Natural Gas Weekly Market Update

EIA

Energy Information Administration
Office of Oil and Gas
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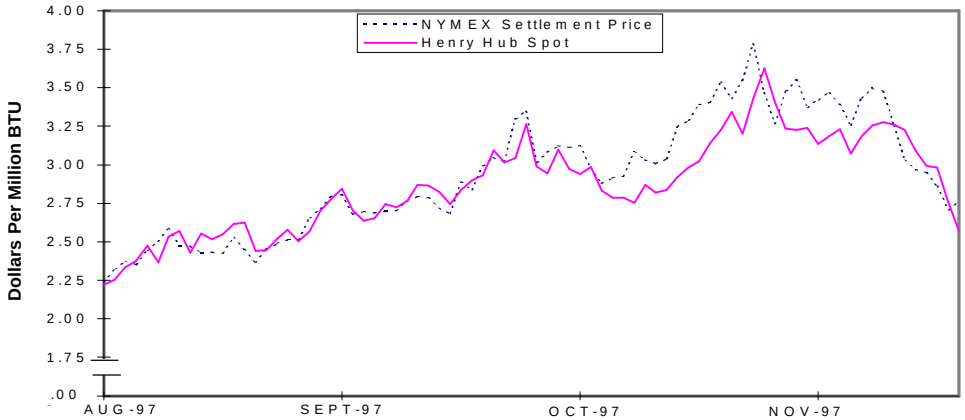
http://www.eia.doe.gov

	HENRY HUB PRICE	
	SPOT	FUTURES
	Nov Del	Dec Del
	($ per MMBtu)	
11/17	3.05-3.14	2.970
11/18	2.97-3.02	2.949
11/19	2.96-3.00	2.861
11/20	2.74-2.78	2.708
11/21	2.54-2.60	2.762

NYMEX Future Prices vs Henry Hub Spot Prices

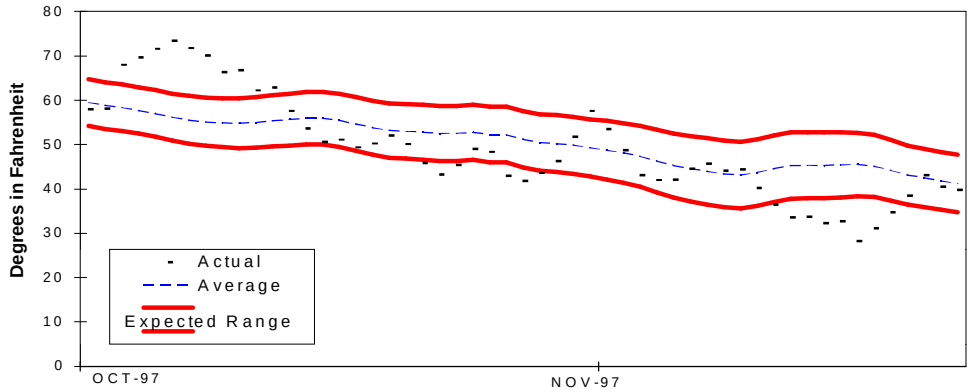


Note: The Henry Hub spot price is from the *GAS DAILY* and is the midpoint of their high and low price for a day.

Average Temperature for Four Major Gas Consuming Areas			
	Actual	Normal	Diff
11/16	28	46	-18
11/17	31	45	-14
11/18	35	44	-9
11/19	39	43	-4
11/20	43	42	1
11/21	41	42	-1
11/22	40	41	-1

Average temperature for Four Major Gas Consuming Metro Areas

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

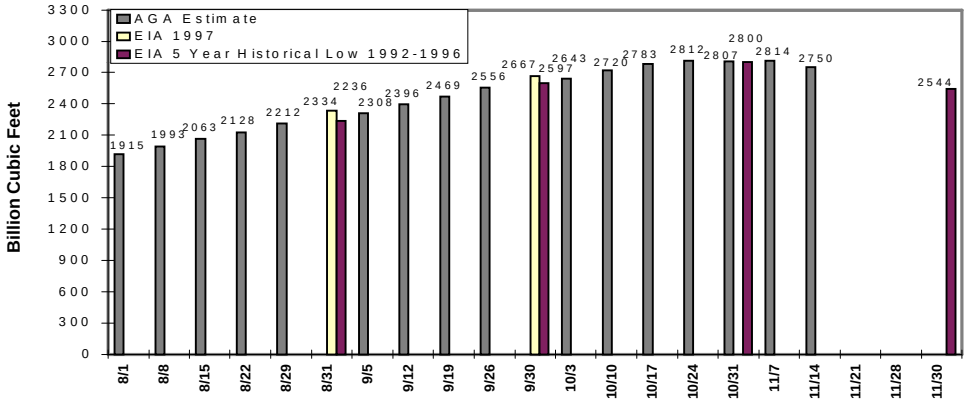


The bounds are computed by adding and subtracting from the average tempertures for the last 10 years an amount equal to twice an estimate of the standard deviation for temperatures on a day.

Working Gas Volume as of 11/14/97		
	BCF	% Full
EAST	1666	93
WEST	367	76
Prod Area	717	78
U. S.	2750	86

Source: AGA

Working Gas In Storage 1997



On the final trading day, November 24, the opening price of the NYMEX futures contract for December delivery at the Henry Hub was $2.68 per MMBtu, $0.08 lower than Friday's settlement price. Last week, the December price declined more than $0.20 per MMBtu to end the week at $2.762. The week earlier saw the price drop more than $0.50 per MMBtu. Less than 2 weeks earlier, the December contract was trading for almost $3.50 per MMBtu. The latest National Weather Service (NWS) 30-to-90 day temperature prediction again calls for temperatures to be warmer than normal in most regions east of the Mississippi River. Meanwhile, the cold weather that began about 10 days ago was still prevalent in the Midwest and the East through Tuesday of last week. Over this period, the four cities that are monitored for this report (Chicago, Kansas City, New York City, and Pittsburgh) had average daily temperatures that were 8 to 18 degrees colder than normal. Even with this period of cold weather, prices on the spot market behaved in a similar fashion as the futures contract. During this period, the spot price at the Henry Hub moved down more than $0.60 per MMBtu. Last week, the Bureau of Labor Statistics (BLS) reported that preliminary data indicate the producer or wellhead price index for natural gas increased more than 17 percentage points between September and October - the largest increase for that period in at least 10 years. In reaction to the first period of below normal temperatures, storage withdrawals during the second week of November were estimated to be 64 Bcf.

Coal Deliveries to Texas Utilities: The DOE Office of Emergency Management (EM) reports that last week the Union Pacific Railroad (UP) began to make improvements in moving trains throughout its system. While the UP coal shipments are still below normal, several Texas electric utilities have reported that deliveries are now matching burn requirements and they are no longer drawing down coal stocks. Some utilities continue to operate coal conservation plans and have increased their use of natural gas. Thus far it appears that supplies of gas in the Southwest are adequate at this time to meet this increased demand.

Storage: The week ended November 14 saw net withdrawals of 64 Bcf nationwide, with 29 Bcf withdrawn in the Consuming East region and 31 Bcf in the Producing region, according to American Gas Association (AGA) estimates. During the same period last year, net withdrawals totaled 86 Bcf, with 58 Bcf in the Consuming East region and 29 Bcf in the Producing region. Also, last year net withdrawals in the Consuming East totaled about 65 Bcf, while the cumulative total so far this year is only 25 Bcf. Thus, the inventory difference on November 1 in the Consuming East relative to last year has already been more than made up. Most of this catch-up is probably due to this year's warmer temperatures in the early part of November compared with last year. This year, the average temperature for the four cities tracked by this report for November 1-7 was about 0.8 degrees F. higher than last year, and about 3 degrees warmer for November 8-14. EIA's recently released measurement of end-of-September inventories is 2,667 Bcf, about 40 Bcf lower than its estimate published in the October *Natural Gas Monthly*. In Canada, the Canadian Gas Association (CGA) reported that inventories peaked in the week ended October 17, at about 455 Bcf. The Canadian heating season began the following week, with net withdrawals averaging almost 8 Bcf per week for the 4 weeks ended November 14.

Spot Prices: The spot price at the Henry Hub moved down sharply again last week, declining more than $0.50 per MMBtu for the week. Even with this decline, the spot price at Henry Hub continued to trade for several cents higher than the futures price for the December contract. This is in sharp contrast to trading activity in October when daily spot prices were well below (15 to 20 cents most days) the trading prices for the November contract. At that time, some industry followers held the view that such pricing patterns were an indication that current or short-term supply was at acceptable levels but that the adequacy of future supply remained a concern. The price pattern shift likely indicates that the perception regarding future supplies of natural gas has changed.

Futures Prices: The futures price for the December contract at the Henry Hub began last week more than $0.45 per MMBtu lower than the previous Monday and continued to move down most days last week. Last year at this time, the December contract increased more than $0.60 per MMBtu during the last 2 days of trading to settle at a record level of $3.90. Last year the December contract settled more than $2.20 higher than the October contract. At 11:30 today, the December contract was still trading well below $3.00 per MMBtu, raising the likelihood that this year's December contract will not only settle below last year's December contract but also below this year's October ($3.346 per MMBtu) and November ($3.262) contracts. This would be the first time that the December contract price settled lower than the October contract since the NYMEX began trading natural gas in 1990.

Summary: The price of the NYMEX futures contract for December delivery continued to decline and will settle at a price below the October and November contracts. The spot price is also trending down sharply ($0.50 per MMBtu) irrespective of the season's first period of cold weather. There appears to be some indication that many involved in the market now view natural gas supply with more confidence. Storage withdrawals in the second week of November averaged more than 9 Bcf per day.