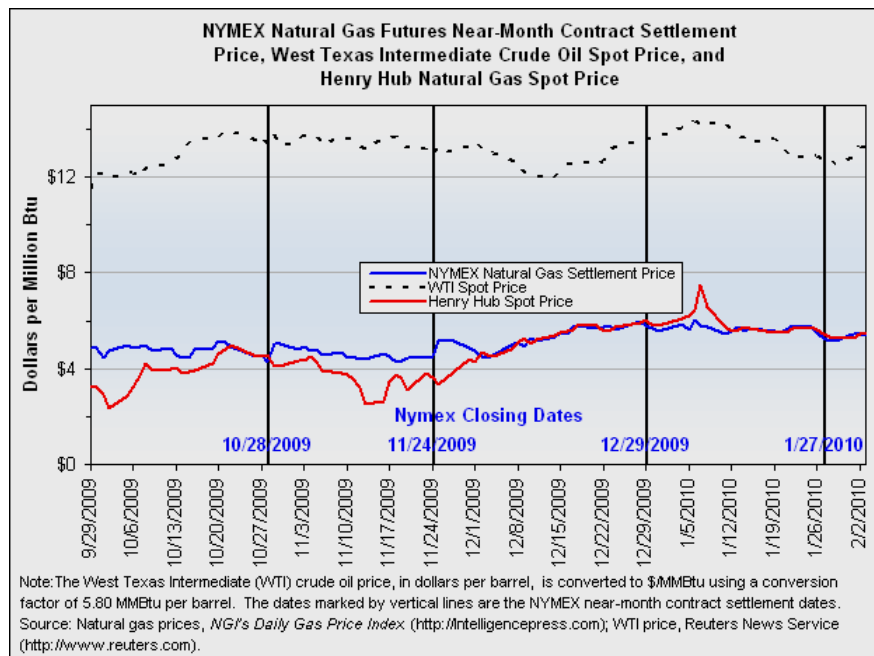


PRICES

At the NYMEX, the prices for natural gas delivery contracts through February 2011 increased between 12 and 20 cents per MMBtu, or up to 4 percent, during the report week. On the week, the price of the March contract increased 19.5 cents per MMBtu, or about 4 percent, posting the largest gain on the 12-month (March 2010 through February 2011) futures strip. The other remaining 11 contracts on the 12-month strip rose between 12 and 18 cents per MMBtu, or about 2 to 4 percent. Overall, prices for the 12-month futures strip averaged \$5.85 per MMBtu as of Wednesday, February 3. The March 2010 contract has traded at a discount to the Henry Hub spot price, suggesting that producers have an incentive to withdraw natural gas from storage to meet current demand.

Since last Wednesday, January 27, natural gas spot prices posted relatively modest increases at most market locations amid continued cold temperatures. Cold winter temperatures throughout most of the lower 48 States and rising crude oil prices likely contributed to rising natural gas prices. On the week, price increases were generally less than 10 cents per MMBtu at most markets. However, market locations in Texas and the Northeast posted gains ranging up to 21 cents and 59 cents per MMBtu, respectively. In contrast to the overall upward trend in most areas, prices at select Rockies and Midcontinent markets declined by as much as 8 cents per MMBtu, or less than 2 percent.

Natural gas spot prices in the Northeast region continue to exhibit considerable strength, despite declines heading into last weekend. Prices in the Northeast posted the largest net gains since last Wednesday, in a week of considerable price variability. As another cold blast moved into the region, prices at several market locations in the Northeast posted gains ranging between \$1.15 and \$4.13 per MMBtu on Friday, January 29, with the largest increase occurring at the New York Citygate. Moderating temperatures since the weekend contributed to largely offsetting declines in trading on the following Monday, February 1. Ample supplies, including increased LNG sendout, as reported by Bontek Energy, during the weekend, likely mitigated the extent of these price runups.



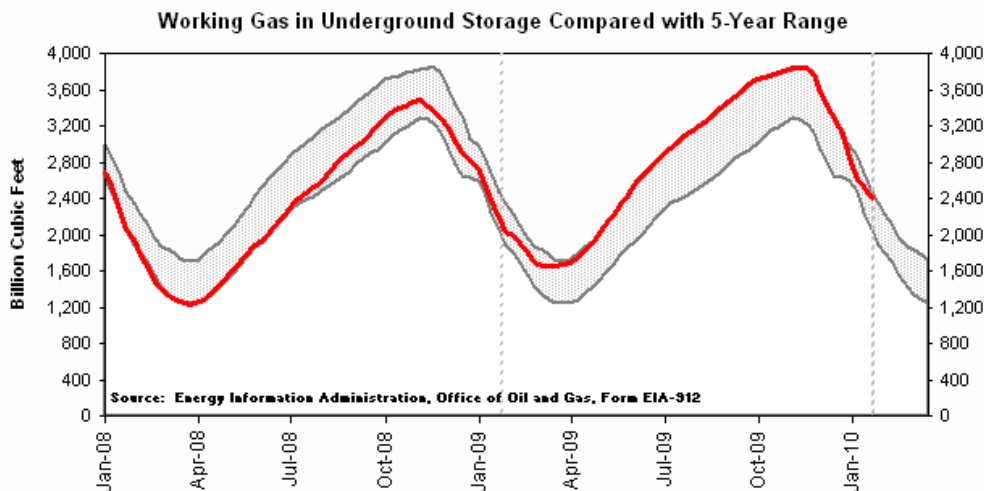
STORAGE

Working gas in storage decreased to 2,406 Bcf as of Friday, January 29, according to EIA's Weekly Natural Gas Storage Report (see Storage Figure). The implied net withdrawal was 115 Bcf, compared with the 5-year (2005-2009) average withdrawal of 178 Bcf and last year's net withdrawal of 194 Bcf for the report week. Warmer-than-normal temperatures likely contributed to the below-normal rate of withdrawals during the report week. Working gas inventories are 199 Bcf higher than year-ago levels and 150 Bcf above the 5-year average level (2005-2009). Working gas in storage continues to exceed historical levels and year-ago levels for this time of year in each of the three storage regions. Since the first reported net withdrawal of the heating season (for the week ending December 4) through January 29, cumulative withdrawals from storage totaled 1,431 Bcf, or 19 percent greater than the 5-year average of 1,204 Bcf over the same period.

Temperatures were generally warmer than normal in most Census Divisions in the lower 48 States during the week ended January 28. Based on the National Weather Service's degree-day data, temperatures in the lower 48 States during the week ending January 28 were, on average, about 4 degrees warmer than normal and 7 degrees warmer than last year's levels. Temperatures were warmest in the West South Central Census Division, where the average temperature was 52 degrees. Elsewhere in the lower 48 States, average temperatures ranged between 26 and 46 degrees. In contrast to the rest of the lower 48 States, the Pacific Census Division reported colder-than-normal temperatures.

	Current Stocks 01/29/10	One-Week Prior Stocks 01/22/10	Implied Net Change from Last Week	Estimated Prior 5-Year (2005-2009) Average	Percent Difference from 5 Year Average
All Volumes in Bcf					
East Region	1,251	1,334	-83	1,236	1.2
West Region	359	380	-21	301	19.3
Producing Region	796	807	-11	720	10.6
Total Lower 48	2,406	2,521	-115	2,256	6.6

Source: Energy Information Administration: Form EIA-912, "Weekly Underground Natural Gas Storage Report," and the Historical Weekly Storage Estimates Database. Row and column sums may not equal totals due to independent rounding.



Note: The shaded area indicates the range between the historical minimum and maximum values for the weekly series from 2003 through 2007. Source: Form EIA-912, "Weekly Underground Natural Gas Storage Report." The dashed vertical lines indicate current and year-ago weekly periods.

OTHER MARKET TRENDS

Natural Gas Consumption Increases in November. On January 29, EIA released the **January 2010 Natural Gas Monthly, which includes data through November 2009.** Natural gas delivered volumes to residential, commercial, industrial, vehicle fuel, and electric power customers increased about 11 percent, from 48.4 Bcf per day in October to 53.5 Bcf per day in November. The increase occurred largely in the residential sector (likely the result of colder weather in the United States), where natural gas usage jumped from 8 Bcf per day in October to 12.5 Bcf per day in November. Such an increase is not unusual for this time of year. Though October was a very cold month, and November was warm, by historical standards, heating degree-days still increased substantially from month to month, from 331 in October to 442 in November. Commercial and industrial natural gas consumption also increased month-over-month, consistent with patterns in previous years. Residential, commercial, industrial, and electric power consumption were all down from November 2008, likely because of the struggling economy and warmer-than-normal temperatures in November. The wellhead price rose slightly from the previous month, to \$3.64 per thousand cubic feet (Mcf), compared with \$3.60 per Mcf in October. The November 2009 wellhead price was about 49 percent lower than the 5-year average price of \$7.07 per Mcf. Marketed production of natural gas increased slightly from 60.4 Bcf per day in October to 60.6 Bcf per day in November, about 15 percent higher than the 5-year average level. Working natural gas in storage for the month of November was 3,833 Bcf, the highest end-of-month volume on record.

EIA Requests Comments on Energy and Financial Markets Initiative. In the January 27 *Federal Register*, EIA requested comments on its Energy and Financial Markets Initiative. EIA announced the initiative in September in response to developments in energy markets. The initiative discusses a number of actions, including the identification of critical information on factors affecting energy prices and analysis through studies of market behavior. The initiative also discusses coordination with other Federal agencies and outreach to solicit feedback on the interrelationship of energy and financial markets. EIA is seeking general comments and recommendations on the initiative and the agency will consider these responses when formulating a plan for filling gaps in key information.

NATURAL GAS TRANSPORTATION UPDATE



Normal Pipeline Conditions Exist.