Natural Gas Weekly Market Update

EIA

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Office of Oil and Gas
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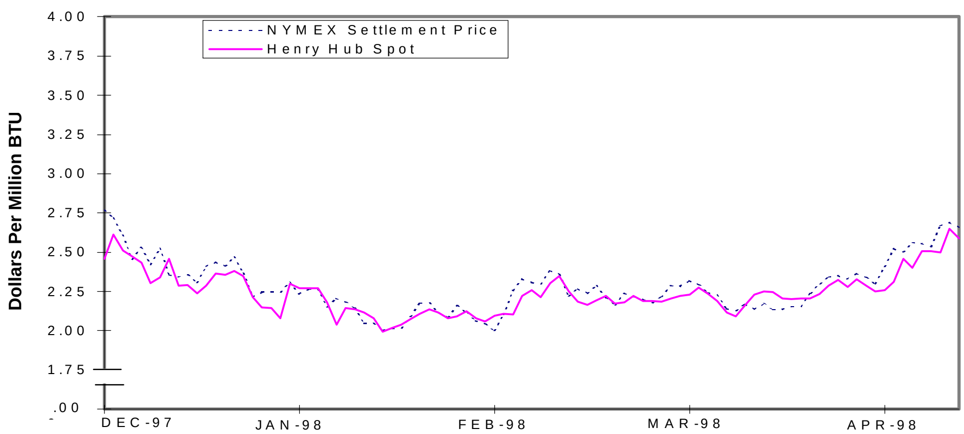
	HENRY HUB PRICE	
	SPOT	FUTURES
	Apr Del	May Del
	($ per MMBtu)	
4/06	2.49-2.52	2.535
4/07	2.48-2.52	2.668
4/08	2.63-2.67	2.689
4/09	2.56-2.62	2.657
4/10	Holiday	Holiday

NYMEX Future Prices vs Henry Hub Spot Prices

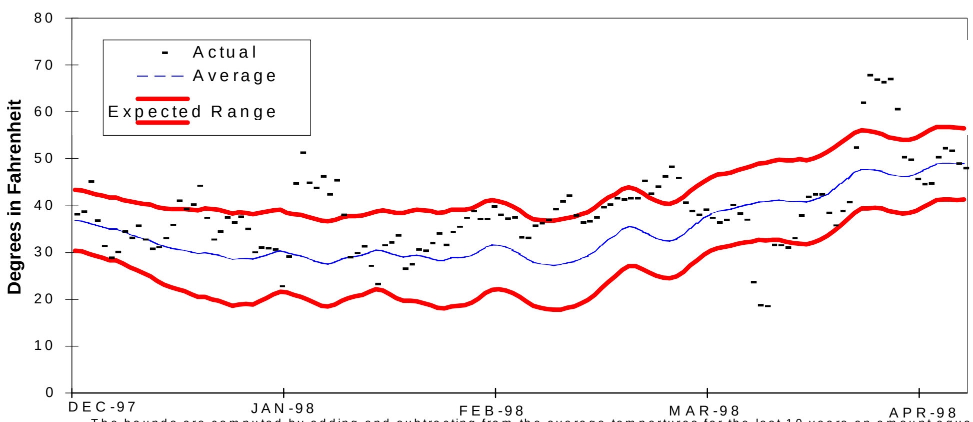


Note: The Henry Hub spot price is from the *GAS DAILY* and is the midpoint of their high and low price for a day.

Average Temperature for Four Major Gas Consuming Areas			
	Actual	Normal	Diff
4/04	45	47	-2
4/05	45	48	-3
4/06	50	49	1
4/07	52	49	3
4/08	52	49	3
4/09	49	49	0
4/10	48	49	-1

Average temperature for Four Major Gas Consuming Metro Areas

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

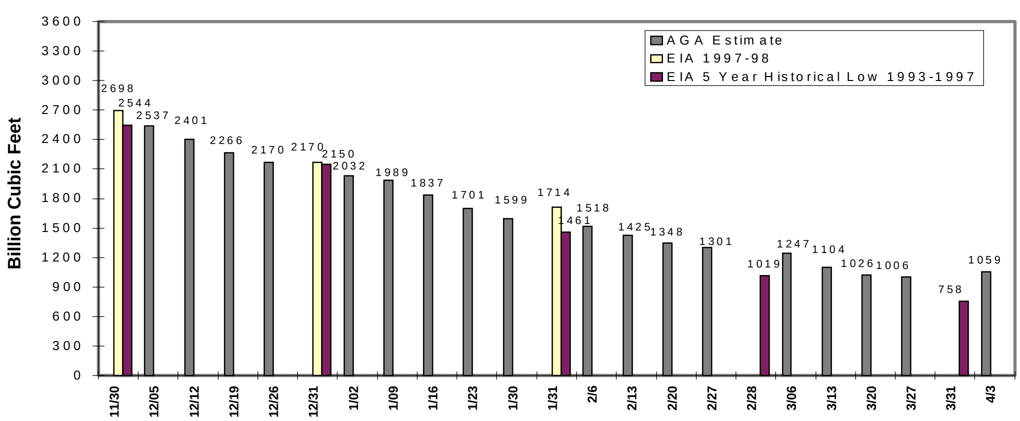


The bounds are computed by adding and subtracting from the average tempertures for the last 10 years an amount equal to twice an estimate of the standard deviation for temperatures on a day.

Working Gas Volume as of 4/03/98		
	BCF	% Full
EAST	526	29
WEST	166	35
Prod Area	367	40
U. S.	1059	33

Source: AGA

Working Gas In Storage



The NYMEX contract for May delivery at the Henry Hub opened Monday, April 13, at $2.635 per MMBtu, $0.022 less than Thursday's settlement price. NYMEX was closed on Friday, April 14, in observance of Good Friday. The composite average temperature for the four cities monitored by this report cooled to near normal most days last week, while cooler-than-normal temperatures prevailed in numerous locations in the West. The weekly cumulative deviation from normal of the 4-cities' daily average temperature was only 1° F, compared with 80° F for the previous week. The warmer weather of the week before (March 28-April 3) was reflected in the American Gas Association's (AGA's) latest estimate of gas in storage that showed net injections of 53 Bcf for the week ended April 3. This was greater than all but three of the estimates for net injections for any full week in April over the 4-plus years of the AGA survey. Nonetheless, spot and futures prices continued to trend upward. For the week, Henry Hub spot prices and the NYMEX near-month futures contract moved up about 8 and 10 cents, respectively. West Texas crude oil ended the week's trading off $0.40 per barrel at $15.60.

Storage: AGA's storage survey for the week ended April 3 reported net injections in two out of three regions, with total net injections of 53 Bcf. Only the Consuming West region had net withdrawals, according to AGA, amounting to 11 Bcf. The Consuming East and Producing regions added 36 Bcf and 28 Bcf to their respective inventories. Still, it is probably too early to declare the beginning of the injection season. While on balance the month of April almost always experiences net injections, storage activity in this shoulder month tends to be quite variable, and even more so on a week-to-week basis. For example, for the week covered by this report (April 4-10), over the past 4 years AGA has reported net injections once and net withdrawals three times.

Spot Prices: The Henry Hub spot price traded in a narrow range of 4 cents or less all week, centered for the first two days on the previous Friday's level of about $2.50 per MMBtu. Then, lagged by a day, the spot price followed the NYMEX near-month futures contract robustly upward to $2.65 before falling, in tandem with the May contract, back to $2.59 on Thursday. The drop may be partly explained by the expected slackening of demand in the industrial and commercial sectors during the 3-day holiday weekend, and also may be partly attributable to the spot price's recent tendency to mirror movement of the near-month futures contract. As with the Henry Hub price, spot prices at virtually every point quoted in Gas Daily's price survey were up for the week.

Futures Prices: Last week, the contract for May delivery at the Henry Hub added 10 cents to its value from the previous Friday's settlement price, ending Thursday trading at $2.657 per MMBtu. After jumping up 13 cents to settle at $2.689 on Tuesday, the May contract actually broke through the $2.70 level briefly on Wednesday morning, reaching $2.725 before settling back to $2.689. Trading volumes continued fairly strong, with over 42,000 contracts reportedly initiated on Wednesday and over 38,000 on Thursday. To explain the recent run-up in futures prices (and, by association, spot prices), it seems that many are focusing on factors that could imply tightening of supply, such as forecasts of warmer-than-normal summer temperatures coupled with continued coal supply problems for Union Pacific-supplied utilities resulting in higher gas consumption for electricity generation. Other factors include: the threat of a barge strike on the Mississippi River that could further exacerbate coal delivery problems, a healthy economic climate that continues to foster growing industrial consumption, and the not uncommon, though usually unpredictable, events such as nuclear plant outages, weather-related supply disruptions, and other unforeseen circumstances. On the other hand, others see the run-up in futures prices as a rally built more on "technical factors" that is being fueled to some extent by investment funds and speculators.

Summary: Spot and futures prices continued to climb last week, adding about a dime to their values of Friday before last. Temperatures cooled to more seasonal levels in the Consuming East region, after a week that saw temperatures up to 20° F warmer than normal for several days in some important East Consuming region cities and an accompanying large estimate for net storage injections. There were trade press reports of some utilities profiting from the recent spot-price run-up by selling baseload gas originally intended for storage.