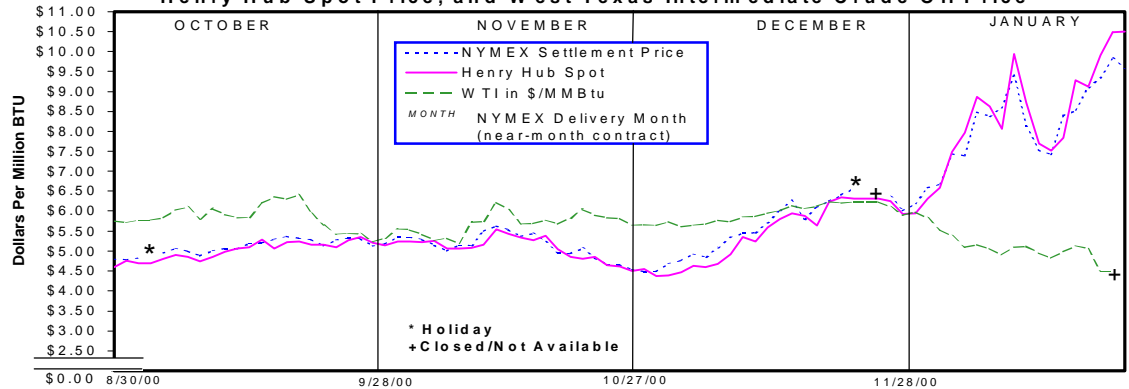


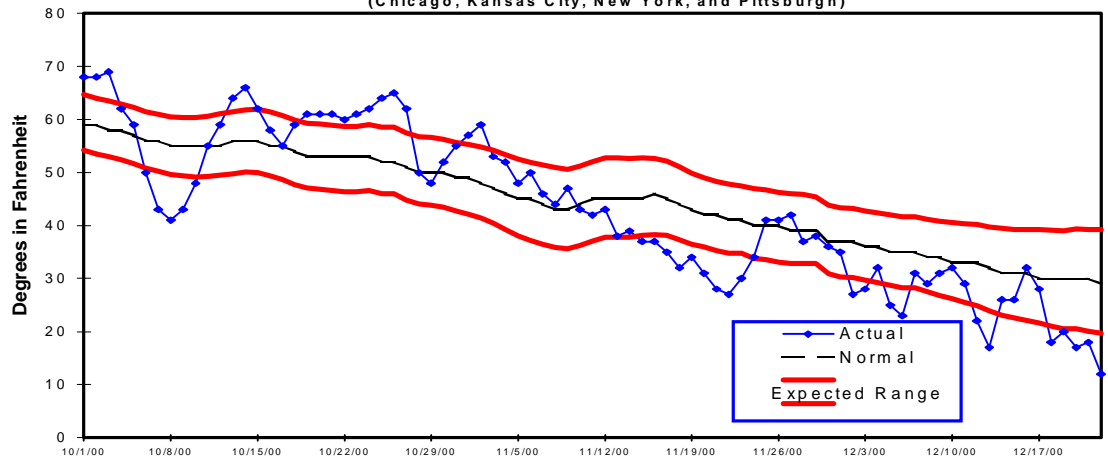
NYMEX Natural Gas Futures Near-Month Contract Settlement Price, Henry Hub Spot Price, and West Texas Intermediate Crude Oil Price



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.

HENRY HUB PRICE (\$ per MMBtu)			
	SPOT		FUTURES
	December	January	
	Del	Del	
12/18	9.11- 9.45	8.527	
12/19	8.96- 9.28	9.102	
12/20	9.77-10.05	9.326	
12/21	10.32-10.64	9.830	
12/22	10.40-10.59	9.579	

**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 temperatures for the last 10 years an amount equal to twice an estimate of the standard deviation for temperatures on a day.

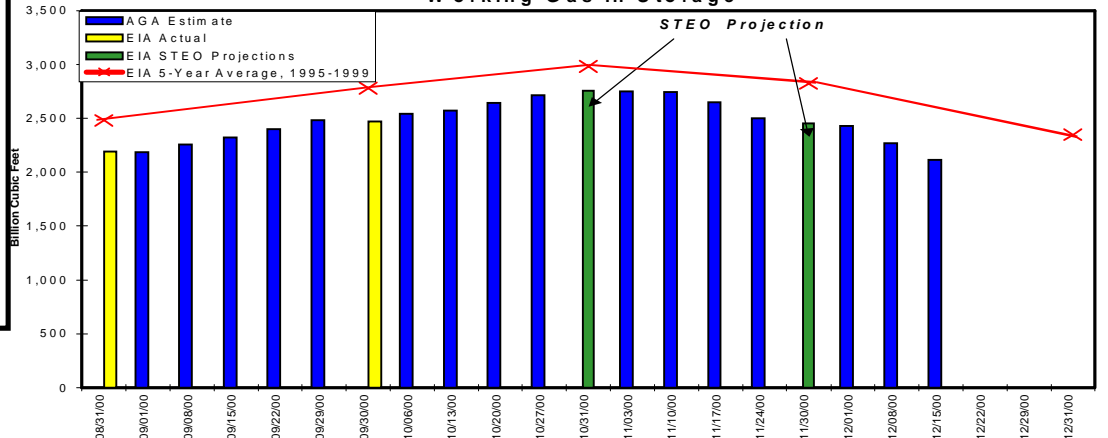
Average Temperature for Four Major Gas Consuming Areas			
	Actual	Normal	Diff
12/16	32	31	1
12/17	28	30	- 2
12/18	18	30	-12
12/19	20	30	-10
12/20	17	30	-13
12/21	18	30	-12
12/22	12	29	-17

Working Gas Volume as of 12/15/00

	BCF	% Full
East	1285	70
West	304	60
Prod Area	524	55
U. S.	2113	64

Source: AGA

Working Gas in Storage



Winter officially got underway this week with near-record stock withdrawals, colder temperatures throughout the eastern half of the country, flow restrictions on many interstate pipeline systems, and reports of the season's first unplanned interruptions. As four major gas-consuming metropolitan areas were averaging 10 to 17 degrees below normal since Monday, December 18 (see Temperature graph), private forecasters were calling for cold weather to persist in the Northeast and Midwest into next week. The National Weather Service (NWS) broadened the possible range of the weather pattern by predicting lower than normal temperatures from December 31 through January 4 for the entire Eastern Seaboard. In response, spot prices at the Henry Hub increased \$2.67 per MMBtu from the previous Friday to finish the week at \$10.50 per MMBtu, and citygate prices for New York added over \$7 per MMBtu to end at \$15.88. End-of-week prices in California were higher than on Friday, December 15, but clearly have not returned to levels seen before government intervention. On NYMEX, the price for the futures contract for January delivery approached the \$10.00 per MMBtu threshold. Contrary to natural gas markets, petroleum stock builds reported for the previous week allowed the price of West Texas Intermediate crude oil to plummet from almost \$29.00 Friday, December 15 to \$26.16 per barrel (\$4.51 per MMBtu) last Friday.

Storage: For the second consecutive week, 158 Bcf of working gas was withdrawn from underground storage according to American Gas Association (AGA) estimates. A continuation of this rate through the end of the month will leave end-of-December inventories below 2 Tcf for the first time since 1976. Not until mid-January, when the rate of withdrawals dramatically increases, do stocks typically plunge through the 2 Tcf level. As a result of last week's 158 Bcf draw, which was almost 50 percent more than EIA's 5-year (1995-1999) average December weekly rate, U.S. stocks were left at 2,098 Bcf on December 15, or 19.1 percent below the 5-year average as calculated by EIA. The East Region had a 100 Bcf withdrawal, the equivalent of almost 7 percent of its stocks in underground storage, which left stocks at 1,379 Bcf—12.9 percent below the 5-year average. The Producing Region had 484 Bcf in storage, 27.6 percent below the 5-year average, following a draw of 46 Bcf, which, like the East Region, was the second highest amount for the week since the inception of the AGA data 6 years ago. Continued high demand reported for electricity may have been a contributing factor to a 12 Bcf draw on stocks in the West Region. The West Region was 31.4 percent below the 5-year average at 235 Bcf.

Spot Prices: During a week marked by low temperatures, significant stock withdrawals, and flow restrictions, the spot price at the Henry Hub jumped an astonishing \$2.67 per MMBtu to end the week at \$10.50 per MMBtu, \$8 higher than the same date last year. Prices in most markets softened slightly on Tuesday, and the anticipation of lower holiday-related demand caused larger price drops at many price points on Friday. However, these corrections were easily overshadowed by the cumulative upward price movements of the other 3 days. Friday-to-Friday increases were recorded at every location tracked by *Gas Daily*, with most increases in the \$1.00-\$4.00 per MMBtu range. Citygate prices in Chicago and New York increased 69 and 81 percent, respectively, this week, mainly in reaction to colder temperatures, to end at \$13.89 and \$15.88 per MMBtu. The PG&E spot price was up another \$3.40 per MMBtu for the week, a possible result of price competition for Canadian imports that could otherwise go to satisfy demand in the East. The growth in citygate prices in Michigan was held below \$2.25, where withdrawals from relatively abundant stocks caused transportation capacity at storage interchanges to dwindle. In Southern California, where temperatures warmed to nearly-normal levels, Friday-to-Friday price increases were just under \$1 per MMBtu.

Futures Prices: While volatility in prices for the near-month (January) NYMEX contract narrowed from last week, the highest price recorded for the week came in just short of the \$10 per MMBtu benchmark, reaching \$9.860 during trading on Friday, December 22. January settlement prices escalated from the previous Friday's \$8.396 per MMBtu to a record high of \$9.830 on Thursday, which was more than double the near-month price on the first day of this heating season. The settlement price dropped back to \$9.579 in Friday's abbreviated session when traders liquidated many of the January positions that are set to close December 27. Natural gas stocks continue to be a factor not only in near-month prices, but also for the February contract which settled on Friday, December 22 at \$8.932, nearly twice the value recorded at the beginning of the heating season. Since November, concern over the replenishment of perhaps severely depleted stocks has already added about a dollar to prices for summer-month contracts.

Summary: Prices on the spot and futures markets at the Henry Hub escalated in response to cold weather in the Eastern half of the country. Continued cold weather and stock withdrawals could keep upward pressure on prices well into the new year.