

Daily Price Survey

Listed in the left column are the midpoints of the daily ranges for the most common prices, paid in \$/mmBtu of a typical volume of 5 thousand mmBtu. The middle column shows absolute low-high prices for transactions reported on the date at the top of the column; the third column shows that day's ranges for the most common prices. The prices are generally for gas flowing today; weekends are usually priced using data collected Friday. Ranges are for deals done before nomination deadlines. The common range is built around the volume weighted average and the midpoint is calculated for the common range. Data in this table is Copyright 2002 by The McGraw-Hill Companies, Inc.

NATIONAL AVERAGE PRICE: \$2.175****

Trans. date:	2/15		
Flow date(s):	2/16-19		
	Midpoint	Absolute	Common
Permian Basin Area			
El Paso	2.045	2.01-12	2.02-07
Northern (Mids 1-6)	1.995	1.97-2.03	1.98-2.01
Tex intras, Waha area	2.085	2.05-11	2.07-10
Transwestern	2.020	2.00-07	2.00-04
East Texas-North Louisiana Area			
Carthage Hub tailgate	2.115	2.08-16	2.09-14
Gulf South (Zones 1&2)	1.885	1.87-90	1.87-90
Lone Star	1.970	1.96-98	1.96-98
MRT mainline	2.180	2.14-20	2.16-20
MRT west leg	2.130	2.11-16	2.12-14
NGPL TexOk (West)	2.140	2.13-15	2.13-15
NGPL TexOk (East)	2.115	2.06-16	2.09-14
Tennessee, 100 Leg	2.085	2.07-14	2.07-10
Texas Eastern (ETX)	2.170	2.10-18	2.16-18
Texas Gas (entire Z 1)	2.170	2.12-20	2.15-19
East-Houston-Katy			
Houston Ship Channel	2.190	2.16-28	2.16-22
Katy plant tailgate	2.140	2.11-22	2.11-17
Trunkline North	2.140	2.11-17	2.12-16
North-Texas Panhandle			
NGPL (Permian)	1.960	1.92-2.02	1.93-99
Northern (Mid 10)	1.900	1.89-91	1.89-91
Transwestern	2.020	2.00-07	2.00-04
South-Corpus Christi			
Agua Dulce hub	2.070	2.03-12	2.05-09
Florida Gas	2.180	2.15-24	2.16-20
HPL	—	—	—
Gulf South (Zone 1)	1.650	1.64-66	1.64-66
NGPL (STX)	2.085	2.00-12	2.05-12
Tennessee	2.095	2.06-13	2.08-11
Texas Eastern (STX)	2.085	2.04-18	2.05-12
Transco, St 30	2.110	2.09-14	2.10-12
Trunkline South	2.100	2.07-13	2.08-12
EPGT	2.010	2.00-02	2.00-02
Louisiana-Onshore South			
ANR	2.125	2.08-19	2.10-15
Columbia	2.155	2.12-22	2.13-18
Columbia, Mainline	2.210	2.16-25	2.19-23
FGT Z1	2.180	2.15-24	2.16-20
FGT Z2	2.175	2.14-26	2.14-21
FGT Z3	2.175	2.12-25	2.14-21
Henry Hub	2.185	2.15-25	2.16-21
Gulf South (Zones 2&4)	1.965	1.94-2.00	1.95-98
NGPL (La.)	2.115	2.08-18	2.09-14
Sonat	2.180	2.15-23	2.16-20
Tennessee, 500 Leg	2.135	2.09-22	2.10-17
Tennessee, 800 Leg	2.130	2.10-18	2.11-15
Texas E. (WLA)	2.115	2.06-19	2.08-15
Texas E. (ELA)	2.145	2.07-23	2.10-19
Texas Gas SL	2.155	2.12-22	2.13-18
Transco, St. 45	2.145	2.10-17	2.13-16
Transco, St. 65	2.205	2.17-28	2.18-23
Trunkline WLA	2.135	2.10-18	2.11-16
Trunkline ELA	2.115	2.06-18	2.08-15
Oklahoma			
ANR	2.100	2.06-15	2.08-12
NGPL (Midcont.)	2.070	2.02-14	2.04-10
Reliant (North/South)	2.125	2.08-17	2.10-15
Reliant (West)	2.075	2.04-12	2.05-10
Northern (Mid 11)	2.035	2.00-07	2.02-05
OGT	2.110	2.07-16	2.09-13
PEPL	2.085	2.03-14	2.06-11
Williams	2.100	2.06-15	2.08-12
New Mexico-San Juan Basin			
El Paso, Bondad	2.010	1.99-2.03	2.00-02
El Paso, non-Bondad	2.055	2.02-12	2.03-08
TW (Ignacio, pts south)	—	—	—
TW SJ (Blanco)	—	—	—

continued on next page

Marketers: Feinstein proposal goes too far

A bill that would provide greater regulatory oversight of derivatives — including those traded on electronic platforms — is an “overreaction” to Enron’s collapse and could create more problems than it solves, a group of the nation’s energy marketers warned last week.

But a veteran industry analyst said the measure, introduced by a troika of Western U.S. senators last week, would help shed light on an industry that remains a “mystery” to the outside world.

Craig Goodman, president of the National Energy Marketers Association, said energy markets “have already identified and punished companies that have problems similar to Enron’s. I would caution regulators and legislators not to overreact, to act prudently and wise in their actions, or it could threaten the retirement security of other pension plans and companies as well.”

The bill, unveiled last week by Sen. Dianne Feinstein, D-Calif., would remove existing exemptions and charge the Commodity Futures Trading Commission with overseeing all energy derivative transactions conducted on multilateral markets and elec-

(continued on page 5)

Despite slow year, LNG’s future called ‘solid’

Despite a significant drop in liquefied natural gas imports since September, analysts with Salomon Smith Barney said Friday they “continue to believe that LNG imports are set to play a key role in bridging the longer-term projected North American natural gas supply/demand imbalance.”

Salomon’s 40-page report released last week said the future of LNG remains bright in terms of supply, demand and the commodity’s tricky economics. While current gas prices are below what is widely deemed necessary for LNG to flourish, the report asserted “the longer-term fundamentals for domestic natural gas prices remain quite solid.”

Imports had been predicted at 1 Bcf/day for this year, but Salomon analysts now say about half that, or 550,000 Mcf/day, is more likely. Security issues and falling commodity prices have combined to depress imports, but Salomon analyst Robert Morris said during a conference call that expansion and construction plans for import terminals in the country remain vibrant.

The Salomon report notes the United States “received only 12 cargoes in the fourth quarter of 2001 compared with 75 cargoes during the first three quarters.” The Elba Island, Ga., terminal officially reopened in December and the Cove Point, Md., terminal

(continued on page 4)

Cash heads south for long holiday weekend

The cash market headed south Friday, with prices in most regions falling 5¢-10¢ after already-low demand took another hit going into the three-day weekend.

Still, late demand from short-covering traders was sufficient on some points to give prices a small boost.

A number of traders said volumes traded for the weekend were relatively light given that weather forecasts continue to call for warmer-than-normal weather for much of the continent.

“It was very quiet today,” one source said. “I really didn’t get a lot of calls from suppliers. With the NYMEX closed for the holiday, I expect another slow day on Monday. We’ll be working on Presidents’ Day, but I don’t expect we will be buying or selling a lot of gas. It will be a good day to catch up on all the paperwork on my desk.”

With limited weather-driven demand, a number of suppliers turned to the spot market Friday as a balancing tool between storage and transport. “I did a lot of volume today, but most of my business was just moving gas off the system,” one trader noted.

Spot prices Friday started down from the prior day in the production area but then moved up toward the end of trading, a source said. “If you could hold off and sell late

The Market

Daily Price Survey continued

Trans. date:	2/15		
Flow date(s):	2/16-19		
	Midpoint	Absolute	Common
Rockies			
CIG (N. syst)	1.885	1.83-96	1.85-92
Kern River/Opal plant	1.955	1.91-2.03	1.92-99
NW, Stanfield	2.040	2.00-08	2.02-06
Questar	1.940	1.87-2.02	1.90-98
Cheyenne Hub	1.955	1.88-2.06	1.91-2.00
NW, Wyoming Pool	1.945	1.94-95	1.94-95
NW, south of Green River	1.940	1.88-95	1.93-95
Canadian Gas			
Iroquois	2.390	2.35-46	2.36-42
Niagara (NFG, Tenn)	2.370	2.34-41	2.35-39
NW Sumas	1.980	1.95-2.05	1.95-2.01
NOVA (AECO-C, NIT)*	C2.920	C2.86-93	C2.91-93
NOVA (same-day)****	C2.905	C2.89-93	C2.89-92
Emerson (Viking/GL)	2.175	2.10-20	2.15-20
Dawn, Ont.	2.285	2.24-31	2.27-30
PG&E-GTNW (Kingsgate)	1.970	1.96-98	1.96-98
Westcoast, St. 2*	C2.805	C2.77-90	C2.77-84
Appalachia			
Dominion North Point	2.435	2.41-49	2.41-46
Dominion South Point	2.390	2.35-48	2.36-42
Leidy Hub	2.370	2.36-38	2.36-38
Columbia, App	2.245	2.21-34	2.21-28
Mississippi-Alabama			
FGT, Mobile Bay	2.130	2.10-16	2.11-15
Gulf South, Mobile Bay	2.130	2.10-16	2.11-15
Texas E., M-1 (Kosi)	2.270	2.22-30	2.25-29
Transco, St. 85	2.245	2.17-31	2.21-28
Others			
Algonquin	2.425	2.36-49	2.39-46
SoCal gas, large pkgs***	2.185	2.09-22	2.15-22
PG&E, large pkgs***	2.170	2.15-23	2.15-19
Kern River Station	—	—	—
Malin	2.125	2.06-22	2.08-17
Alliance (into Interstates)	2.180	2.15-23	2.16-20
ANR ML7 (entire zone)	2.245	2.19-31	2.21-28
NGPL Amarillo receipt	2.115	2.07-16	2.09-14
NGPL Iowa-Ill. receipt	2.125	2.05-17	2.09-16
Northern (Mid 13)	2.025	1.99-2.06	2.01-04
Northern (Ventura)	2.125	2.08-18	2.10-15
Northern (demarc)	2.115	2.07-17	2.09-14
Dracut (into TN)	2.350	2.30-41	2.32-38
Citygates			
Chicago-LDCs, large e-us	2.170	2.14-28	2.14-20
Mich.-Consum. Energy**	2.210	2.19-27	2.19-23
Mich.-Mich Con**	2.200	2.17-28	2.17-23
PSCo citygate	1.925	1.83-2.10	1.86-99
PG&E citygate	2.280	2.21-38	2.24-32
Northwest (all gates)	2.135	2.13-21	2.13-14
Florida gates via FGT	2.450	2.40-48	2.43-47
Algonquin citygates	2.525	2.30-65	2.44-61
Dominion (delivered)	2.585	2.56-65	2.56-61
Columbia Gas (delivered)	2.575	2.40-68	2.50-65
Tenn. zone 5	2.385	2.30-46	2.34-43
Tenn. zone 6 (delivered)	2.445	2.36-53	2.40-49
Iroquois, Zone 2	2.460	2.39-55	2.42-50
Texas E., M-3	2.435	2.37-59	2.38-49
Transco Z6 (non-NY)	2.460	2.38-61	2.40-52
Transco Z6 (NY)	2.520	2.40-71	2.44-60

*NOTE: Price in C\$ per gj; C\$1=US\$0.6285

(Canadian currency settlement from one business day prior EST). **Large end-user prices. ***Deliveries into SoCal at Topock, Blythe, Needles, Ehrenburg; deliveries into PG&E at Topock and Daggett.****Volume-weighted for all points except AECO-C and Westcoast St. 2.*****The NOVA (same-day) midpoint and ranges are for flow on the transaction date.

you definitely were ahead of the game here today," he said. "Some people got a little ahead of themselves in the morning and oversold, thinking prices were going to come off really hard, and then they had to buy it back late which just drove prices up."

Henry Hub cash started the morning around \$2.15, but had climbed a dime by late in trading, sources said. Still the index settled on the low end of the spectrum and about 9¢ lower than Thursday's average.

The trader said a number of players were just looking to get out of their positions and square things up for the weekend. "Most people were taking it slow on Friday and will come back and fight this thing again on Tuesday," he said, adding that he expects more volume to move after Presidents' Day.

Opal, Wyo., prices soared past \$2 late in trading Friday as buyers came out of the woodwork there and grabbed all the gas available, a source said.

"It was a buying frenzy late at Opal," he said. "I thought prices were going to hold in the mid-\$1.90s but I started selling late on ICE and prices kept getting stronger."

Another source said minor maintenance in and around the Opal plant kept people on their toes, and with the Olympics taking place down the pipe, most systems are requiring daily instead of monthly balancing in the region.

"Things are tight in the Rockies now with the pipelines not wanting anything to go wrong during the Olympics," the source said.

While the Pacific Gas and Electric citygate spot index was about a nickel down from the prior-day average, the point went out short at the end of trading and prices shot up into the mid-\$2.30s, a source said.

One trader said spot indices in the West are below next-month prices and the strategy Friday was to bring the day prices up. Another said the weather was cold in the Golden State, with Los Angeles expecting temperatures four to five degrees below average over the weekend — and that was not helping demand.

Several traders who had predicted a major plunge in the cash market sometime this winter have altered their predictions recently. One trader in the West continues to have a bearish outlook, but he now thinks a sudden, dramatic drop is unlikely.

"Aside from an occasional blip up due to weather, prices will generally trend down for several weeks. We aren't likely to have a sustained cold spell for the rest of winter, and that's what it would take to make the market turn bullish. But I don't expect the market to plummet," he said.

The trader didn't expect cash to stay bearish for long, though. "When the cooling load season arrives around April or May, you'll start seeing more upward movement in prices again."

The March futures contract opened Friday 1.1¢ down at \$2.175 and stayed above the first resistance level of \$2.15, hitting an intraday low of \$2.155. The contract ran up to a high of \$2.20 after noon EST and then again to \$2.21 due to short covering before the long weekend. The contract settled at \$2.206, up 2¢.

Gas rigs plummet by 25

The nation's oil-and-gas rig count last week decreased by 23 to 815, compared with 1,147 a year ago, Baker Hughes reported in its survey for the week ending Feb 15. The number of rigs drilling for gas decreased by 25 to reach 668. Rigs drilling on land totaled 665; in inland waters, 20; and offshore, 130.

Canada's oil-and-gas rig count decreased by 11 to 428, compared with 550 a year ago.

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Weekly Weighted Average Prices

Pipeline price indexes for last week are the volume-weighted averages for prices collected by the Gas Daily survey team through its extensive daily coverage. Collected prices were for 5 thousand mmBtu (or more) dry packages for 30-day contracts or less. Small packages are for 1 thousand mmBtu or less. The change column calculates price differences between wacogs published for the previous week. Data in this table is Copyright 2002 by The McGraw-Hill Companies, Inc.

February Delivery	2/2-8	2/9-15	-/+	Small Pkgs.
Permian Basin Area				
El Paso	2.04	2.16	+12	2.16-20
Northern (Mids 1-6)	1.97	2.11	+14	2.11-15
Tex intras, Waha area	2.07	2.19	+12	2.19-23
Transwestern	2.03	2.14	+11	2.14-18
East Texas-North Louisiana Area				
Carthage Hub tailgate	2.10	2.23	+13	2.23-27
Gulf South (Zones 1&2)	1.88	1.99	+11	1.99- 2.03
Lone Star	1.97	2.07	+10	2.07-11
MRT mainline	2.17	2.30	+13	2.32-34
MRT west leg	2.11	2.23	+12	2.25-27
NGPL TexOk (West)	2.11	2.24	+13	2.24-28
NGPL TexOk (East)	2.10	2.21	+11	2.21-25
Tennessee, 100 Leg	2.08	2.16	+ 8	2.16-20
Texas Eastern (ETX)	2.13	2.21	+ 8	2.21-25
Texas Gas (entire Z 1)	2.15	2.29	+14	2.29-33
East-Houston-Katy				
Houston Ship Channel	2.16	2.29	+13	2.29-33
Katy plant tailgate	2.11	2.24	+13	2.24-28
Trunkline North	2.11	2.26	+15	2.26-30
North-Texas Panhandle				
NGPL (Permian)	1.92	2.03	+11	2.03-07
Northern (Mid 10)	1.88	1.98	+10	1.98- 2.02
Transwestern	2.03	2.14	+11	2.14-18
South-Corpus Christi				
Agua Dulce hub	2.05	2.17	+12	2.17-21
Florida Gas	2.18	2.28	+10	2.28-32
HPL	2.08	2.20	+12	2.20-24
Gulf South (Zone 1)	1.75	1.79	+ 4	1.79-83
NGPL (STX)	2.07	2.20	+13	2.20-24
Tennessee	2.07	2.21	+14	2.21-25
Texas Eastern (STX)	2.09	2.19	+10	2.19-23
Transco, St 30	2.11	2.23	+12	2.23-27
Trunkline South	2.09	2.21	+12	2.21-25
EPGT	1.98	2.11	+13	2.11-15
Louisiana-Onshore South				
ANR	2.11	2.25	+14	2.25-29
Columbia	2.15	2.27	+12	2.27-31
Columbia, Mainline	2.19	2.30	+11	2.30-34
FGT Z1	2.18	2.28	+10	2.28-32
FGT Z2	2.19	2.30	+11	2.30-34
FGT Z3	2.19	2.30	+11	2.30-34
Henry Hub	2.17	2.30	+13	2.30-34
Gulf South (Zones 2&4)	1.97	2.07	+10	2.07-11
NGPL (La.)	2.11	2.24	+13	2.24-28
Sonat	2.18	2.29	+11	2.29-33
Tennessee, 500 Leg	2.13	2.25	+12	2.25-29
Tennessee, 800 Leg	2.13	2.26	+13	2.26-30
Texas E. (WLA)	2.13	2.23	+10	2.23-27
Texas E. (ELA)	2.14	2.24	+10	2.24-28
Texas Gas SL	2.15	2.27	+12	2.27-31
Transco, St. 45	2.12	2.26	+14	2.26-30
Transco, St. 65	2.20	2.32	+12	2.32-36
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PEPL	2.06	2.19	+13	2.19-23
Williams	2.06	2.19	+13	2.19-23
New Mexico-San Juan Basin				
El Paso, Bondad	2.04	2.20	+16	2.20-24
El Paso, non-Bondad	2.04	2.16	+12	2.16-20
TW (Ignacio, pts south)	—	—	—	—
TW SJ (Blanco)	2.01	2.17	+16	2.17-21
Rockies				
CIG (N. syst)	1.83	1.94	+11	1.94-98
Kern River/Opal plant	1.90	2.03	+13	2.03-07
NW, Stanfield	2.01	2.10	+ 9	2.10-14

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“Shorts actually did some rolling of March into April, but there were two run-ups you saw at 12 New York time and near the end of the day,” a NYMEX floor trader said. “The first run were the ones that didn’t want to wait around for the last hour, while the second run was due to the long weekend coming up and a slight concern from new shorts about cooler weather coming in next week.”

—Market staff reports

Bill would allow swap of Calif., Gulf leases

Producers holding leases on 40 non-producing tracts off the California coast would drop those claims in exchange for assets of equal value in the Gulf of Mexico under legislation proposed by U.S. senators from California and Louisiana.

The bill, known as the California Coastal Protection and Louisiana Energy Enhancement Act, also would ban all future gas and oil drilling on the 40 tracts by creating an environmental preserve there.

“This bill is a win for every party involved,” Sen. Barbara Boxer, D-Calif., said of the measure, which she and Sen. Mary Landrieu, D-La., introduced Thursday. The legislation also requires companies to drop all litigation they have pursued in a bid to jump-start exploration offshore California that has been constantly thwarted due to environmental concerns.

“This legislation spares the federal government from expensive litigation that the companies are already pursuing vigorously,” Boxer said in a statement.

Terms of the legislation call for the Interior Department to provide companies holding leases on the 40 tracts in question with properties of equal value in the Gulf of Mexico within 30 days of the bill’s passage. The companies would also be compensated for the millions of dollars already spent on the California assets.

The drillers would receive credits that could be used when bidding on tracts in the western and central Gulf or used to offset royalty payments normally paid to the government for drilling in federal waters, according to an article Friday in the *Los Angeles Times*. The credits could be worth up to \$2.8 billion, the newspaper said.

In her statement, Boxer said she hopes to fold the California/Louisiana bill into broader energy legislation the Senate began debating Friday. “This legislation allows California to get rid of unwanted coastal drilling, while also ensuring that these 40 areas will be protected for future generations,” said Boxer. “This bill is an innovative, straightforward solution to a very complex problem.”

In a separate but related matter, California’s two U.S. senators and 30 of its Democratic members of the House of Representatives last week filed a brief with the U.S. Court of Appeals for the Ninth Circuit supporting the right of California to have a say in the future of gas and oil exploration off its coast.

The case, which pits the state of California against Interior Secretary Gale Norton, involves 36 offshore leases issued between 17 and 33 years ago. In June, Ninth Circuit Judge Claudia Wilkin ruled that the offshore blocks could not be explored or drilled without a determination by California that the leases were consistent with the state’s coastal zone management plan.

The Bush administration appealed the decision in January and has since tried to negotiate a settlement with the state, which has rejected its overtures. KS

FERC approves Momentum pipeline in Southeast

FERC last week approved a downsized Momentum pipeline project, issuing a certificate well ahead of sponsor Transcontinental Gas Pipe Line’s requested April issue date.

The project would add 358,898 Dt/day of capacity to the Transco system running from Louisiana to the Carolinas. FERC said the project is properly designed and engineered, is supported by firm service deals, would not be subsidized by existing shippers, would feed gas-hungry electric generation and municipal customers, and can be built with minimal impact on the environment and landowners. The \$197 million pipeline is slated to begin operation in May 2003.

Transco originally planned for an expansion of 525,896 Dt/day, but last fall it downsized the project after two prospective shippers — Athens Development and Hartwell Development — dropped out. After adjusting for those defections and slight increases in service for a few other customers, Transco filed to install a 6.6-mile loop in Amite and Pike counties, Miss., a 5.6-mile loop in Clark County, Miss., a 25.4-mile loop in Perry and

Weekly Weighted Averages continued

February Delivery	2/2-8 2002	2/9-15 2002	-/+	Small Pkgs.
Questar	1.87	2.02	+15	2.02-06
Cheyenne Hub	1.85	2.01	+16	2.01-05
NW, Wyoming Pool	1.90	2.03	+13	2.03-07
NW, south of Green River	1.91	2.05	+14	2.05-09
Canadian Gas				
Iroquois	2.38	2.50	+12	2.50-54
Niagara (NFG, Tenn)	2.39	2.50	+11	2.50-54
NW Sumas	1.96	2.06	+10	2.06-10
NOVA (AECO-C, NIT)*	C2.86	C2.97	+11	C2.97- 3.01
NOVA (same-day)***	C2.84	C2.99	+15	C2.99- 3.03
Emerson (Viking/GL)	2.11	2.22	+11	2.22-26
Dawn, Ont.	2.25	2.37	+12	2.37-41
PG&E-GTNW (Kingsgate)	1.95	2.03	+8	2.03-07
Westcoast, St. 2*	C2.80	C2.94	+14	C2.94-98
Appalachia				
Dominion North Point	2.39	2.56	+17	2.56-60
Dominion South Point	2.37	2.50	+13	2.50-54
Leidy Hub	2.38	2.46	+8	2.46-50
Columbia, App	2.25	2.37	+12	2.37-41
Mississippi-Alabama				
FGT, Mobile Bay	2.10	2.22	+12	2.24-26
Gulf South, Mobile Bay	2.12	2.24	+12	2.26-28
Texas E., M-1 (Kosi)	2.21	2.32	+11	2.34-36
Transco, St. 85	2.23	2.34	+11	2.34-38
Others				
Algonquin	2.50	2.60	+10	2.62-64
SoCal gas, large pkgs	2.16	2.28	+12	2.35-55
PG&E, large pkgs	2.16	2.25	+9	2.32-52
Kern River Station	2.18	2.15	-3	2.15-19
Malin	2.08	2.20	+12	2.27-47
Alliance (into Interstates)	2.18	2.28	+10	2.28-32
ANR ML7 (entire zone)	2.25	2.36	+11	2.43-63
NGPL Amarillo receipt	2.11	2.21	+10	2.23-25
NGPL Iowa-Ill. receipt	2.12	2.23	+11	2.25-27
Northern (Mid 13)	2.04	2.13	+9	2.15-17
Northern (Ventura)	2.13	2.24	+11	2.26-28
Northern (demarc)	2.12	2.23	+11	2.25-27
Dracut (into TN)	2.42	2.64	+22	2.64-68
Citygates				
Chicago-LDCs, large e-us2	2.16	2.27	+11	2.34-54
Mich.-Consum. Energy	2.22	2.33	+11	2.35-37
Mich.-Mich Con	2.21	2.32	+11	2.34-36
PSCo citygate	1.86	1.91	+5	1.91-95
PG&E citygate	2.24	2.34	+10	2.41-61
Northwest (all gates)	2.06	2.16	+10	2.16-20
Florida gates via FGT	2.56	2.56	—	2.58-60
Algonquin citygates	2.73	2.83	+10	2.83-87
Dominion (delivered)	2.55	2.65	+10	2.65-69
Columbia Gas (delivered)	2.53	2.62	+9	2.62-66
Tenn. zone 5	2.53	2.60	+7	2.60-64
Tenn. zone 6 (delivered)	2.62	2.74	+12	2.74-78
Iroquois, Zone 2	2.64	2.71	+7	2.71-75
Texas E., M-3	2.54	2.65	+11	2.67-69
Transco Z6 (non-NY)	2.56	2.64	+8	2.66-68
Transco Z6 (NY)	2.71	2.73	+2	2.75-77

*NOTE: Price in C\$/gigajoule **Volume-weighted for all points except AECO-C and Westcoast St. 2. ***The NOVA (same-day) weekly average generally is for the Fri.-Thurs. period preceding publication.

Reliant Energy's Weather-Sensitive Gas Load Indices

	Nov 3- Feb 15*	Feb 16- Feb 22	Feb 23- Mar 1
National-WGLI			
Actual/Forecast	1399	94	n/a
Year 2000	1705	115	101
10-year Average	1560	98	96
Mid-Atlantic Region-MAGLI			
Actual/Forecast	1338	101	n/a
Year 2000	1621	112	104
10-year Average	1532	101	98
Great Lakes Region-GGLI			
Actual/Forecast	1298	89	n/a
Year 2000	1741	125	100
10-year Average	1565	99	94

* cumulative

The indices measure residential and commercial (R/C) gas consumption. They are set to equal 100 for a typical week in heating season (10-year average). A value 110 indicates R/C consumption 10% higher than a typical week. Forecasts based on temperature forecasts from the National Weather Service. For details, call 713-207-1184.

Autauga counties, Ala., a 7.5-mile loop in Madison and Elbert counties, Ga., and a 19-mile loop in Coosa and Tallapoosa counties, Ala.

In addition to the large-diameter looping, Transco plans to install 45,000 horsepower of compression at four existing stations in Alabama, Georgia and North Carolina.

Transco also reworked the incremental rates it intends to charge for expansion service. The initial recourse rates for firm transportation from station 65 in zone 3 to points in zones 4 and 5 will be \$10.21/Dt and \$13.57/Dt, respectively, and the initial recourse rate for firm service from the Destin Pipeline interconnect to points in zones 4 and 5 will be \$8.59/Dt and \$11.94/Dt, respectively.

"By proposing incremental pricing, Transco agrees to accept the risk of any under-recovery of revenues," said FERC, adding that the company's "willingness to bear this risk and proceed with the project is further indication of the need for the project." The commission noted that Transco did not request a presumption favoring rolled-in rate treatment during its next rate case.

FERC went on to say the project "is designed to use existing rights of way and areas adjacent to existing rights of way to minimize land disturbance." Installing new pipeline looping and compressor units is the "preferable approach" to expanding capacity on the system, the commission said, rejecting a suggestion that Transco could accomplish its goal simply by increasing operating pressure on its mainline. CN

LNG capacity could hit 18 Bcf/day ... (from page 1)

is scheduled to reopen in the third quarter of this year, the report noted.

But "despite the reactivation of these two facilities, we do not expect LNG imports to pick up anytime soon," given the firm's 2002 composite average for spot gas prices is still \$2.25/MMBtu. "Thus, we now project LNG imports to average only 0.55 Bcf/day this year compared with 0.64 Bcf/day in 2001."

Morris said there are about 20 new LNG terminals being considered around the country, "with the potential to bring total U.S. LNG import capacity to about 14 Bcf/day by 2010, or nearly 20% of currently projected natural gas demand in 2010." And combined with current expansions, he said total LNG import capacity could reach 18 Bcf/day by then. Morris stressed, however, "it is unlikely that all of the proposed terminals will be built."

U.S. import capacity could rise to 3.5 Bcf/day by the end of next year, Morris said, pointing to expansions at LNG terminals at Everett, Ma., Lake Charles, La., Elba Island and Cove Point.

Long-term, "we think that LNG imports will set the clearing price for natural gas," and prices will end up around \$3.25/Mcf, providing a 15% rate of return for investors in LNG projects. "Once we squeeze out the bubble in this year-over-year surplus" in storage, prices will rebound and imports will rise, Morris said. Until then, many LNG shipments are being diverted to Europe, he explained.

Morris said LNG "appears to be cost-competitive with other potential sources of incremental domestic supply," such as Alaska's North Slope and offshore Nova Scotia.

The analyst said the cost to import North Slope gas to Chicago is estimated at \$3.50/Mcf; from Sable Island to Boston, around \$3.12/Mcf. LNG from South America and West Africa arriving on the East Coast will run between \$3 and \$3.50/Mcf. RW

Spot Crude up 30¢

Change is from day before
Dow Jones reported Friday
Prices are in dollars per barrel when not in Btus

	Buy	Sell	Change
West Texas Intermediate			
Spot Crude	21.50	21.55	+30¢
Crude futures (March)	21.50	--	+27¢

#6 resid, max 1%:

East Coast	14.70	14.80	-10¢
	\$2.35/mmBtu		
Gulf Coast	15.50	16.00	--
	\$2.54/mmBtu		

Low-sulfur waxy resid:

FOB Singapore	15.00	15.50	--
	\$2.58/mmBtu		

Canadian Gas Assn. storage survey - Feb. 8 (in Bcf)

	East	West	Total
Working gas	191.35	165.32	365.67
Weekly Change	-11.3	-5.35	-16.65
% of capacity	69.47%	69.25%	69.37%
Working Gas	80	89.33	169.33
Feb. 9 2001			

Notes: Survey includes liquefied natural gas, Canadian operators of storage and Canadian companies contracting storage in the United States. East/West division based on the Manitoba/Saskatchewan and North Dakota/Minnesota borders. Although the CGA has made every effort to ensure the accuracy of the data in this report, the CGA cannot assume any responsibility for inaccuracies that may occur.
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Sonoran Pipeline scrapped

Kinder Morgan Energy Partners and Calpine said Friday they have dropped plans for a \$1.7 billion, 1,160-mile gas pipeline from the San Juan Basin in northern New Mexico to California.

"The Sonoran Pipeline was unable to secure sufficient binding commitments to make a successful project given market conditions," the companies said in a statement said. "Both KMP and Calpine will continue to evaluate other opportunities to serve the growing California market." But no firm plans were mentioned.

Plans for the Sonoran Pipeline were announced last spring. Sponsors had called for a 750,000 Mcf/day system that could be expanded with compression to up to 1 Bcf/day.

NYMEX bags electricity contracts

NYMEX on Friday delisted its electricity futures contracts, according to a memorandum sent to NYMEX Division and COMEX Division members and member firms from the exchange's president, Robert Collins.

The notice said NYMEX is delisting COB, Palo Verde, Cinergy, Entergy, PJM and Mid-Columbia futures contracts. A NYMEX spokeswoman said Friday that the delisting is being done because of lack of liquidity in those contracts and because NYMEX wants to embark on over-the-counter markets for power, gas, oil and other commodities within a few months.

"You might not see the same type of traditional futures contracts, but more creativity and flexibility in the trading instruments," the spokeswoman said. "The new contracts will be a quite different from than these. Certainly, we plan to continue to have strong presence in this market."

She attributed the lack of trading in electricity futures to the limits in the nation's transmission system and variations in state regulations and state market deregulation. Hedging across disparate interconnections is difficult to impossible, she added.

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Marketers assail Feinstein proposal ... (from page 1)

tronic trading platforms to ensure that such transactions are transparent. All bilateral transactions not regulated by the CFTC would fall under FERC jurisdiction (*GD 2/15*).

FERC's purview would be expanded to include derivatives, based on the cost of gas or electricity that are not regulated by the CFTC or the state. Also, the CFTC would be directed to ensure that entities running online trading forums maintain sufficient capital to carry out their operations and maintain open books and records for investigation and enforcement purposes.

The Enron bankruptcy "has uncovered many gaping holes in our regulatory structure, everything from accounting and investment practices to online energy transactions," Feinstein said.

Houston mega-marketer Dynegy is still reviewing the bill, but company officials are "concerned about any proposed legislation that inhibits free market activity," according to spokesman David Byford.

"The entire industry shouldn't be held responsible for one company's mistakes," Byford said Friday. "During the financial failure of Enron, the markets continued to operate smoothly and without a hitch."

An official at another large marketing company said a first look at the bill revealed frightening prospects for the legal certainty provided to derivatives contracts now. The bill "would allow FERC to go back and review these contracts and undo them. It would make them subject to a 'just and reasonable' determination and subject to refund, said the official, who asked that the company not be identified.

Bill 'would put the market into chaos'

"Not knowing which of our contracts would be delivered is completely undoable. It would put the market into chaos," the official said. "If you don't have a contract, what do you have? What helped this market develop is that there was legal certainty. This would take us back to pre-CFTC and pre-CFMA times."

But gas analyst John Olson of Sanders Morris Harris took a different view. "As far as Wall Street is concerned, the more sunshine on these babies the better," he said.

"Derivatives are a riddle wrapped inside a mystery, as the Churchill saying goes," Olson quipped. Although he has yet to review the full text of the bill, Olson said of its chance of passing, "nothing would surprise me right now given the political heat in Washington."

Goodman maintained that a task force being assembled by NEM intends to craft its own solutions to the problem of risk valuation and to provide greater financial accountability.

"Energy markets are in a state of transition. While wholesale markets have formed and are functioning, all stakeholders recognize the need not just for liquidity and transparency, but for depth," Goodman said. "We're reaching out to Wall Street, to ratings institutions and large financial institutions and banks to participate on our task force so that we can find a consensus position to take to the regulators."

NEM hopes to have the task force work completed in time to present at its annual meeting in June.

The legislation's approach builds on the expertise of both the CFTC and FERC, Feinstein explained. New responsibilities would be assigned, she said, based on the assumptions that FERC has "no expertise in derivatives" and the CFTC has "no expertise to protect consumers."

Greater transparency would give consumers more protection, Feinstein continued. As an example of a lack of transparency, she cited the price of gas on Dec. 12, 2000, when spot prices in Southern California were about \$59/Dt and about \$10/Dt in New Mexico.

"We know it costs less than \$1 to transport gas from New Mexico to California because this was the cost when the transportation routes were transparent and regulated. So there was \$48 unaccounted for that undoubtedly found its way into someone's pocket," she said.

Bill co-sponsor Sen. Ron Wyden, D-Ore., said his suspicions were aroused when gas and power prices in the West dropped by about 30% after Enron declared bankruptcy. That development "raises serious concerns" and only reinforces the need for FERC to investigate Enron's practices, he said.

SGS/RM

PRICE HEDGING REPORT

A Weekly Supplement to *Gas Daily*

Funds pull out of short positions

Non-commercial fund traders decreased their short positions by 12,199 to 51,857 in the Commodity Futures Trading Commission's Commitments of Traders Report for the week ending Feb. 12. That compares to 64,056 positions in the Feb. 5 report.

That made funds 82% short, down from about 86% short the prior week. Funds' long positions moved up by 664 to 11,415 in the Feb. 12 report versus 10,751 in the Feb. 5 report.

Spreading positions increased by 7,994 to 53,076 in the current report compared to 45,082 in the previous report.

"I knew we would probably see a little bit of short covering, but there were more shorts covered on Tuesday and Wednesday after that 156 Bcf withdrawal number came out because that's when the March contract ran up to a high of \$2.41 on Wednesday," a trader said.

The trader said that now that so many short-positioned traders have been cleared out, gas futures prices should go lower simply because there are not as many people waiting on the sidelines to buy.

Commercial accounts increased short positions by 9,615 positions to 349,622 in the Feb. 12 report. That compares to 340,007 short positions in the Feb. 5 report.

Trade and commercial accounts decreased long positions by 5,192 to 383,948 in the current report versus 389,140 in the prior report

Total short positions increased by 5,410 to 454,555 in the Feb. 12 report compared to 449,145 in the Feb. 5 report.

Total long positions moved up by 3,466 to 448,439 in the current report versus 444,973 in the prior report.

One trader said the CFTC report points to continued price volatility. "Because of the rather large equally opposite short and long positions of the commercials versus non-commercials, it's likely we could see the market continue to maintain a fairly steady trend of volatility over the next few months," he said.

"Based on the current technical trend, I wouldn't be surprised to see the market continue on a further downward trend to the lower \$2 area again before making its next pole vault," he said.

Open interest positions increased by 35,632 to 514,514 in the Feb. 12 report. This compares to 478,882 in the Feb. 5 report. TAC

Commitments of Traders

This table shows long, short and spread positions of non-commercials, as reported weekly to the CFTC.

Rpt. Date	Long	Short	Spreading
Feb. 12	11,415	51,857	53,076
Feb. 5	10,751	64,056	45,082
Jan. 29	11,147	59,577	40,707

To hedge or not to hedge: that is the question

Gas companies that have tried to manage risk through hedging in this volatile market have either reaped profits or missed out on key revenue opportunities.

At the UBS Warburg Energy and Utilities conference in New York last week, nearly all gas producers and energy service companies agreed that hedging considerations were a cornerstone of their success levels in 2001 and their plans for 2002 and beyond.

From giant energy merchant Williams, which hedged about 90% of its production last year and plans to hedge aggressively again this year, to independent producer Anadarko, which barely hedged any of its 2002 production, companies have taken distinctly diverse positions on whether or not hedging is worth the risk.

Williams President and CEO Steve Malcolm said the company's recent acquisition of Rocky Mountain producer Barrett Resources brought both more physical assets and a natural hedging position to the table.

"We endeavor to hedge long-term," Malcolm told the conference. He said the Barrett acquisition added substantial coalbed methane and traditional gas reserves to the company's portfolio, allowing it a greater asset base and therefore more flexibility in its hedging strategy.

On the flip side, Anadarko President and CEO John Seitz told the conference that his company has entered 2002 "virtually unhedged," preferring to take a more conservative approach to the market this year. Seitz said the company's output is less than 10% hedged for 2002 and 2003 and, due to the current dip in prices, has no immediate plans to increase that. "We'll just ride out the market," he said.

Kerr-McGee Senior Vice President and Chief Financial Officer Robert Wohleber also touted his company's reserved approach to hedging, adding that the risk was too great for the production company's shareholders.

"We want them to have the advantage of an increase in prices and we have a strong enough balance sheet to withstand low prices," Wohleber told *Gas Daily* on the sidelines of the conference.

A majority of gas marketers and producers at the conference said they have taken the middle ground, hedging anywhere from 20% to 40% of their production in 2002.

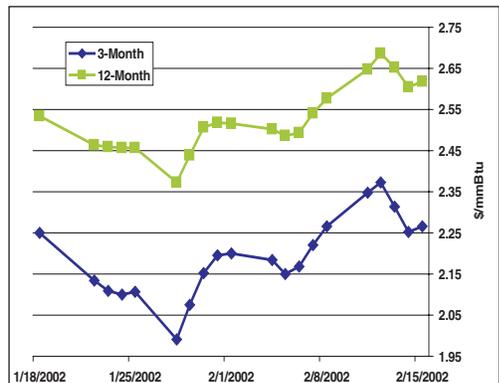
EOG Resources CEO Mark Papa said his company had about 22% of its gas hedged in the third quarter of 2001 and does not plan to lock in much production for 2002 because it anticipates gas prices to go up in the second half of the year.

A member of EOG's peer group, Ocean Energy, said the company hedged 40% of its production, and Bill Transier, the firm's executive vice president and CFO, said the company might increase that percentage. For 2002, Transier said, Ocean said it has hedged output at a \$2.82/Mcf floor and a \$4/Mcf ceiling. LH

Henry Hub Futures and Strips

This table shows selected NYMEX Henry Hub contract settlement prices from the past week and calculates the 3-, 6-, 9-, and 12-month strips. The chart to the right of the table data shows strip movement over the past 20 trading days. A dash indicates no data; an H indicates a holiday.

	02/11	02/12	02/13	02/14	02/15
	Mon	Tue	Wed	Thu	Fri
Mar-02	2.286	2.305	2.245	2.186	2.206
Apr-02	2.345	2.369	2.310	2.246	2.257
May-02	2.412	2.444	2.388	2.328	2.337
Jun-02	2.475	2.507	2.458	2.405	2.414
Jul-02	2.528	2.565	2.523	2.476	2.488
Aug-02	2.575	2.615	2.580	2.533	2.543
Sep-02	2.577	2.617	2.587	2.539	2.549
Oct-02	2.600	2.644	2.618	2.571	2.581
Nov-02	2.815	2.862	2.843	2.801	2.815
Dec-02	3.016	3.066	3.054	3.016	3.033
Jan-03	3.106	3.156	3.144	3.108	3.128
Feb-03	3.045	3.096	3.084	3.051	3.071
3/strip	2.348	2.373	2.314	2.253	2.267
6/strip	2.437	2.468	2.417	2.362	2.374
9/strip	2.513	2.548	2.506	2.454	2.466
12/strip	2.648	2.687	2.653	2.605	2.619



Futures

NYMEX @ Henry Hub

Results From Friday					
	Settlement	High	Low	Change	Volume*
Mar., 2002	2.206	2.210	2.155	2.0	38,257
April	2.257	2.260	2.210	1.1	14,870
May	2.337	2.340	2.300	0.9	5,035
June	2.414	2.420	2.375	0.9	3,923
July	2.488	2.510	2.460	1.2	1,988
August	2.543	2.570	2.510	1.0	3,375
September	2.549	2.580	2.520	1.0	2,442
October	2.581	2.585	2.550	1.0	3,104
November	2.815	2.850	2.790	1.4	665
December	3.033	3.050	3.005	1.7	1,523
Jan., 2003	3.128	3.135	3.105	2.0	2,256
February	3.071	3.075	3.055	2.0	373
March	2.973	2.980	2.965	2.0	691
April	2.858	—	—	2.0	313
May	2.873	2.885	2.885	2.0	29
June	2.918	2.930	2.910	2.5	266
July	2.950	—	—	2.5	120
August	2.993	—	—	2.5	51
September	2.993	—	—	2.5	25
October	3.007	—	—	2.9	16
November	3.160	—	—	2.9	72
December	3.335	—	—	3.2	84
Jan., 2004	3.433	—	—	4.0	496
February	3.345	—	—	3.8	1,456
March	3.217	—	—	3.8	31
April	3.040	—	—	3.8	1,455
May	3.036	—	—	3.8	30
June	3.063	—	—	3.5	86
July	3.103	—	—	3.5	30
August	3.148	—	—	4.0	133
September	3.146	—	—	4.0	31
October	3.159	—	—	4.6	30
November	3.319	—	—	4.6	31
December	3.497	—	—	4.6	31
Jan., 2005	3.562	—	—	4.6	30
February	3.457	—	—	4.6	30
Volume of contracts (official*)					83,378

Front-months open interest Thursday: March, 63,557; April, 46,246; May, 28,997
 Total open interest Thursday: 487,917
 * Volume is reported for the business day prior to the settlement date.
 Weighted average of x trades in the last two minutes of trading. Change is from previous settlement price.

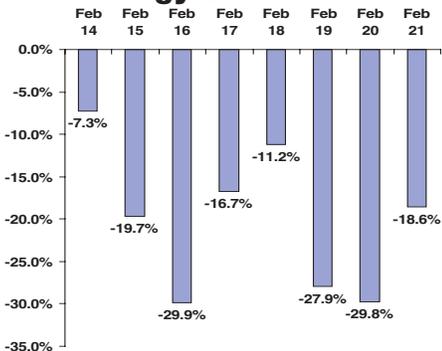
Options

NYMEX @ Henry Hub

Results from Thursday					
Strike	Calls-Settle		Puts-Settle		
Price	Mar.	Apr.	Mar.	Apr.	May.
2.05	--	--	3.7c	--	--
2.10	16.0c	--	5.4c	7.8c	--
2.15	--	--	7.5c	--	--
2.20	10.0c	--	10.1c	--	--
2.25	6.7c	--	13.5c	--	--
2.30	5.1c	15.0c	--	--	--
2.35	3.8c	--	--	--	--
2.40	--	--	--	--	--

Estimated Volume: Calls: n/a Puts: n/a
 Total open interest Wednesday Calls: n/a Puts: n/a
 Not all strike and settlement prices listed.
 Implied Volatility for at-the-money strike price
 Calls: n/a Puts: n/a Source: Bloomberg

Dominion Energy's U.S. Energy Use Forecast



This section of the Dominion Energy Index represents a national forecast for home heating and cooling requirements above or below normal with the baseline of 0 representing normal for that day based on historical data.

Basis Differential

This table shows the basis relationships between several key pipeline and regional market points. The calculations are based on weekly weighted averages for prices gathered last week. The wacog for the Rockies is a composite of the points in that regions. Data in this table is Copyright 2002 by The McGraw-Hill Companies, Inc.

	Henry Hub	El Paso Permian	Agua Dulce	Transco St. 65	Katy Hub	Rockies	PEPL	Chicago	Col. Gas Appal.	So. Calif.
Weekly WACOG	2.30	2.16	2.17	2.32	2.24	2.00	2.19	2.27	2.37	2.28
Henry Hub		0.14	0.13	-0.02	0.06	0.30	0.11	0.03	-0.07	0.02
EP/Permian	-0.14		-0.01	-0.16	-0.08	0.16	-0.03	-0.11	-0.21	-0.12
Agua Dulce	-0.13	0.01		-0.15	-0.07	0.17	-0.02	-0.10	-0.20	-0.11
Transco 65	0.02	0.16	0.15		0.08	0.32	0.13	0.05	-0.05	0.04
Katy Hub	-0.06	0.08	0.07	-0.08		0.24	0.05	-0.03	-0.13	-0.04
Rockies	-0.30	-0.16	-0.17	-0.32	-0.24		-0.19	-0.27	-0.37	-0.28
PEPL	-0.11	0.03	0.02	-0.13	-0.05	0.19		-0.08	-0.18	-0.09
Chicago	-0.03	0.11	0.10	-0.05	0.03	0.27	0.08		-0.10	-0.01
Col. Gas Appal.	0.07	0.21	0.20	0.05	0.13	0.37	0.18	0.10		0.09
SoCal gas, large pkgs	-0.02	0.12	0.11	-0.04	0.04	0.28	0.09	0.01	-0.09	
NYMEX Basis	0.094	-0.046	-0.036	0.114	0.034	-0.206	-0.016	0.064	0.164	0.074

NYMEX Basis is the NYMEX Henry Hub/cash basis differential calculated from the near-month settlement of \$2.206.

Henry Hub: Prices dip after early-week rally

After a healthy run-up early in the week, the Henry Hub March futures contract returned to a more bearish course — one that some analysts predicted will continue for months. A wide band of cold weather early last week helped stimulate a rally on the near-term contract. On Monday, March settled at \$2.286, up 9.5¢ from the previous Friday. The contract continued its upward move Tuesday, settling at \$2.305, and on Wednesday hit a high of \$2.41 in the early afternoon before quickly retreating to its settlement of \$2.245, down 6¢ on the day.

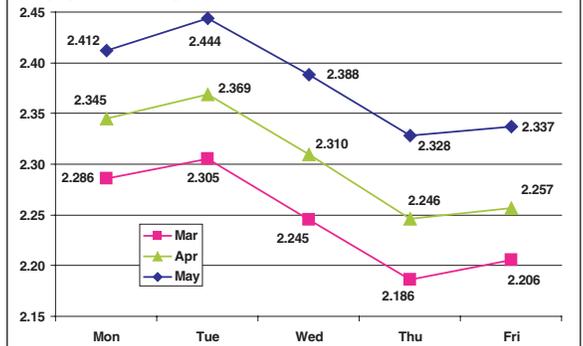
The downward trend continued over the next two days, with the contract going out after Friday's abbreviated trading session at \$2.206, just 1.5¢ higher than it closed out the prior week.

Carol Freudenthal, a Houston-based energy analyst, said time is running out for winter weather to have much of an impact on the futures market

"The window is getting smaller," he said. "Even though we're having a nice cool spell, it isn't a cold spell — and it is February."

The storage surplus remains the other major bearish indicator, despite a withdrawal last week of 156 Bcf for the week ending Feb. 8, which exceeded many observers' expectations. At 2.056 Tcf, the level of gas in storage remained more than 1 Tcf above last year's 1.042 Tcf.

Front month's price movement, Feb. 11-15



Looking beyond weather and storage, one would have a hard time finding any fundamental factors that could be considered bullish for gas prices, Freudenthal said. "Oil prices aren't going to anywhere. They're going to stay around \$20/barrel," he predicted. "All in all, I'm hearing [gas] prices will continue to stay low and some people think may go below \$2."

Kyle Cooper, an analyst with Salomon Smith Barney in Houston, noted that the higher-than-expected withdrawal reported by the American Gas Association Wednesday failed to prompt a sustained upward move of the futures contract. "It still leaves inventories at historic highs for this time of year," Cooper said. "Any move above \$2.30 or \$2.40 is unlikely in the near term until we begin to work off the inventory surplus."

With the end of withdrawal season approaching, many storage customers are under contractual obligations to begin removing gas from storage or face penalties. Because this would bring more gas supply onto the market it has the potential for bringing down spot gas prices, although there's no indication that this has happened yet, Cooper said.

Still, Cooper said he does not see prices getting stronger again for several months. With many gas producers announcing cutbacks in drilling schedules for 2001, supply levels will begin to be affected later this year.

"It's already becoming apparent," he said, adding that the Department of Energy "is already reporting that December 2001 and January 2002 production levels are already below year-ago levels. Supply is going to be dropping off quite rapidly and that's what's going to drive the market."

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