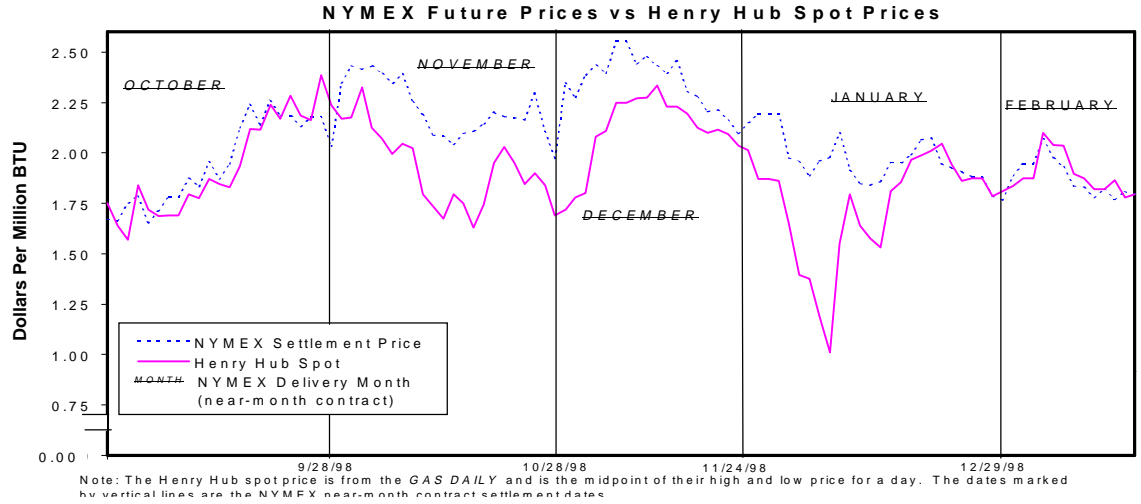
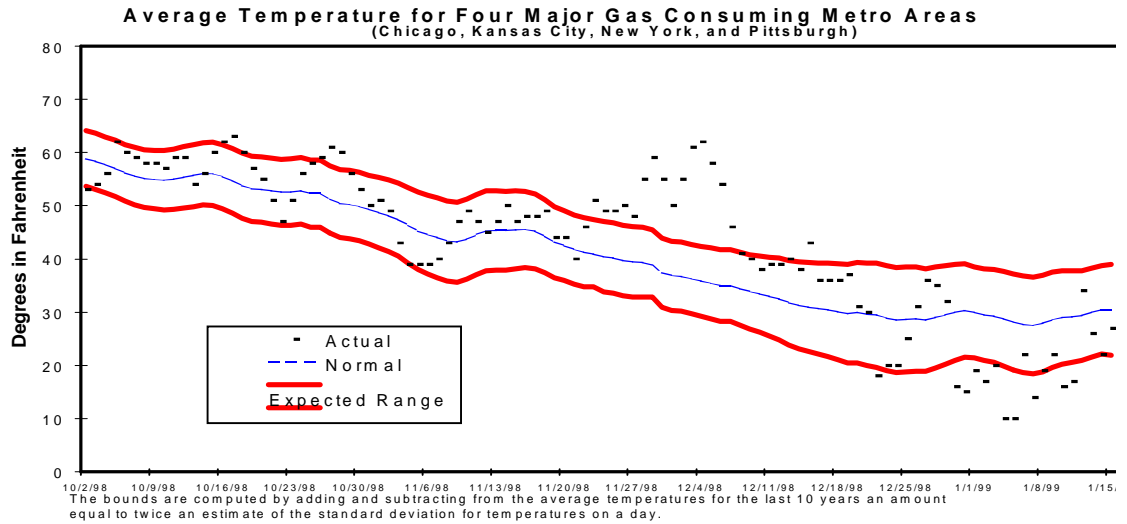


HENRY HUB PRICE (\$ per MMBtu)		
	SPOT	FUTURES
January	Del	February
	Del	Del
1/11	1.81-1.83	1.779
1/12	1.80-1.84	1.821
1/13	1.83-1.90	1.770
1/14	1.76-1.80	1.809
1/15	1.78-1.81	1.796



**Average Temperature for Four Major Gas Consuming Areas**

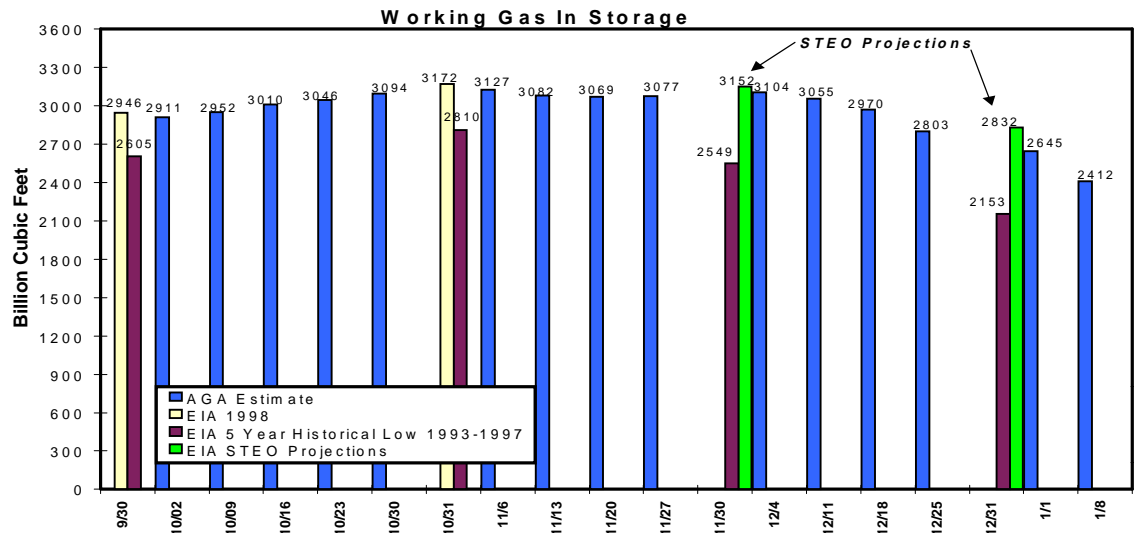
	Actual	Normal	Diff
1/09	22	29	-7
1/10	16	29	-13
1/11	17	29	-12
1/12	34	29	5
1/13	26	30	-4
1/14	22	30	-8
1/15	27	30	-3



**Working Gas Volume as of 1/8/99**

	BCF	% Full
EAST	1317	73
WEST	368	75
Prod Area	727	77
U. S.	2412	74

Source: AGA



The NYMEX futures contract for February delivery at the Henry Hub opened Tuesday, January 19, at \$1.760 per MMBtu, \$0.036 less than Friday's settlement price. Temperatures moderated somewhat last week but still remained below normal. The composite average temperatures in the four cities monitored for this report (Chicago, Kansas City, New York, and Pittsburgh) were below normal most days last week. Spot prices at the Henry Hub moved down most days and ended the week off 7 cents at \$1.80 per MMBtu. The near-month futures contract for February also ended the week down about 4 cents at \$1.796 per MMBtu. This is the third consecutive week that the spot price at the Henry Hub and the near month futures contract price have traded within a few cents of each other. The record cold temperatures during the first week of January resulted in the season's highest stock draw down, as an average of more than 33 Bcf per day was taken from storage facilities. The price of West Texas Intermediate crude oil trended down most days and ended the week at \$12.15 per barrel—roughly equivalent to \$2.10 per MMBtu. Also, the price of low-sulfur residual fuel (less than 1 percent) moved down and was trading for \$1.84 per MMBtu in New York City and for \$1.62 along the Gulf Coast.

**Storage:** According to the American Gas Association (AGA), an estimated 233 Bcf was withdrawn from storage during the week ended Friday, January 8. This is the first time this heating season that weekly withdrawals have exceeded 200 Bcf. Nonetheless, there is still more than 400 Bcf more gas on hand than at the same time last year (2,412 Bcf vs. 1,996). Based on EIA data, it appears that end-of-January stocks will be well ahead of last year's level of 1,711 Bcf, which was the highest end-of-January level in 3 years. Average withdrawals in January over the 3-year period 1996-98 were 617 Bcf or about 155 Bcf per week. Given withdrawals at the average rate during the rest of January, the month would end with about 1,950 Bcf remaining in storage. Without a dramatic shift in market fundamentals (e.g., supply disruptions and an extended period of severe cold) end-of-heating-season (March 31) inventories are very likely to exceed last year's level of 1,184 Bcf, which was the highest level since 1995's 1,332 Bcf.

**Spot Prices:** At most major market locations, prices stayed in the \$1.80s per MMBtu range or lower last week. The dominant market fundamentals, consisting of ample supply, large stocks, generally low winter demand, and depressed oil prices, continue to prevail in U.S. energy markets. On Friday, January 15, prices at major markets ranged from a high of about \$1.88 per MMBtu in Chicago to a low of \$1.62 in the Rockies.

**Future Prices:** The near month February contract traded below \$1.90 per MMBtu all last week and within a few cents of the Henry Hub spot price. This is a far cry from the price differential seen in much of November and December when the price spread was between 30 and 40 cents per MMBtu most days. The price spread reached a high of almost \$1.00 per MMBtu on December 4. The recent daily pattern of price convergence could be an indication that the market now expects less demand in February and March than had previously been expected.

**Summary:** Even with below normal temperatures in many parts of the country, the downward pressure on prices continues. The near month futures contract (February) and the spot price again traded at similar levels last week. Stock levels remain at a 4-year high even after the season's highest weekly level (233 Bcf) of storage withdrawals.