

# Gas Daily

Monday, June 29, 2009

## NYMEX expires at \$3.949; Rockies below \$2

**THE MARKET**

The July NYMEX gas futures contract expired Friday at \$3.949/MMBtu, 10.5 cents above Thursday's settlement price, after a last-minute short-covering rally pushed it to a high of \$4. In the cash market, the oversupplied Rocky Mountains saw the biggest price declines, with several locations dipping below \$2.

Tom Saal, vice president of energy trading at Hencorp, said long NYMEX position holders liquidated trades earlier in the week, so he was expecting some short-covering before expiry.

He noted that weather has been fairly warm this week, especially in  
*(continued on page 2)*

## Tools give edge to traders who embrace them

A revolution in the gas trading world is emerging that could give algorithmic financial traders an edge over physical traders, according to market experts.

Vincent Kaminski, a professor at the Jesse H. Jones School of Management at Rice University and the former head of quantitative trading at Enron, told Platts that trading operations that can afford services such as real-time data collection and interpretation on such fundamentals as weather and gas flows will come out on top in the competitive trading world.

"It will be really expensive, but the rewards will also be immense," he  
*(continued on page 7)*

## House climate bill calls for strict OTC regulation

A landmark climate-change bill being debated on the floor of the House of Representatives late Friday included strict provisions to police over-the-counter trading in energy and carbon markets.

But that language might be superseded by another bill to be introduced later this summer by House Agriculture Committee Chairman Collin Peterson, Democrat-Minnesota, who intends to craft it with House Financial Services Committee Chairman Barney Frank, Democrat-Massachusetts.

As it stands, the wording included in the American Clean Energy Security Act — co-written by House Energy and Commerce Committee  
*(continued on page 5)*

## ExxonMobil bucks trend, ramps up in Piceance

While most independent gas producers in western Colorado's Piceance Basin have cut back their drilling operations this year, super-major ExxonMobil is doing just the opposite.

The Irving, Texas-based firm last week announced the completion of 200,000 Mcf/d of new field processing capacity at its Piceance Project on the western slope of the Rocky Mountains in Rio Blanco County. The facilities include gas and liquid gathering systems, treating facilities, a produced-water pipeline and subsurface disposal system, and a con-  
*(continued on page 4)*

### Daily price survey (\$/MMBtu)

**NATIONAL AVERAGE PRICE: 3.590**

Trans. date: 6/26  
Flow date(s): 6/27-29

	Midpoint	Absolute	Common	Volume	Deals
<b>Permian Basin Area</b>					
El Paso, Permian Basin	3.205	3.15-3.35	3.16-3.26	352	61
Waha	3.405	3.35-3.45	3.38-3.43	114	20
Transwestern, Permian Basin	3.160	3.16-3.16	3.16-3.16	1	1
<b>East Texas-North Louisiana Area</b>					
Carthage Hub	3.590	3.55-3.62	3.57-3.61	96	18
NGPL, Texok zone	3.525	3.49-3.60	3.50-3.55	390	66
Texas Eastern, ETX	3.695	3.66-3.74	3.68-3.72	35	13
Texas Gas, zone 1	3.750	3.72-3.78	3.74-3.77	249	45
<b>East-Houston-Katy</b>					
Houston Ship Channel	3.775	3.70-3.82	3.75-3.81	1168	130
Katy	3.745	3.67-3.81	3.71-3.78	755	107
<b>South-Corpus Christi</b>					
Agua Dulce Hub	3.780	3.75-3.80	3.77-3.79	347	14
NGPL, STX	3.710	3.64-3.73	3.69-3.73	123	23
Tennessee, zone 0	3.715	3.67-3.77	3.69-3.74	138	36
Texas Eastern, STX	3.705	3.70-3.74	3.70-3.72	93	20
Transco, zone 1	3.750	3.72-3.79	3.73-3.77	110	24
<b>Louisiana-Onshore South</b>					
ANR, La.	3.755	3.70-3.79	3.73-3.78	190	42
Columbia Gulf, La.	3.770	3.72-3.80	3.75-3.79	386	49
Columbia Gulf, mainline	3.800	3.73-3.83	3.78-3.83	307	61
Florida Gas, zone 1	3.805	3.80-3.82	3.80-3.81	59	9
Florida Gas, zone 2	3.830	3.82-3.85	3.82-3.84	170	11
Florida Gas, zone 3	3.930	3.81-4.04	3.87-3.99	239	45
Henry Hub	3.810	3.77-3.86	3.79-3.83	404	65
NGPL, La.	3.725	3.72-3.73	3.72-3.73	14	2
Southern Natural, La.	3.815	3.78-3.85	3.80-3.83	476	57
Stingray Pool	—	—	—	—	—
Tennessee, La., 500 Leg	3.730	3.69-3.83	3.70-3.77	632	123
Tennessee, La., 800 Leg	3.730	3.69-3.76	3.71-3.75	290	59
Texas Eastern, WLA	3.765	3.71-3.81	3.74-3.79	328	49
Texas Eastern, ELA	3.775	3.70-3.80	3.75-3.80	65	25
Texas Gas, zone SL	3.765	3.75-3.80	3.75-3.78	195	32
Transco, zone 2	3.805	3.77-3.84	3.79-3.82	174	31
Transco, zone 3	3.835	3.77-3.87	3.81-3.86	683	120
Trunkline, WLA	3.780	3.72-3.82	3.76-3.81	231	34
Trunkline, ELA	3.745	3.69-3.77	3.73-3.77	67	18
<b>Oklahoma</b>					
ANR, Okla.	3.030	2.95-3.12	2.99-3.07	149	33
CenterPoint, East	3.245	3.10-3.32	3.19-3.30	146	30
NGPL, Midcontinent	3.165	3.12-3.20	3.15-3.19	164	36
Oneok, Okla.	3.305	3.09-3.41	3.23-3.39	55	17
Panhandle, Tx.-Okla.	3.015	2.76-3.12	2.93-3.11	185	36
Southern Star, Tx.-Okla.-Kan.	3.070	3.01-3.17	3.03-3.11	72	18
<b>New Mexico-San Juan Basin</b>					
El Paso, Bondad	3.000	3.00-3.00	3.00-3.00	1	1
El Paso, San Juan Basin	3.075	3.04-3.13	3.05-3.10	225	36

## Rockies prices fall below \$2 ... from page 1

the South, so he expects to see a smaller storage injection reported this week. In addition, "we'll come in Monday and it will be a short week," Saal said. "We might see a little bit of strengthening." NYMEX floor trading will be closed on July 3 for the Independence Day holiday.

In the spot market, Cheyenne Hub prices plunged more than 35 cents to average in the mid-\$2.30s, with a nadir of \$1.45. Colorado Interstate Gas prices fell almost 25 cents to average in the mid-\$2.40s. Cash at CIG fell as low as \$1.80 on IntercontinentalExchange, and standing bids slumped to 75 cents.

CIG announced on its web site a strained operating condition, starting Friday and continuing until further notice, due to "unusually high levels" of storage gas that are hampering the pipeline's ability to deal with imbalances.

Kern River Gas Transmission at the Opal, Wyoming, plant averaged in the mid-\$2.40s, shedding more than 20 cents after bottoming out at \$1.74. Northwest Pipeline's Wyoming pool lost more than 25 cents to average in the low \$2.40s, with a low of \$1.65.

Like CIG, Northwest posted on its web site a notice warning shippers to stay in balance due to limited storage capacity.

### Summer maintenance will 'drive cash into the toilet'

A trader said such price drops could become commonplace in the Rockies this summer. "These cash prices are going to be very susceptible to any type of maintenance. ... It's really going to drive cash into the toilet."

In western Canada, Westcoast Energy station 2 prices shed more than a quarter. Westcoast's Fort Nelson gas plant in British Columbia was slated to return to full capacity Sunday, adding more supply at a time when demand has been scarce. Sumas, Washington, prices lost nearly as much as station 2, while AECO-NIT fell about 10 cents.

The Southwest's largest losses came in the Permian Basin, where El Paso Natural Gas prices shed about 20 cents and Waha lost around 15 cents. One source suspected that an anticipated drop in temperatures — and demand — was behind the declines.

El Paso's south mainline fell more than 10 cents, while Southern California prices lost around a nickel.

In Northern California, PG&E city-gate prices shed about 10 cents. A trader said variances in the weekend forecast, with hot weather expected Saturday and a cool-off anticipated for Monday, might have prevented prices from climbing higher.

Prices sank across the Upper Midwest as temperatures were expected to fall below average by Monday. The Chicago city-gates shed more than a dime to average in the upper \$3.50s, about 30 cents below Michigan, which lost a few cents.

In the production area, Northern Natural Gas' demarcation point shed almost 10 cents, while at Ventura, Iowa, Northern Border Pipeline fell more than a nickel and Northern Natural lost about as much.

Midcontinent prices fell even though temperatures were expected to reach 103 degrees Saturday in Oklahoma City. Panhandle Eastern Pipe Line fell around 20 cents, ANR Pipeline-Oklahoma shed almost that much, and Natural Gas Pipeline Co. of America's Midcontinent zone gave up nearly 15 cents.

A trader suggested that forecasts for temperatures to return to the 90s next week were dragging prices down. He added that Natural's Midcontinent zone was tracking with El Paso-Permian because of the latter's strength relative to Rockies prices.

Natural's Texok zone showed the Midcontinent's lightest losses, dip-

### Daily price survey (\$/MMBtu)

Trans. date:	6/26				
Flow date(s):	6/27-29				
	Midpoint	Absolute	Common	Volume	Deals
<b>Rockies</b>					
CIG, Rocky Mountains	2.430	2.30-2.60	2.36-2.51	45	6
Kern River, Opal plant	2.460	1.74-2.63	2.24-2.63	340	60
Stanfield, Ore.	3.000	2.97-3.02	2.99-3.01	184	21
Questar, Rocky Mountains	2.545	2.54-2.55	2.54-2.55	7	4
Cheyenne Hub	2.325	1.45-2.63	2.03-2.62	126	24
Northwest, Wyo. Pool	2.405	1.65-2.56	2.18-2.56	18	4
Northwest, s. of Green River	2.395	2.31-2.48	2.35-2.44	10	3
<b>Canadian Gas</b>					
Iroquois, receipts	4.050	4.03-4.08	4.04-4.06	115	16
Niagara	4.000	3.99-4.03	3.99-4.01	150	17
Northwest, Can. bdr. (Sumas)	2.580	2.46-2.67	2.53-2.63	200	33
TCPL Alberta, AECO-C*	C3.135	C3.02-3.17	C3.10-3.17	1839	200
Emerson, Viking GL	3.340	3.26-3.37	3.31-3.37	307	40
Dawn, Ontario	3.925	3.87-3.97	3.90-3.95	1376	129
GTN, Kingsgate	2.985	2.91-3.01	2.96-3.01	321	34
Westcoast, station 2*	C2.760	C2.65-2.86	C2.71-2.81	245	51
<b>Appalachia</b>					
Dominion, North Point	4.000	4.00-4.00	4.00-4.00	11	1
Dominion, South Point	4.030	3.98-4.08	4.01-4.06	316	65
Leidy Hub	3.980	3.98-3.98	3.98-3.98	5	1
Columbia Gas, Appalachia	3.935	3.86-3.97	3.91-3.96	489	91
<b>Mississippi-Alabama</b>					
Texas Eastern, M-1 30-inch (Kosi)	3.860	3.80-3.95	3.82-3.90	213	43
Transco, zone 4	3.885	3.83-3.95	3.86-3.92	119	23
<b>Others</b>					
Algonquin, receipts	4.085	4.06-4.13	4.07-4.10	19	5
El Paso, South Mainline	3.235	3.22-3.25	3.23-3.24	54	9
SoCal Gas	3.215	3.04-3.31	3.15-3.28	447	63
PG&E, South	3.210	3.19-3.24	3.20-3.22	32	6
PG&E, Malin	3.065	2.96-3.09	3.03-3.09	809	96
Alliance, into interstates	3.650	3.50-3.70	3.60-3.70	157	23
ANR, ML 7	3.865	3.64-3.92	3.80-3.92	125	11
NGPL, Amarillo receipt	3.260	3.25-3.28	3.25-3.27	65	10
Northern, Ventura	3.335	3.28-3.38	3.31-3.36	165	24
Northern, demarc	3.290	3.22-3.36	3.26-3.33	115	23
Dracut, Mass.	4.005	3.99-4.03	4.00-4.02	7	3
Texas Eastern M-1 24-inch	3.600	3.60-3.65	3.60-3.61	18	5
<b>Citygates</b>					
Chicago city-gates	3.575	3.49-3.68	3.53-3.62	582	129
Consumers Energy city-gate	3.875	3.85-3.93	3.86-3.90	194	43
Mich Con city-gate	3.880	3.80-3.92	3.85-3.91	456	83
PG&E city-gate	3.325	3.28-3.39	3.30-3.35	495	64
Florida city-gates	6.445	4.65-7.50	5.73-7.16	176	17
Algonquin, city-gates	4.095	4.05-4.15	4.07-4.12	99	24
Tennessee, zone 6 delivered	4.070	4.04-4.13	4.05-4.09	201	42
Iroquois, zone 2	4.075	3.95-4.12	4.03-4.12	246	50
Texas Eastern, M-3	4.105	4.06-4.15	4.08-4.13	448	95
Transco, zone 5 delivered	4.000	3.95-4.09	3.97-4.04	12	6
Transco, zone 6 non-N.Y.	4.080	4.04-4.10	4.07-4.10	187	35
Transco, zone 6 N.Y.	4.095	4.05-4.18	4.06-4.13	184	39
Kern River, delivered	3.210	3.16-3.25	3.19-3.23	307	44
SoCal Gas, city-gate	3.225	3.20-3.25	3.21-3.24	265	34

\*NOTE: Price in C\$ per gj; C\$1=US\$0.8672

Volume in 000 MMBtu/day

### Market coverage

More information about Platts natural gas market coverage, including explanations of methodology and descriptions of delivery points, is available at [www.platts.com/Natural Gas/Resources/Methodology & Specifications/](http://www.platts.com/Natural%20Gas/Resources/Methodology%20&%20Specifications/).

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ping almost 10 cents. Despite sliding nearly 15 cents, Carthage Hub prices remained the highest in the region, averaging in the upper \$3.50s.

Most Northeast market-area points shed more than 15 cents, with Transcontinental Gas Pipe Line zone 6-New York losing nearly 20 cents. Texas Eastern Transmission zone M-3 showed a bit of relative strength, dropping less than 15 cents.

With temperatures forecast to hold near 100 degrees through the weekend, Texas prices showed some strength, as the Houston Ship Channel gained around 5 cents and the Katy Hub barely moved.

The Henry Hub came in almost flat to Thursday, while Tennessee's 500 leg lost nearly 5 cents. Transco zones 3 and 4 both gave up a few cents, as did Florida Gas Transmission zone 3.

Florida temperatures were expected to come off slightly from mid-90s highs last week. "The load will come off more this weekend and the constraints that had boosted prices will be coming back to normal," a trader said. Florida city-gates settled down from the \$8.00 highs of last week, trading in the mid-\$6.40s, down almost a dollar from Thursday. — *Market Staff Reports*

## ETP says FERC may be withholding key evidence

In attempting to defend itself against charges of market misbehavior, Energy Transfer Partners has been denied access to potentially critical evidence, the company complained last week in a motion with the Federal Energy Regulatory Commission.

Pointing to a recent procedural ruling in the case by Administrative Law Judge Bobbie McCartney, ETP asked Chairman Jon Wellinghoff, FERC's motions commissioner, to step in to ensure that evidence favorable to the ETP side of the argument is not being withheld by FERC enforcement litigation staff.

ETP insisted that the tussle "presents a significant question" that "affects not only the instance case, but all current and future enforcement proceedings brought by the commission."

The Dallas-based gas marketing and pipeline company faces charges first brought by FERC investigators in July 2007 that it illegally manipulated the physical gas market at the Houston Ship Channel to benefit its position in financially settled basis swaps (*GD 4/30*).

The commission alleges that ETP built a large "short" position in October 2005 financial basis swaps, just after Hurricane Rita touched ground along the Gulf Coast. ETP allegedly bet that wholesale prices at the Ship Channel would fall relative to the NYMEX gas contract.

FERC proposed a civil penalty of \$82 million and disgorgement of unjust profits in the amount of \$69 million plus interest.

Citing Supreme Court precedent established in the 1963 decision *Brady v. Maryland*, ETP asserted that FERC litigators are required to "search for and disclose exculpatory information" to respondents in enforcement proceedings. At heart, what ETP is seeking is any internal analysis, contained in e-mails or other forms, of data provided by ETP and other sources in the course of the high-profile proceeding.

The High Court in the *Brady* case ruled that the due process clause of the Fifth Amendment requires the government to be forthcoming with any information it produces or obtains that may be favorable to the defendant. According to ETP, other federal agencies, including the Securities and Exchange Commission and Commodity Futures Trading Commission, "have long incorporated *Brady* disclosure requirements . . . to ensure basic due process in agency enforcement proceedings."

The legal principle recently was highlighted when the Justice Department in April dismissed the charges against former Senator Ted Stevens of Alaska, with Attorney General Eric Holder concluding that "certain information should have been provided to the defense for use at trial."

FERC enforcement litigation staff opposed ETP's data requests, insisting that *Brady* disclosures are required only in criminal proceedings, not FERC enforcement matters.

## Weekly weighted average prices

	06/13-19 2009	06/20-26 2009	-/+
<b>Permian Basin Area</b>			
El Paso, Permian Basin	3.002	3.226	+22
Waha	3.050	3.400	+35
Transwestern, Permian Basin	2.747	3.110	+36
<b>East Texas-North Louisiana Area</b>			
Carthage Hub	3.662	3.715	+5
NGPL, Texok zone	3.585	3.657	+7
Texas Eastern, ETX	3.488	3.751	+26
Texas Gas, zone 1	3.926	3.903	-2
<b>East-Houston-Katy</b>			
Houston Ship Channel	3.726	3.853	+13
Katy	3.786	3.866	+8
<b>South-Corpus Christi</b>			
Agua Dulce Hub	3.735	3.913	+18
NGPL, STX	3.786	3.853	+7
Tennessee, zone 0	3.816	3.881	+7
Texas Eastern, STX	3.794	3.833	+4
Transco, zone 1	3.923	3.907	-2
<b>Louisiana-Onshore South</b>			
ANR, La.	3.799	3.920	+12
Columbia Gulf, La.	3.876	3.900	+2
Columbia Gulf, mainline	3.877	3.940	+6
Florida Gas, zone 1	3.861	3.957	+10
Florida Gas, zone 2	3.945	3.973	+3
Florida Gas, zone 3	4.008	4.124	+12
Henry Hub	3.861	3.963	+10
NGPL, La.	3.646	3.875	+23
Southern Natural, La.	3.924	3.962	+4
Stingray Pool	1.980	—	—
Tennessee, La., 500 Leg	3.788	3.907	+12
Tennessee, La., 800 Leg	3.745	3.884	+14
Texas Eastern, WLA	3.765	3.887	+12
Texas Eastern, ELA	3.794	3.951	+16
Texas Gas, zone SL	3.782	3.919	+14
Transco, zone 2	3.815	3.925	+11
Transco, zone 3	3.841	3.977	+14
Trunkline, WLA	3.912	3.935	+2
Trunkline, ELA	3.885	3.924	+4
<b>Oklahoma</b>			
ANR, Okla.	2.682	3.143	+46
CenterPoint, East	2.822	3.349	+53
NGPL, Midcontinent	2.752	3.226	+47
Oneok, Okla.	2.828	3.308	+48
Panhandle, Tx.-Okla.	2.621	3.119	+50
Southern Star, Tx.-Okla.-Kan.	2.667	3.183	+52
<b>New Mexico-San Juan Basin</b>			
El Paso, Bondad	2.604	2.948	+34
El Paso, San Juan Basin	2.775	3.039	+26
<b>Rockies</b>			
CIG, Rocky Mountains	2.488	2.534	+5
Kern River, Opal plant	2.540	2.565	+3
Stanfield, Ore.	2.945	3.017	+7
Questar, Rocky Mountains	2.601	2.525	-8
Cheyenne Hub	2.541	2.554	+1
Northwest, Wyo. Pool	2.545	2.526	-2
Northwest, s. of Green River	2.647	2.521	-13
<b>Canadian Gas</b>			
Iroquois, receipts	4.048	4.175	+13
Niagara	4.138	4.119	-2
Northwest, Can. bdr. (Sumas)	2.876	2.831	-5
TCPL Alberta, AECO-C*	C3.095	C3.167	C+7
Emerson, Viking GL	3.336	3.390	+5
Dawn, Ontario	4.015	4.050	+4
GTN, Kingsgate	3.024	2.992	-3
Westcoast, station 2*	C2.933	C2.984	C+5
<b>Appalachia</b>			
Dominion, North Point	4.027	4.219	+19
Dominion, South Point	4.019	4.210	+19
Leidy Hub	4.330	4.265	-7
Columbia Gas, Appalachia	4.001	4.069	+7

In her ruling, ALJ McCartney required staff to search for exculpatory or potentially exculpatory materials among third-party communications, ETP noted, making clear that it was not satisfied with the breadth of her order. The "quite limited" review requires staff to look at "a handful of the 20,000 to 30,000 documents that enforcement litigation staff itself estimated may contain *Brady* materials," said the motion.

It excludes internal agency documents and documents reflecting staff communications with expert witnesses and consultants. "These types of documents are classic candidates for review to determine whether *Brady* materials exist," ETP said, asserting that neither the ALJ nor staff "articulated any justifiable basis under longstanding precedent for excluding these types of documents."

Claiming that its due process rights have been violated, ETP called on Wellinghoff to promptly review the judge's order. The appeal is "of critical significance" to ETP and "enduring importance to the commission's pending and future enforcement proceedings," the company said.

It pointed out that the proceeding represents the first litigated civil penalty case to come before FERC since Congress expanded its statutory authority in the Energy Policy Act of 2005. As such, the resolution of the matter "will have a broad and enduring significance that merits immediate review" by the commission, ETP concluded. — *Chris Newkumet*

## ExxonMobil ramps up in Piceance ... from page 1

densate sales and truck-loading site.

ExxonMobil, which has been producing gas in the Piceance for almost 50 years, quietly began ramping up in the region several years ago to where it is now operating seven rigs and producing about 100,000 Mcf/d. That contrasts with a number of other producers in the basin that, as a result of the recession and plunging gas prices, have either severely limited their drilling operations or halted them entirely.

"A project such as Piceance represents a long-term view of and commitment to energy development," ExxonMobil Production President Rich Kruger said last week. "The key to unlocking the potential of this large, technically challenging resource is increasing production and recovery rates from each well at a lower cost."

On June 22, ExxonMobil hosted a tour of its Piceance Basin operations for visiting journalists representing several news organizations, including Platts.

Piceance Project Executive Jim Branch told the reporters that the company uses its proprietary fracturing technology to perform "an elegant ballet" of gas production. The firm employs its patented fast-drill process and multi-zone stimulation technology with just-in-time perforation to access up to 50 gas-bearing zones in one well, he said.

Those techniques allow ExxonMobil to drill as many as 10 wells, each able to drain gas from 20 acres below ground, from a single pad.

The firm is in the process of developing 30,000 acres, one-tenth of the 300,000 acres it holds in the basin. It estimates that its leases in the Piceance contain as much as 45 Tcf of recoverable gas.

Branch said the company's long-term plans call for maintaining a seven- to eight-rig drilling program and to "take advantage of the economies of scale to learn" the best way to exploit the basin's reserves.

While ExxonMobil might have the deep pockets that allow it the luxury of building its position in the Piceance through the downturn, the large independents that comprise the bulk of drilling in the Piceance are not as fortunate.

Dave Neslin, director of the Colorado Oil and Gas Conservation Commission, said most Piceance producers have "laid down a number of rigs. Companies are drilling less, and when they do drill they are completing fewer wells."

However, he said most producers seem determined to restart operations when market conditions improve. "We're not seeing a significant number of rigs leaving the area," he said. "It's difficult to predict how that will evolve over the next year and a half. It will depend significantly on prices and the economy."

## Weekly weighted average prices

	06/13-19 2009	06/20-26 2009	-/+
<b>Mississippi-Alabama</b>			
Texas Eastern, M-1 30-inch (Kosi)	3.849	4.025	+18
Transco, zone 4	3.973	4.067	+9
<b>Others</b>			
Algonquin, receipts	—	4.298	—
El Paso, South Mainline	3.162	3.256	+9
SoCal Gas	2.984	3.201	+22
PG&E, South	2.978	3.174	+20
PG&E, Malin	2.910	3.071	+16
Alliance, into interstates	3.682	3.735	+5
ANR, ML 7	4.022	4.004	-2
NGPL, Amarillo receipt	2.887	3.295	+41
Northern, Ventura	3.123	3.439	+32
Northern, demarc	2.977	3.374	+40
Dracut, Mass.	4.320	4.194	-13
Texas Eastern M-1 24-inch	3.516	3.715	+20
<b>Citygates</b>			
Chicago city-gates	3.602	3.718	+12
Consumers Energy city-gate	3.997	4.046	+5
Mich Con city-gate	3.940	4.028	+9
PG&E city-gate	3.122	3.324	+20
Florida city-gates	5.012	6.223	+121
Algonquin, city-gates	4.038	4.300	+26
Tennessee, zone 6 delivered	4.183	4.309	+13
Iroquois, zone 2	4.170	4.267	+10
Texas Eastern, M-3	4.054	4.285	+23
Transco, zone 5 delivered	4.042	4.223	+18
Transco, zone 6 non-N.Y.	4.140	4.283	+14
Transco, zone 6 N.Y.	4.160	4.303	+14
Kern River, delivered	3.023	3.193	+17
SoCal Gas, city-gate	3.117	3.191	+7

\*NOTE: Price in C\$ per gj

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Carter Mathies, a partner in Arista Midstream Services who has been studying drilling trends in the Piceance, said the number of rigs operating in the region has fallen by about 75% since last summer. "We had 102 operating rigs in September 2008. We have 27 today and that's soon to be 26," he told Platts on Friday.

While the decline in the number of active rigs has not yet resulted in a substantial drop in production, "I'm expecting to see the production decline from recently drilled wells to begin significantly evidencing itself on or about the first of November," Mathies said.

"ExxonMobil continues to be part of the good news. They have sustained a six-rig operation throughout 2009 and recently expanded gas processing capacity in the basin and have many years of development opportunity in front of them," he said. "They're the only Piceance operator that has increased employment since the fourth quarter of '08."

Other Piceance drillers said Friday that they have cut back on their operations and don't expect to ramp up to the levels seen in mid-2008 for some time.

Broc Richardson, a spokesman for Delta Petroleum, said the company, which had four rigs in the Piceance for most of 2008, has suspended all of its drilling in the basin. "We went to two rigs in mid-fourth quarter of last year, then dropped our last rig in February of this year. We do not have any rigs currently nor are any rigs planned for the remainder of 2009."

EnCana currently has four rigs operating in the basin, "compared with an average of about 13 last year," spokesman Doug Hock said. But despite the lower rig count, the company's production from the basin remains essentially flat. "At the end of last year we were 385,000 Mcf/d. In the first quarter of this year we were at 386,000 Mcf/d."

Williams, which had as many as 25 Piceance rigs drilling for gas at the height of the boom, is currently running eight rigs in the basin, spokeswoman Julie Gentz said.

Occidental Petroleum, which had been operating nine rigs in the area at the end of 2008, in January announced plans to halt drilling in the basin indefinitely. "Gas drilling is unattractive when gas is yielding less than \$5/Mcf," spokesman Richard Kline said Friday.

But Kline said that Oxy, whose assets are centered in west-central Colorado, remains optimistic about the future of gas development there. "When production costs are in line, we have an excellent inventory to expand." — *Jim Magill*

## Climate bill includes OTC regulation ... from page 1

Chairman Henry Waxman, Democrat-California, and Edward Markey, Democrat-Massachusetts — is lifted directly from language proposed by Representative Bart Stupak, a Michigan Democrat.

The language, added to the bill just hours before Waxman's committee passed it by a 33-25 vote on May 21, would require all OTC swaps to be cleared through a designated clearing organization — essentially eliminating bilateral trading.

It would also treat carbon as an energy commodity subject to Commodity Futures Trading Commission regulation and would give the CFTC authority to regulate all OTC trades that are currently not regulated.

The measure would close the swaps loophole by no longer allowing energy transactions to be excluded from the requirements of the Commodity Exchange Act; ban the trading of naked credit default swaps; set aggregate position limits for energy speculators across all markets; and allow the CFTC to collect fees and create an independent funding stream for oversight and enforcement of commodity markets.

"Gas prices, home heating oil, natural gas and now carbon derivative prices should be based on supply and demand, not whimsical speculation by price manipulators," Stupak said when unveiling the language.

But Peterson said last week that his and Frank's proposed replacement language would change some of those provisions. It would require that all trading of derivatives of carbon allowances, offsets and renewable electricity credits would

## Holiday Notice

*Gas Daily* will not publish Friday, July 3, due to the Independence Day holiday. Gas price information collected Thursday, July 2, for the Daily Price Survey to be published in the July 6 *Gas Daily* will be for gas flowing July 3-6.

## Alaska to offer royalty incentives to shippers that commit to pipeline

Alaska officials are preparing a package of royalty incentives they will make available to North Slope producers that sign capacity agreements with a gas pipeline proposed from the North Slope to the Lower-48 states, a senior state official said Friday.

The new royalty incentives, which would be an amendment to existing state oil and gas leases, would be available only to producers who commit gas to a pipeline that has been licensed by the state under the Alaska Gasline Inducement Act, Marty Rutherford, deputy commissioner of natural resources, said in an interview.

As it stands, only TransCanada's proposal has been approved under the AGIA process; a competing pipeline proposed by BP and ConocoPhillips has not. The sponsors of both projects, which would ship around 4 Bcf/d, plan open seasons in 2010 (*GD* 6/26).

The incentives "will be of real value to producers because they will make the royalty terms more predictable," Rutherford said. "These are among several benefits, including special terms on production taxes that we will make available to shippers who move their gas through an AGIA-licensed pipeline."

One proposed change would be an alternative method of valuing the state's one-eighth share of royalty gas for purposes of payments to the state. Rutherford said the method is likely to be some form of basket of gas sales values reported in different markets.

The state's current method calls for royalties to be paid on the basis of actual market sales, with transportation and some gas treatment costs deducted. That procedure requires an army of auditors for both industry and the state to track thousands of downstream transactions, so the goal is to simplify the system with an agreement prior to gas sales on a valuation method, Rutherford said.

What is equally important to gas producers, Rutherford said, is that the state could waive its "higher of" provision in its leases where, under the netback accounting system, producers must pay royalties on the higher value reported by any single producer in a field — no matter the actual sales price for a given producer's gas.

A second major incentive the state will offer involves relief from the "in-kind/in-value" royalty switching option. Currently, the state can elect to take its royalty for both oil and gas in the physical delivery of crude oil or gas (in kind) or in cash paid by the producer (in value).

The problem that creates for a gas pipeline is that the state can opt to switch back and forth between the two values every six months. Since that could involve over 500,000 Mcf/d, or one-eighth of the total 4 Bcf/d pipeline capacity, it is a major concern for shippers planning capacity commitments in the pipeline and downstream marketing, Rutherford explained.

— *Tim Bradner*

be done through exchanges regulated by CFTC. Their bill would also put the CFTC in charge of carbon futures markets and the Federal Energy Regulatory Commission in charge of cash carbon markets.

A manager's amendment to the Waxman-Markey bill issued late Thursday allows for switching that language out, noting that the derivatives reform section would be repealed or deemed null and void "upon the passage of legislation that includes derivatives regulatory reform" — or when Congress approves and the president signs legislation dealing with broad reform of the derivatives market.

Nick Choate, a Stupak spokesman, noted Friday that Peterson and members of the New Democrat Coalition, a coalition of 69 moderate Democrats, were looking for changes to the Waxman bill language — possibly even the removal of the derivatives language.

In a June 17 letter to Waxman, 18 coalition members expressed their concern about the derivatives and OTC provisions. "We fully appreciate concerns with the opacity of the OTC market and support the increased clearing of OTC contracts," they wrote. "However, inclusion of broad OTC regulations in the [bill] would circumvent the careful work of the Treasury Department and the Financial Services and Agriculture Committees to examine the OTC market and develop effective, comprehensive regulations for our capital markets."

Numerous bills and proposed language are currently circulating on Capitol Hill as lawmakers take a stab at bringing greater transparency to the marketplace, and the language currently included in the Waxman-Markey bill is stricter on OTC oversight than the Obama administration's own vision.

Part of the administration's plan revealed June 17 (*GD 6/18*), would require standardized OTC derivatives to be traded on an exchange, cleared through regulated clearing counterparties and be subject to strict margin and capital requirements. Non-standardized derivatives would be reported to a federally overseen central trade repository. — *Christine Cordner, Jessica Marron, Cathy Cash*

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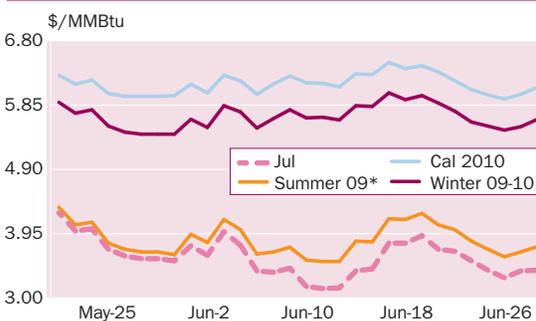
## Platts-ICE Forward Curve — Natural Gas, Jun 26 (¢/MMBtu)

**Prompt month: Jul 09**

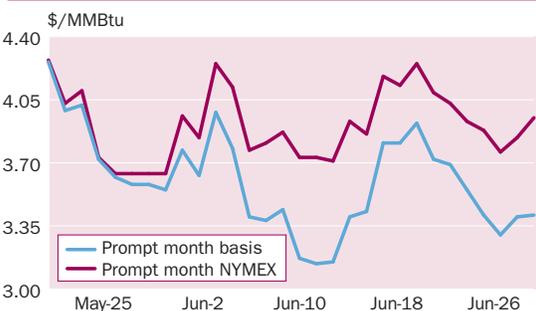
Algonquin, city-gates	37.00
Transco, zone 6-NY	49.50
Texas Eastern, M-3	37.50
Columbia Gas, Appalachia	14.25
Transco, zone 3	4.25
Transco, zone 4	8.25
Florida Gas, zone 3	14.25
Trunkline, LA	-6.00
Houston Ship Channel	-9.00
Chicago city-gates	-33.00
MichCon city-gate	2.00
Panhandle, TX-Okla.	-75.00
Waha,	-56.00
El Paso, Permian Basin	-75.00
El Paso, San Juan Basin	-93.00
PG&E city-gate	-54.00
SoCal Gas	-68.25
Northwest, Rockies	-125.00
Northwest, Sumas	-117.50
Dawn, Ontario	12.00
AECO, Alberta	-101.50

Summer season is April-October. Winter is November-March. \*Balance of the season.

PG&E city-gate: Key packages, last 30 days



PG&E city-gate: Basis market vs NYMEX



PG&E city-gate: Forward curve

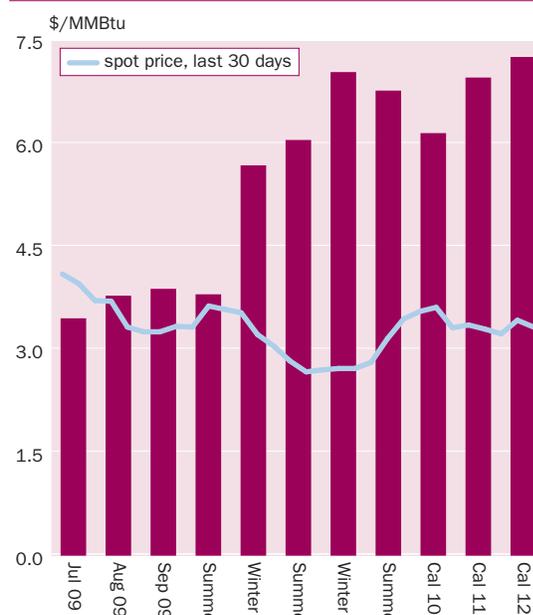


Table and graphs are created using Platts-ICE Forward Curve — Natural Gas (North America) data. Forward assessments as basis to the Henry Hub and full values are available for periods spanning three years. To see a sample and find information on how to subscribe to the full data set go to [www.risk.platts.com](http://www.risk.platts.com). For more information on Platts services, please call +1-800-PLATTS8. For editorial questions call Sheetal Nasta +713-658-3203 or Samantha Santa Maria +713-658-3271.

## Traders benefit from new technology ... *from page 1*

said. "If you can trade ahead of the entire market, the potential profits will be huge."

Hedge funds, pension funds, mutual funds and other institutional traders use algorithmic trading to generate and execute orders automatically based on mathematical formulas gleaned from historical market behavior.

Roy Freedman, an adjunct professor at Polytechnic Institute at New York University and Founder of Inductive Solutions, said algorithmic traders have long been successful in exploiting short-term price inefficiencies in the market. But Freedman said they often fall short on longer-term strategies that may incorporate fundamentals such as news events, analysts' ratings, weather or storage inventories that often move the market in unexpected ways.

Kaminski said that disadvantage could soon be eliminated as "weather is definitely going real-time."

"The first weather forecaster was hired by Enron — the late Mike Roberts who reported to me. I remember when he started we were the target of jokes," he said. "A few months later, this idea was replicated across the industry. Now every major energy trading shop has a weather forecaster or group or subscribes to a forecasting service."

The next step — which Kaminski said may have already begun — is for firms to go from being a passive weather consumer to acquiring access to real-time weather data by either subscribing to services that use the National Weather Service data or installing a satellite dish on their roofs to get Doppler radar. "That would be especially useful during the hurricane season or when there is an unusual weather pattern," he said. "It would provide a lot of information in real-time."

Going one step further, Kaminski said accessing sea-surface temperatures in buoys would be critical information for gas traders to have since they can help predict weather events.

The next step is for trading desks to use services that provide information to synthesize the different weather models into one forecast. Different weather models often conflict with one another, resulting in an array of forecasts, he said.

Kaminski said one market rumor circulating is that a hedge fund has already taken an exclusive subscription to one of these services. The provider brought the idea to the market and then promptly disappeared, fueling speculation that the hedge fund snatched up the company's services.

At some point, there will be a transition for trading desks to run the models in-house, Kaminski said, adding that the computers required to synthesize this kind of data are already becoming more affordable.

A similar revolution is happening with gas flow data, Kaminski said. Once FERC Order 720 is implemented, the gas industry and traders will have access to intrastate pipeline flow data from such large producers as Texas and Louisiana where much of the production is consumed in-state. Currently, the data is not available, which is a black hole in the nation's production data.

### Natural gas hub flow, Jun 26

Hub Name	Scheduled Flow	+/-	% Change	Daily Price	—31 Day Average— Flow	Price
ANR, La.	866	-57	-6.22	3.770	899	3.705
Dracut, Mass.	26	14	113.24	4.110	30	3.985
Florida city-gates	2,211	-60	-2.65	7.425	2,102	4.650
Iroquois, receipts	884	-66	-6.97	4.120	751	4.015
Kern River, Opal plant	827	13	1.57	2.670	823	2.459
Niagara	670	-41	-5.81	4.060	400	3.960
Northern, Ventura	330	-150	-31.27	3.400	93	3.167
Northern, demarc	1,480	83	5.96	3.385	1,626	3.045
Northwest, Can. bdr. (Sumas)	526	-84	-13.75	2.800	626	2.715
PG&E, Malin	1,415	73	5.48	3.080	1,160	2.913
Stanfield, Ore.	0	0	-	3.040	0	2.861
Transco, zone 3	2,134	71	3.42	3.860	1,946	3.783
Transco, zone 6 N.Y.	1,346	-42	-3.06	4.285	1,191	4.079

Volumes in 000 MMBtu; prices in \$/MMBtu. For more information, contact Bill Murphy at 720-548-5485.

Source: Platts data

### NYMEX Henry Hub gas futures contract, Jun 26

	Settlement	High	Low	+/-	Volume
Jul 2009	3.949	4.000	3.770	+10.5	N/A
Aug 2009	4.105	4.138	3.921	+11.6	N/A
Sep 2009	4.237	4.261	4.059	+11.6	N/A
Oct 2009	4.451	4.470	4.274	+12.0	N/A
Nov 2009	5.078	5.089	4.908	+12.1	N/A
Dec 2009	5.748	5.764	5.575	+12.5	N/A
Jan 2010	6.055	6.073	5.885	+12.6	N/A
Feb 2010	6.087	6.090	5.930	+12.5	N/A
Mar 2010	6.019	6.025	5.860	+12.4	N/A
Apr 2010	5.896	5.902	5.746	+11.9	N/A
May 2010	5.938	5.948	5.817	+11.6	N/A
Jun 2010	6.033	6.006	5.900	+11.6	N/A
Jul 2010	6.148	6.131	6.027	+11.6	N/A
Aug 2010	6.238	6.223	6.115	+11.6	N/A
Sep 2010	6.298	6.300	6.198	+11.6	N/A
Oct 2010	6.411	6.611	6.294	+11.4	N/A
Nov 2010	6.746	6.750	6.615	+10.9	N/A
Dec 2010	7.131	7.110	7.005	+10.4	N/A
Jan 2011	7.346	7.312	7.233	+10.4	N/A
Feb 2011	7.341	7.318	7.235	+10.4	N/A
Mar 2011	7.166	7.170	7.065	+9.9	N/A
Apr 2011	6.661	6.620	6.550	+9.9	N/A
May 2011	6.631	6.640	6.545	+9.9	N/A
Jun 2011	6.721	6.670	6.670	+9.9	N/A
Jul 2011	6.286	N/A	N/A	+9.9	N/A
Aug 2011	6.901	N/A	N/A	+9.9	N/A
Sep 2011	6.931	6.930	6.930	+9.9	N/A
Oct 2011	7.011	6.940	6.940	+9.9	N/A
Nov 2011	7.246	N/A	N/A	+9.4	N/A
Dec 2011	7.536	7.530	7.420	+9.4	N/A
Jan 2012	7.741	7.730	7.730	+9.4	N/A
Feb 2012	7.736	7.730	7.670	+9.4	N/A
Mar 2012	7.417	7.360	7.360	+7.0	N/A
Apr 2012	6.772	6.772	6.772	+7.0	N/A
May 2012	6.732	6.732	6.732	+7.0	N/A
Jun 2012	6.812	6.812	6.812	+7.0	N/A

#### Contract data for Thursday

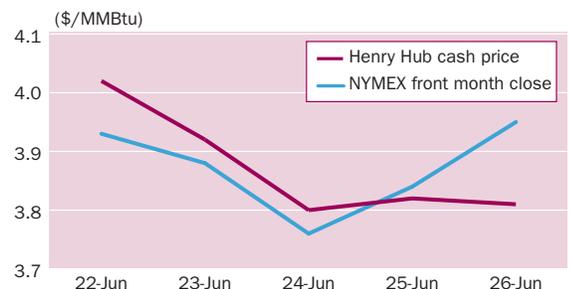
Volume of contracts traded: **210,857**

Front-months open interest:

JUL, 124,296; AUG, 88,675 ; SEP, 77,692

Total open interest: 703,331

### Henry Hub/NYMEX spread



### Platts oil prices, Jun 26

	(\$/b)	(\$/MMBtu)
<b>Gulf Coast spot</b>		
1% Resid	63.00-63.10	10.03
3% Resid	61.55-61.65	9.80
<b>Crude spot</b>		
WTI (Aug)	69.38-69.40	11.91
<b>New York spot</b>		
No.2	70.82-71.03	12.18
0.3% Resid HP	61.90-62.10	9.86
0.3% Resid LP	64.75-64.95	10.31
0.7% Resid	61.70-61.90	9.83
1% Resid HP	61.15-61.35	9.74

"Once you have the information about flows, you can effectively have a perfect picture of what's going on in the physical market," Kaminski said. "You can see production trends by watching the nominations from the gathering fields and processing plants. Once you combine information about weather and flows, you can start using an [algorithmic] approach to trading. Those trading operations that will be able to use that will come out on top."

Rusty Braziel, managing director of Bentek Energy, a firm that collects, cleans and standardizes real-time gas pipeline flows from interstate pipelines, said hedge funds and financial firms already make up 40% of his company's client list with majors and large producers making up the remaining 60%.

Bentek employs 65 people to gather information such as maintenance orders, construction projects and storage expansions from the physical market and put it in a format that allows customers to query the data in a customized way.

By using Bentek data, Braziel said customers can look at what is happening in the Rockies — for example, if there are any constraints getting gas out of the region that would cause prices to crash.

Braziel said the use of such data dates back to the 1990s when Enron was the only one with that type of information, giving them a competitive edge. "Now we're at a point when a lot more people are using it and in more sophisticated ways," he said.

Given that the amount of data is huge, Braziel said having the data collected by an outside party gives companies an edge without hiring a lot of extra people. "We help our clients by looking at all that data and when we see unusual data, we send an email," he said.

Braziel said FERC Order 720 will, among other things, allow gas market participants to see no-notice pipeline deliveries that allow shippers to take gas off the pipeline without nominating. Braziel said the information can be used to track spikes in demand from winter cold spells and summer air-conditioning loads.

"It's been a blind spot," he said. "One by one, the blind spots are being eliminated."

News is another area where algorithmic trading is gaining an edge. As algorithmic trading increases in the energy markets, demand has grown for models that will incorporate news into their models. On May 27, Thomson Reuters announced that it has extended its machine-readable news offering, a scoring service for commodity and energy markets.

The product is marketed as a tool that reacts to the market in a real-time fashion by performing analysis far quicker than a human. "Investment managers can react more quickly to breaking news events, providing a quantifiable measure of the qualitative information present in news articles," Thomson Reuters said.

— Cheryl Buchta

## Salazar picks former Interior lawyer Birnbaum to head MMS

Liz Birnbaum, a former associate solicitor with the Interior Department and former aide to the House Natural Resources Committee, was named last week as the director of Interior's Minerals Management Service.

Interior Secretary Ken Salazar, who made the appointment, said Birnbaum was well qualified for the job because of "her in-depth knowledge of energy issues, natural resource policy and environmental law, as well as her managerial expertise and work in coalition building."

Birnbaum's appointment, which unlike other senior positions at Interior does not require Senate confirmation, puts her in charge of an agency that has been criticized in recent years for its management of the federal royalty program, including official reports that agency personnel engaged in inappropriate relationships with oil and gas industry contacts.

Birnbaum was an associate solicitor at Interior from 2000 to 2001, when she joined American Rivers and became a vice president for government affairs and general counsel. She left the river conservation group in 2007.

Since 2007, she has been staff director of the House Administration Committee, which oversees federal elections and daily functions of the House.

Birnbaum was counsel to the House Natural Resources Committee from 1991 to 1999. The panel, with its jurisdiction over Interior, has criticized MMS over improprieties in royalty management as well as the agency's failure to require royalty payments from some oil and gas leases in the Gulf of Mexico.

Tom Fry, president of the National Ocean Industries Association, who was director of MMS during the Clinton administration, said in a statement that Birnbaum's "experience on a wide range of different natural resources issues will be valuable" to MMS.

"I have known Liz Birnbaum for many years and worked with her in a number of capacities," Fry said.

Salazar's appointment of Birnbaum leaves only one energy-related post unfilled in the upper echelons of Interior: director of the Office of Surface Mining.

The White House has made nominations for two other key positions — former Interior Inspector General Wilma Lewis as assistant secretary for land and minerals management and former Bureau of Land Management official Robert Abbey as director of BLM. Lewis and Abbey are awaiting Senate hearings. — Bill Loveless

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## RETAIL REPORT ... a weekly supplement to *Gas Daily*

### California landfill to create gas for the trucks that feed it

With commissioning under way at the Altamont landfill in California, the world's largest project to convert landfill gas into vehicle fuel should be fully operational "very soon," Bryan Luftglass, manager of Linde North America's energy segment, said Friday.

"This has been talked about for many years as the holy grail of handling refuse," Luftglass said. "We are taking the biogas from the landfill and using it in the trucks that come up to dump the garbage. You are creating a virtual closed loop."

Located near Livermore, Waste Management's 450-acre Altamont landfill receives about 7,000 tons of refuse/day from the San Francisco area. Linde North America and Waste Management formed a joint venture to produce about 13,000 gallons of liquefied natural gas per day that will be used to fuel hundreds of garbage trucks.

Kent Stoddard, vice president of public affairs for Waste Management's West Group, said the partnership with Linde "will allow us to tap into a valuable source of clean energy while greatly reducing our dependence on fossil fuels. Natural gas is already the cleanest-burning fuel available for our collection trucks, and the opportunity to use recovered landfill gas offers enormous environmental benefits to the communities we serve."

The Altamont project is one of several bio-methane projects around the world in which Linde is participating. "Bio-methane is a truly renewable and readily available green source of high-quality fuel. Although it is still an emerging commodity, its economic and environmental value is rapidly being recognized," Luftglass said.

Linde and Waste Management said bio-methane is becoming an increasingly desirable alternative fuel for vehicles, emitting up to 90% less carbon dioxide and 75% less particulates and nitrogen oxides into the atmosphere than diesel fuel.

### Altamont site also has wind, solar generation

Luftglass said the Altamont project "is very close to our conventional business model. We take various streams and purify them and either compress or liquefy those products and put them to beneficial use. We use the same capabilities that we normally use in our business. We have been producing LNG in Australia for 25 years. We build LNG plants around the world.

"We made a committed decision five years ago to focus much more heavily on the renewable energy area, including hydrogen and natural gas," Luftglass said. "Linde is passionately involved, interested from the chairman on down. We are doing some things with hydrogen in Germany. Energy is an area where industrial gas companies can actually lead in development."

The vehicle gas project is not the only environment-related project under way at Altamont, Waste Management said on its web site. A portion of the landfill has been set aside for 248 windmills, which are owned and operated by Florida Power and Light and produce about 20 MW of power annually.

The landfill also is home to two solar gas turbines that generate about 3.3 MW of electricity each day. Landfill gas collected at the site is also used to fuel two Duetz internal combustion engines, which produce about 1 MW each.

The total electricity produced on site is enough to power more than 8,500 homes in the Bay Area, the company said. — *Rodney White*

### Texas approves \$6 million a year stimulus for 'Clean Fleet' vehicles

The Texas Legislature's passage of Clean Fleet Program legislation will encourage private fleet owners to replace their medium-to-heavy-duty diesel vehicles with alternative fueled-models, including those powered by natural gas, Clean Energy Fuels said last week.

House Bill 2978, which becomes effective September 1, initially allots \$6 million/fiscal year for 2010 and 2011 to fleet owners to help fund their vehicle replacement process, Clean Energy Fuels said. The legislation anticipates extending the program through August 2017.

The Clean Fleet legislation amends the Texas Emissions Reduction Plan enacted in 2001 to improve air quality in Texas. The TERP program is aimed at reducing nitrogen oxide emissions from diesel engines.

Companion legislation — newly enacted H.B. 432 — amends the state's Fleet Alternative Fuel Program to mandate that 50% of the state's 27,000 fleet vehicles must use clean alternative fuels such as compressed natural gas 80% of the time. The only exceptions are for law enforcement or emergency vehicles, or if an agency demonstrates that it is not cost-effective to meet the requirements.

Although state agencies must meet the requirements by September 1, 2010, the legislation will likely be phased-in as diesel and gasoline-powered state fleet vehicles come up for replacement.

According to the Texas Legislature's web site, there is not now a state incentive for companies in Texas to convert their existing gasoline and diesel vehicles to low-emission vehicles. H.B. 2978 creates the Clean Fleet Program with funds from the Texas Emissions Reduction Plan. The program will encourage companies with 25 or more vehicles to either convert them or replace them with those powered by clean fuels.

The web site said the bill also creates the Texas Alternative Fueling Facilities Program, which will provide grants for the construction of alternative fueling facilities through a 2% set-aside from TERP funds. Each of those programs is to be available only in non-attainment areas and will be administered by the Texas Commission on Environmental Quality. — *Rodney White*

### Canadian Enerdata gas storage survey, Jun 19

(in Bcf)	East	West	Total
Working gas	164.00	267.80	431.80
Weekly Change	12.20	9.70	21.90
% of capacity	65.35%	66.43%	66.01%
Working Gas Jun 20, 2008	112.50	213.80	326.30

The information contained in this report is obtained from sources considered to be reliable. However, the information contained here cannot be guaranteed with respect to its accuracy or completeness. Canadian Enerdata Ltd. assumes no responsibility for either the direct or indirect use of the information contained herein.

### Baker Hughes Rig Count

Week ending	6/26/2009	6/19/2009	Chg.	6/27/2008
Total US rigs	917	899	+18	1,913
Total US gas rigs	687	692	-5	1,530
Total Canadian rigs	148	143	+5	356

## WEEKLY GAS FORWARDS

### Traders sell off summer basis as storage swells; Western markets labor under constraints

Forward basis markets last week lost ground across the summer curve as a last-minute, pre-expiration uptick by the July NYMEX gas futures contract Friday sent July basis tumbling at most hubs. Sellers were just as active in trading for late-summer packages, IntercontinentalExchange showed.

Back-curve selling was most pronounced in Western markets, where hubs with major storage fields are between 70% and 90% full with four months of injection season still ahead.

Adding to West Coast supply, Bentek Energy analysts said flow data showed more Canadian supply making its way into the US Northwest.

With several pipelines under high line pack constraints, July basis at most Western hubs fell between 10 cents and 20

cents/MMBtu, while balance-of-summer basis fell as much 17 cents. The July NYMEX fell 8.3 cents last week and balance-of-summer NYMEX fell 7.8 cents.

Midcontinent July basis dropped as much as 11.75 cents, with El Paso-Permian Basin leading declines, and balance-of-summer in the region slid no more than 9 cents, with Panhandle taking the biggest hit.

Upper Midwest markets were likely marked by a summer sell-off, but the Chicago city-gate market got a slight upward boost Tuesday as Kinder Morgan Energy Partners announced it would begin service on its Rockies Express Pipeline's East leg between Audrain County, Missouri, and Lebanon, Ohio, on June 29.

Chicago markets, which had earlier received downward pressure from expectations of supplies coming off REX through

its Midwestern receipt points, gained a few cents Tuesday.

Sources said with supplies going to Lebanon Hub, less gas is expected to end up in Chicago. But the sell-off resumed Thursday and took a significant dive Friday on fixed-price selling. Chicago July fell 13 cents last week.

Northeast markets largely followed NYMEX guidance downward as players eyed the growing storage surplus. Texas Eastern Transmission's zone M-3 July fell 3.5 cents.

Along the Gulf Coast, Gulf South announced its East Texas expansion to Delhi, Louisiana, would be out of service for 31 days from July 1 for maintenance. Transco zone 4, the major hub immediately downstream of Delhi, got a boost as a result as its July basis rose 1.5 cents.

— Sheetal Nasta, Samantha Santa Maria

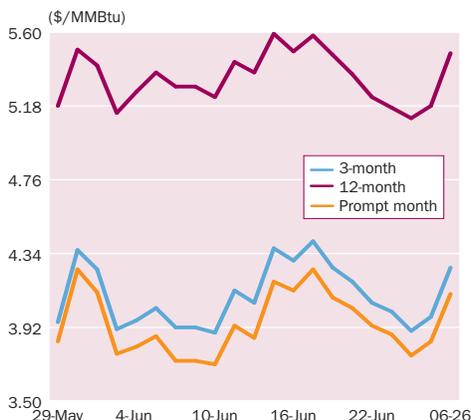
#### Basis differential

	Henry Hub	El Paso Permian	Agua Dulce	Transco Zone 3	Katy Opal	Kern, Tx.-Ok.	Panhandle	Chicago city-gates	Col. Gas Appa.	SoCal Gas
Weekly WACOG	3.96	3.23	3.91	3.98	3.87	2.57	3.12	3.72	4.07	3.20
Henry Hub		0.73	0.05	-0.02	0.09	1.39	0.84	0.24	-0.11	0.76
El Paso, Permian	-0.73		-0.68	-0.75	-0.64	0.66	0.11	-0.49	-0.84	0.03
Agua Dulce	-0.05	0.68		-0.07	0.04	1.34	0.79	0.19	-0.16	0.71
Transco Zone 3	0.02	0.75	0.07		0.11	1.41	0.86	0.26	-0.09	0.78
Katy	-0.09	0.64	-0.04	-0.11		1.30	0.75	0.15	-0.20	0.67
Kern, Opal	-1.39	-0.66	-1.34	-1.41	-1.30		-0.55	-1.15	-1.50	-0.63
Panhandle, Tx.-Ok.	-0.84	-0.11	-0.79	-0.86	-0.75	0.55		-0.60	-0.95	-0.08
Chicago city-gates	-0.24	0.49	-0.19	-0.26	-0.15	1.15	0.60		-0.35	0.52
Col. Gas Appa.	0.11	0.84	0.16	0.09	0.20	1.50	0.95	0.35		0.87
SoCal Gas	-0.76	-0.03	-0.71	-0.78	-0.67	0.63	0.08	-0.52	-0.87	
NYMEX Basis	0.011	-0.719	-0.039	0.031	-0.079	-1.379	-0.829	-0.229	0.121	-0.749

NYMEX Basis is the NYMEX Henry Hub/cash basis differential calculated from the near-month settlement of \$3.949.

#### Henry Hub futures and strips

	06/22 Mon	06/23 Tue	06/24 Wed	06/25 Thu	06/26 Fri
Jul-09	3.933	3.879	3.761	3.844	4.105
Aug-09	4.071	4.007	3.906	3.989	4.237
Sep-09	4.187	4.129	4.046	4.121	4.451
Oct-09	4.381	4.324	4.263	4.331	5.078
Nov-09	5.016	4.946	4.890	4.957	5.748
Dec-09	5.666	5.598	5.554	5.623	6.055
Jan-010	5.963	5.903	5.864	5.929	6.087
Feb-010	5.993	5.938	5.899	5.963	6.019
Mar-010	5.928	5.868	5.829	5.895	5.896
Apr-010	5.803	5.743	5.707	5.777	5.938
May-010	5.846	5.788	5.752	5.822	6.033
Jun-010	5.941	5.883	5.847	5.917	6.148
3/strip	4.064	4.005	3.904	3.985	4.264
6/strip	4.542	4.481	4.403	4.478	4.946
9/strip	5.015	4.955	4.890	4.961	5.297
12/strip	5.227	5.167	5.110	5.181	5.483



#### CFTC: Funds now 75.28% short

Noncommercial traders decreased long and short positions in the NYMEX Henry Hub futures contract for the week that ended June 23, the Commodity Futures Trading Commission said Friday in its Commitments of Traders report.

Noncommercial traders, or funds, were 75.28% short, compared with 74.41% short the week prior. Their overall holdings decreased by 9,829 to 304,248 contracts from 314,077 as of June 16. Noncommercial traders were net short by 153,808 contracts, compared with 153,363 contracts a week earlier. They held 75,220 long positions, down from 80,357 a week earlier, while their short positions decreased to 229,028 lots from 233,720 as of June 16.

Meanwhile, commercial traders' overall holdings decreased for the week that ended June 23. Commercial traders came in 61.2% long, compared with 60.82% long a week earlier. Commercial traders as of Tuesday held 482,892 contracts — 295,530 long and 187,362 short. Those numbers represent a total decrease of 1,922 contracts compared with the week ending June 16, when commercial traders held a total of 484,814 contracts — 294,883 long and 189,931 short.

#### Commitments of Traders

Rpt. Date	Long	Short	Spreading
23-Jun	75,220	229,028	242,744
16-Jun	80,357	233,720	252,013
9-Jun	103,569	243,222	241,409