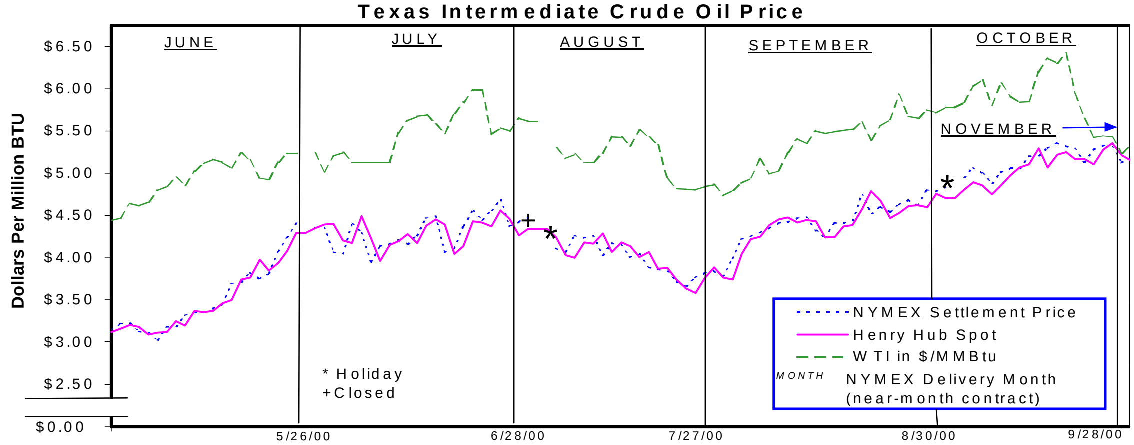
Natural Gas Weekly Market Update

Energy Information Administration
Office of Oil and Gas
October 2, 2000

http://www.eia.doe.gov/oil_gas/natural_gas/nat_frame.html

Henry Hub Price	Spot Sept/Oct Delivery	Futures Oct/Nov Delivery
	($ per MMBtu)	
09/25	5.06-5.15	5.276
09/26	5.25-5.30	5.324
09/27	5.33-5.37	5.312
09/28	5.18-5.23	5.124
09/29	5.09-5.21	5.186

NYMEX Natural Gas Future Price, Henry Hub Spot Price, and West Texas Intermediate Crude Oil Price

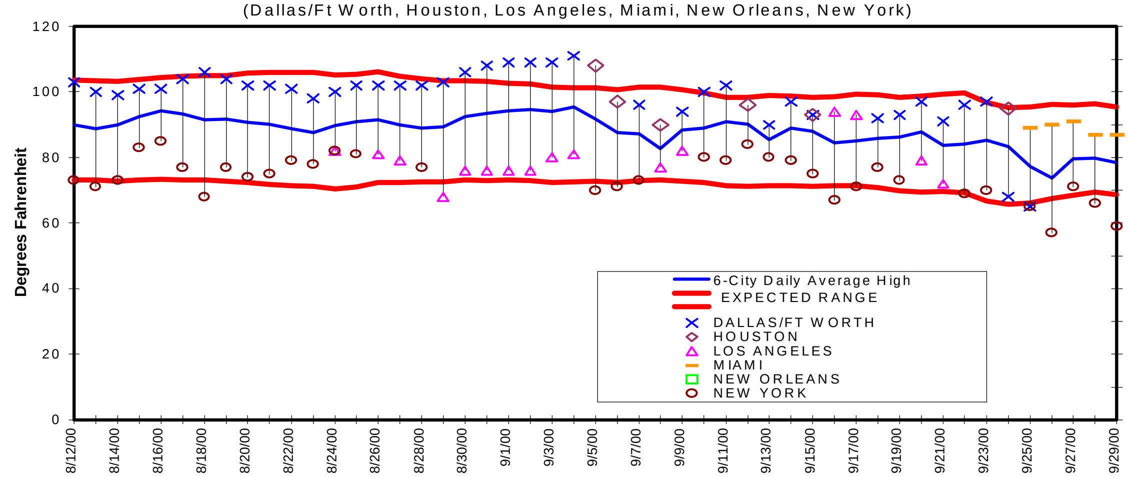


Note: The Henry Hub spot price is from the GAS DAILY and is the midpoint of their high and low price for a day. The West Texas Intermediate crude oil price, in dollars per barrel, is the "sell price" from the GAS DAILY, and is converted to $/MMBtu using a conversion factor of 5.80 MMBtu per barrel. The dates marked by vertical lines are the NYMEX near-month contract settlement dates.

Average High Temperature for Six Major Electricity Consuming Cities	Actual	Normal	Diff
09/23	85	82	3
09/24	83	81	2
09/25	77	81	-4
09/26	74	82	-8
09/27	80	82	-2
09/28	80	83	-3
09/29	78	82	-4

Daily Average of High Temperatures, and Daily Highest and Lowest High Temperatures for 6 Cities

(Dallas/Ft Worth, Houston, Los Angeles, Miami, New Orleans, New York)

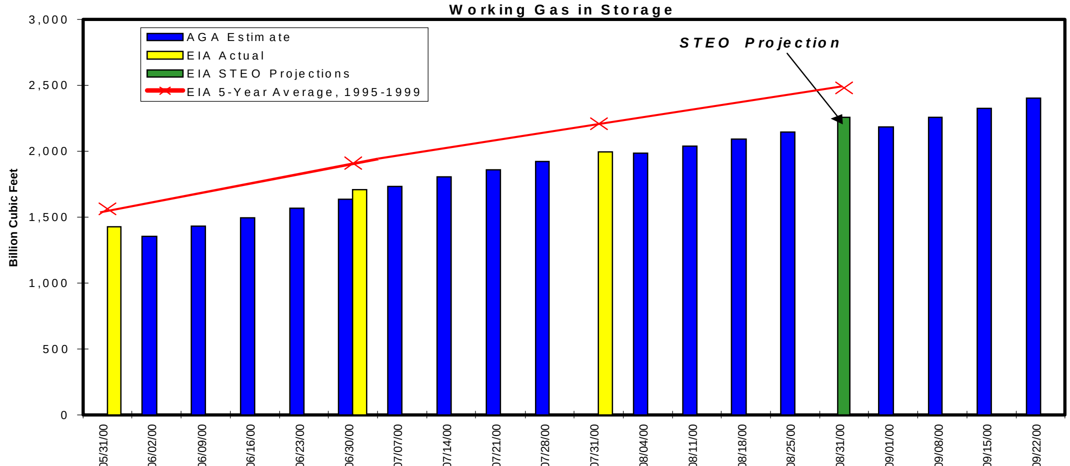


The bounds are computed by adding to and subtracting from the daily average high temperatures for the last 10 years an amount equal to twice an estimate of the standard deviation for high temperatures for each day.

Working Gas Volume as of 09/22/00	Bcf	% Full
East	1449	79
West	369	73
Prod Area	584	61
U. S.	2402	73

Source: AGA

Working Gas in Storage



On its first day of trading as the near-month contract on Thursday, the NYMEX futures contract for November delivery plunged over 32 cents per MMBtu, dragging cash prices in most major markets down 15-20 cents as well. But the futures market continued to demonstrate the resilience that characterized trading for most of last week, as the November contract rebounded on Friday to settle at $5.186 per MMBtu. This movement reflects the westward track of Atlantic Ocean Hurricane Joyce as well as the formation of new Hurricane Keith off the coast of Honduras south of the Gulf of Mexico. Despite seasonably cooler temperatures nationwide that eased gas demand for power generation, spot prices showed fairly strong gains Tuesday and Wednesday, but Thursday's drop continued on Friday in most markets. At the Henry Hub, spot gas traded for around $5.15 per MMBtu on Friday, a loss of 2 cents from the previous Friday. President Clinton's decision to release 30 million barrels of crude oil from the Strategic Petroleum Reserve had an immediate impact on crude oil markets. By last Friday, the price of West Texas Intermediate spot crude oil was $30.87 per barrel, or $5.32 per MMBtu, a decrease of $1.88 per barrel from the previous Friday.

Storage: Net storage injections continued to be strong for a third consecutive week. The American Gas Association (AGA) estimate of 77 billion cubic feet (Bcf) for the week ended September 22 is equivalent to an injection rate of 11 Bcf per day—more than 11 percent higher than the EIA 5-year average for September. The net injection of 57 Bcf into East Region facilities is the second largest volume in that region during this refill season, and is 23 percent higher than that region's average September rate. Incorporating EIA's newly-released July storage survey data, the East's inventory situation as of September 22 improved slightly to an estimated 6.6 percent below the EIA 5-year (1995-1999) average for this point in the year. U.S. total working gas, at an EIA-estimated 2,450 Bcf, also improved slightly and is 9.2 percent below the 5-year average. The West Region with inventories of 294 Bcf, fell to 16 percent below the average.

Spot Prices: After moving down by 7-10 cents per MMBtu last Monday, spot prices moved up strongly on Tuesday (15-30 cents) and had lesser gains on Wednesday (5-10 cents), with demand for storage injections offered as the key factor for this mid-week strength. But spot prices reversed themselves for the last two days of the week, certainly affected partly by the November contract's large drop on Thursday, and slackening weather-related demand. A quirk of the calendar added an extra wrinkle to spot gas trading on Friday. Spot gas on that day was priced separately for last-day-of-September flow (Saturday) and for new-month (October: Sunday and Monday) flow. On a Friday-to-Friday basis for September flow, prices were down in most markets by as much as 20 cents per MMBtu. The exceptions were in the Pacific Northwest, the San Juan Basin, the Rockies, and the California markets. In the Pacific Northwest, unscheduled maintenance on one major system and lower field receipts on another sent prices up. California energy markets are being influenced by imminent scheduled-maintenance outages of several nuclear and fossil-fired generating plants, which could take as much as 10,000 megawatts of generating capacity off-line for 30-45 days. PG&E citygate prices topped $6.00 per MMBtu again on Thursday, after having dropped to $5.49 on Friday, September 22. Prices in the Rockies (and the Southwest production basins) benefited from both of these developments, while outages at Arizona's Palo Verde nuclear plant and an overpull penalty on El Paso's pipeline system sent prices soaring in the San Juan Basin and further strengthened prices in the Rockies. Average prices in both these markets increased by over $1.25 per MMBtu Friday-to-Friday, to around $5.10, and were 15-50 cents higher still for Sunday/Monday flow. By contrast, prices at most other locations were down further for Sunday/Monday, with drops of a few cents to a dime. Cash prices overall are anywhere from $2.50-$3.00 per MMBtu higher—which is more than double—their levels of one year ago.

Futures Prices: Technical trading compounded the effects of the apparent uncertainty in the market, further adding to price volatility, as near-month contracts traded within a range of 20 to 30 cents starting Friday, September 22. Before its close on Wednesday, the October contract had gained back all of its over-15 cent drop from Friday, September 22 and more, closing at $5.312 per MMBtu. Since becoming the near-month contract on August 30, the October contract gained $0.669 per MMBtu, and at closing, was more than double the closing price for the October 1999 contract ($2.560). The November contract's first two days as the near-month contract were no less volatile, as its over 32-cent fall on Thursday was countered by an up day on Friday, when it gained back $0.062 to settle at $5.186 per MMBtu.

Summary: With the exception of selected western markets, cash prices softened somewhat with the coming of seasonably cooler weather. The volatility of futures prices increased somewhat, as the market incorporated the conflicting influences of three weeks of relatively strong storage injections and the disruptive potential of tropical storms.