Natural Gas Weekly Market Update

EIA

Energy Information Administration
Office of Oil and Gas
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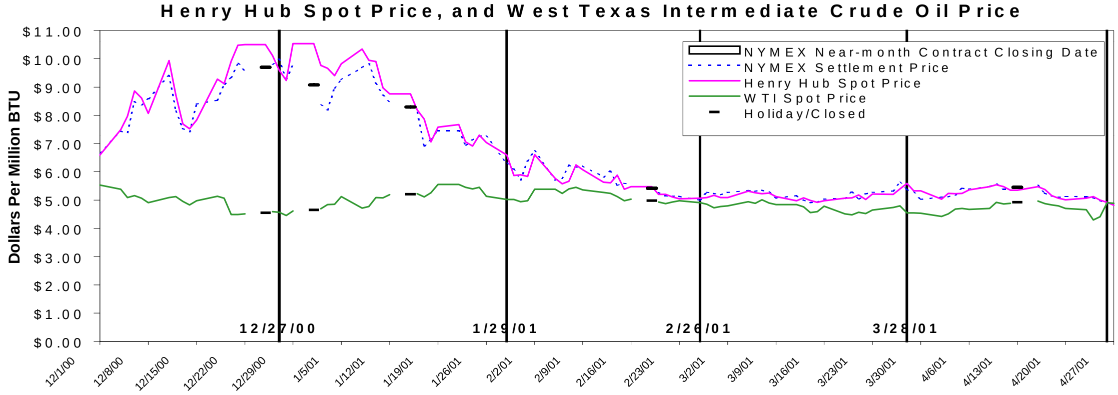
HENRY HUB PRICE ($ per MMBtu)		
	SPOT	**FUTURES**
	April Del	May/June Del
04/23	5.03-5.11	5.125
04/24	5.09-5.15	5.078
04/25	4.95-5.04	4.981
04/26	4.86-4.99	4.891
04/27	4.79-4.85	4.867

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

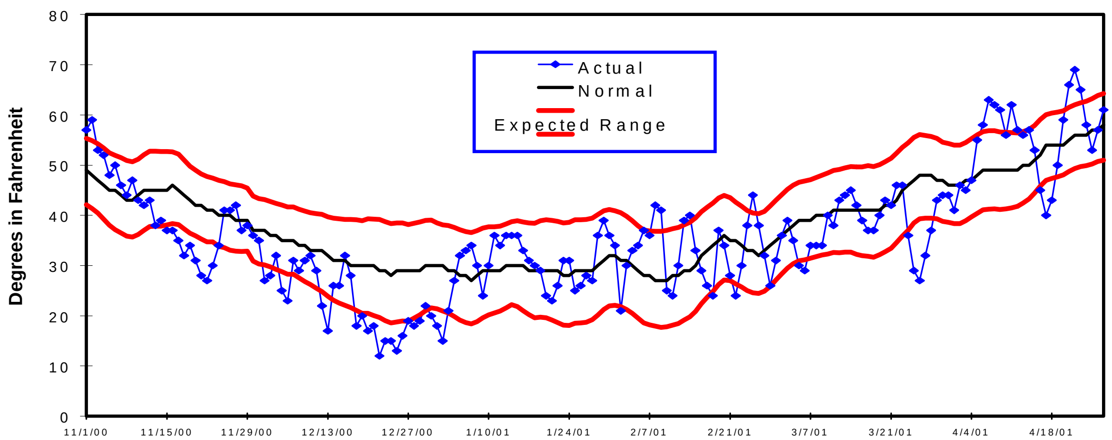


Note: The Henry Hub spot price is from the GAS DAILY and is the midpoint of their high and low price for a day. The West Texas Intermediate crude oil price, in dollars per barrel, is the "sell price" from the GAS DAILY, and is converted to $/MMBtu using a conversion factor of 5.80 MMBtu per barrel. The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

Average Temperature for Four Major Gas Consuming Areas

	Actual	**Normal**	**Diff**
04/21	66	55	11
04/22	69	56	13
04/23	65	56	9
04/24	58	56	2
04/25	53	57	-4
04/26	57	57	0
04/27	61	58	3

Average Temperature for Four Major Gas Consuming Metro Areas
(Chicago, Kansas City, New York, and Pittsburgh)

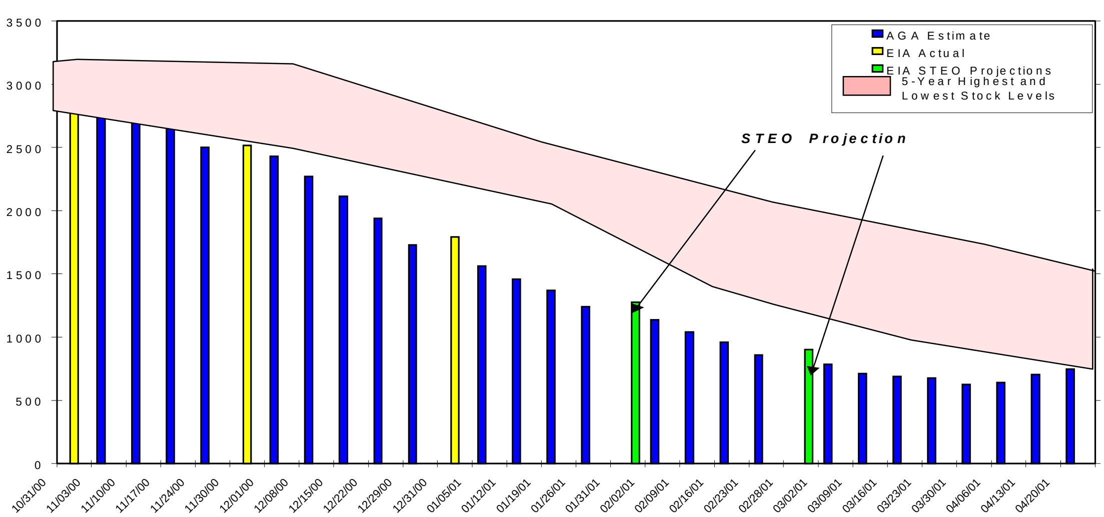


The bounds are computed by adding and subtracting from the average temperatures for the last 10 years an amount equal to twice an estimate of the standard deviation for temperatures on a day.

Working Gas Volume as of 04/20/01

	BCF	**% Full**
East	315	17
West	181	36
Prod Area	252	26
U. S.	748	23

Source: AGA



Strength in spot and futures prices at the beginning of last week despite balmy spring temperatures caused traders to speculate that higher oil prices may be causing dual-fuel capable facilities to switch to natural gas. However, prices drifted down about 25 cents per MMBtu following the announcement of another hefty addition to natural gas stocks. At the Henry Hub, trading ended on Friday at $4.82 per MMBtu. On the same day, the NYMEX futures price for June delivery of natural gas at the Henry Hub closed at $4.867. In contrast, oil prices gained ground through most of the week to end at $28.30 or $4.88 per MMBtu. For the week ended April 27, the Baker Hughes Rotary Rig Count for the number of drilling rigs actively exploring for or developing natural gas production was 975, a record high in the 14-year history of such data. The count was over 60 percent more than a year ago after having added 100 rigs since January 1.

Storage: Net injections for the week ending April 20, 2001, estimated by the American Gas Association (AGA) at 43 Bcf, were lower than the previous week's 64 Bcf, but about twice the 1995-99 average for the week. Thus far during the first 20 days of the refill season, 111 Bcf has been added to stocks, compared with EIA's 5-year average for April of 98 Bcf. As a result, U.S. stocks have improved relative to the 5-year average by 6 percent since the close of the heating season and now stand at 30 percent below. The West region set a new record for the week with additions of 9 Bcf. The East and the Producing regions' additions of 20 and 14 Bcf, respectively, were outdone by performances of 33 and 27 Bcf in 1998. Contango in the futures market, where the price of natural gas for delivery 3 months in the future compared to the near-month price is currently exceeding spot prices by over 10 cents per MMBtu, may be providing an incentive to store natural gas. This incentive will continue as long as current prices plus storage fees, injection and withdrawal costs continue to be less than the expected price of natural gas, as reflected in the futures market.

Spot Prices: Even though the balmy weather associated with spring normally would have caused demand to slacken, spot prices edged higher the beginning of last week. At the important supply points of the Henry Hub, Louisiana; Waha, Texas; and NGPL Midcontinent, Oklahoma; prices reached a peak of $5.12, $5.03, and $4.97 per MMBtu, respectively, on Tuesday. The report of a considerable stock build left these same prices at $4.82, $4.66, and $4.69 by Friday. The Friday-to-Friday losses at the New York and Chicago citygates were $0.22 and $0.23, leaving prices in those two markets at $5.19 and $4.90 at the end of the week. Planned throughput reductions at the Opal Plant and two Kern River compressor stations caused prices in California to move up at least $2 from the end of the prior week in most major supply locations in the State. SoCal and PG&E saw gains of $2.02 and $1.34 on bulk sales to finish at $14.63 and $12.01 as supply tightness appeared to have differing impacts from north to south.

Futures Prices: The May contract closed April 26 at $4.981 per MMBtu, well below the final of $5.384 for the April contract but almost $2 higher than the May contract of a year ago. The announcement of the net stock injections for the preceding week contributed to a decline of almost 10 cents for the May contract, and contracts for subsequent months as well, on its last day of trade on Wednesday. The June contract price took up where the May contract ended with price declines for the first 2 days as the near-month contract. By the end of the trading day Friday, the June contract was $4.867 per MMBtu, 32 cents less than a week ago. The settlement prices for the futures contracts through the next heating season ranged from $4.935 per MMBtu for July to $5.415 for January.

Summary: A large net injection to stocks caused prices to tumble midweek given relatively slack demand created by seasonal temperatures. Incentives from out-month natural gas futures prices and higher rig counts, indicative of possible increased production, are also contributing to large net injections.