spot prices seemed to follow the lead of the futures contract market. Monday's settlement price for the April futures contract was almost 3 cents below the closing price on Friday, February 27. The price settled lower each succeeding day, losing the most ground (almost 9 cents) on Thursday before settling Friday at \$2.129 per MMBtu, about 20 cents below the previous Friday's closing price. The declining near-month futures contract price would seem to indicate that the market is fairly confident of the adequacy of near-term supplies to cover foreseeable demand. This would certainly seem to follow from current storage levels, overall weather forecasts, and the fast-approaching end to the traditional heating season.

**Summary:** While colder temperatures in the Rockies and Canada helped bolster spot prices in a few selected markets, lower temperatures elsewhere in the country were neither cold enough nor persistent enough to prompt any significant shifts in demand last week. Consequently, prices at most market locations as well as the April futures contract for delivery at the Henry Hub began gradual declines. Colder temperatures forecast for this week should boost storage withdrawals and could affect prices somewhat in the short term. However, given the abundance of stored gas and continuing forecasts of generally warmer-than-normal weather, this cold spell may not prompt a significant price increase, especially if the cold spell is of short duration.