

# **SCHEDULE GLG-6**

## Gas Daily

Wednesday, January 4, 2006

### NYMEX falls 59.9 cents to close at 4-month low

THE MARKET

The February NYMEX futures contract tumbled 59.9 cents, or 5.3%, to close Tuesday's session at \$10.626/MMBtu—the lowest prompt-month settlement since Aug. 26. Cash prices moved in the opposite direction, gaining between a dime and 80 cents in most markets.

Sources said forecasts for unseasonably warm weather over the next two weeks prompted the sell-off on the NYMEX's first trading day of 2006. Since Dec. 21, the February contract has plunged \$3.719, or 26%,  
(continued on page 2)

### Analyst: Prices to hover near \$10 through 2007

A strong U.S. economy combined with continued declines in North American production will keep Henry Hub gas prices around \$10/Mcf for the next two years, a Raymond James and Associates energy analyst said Tuesday.

Marshall Adkins raised his first-quarter 2006 gas price estimate to \$12.50/Mcf—up 52% from his last projection in September—based on continued Gulf of Mexico production losses stemming from Hurricanes Katrina and Rita and an early onset of unseasonably cold winter weather.

For the second and third quarters, Adkins predicted that gas will sell  
(continued on page 6)

### Kelliher cites need for long-term supply deals

On Joseph Kelliher's 49th day as FERC chairman, Hurricane Katrina walloped the Gulf Coast. Three weeks later, Hurricane Rita picked up where Katrina left off.

With the twin storms striking at the heart of domestic gas production and transportation infrastructure and taking out roughly 20% of U.S. supply, FERC and its newly appointed chairman faced the prospect of yet another major energy crisis.

With a palpable fear on Capitol Hill that the humanitarian disaster could spiral into a gas shortage this winter, Kelliher said he honed a cri-  
(continued on page 4)

### Kansas regulators wrestle with Hugoton woes

The Kansas Corporation Commission staff has asked for more time to sort out the web of issues stemming from last year's curtailment of service to dozens of customers that received contaminated gas from the Hugoton field.

The KCC had wanted the report completed by Jan. 6, but staff said it would need at least three more weeks to compile the voluminous data on the problems confronting consumers, producers and gas gathering companies that rely on the Hugoton field in southern Kansas.

Among the remaining issues facing state regulators: how to reduce  
(continued on page 3)

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

NATIONAL AVERAGE PRICE: 8.930

Trans. date: 1/03  
Flow date(s): 1/04

	Midpoint	Absolute	Common	Volume	Deals
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#### Permian Basin Area

El Paso, Permian Basin	7.830	7.70-8.00	7.75-7.91	669	79
Waha	7.805	7.60-8.02	7.70-7.91	1148	131
Transwestern, Permian Basin	7.800	7.65-7.85	7.75-7.85	5	3

#### East Texas-North Louisiana Area

Carthage Hub	7.950	7.82-8.20	7.85-8.05	95	14
NGPL, Texok zone	7.885	7.73-8.13	7.78-7.99	704	93
Texas Eastern, ETX	7.560	7.10-7.90	7.36-7.76	40	11
Texas Gas, zone 1	9.255	9.19-9.35	9.21-9.30	122	25

#### East-Houston-Katy

Houston Ship Channel	8.040	7.70-8.25	7.90-8.18	301	30
Katy	7.930	7.72-8.25	7.80-8.06	423	51

#### South-Corpus Christi

Agua Dulce Hub	8.075	7.80-8.25	7.96-8.19	198	11
NGPL, STX	7.735	7.66-7.85	7.69-7.78	85	14
Tennessee, zone O	8.195	7.94-8.30	8.10-8.29	108	22
Texas Eastern, STX	7.705	7.67-7.99	7.67-7.79	87	14
Transco, zone 1	7.745	7.60-7.92	7.66-7.83	8	9

#### Louisiana-Onshore South

ANR, La.	9.320	9.16-9.45	9.25-9.39	169	31
Columbia Gulf, La.	9.860	9.81-9.91	9.83-9.89	277	48
Columbia Gulf, mainline	9.960	9.85-10.20	9.87-10.05	186	31
Florida Gas, zone 1	9.310	9.10-9.60	9.18-9.44	108	11
Florida Gas, zone 2	9.845	9.82-9.90	9.82-9.87	41	6
Florida Gas, zone 3	9.830	9.70-10.10	9.73-9.93	119	14
Henry Hub	9.915	9.82-10.19	9.82-10.01	570	91
NGPL, La.	7.950	7.90-8.00	7.92-7.98	26	6
Southern Natural, La.	9.985	9.80-10.43	9.83-10.14	171	26
Tennessee, La., 500 Leg	9.805	9.70-9.95	9.74-9.87	154	33
Tennessee, La., 800 Leg	9.620	9.50-9.70	9.57-9.67	300	49
Texas Eastern, WLA	9.460	9.41-9.60	9.41-9.51	69	19
Texas Eastern, ELA	9.595	9.52-9.67	9.56-9.63	376	64
Texas Gas, zone SL	9.390	9.35-9.45	9.36-9.42	147	32
Transco, zone 2	9.620	9.60-9.65	9.61-9.63	30	8
Transco, zone 3	9.970	9.60-10.22	9.81-10.13	291	65
Trunkline, WLA	9.350	9.35-9.35	9.35-9.35	6	1
Trunkline, ELA	9.560	9.40-9.70	9.48-9.64	66	17

#### Oklahoma

ANR, Okla.	7.975	7.80-8.20	7.87-8.08	18	5
CenterPoint, East	7.900	7.85-8.05	7.85-7.95	130	28
NGPL, Midcontinent	7.740	7.62-8.10	7.62-7.86	279	53
Oneok, Okla.	7.870	7.65-8.05	7.77-7.97	58	12
Panhandle, Tx-Okla.	7.860	7.72-8.14	7.75-7.97	346	62
Southern Star, Tx-Okla-Kan.	7.970	7.95-8.00	7.96-7.98	16	3

#### New Mexico-San Juan Basin

El Paso, Rondad	7.690	7.68-7.75	7.68-7.71	36	6
El Paso, San Juan Basin	7.805	7.75-7.85	7.78-7.83	233	42

## NYMEX falls, but cash rises ... from page 1

"We're seeing high confidence in a forecast that is showing above-normal temperatures for a streak that would challenge any streak over the last several winters," said a Houston-based broker. "So I think that alone is reason enough to help the market get back to single-digit pricing."

"We believe there is 1.5 Bcf more supply than demand," the broker continued. "We're sitting with a surplus in the marketplace. If anything, that will only be getting better as more gas comes back on-line."

The February contract opened at \$10.75 and traded between a high of \$11 and a low of \$10.60. According to the broker, the contract was "about to invade" a technical gap that likely would have sent it falling below support at \$10.40. However, "we touched the edge and walked away," he said.

The wilting futures contract and forecasts for mild weather in many regions failed to keep spot prices from gaining ground Tuesday, with traders citing the return of commercial and industrial demand after the long holiday weekend.

Although daytime temperatures in the Southwest and in Southern California are expected to remain in the 70s with bright sunshine all week, buyers were out in force nonetheless and helped boost cash prices by nearly 80 cents in the San Juan and Permian basins.

But in Northern California, which was experiencing severe storm and flood warnings, prices at the Pacific Gas and Electric city-gate rose less than 40 cents, narrowing its premium to the production basins to about \$1.10. "The basins have been very weak recently, and it is about time cash began to return to normal," one California trader said.

### Forecasts call for mild start to 2006

In the Northwest, prices generally gained between 15 cents and 60 cents in light trading. "It is unseasonably warm and raining," one Rockies trader said. "Prices are a little bit higher than the weekend, but cash is relatively weak compared to the February NYMEX."

But another Rockies trader said spot prices could easily race up to meet the NYMEX at the first hint of more cold weather. "Forecasts say temperatures will remain high through mid-month, but who really knows?" he said.

Above-normal temperatures in western Canada kept utility demand low and sent prices down about a dime at the AECO-C Hub in Alberta and 20 cents or so at Westcoast Energy's station 2 in British Columbia.

In the Northeast, some isolated snow showers in New England and the return of industrial demand lifted prices between 30 cents and 60 cents from pre-weekend levels. Still, the market was "lackluster," a Canadian trader reported, with temperatures a few degrees above average expected for the rest of the week.

"Everyone knows how quickly the weather can change, but based on current forecasts I don't think we'll see much change in the market until at least the middle of next week," the trader said.

Along the Gulf Coast, price gains ranging from a dime to 45 cents failed to impress some traders. "The market was up from the long weekend, but it wasn't anything to write home about," one marketer said. Henry Hub cash rose about 35 cents to average in the high \$9.80s, while the Houston Ship Channel rose about a quarter to settle just above \$8.

With the mercury forecast to reach the 70s all week from Houston to New Orleans to Tallahassee, some Gulf traders said they expect demand to soften and trading to be uneventful.

Spot prices in the upper Midwest began the new year with gains of as much as 50 cents, although several traders agreed that the session

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

Trans. date:	1/03				
Flow date(s):	1/04				
	Midpoint	Absolute	Common	Volume	Deals
<b>Rockies</b>					
CIG, Rocky Mountains	7.895	7.83-7.98	7.86-7.93	30	9
Kern River, Opal plant	7.950	7.78-8.13	7.86-8.04	246	49
Stanfield, Ore.	8.400	8.30-8.55	8.34-8.46	106	17
Questar, Rocky Mountains	7.645	7.55-7.75	7.59-7.70	24	4
Cheyenne Hub	7.945	7.85-8.00	7.91-7.98	44	10
Northwest, Wyo. Pool	7.850	7.50-8.05	7.71-7.99	54	9
Northwest, s. of Green River	7.500	7.39-7.75	7.41-7.59	62	14
<b>Canadian Gas</b>					
Iroquois, receipts	10.395	10.14-10.50	10.30-10.49	183	21
Niagara	9.950	9.74-10.25	9.82-10.08	134	12
Northwest, Can. bdr. (Sumas)	8.375	8.23-8.42	8.33-8.42	380	43
TCPL Alberta, AECO-C*	8.885	8.80-9.08	8.81-8.96	1110	90
Emerson, Viking Ct.	8.750	8.69-8.82	8.72-8.78	90	9
Dayn, Ontario	9.575	9.50-9.70	9.52-9.63	589	49
GHV, Wingsgate	—	—	—	—	0
Westcoast, station 2*	8.485	8.39-8.58	8.44-8.53	68	12
<b>Appalachia</b>					
Dominion, North Point	10.150	10.13-10.17	10.14-10.16	10	2
Dominion, South Point	10.180	10.05-10.40	10.09-10.27	344	64
Leidy Hub	—	—	—	—	0
Columbia Gas, Appalachia	10.265	10.18-10.45	10.20-10.33	719	117
<b>Mississippi-Alabama</b>					
Florida Gas, Mobile Bay	9.950	9.95-9.95	9.95-9.95	22	2
Texas Eastern, M-1 (Kosi)	9.805	9.75-9.90	9.77-9.84	50	14
Transco, zone 4	10.040	9.85-10.12	9.97-10.11	32	7
<b>Others</b>					
Algonquin, receipts	10.610	10.50-10.82	10.53-10.69	66	12
SoCal Gas	8.265	8.00-8.45	8.15-8.38	1861	140
PG&E, South	8.260	8.18-8.32	8.22-8.30	236	25
PG&E, Malin	8.500	8.36-8.75	8.40-8.60	237	33
Alliance, into Interstates	9.300	8.90-9.70	9.10-9.50	326	38
ANR, ML 7	9.830	9.55-10.00	9.72-9.94	8	4
NGPL, Amarillo receipt	8.015	7.92-8.10	7.97-8.06	38	6
Northern, Ventura	8.530	8.50-8.70	8.50-8.58	205	28
Northern, demarc	8.400	8.21-8.55	8.31-8.49	292	44
Dracut, Mass.	10.610	10.60-10.65	10.60-10.62	46	5
<b>Citygates</b>					
Chicago citygates	9.325	8.90-10.00	9.05-9.60	995	129
Consumers Energy citygate	9.520	9.45-9.65	9.47-9.57	151	18
Mich Con citygate	9.580	9.48-9.74	9.51-9.65	304	49
PG&E citygate	8.915	8.81-9.15	8.83-9.00	790	90
Florida citygates	10.150	9.85-10.40	10.01-10.29	63	5
Algonquin, citygates	10.755	10.70-10.83	10.72-10.79	88	21
Tennessee, zone 6 delivered	10.780	10.70-10.85	10.74-10.82	221	39
Iroquois, zone 2	10.725	10.63-10.79	10.69-10.76	114	26
Texas Eastern, M-3	10.665	10.63-10.90	10.63-10.73	303	71
Transco, zone 5 delivered	—	—	—	—	0
Transco, zone 6 non-N.Y.	10.665	10.55-10.75	10.61-10.72	201	34
Transco, zone 6 N.Y.	10.745	10.65-10.90	10.68-10.81	210	43

\*NOTE: Price in \$ per g; \$1=US\$0.8642

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/NaturalGas/Resources/Methodology&Specifications/](http://www.platts.com/NaturalGas/Resources/Methodology&Specifications/). Questions may also be directed to our market editors: Tom Castleman, (713) 658-3263; [tom.castleman@platts.com](mailto:tom.castleman@platts.com) and Diane Kucher, (202) 383-2147; [diane.kucher@platts.com](mailto:diane.kucher@platts.com).

was quieter than normal. Despite the gains, prices are "still well below where first-of-month index prices," the trader noted.

While Consumers Energy in Michigan finished the day nearly unchanged from Friday, the bulls ruled the Chicago city-gates, where prices jumped about 55 cents.

Spot prices moved higher in the Midcontinent as well despite the lackadaisical futures contract and mild weather, tacking on between 30 cents and nearly 60 cents in what one Texas source called "a normal rebound from the long weekend."

The market traded sluggishly, however, as many market players found themselves "trying to get re-motivated," one source remarked. "Things were slow and I was dealing with a lot of little accounting issues."

As spot prices rose, regional spreads narrowed, with the differential between Panhandle Eastern Pipe Line and Natural Gas Pipeline Co. of America's Texok zone shrinking from more than a quarter on Friday to just a penny or so on Tuesday.

—Market Staff Reports

## Kansas wrestles with Hugoton woes ... from page 1

the impact of tainted Hugoton gas on consumers; who has jurisdiction over intrastate supply and transportation facilities; and who should pay the cost of converting shut-off customers to other fuel sources such as propane.

The dispute arose nearly a year ago after high concentrations of hydrogen sulfide were discovered in the gas flowing from the Hugoton (GD 2/14). Aquila last February shut off gas service to 53 residential customers in Kansas and planned to cut supply to another 31 after it received word that gas in Oneok Field Services' gathering lines contained unsafe levels of the toxin. In the weeks that followed, more customers in the region were shut off due to the same gas-quality concerns.

The shut-offs prompted the state legislature to establish procedures for disconnecting customers from gas gathering systems for health and safety reasons—and gave the KCC regulatory oversight over such curtailments.

But the commission noted at the time that "there are many unresolved legal and policy questions regarding gas gathering services and exit tap customers" and appealed to consumers, producers and its own staff for input.

In recent filings, the Kansas Citizens' Utility Ratepayer Board stressed that the economy of southwestern Kansas "depends on the viability of the Hugoton field" and that if the region's "feedlots or meat processors close, job losses would empty cities like Dodge City, Garden City or Liberal and virtually destroy smaller communities that depend on such industries."

As a result, the ratepayer board argued that "it is essential" for state policymakers to quickly address the gas-quality issues at Hugoton.

The board said it was concerned that the KCC has no direct authority over gas gathering systems, water suppliers or federally regulated pipelines, "all of which are critical elements of the problems in the Hugoton field and integral to any possible solution. There is no single agency in the state of Kansas that has the expertise and competence to deal with these issues, let alone the jurisdiction."

Oneok, which was compelled to shut off some gas consumers because of the hydrogen sulfide concentrations, contended in a recent filing that the KCC's jurisdiction does not extend to a gas-gathering system from which a utility obtains its supplies. The recently enacted legislation "does not turn gas gathering services into a public utility service," Oneok insisted.

The company argued that "any gas gatherer that has exit taps supplying gas to a public utility for the utility's end-use customers on its system should have first and foremost in its mind the health and safety of those end-use customers—not only from the presence of hydrogen sulfide gas but also from any contaminant that may be contained in the gas."

Oneok also said it did not believe the commission could order it, or any gas gatherer, to assume the cost of converting a terminated customer to an alternative

## Typical Alberta residential customer to get C\$170 January gas bill rebate

Residential gas customers in Alberta will save an average of C\$170 on their January heating bills as a result of the province's unique rebate program, the Alberta Dept. of Energy said Tuesday.

"The average household uses 23 GJ of natural gas in January, which is the time of year when gas usage is at its highest," said Energy Minister Greg Melchin. "As we enter the new year, Albertans will continue to receive benefits from Alberta's one-of-a-kind natural gas rebate program that provides a measure of stability and protection when consumers need the assistance most."

All eligible homes and businesses, regardless of whether they pay the regulated rate or are part of a competitive contract, benefit from the Natural Gas Rebate Program. Monthly rebates are triggered when two of the province's three major utility companies—Direct Energy Services North, Direct Energy Services South and AltaGas Utilities—charge regulated rates in excess of C\$5.50/GJ. The amount of the rebates increases along with the market price of gas.

As a result of the program, the typical residential customer in Alberta is paying about 12% less for gas than in other Canadian provinces, according to Alberta officials (GD 11/23).

RAW

## King Island proposes 8-Bcf storage facility in California

King Island Gas Storage said Tuesday it has filed an application with the California Public Utilities Commission to build a new gas storage facility at a depleted gas reservoir some 12 miles north of Stockton, Calif.

The King Island Gas Storage Facility would have 8 Bcf of working gas capacity and lie near the systems of Pacific Gas & Electric and Lodi Gas Storage Pipeline (GD 4/13). The depleted King Island field originally produced 11 Bcf and would provide for high injection and withdrawal rates, the company said.

King Island said it welcomed customers seeking capacity as well as anyone interested in co-owning the project. For more information, contact Patrick Ross at 858-775-9897, or e-mail [drillforgas@sbcglobal.net](mailto:drillforgas@sbcglobal.net).

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Meanwhile, in its remarks to the commission, Aquila agreed that state law is unclear regarding who should pay the cost of converting customers disconnected because of the contaminated gas but said it does not believe local distribution companies should be liable.

The KCC has been wrestling with the Hugoton issue for years. In September 1998, the commission ordered an investigation into the effects of declining gas wellhead pressure in the Hugoton and surrounding fields.

The KCC said recently that it had received a flood of comments on the issue seven years ago, after which it made "some broad findings" but failed to establish a policy regarding customers who take gas directly or indirectly from Hugoton-linked gathering systems.

RAW

## Kelliher touts long-term contracts ... from page 1

sis management posture based on three pillars: provide information to the public, act quickly and maintain an air of calm.

Like other energy issues in recent years, many of the solutions to post-hurricane problems lie outside FERC's jurisdiction. But since taking up the gavel, Kelliher has used the hurricanes and firm mandates in the Energy Policy Act of 2005 as leverage to pursue a much broader agenda to strengthen gas and power infrastructure and reduce price volatility.

For instance, Kelliher pointed out in a recent interview, he has used the bully pulpit to tout various capacity market proposals, repeatedly state his preference for long-term gas and power contracts, push consumers to conserve energy, and urge states to take innovative approaches to increase efficiency.

"It's hard to structure an efficiency or demand-side management program that doesn't start off with the retail consumer," Kelliher said.

Much of his agenda to firm up infrastructure and rein in prices relies on maintaining a dialogue with the states. He sought to open that door in a speech at a recent meeting of the National Assn. of Regulatory Utility Commissioners in Palm Springs, Calif., where he tried to put to rest old tensions and promote a common policy direction. That is especially so with regard to promoting long-term supply deals.

"In some cases utilities would be comfortable buying [energy] under long-term contracts," he said. "But they don't want to be second-guessed by their regulator two years down the road, saying you shouldn't have signed this contract, you should have bought more on the spot market, or you should have signed a different type of contract."

"Theoretically, if a utility buys everything on a spot market, that's sensible from a utility's point of view. They want to avoid the regulatory risk," the chairman said. "But it's probably not sensible for their consumers [to bear] all the risk of price volatility for gas and power."

He insisted that state regulators "can protect the consumer from the volatility of gas prices while still limiting the regulatory risk on the utility if they were to set up a process to make it clear that those long-term purchase decisions won't be second-guessed."

The federal government's policy of increasing energy efficiency and better controlling gas demand also relies on states, Kelliher said, stressing that demand reduction is critical to surviving short-term supply crunches before more liquefied natural gas begins flowing.

Yet "we can't commandeer the machinery of state government," he stressed. "So we have to have a conversation. We can identify the problems."

The chairman said he also sees a need for long-term contracting in LNG import terminal development. Since arriving at FERC, Kelliher has sought to bolster and clarify its role in permitting LNG terminals.

## Platts seeks comments on price-point additions, deletions under consideration

Platts is seeking comments on the proposed addition of three pricing locations to the daily and monthly natural gas price surveys and the proposed discontinuance of two pricing locations in the daily gas survey. Please respond with your comments by Friday, Jan. 20 and email them to both [tom.castleman@platts.com](mailto:tom.castleman@platts.com) and [kelly.dolan@platts.com](mailto:kelly.dolan@platts.com).

For the three new points being considered—Transco, Cove Point (Pleasant Valley, Va.), Kern River, delivered, and El Paso, Ehrenberg—Platts requests that market participants that are not already reporting their transactions at those points please begin to do so as soon as possible. Including transactions for the three points in daily and monthly data submissions to Platts will help us determine if there is sufficient liquidity at those locations to add them to the daily and monthly biweekly surveys.

Pricing locations considered for addition in both the daily and monthly biweekly surveys are:

- Transco, Cove Point (Pleasant Valley, Va.)—Gas delivered from the Cove Point, Md., LNG terminal on Dominion Transmission's Cove Point lateral to Transcontinental Gas Pipe Line's Pleasant Valley meter in Fairfax County, Va.

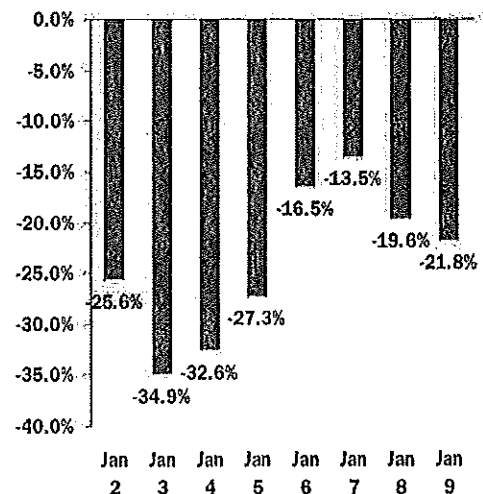
- Kern River, delivered—Gas delivered from Kern River Gas Transmission in the Las Vegas, Nev., market area.

- El Paso, Ehrenberg—Non-Southern California Gas supply on El Paso Natural Gas delivered at the El Paso Ehrenberg, Ariz., meter just east of the Southern California border for backhaul east on El Paso.

Pricing locations proposed to be discontinued in the daily survey only:

- Transwestern, Permian Basin
- Florida Gas, Mobile Bay

## Dominion'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.

Source: Dominion

He aggressively fought attempts in California to usurp federal jurisdiction in hopes of killing a project in Long Beach that, according to Kelliher, is in the nation's best interest. He ultimately won the jurisdictional dispute when Congress included a provision in EPACT that clarified FERC's role as the lead agency in setting and enforcing regulatory deadlines for LNG and pipeline projects (GD 8/1).

Since becoming chairman, Kelliher has become an even more vocal supporter of LNG imports, which he views as a key component of future U.S. gas supply. The commission has approved eight projects in recent years, three of which are under construction and tied to long-term contracts.

Yet despite his optimism about the future of the LNG market, Kelliher expressed concerns that existing U.S. terminals are being outbid by Europe and Asia for spot cargoes. Less than half of total U.S. terminal capacity was being utilized toward the end of last year, and the world market appeared to care little about the cries of U.S. policymakers worried about tight winter supplies.

LNG is among the most contentious issues for FERC, states and the general public because of concerns about its safety, Kelliher noted. It is also a complex issue for producers, importers and financiers trying to gauge the direction of a rapidly growing and very expensive industry.

Kelliher waved off a suggestion that the failure to attract badly needed LNG supply to U.S. shores in the past few months bodes poorly for efforts to sell the idea that more import capacity is needed. "I think if anything, it strengthens the message of why people need to enter into long-term contracts," he said.

Getting gas and electricity buyers and sellers to shift from short-term to long-term contracts to help boost infrastructure development is one of Kelliher's key outreach issues. "You hear it on both pipelines and LNG facilities," he said. "They're prepared to take risks, but they're not prepared to take unreasonable risks from their point of view."

As for gas quality and interchangeability issues related to LNG, Kelliher said he is not convinced that "it's a national problem that requires a national solution at this point." FERC, in his view, has been addressing the issue adequately by responding to individual complaints and not pursuing a broad, industry-wide policy.

Kelliher appeared disinclined to go along with the Natural Gas Supply Assn.'s call for national gas quality standards. "The NGSA petition starts with the premise that there is a national problem that lends itself to some kind of uniform approach. I think that would have to be demonstrated. If it's not a national problem, it isn't clear there's anything inadequate about the current approach."

As chairman, Kelliher also has taken steps to make sure FERC orders are issued more quickly. To that end, he changed the open meeting cycle to the third Thursday of each month and shunted simpler items, such as uncontested settlements approvals, into notational releases.

#### Gas Daily basis forwards assessments, Jan 3

	Feb 2006	Winter* 2005-06	Summer 2006	Winter 2006-07	Summer 2007
	Midpoint	Midpoint	Midpoint	Midpoint	Midpoint
Transco zone 6-N.Y.	292,500	223,625	70,500	240,000	65,000
Columbia Gas, Appalachia	32,500	33,625	38,375	41,000	34,000
Transco, zone 3	20,000	17,500	12,000	13,250	12,000
Chicago city-gate	-72,500	-69,250	-24,000	-24,000	-22,500
MichCon city-gate	-55,000	-51,250	5,500	-4,000	10,500
Panhandle, Tx.-Okla.	-208,000	-207,500	-104,000	-118,000	-98,000
Houston Ship Channel	-210,500	-208,000	-66,500	-120,000	-47,500
Waha	-209,000	-200,000	-115,000	-140,000	-86,000
Northwest Pipe, Rockies	-235,000	-237,500	-185,500	-195,000	-192,500
SoCal Gas	-177,500	-176,000	-101,000	-112,000	-79,000
El Paso, San Juan Basin	-232,000	-232,250	-160,500	-182,000	-159,000

Prices in cents/MMBtu. Summer season is April-October. Winter is November-March.  
\*Balance of the season.

#### NYMEX Henry Hub gas futures contract, Jan 3

	Settlement	High	Low	+/-	Volume
Feb 2005	10.626	11.000	10.600	-59.9	14171
Mar 2005	10.755	11.120	10.730	-60.4	7833
Apr 2005	10.160	10.330	10.170	-19.9	5814
May 2005	10.120	10.230	10.130	-16.9	3760
Jun 2005	10.160	10.250	10.160	-16.9	338
Jul 2005	10.212	10.300	10.220	-16.7	215
Aug 2005	10.257	10.360	10.260	-16.7	100
Sep 2005	10.270	10.340	10.250	-16.4	1686
Oct 2005	10.325	10.390	10.330	-16.4	1493
Nov 2005	10.850	10.950	10.600	-14.9	63
Dec 2005	11.365	11.450	10.310	-11.4	1640
Jan 2006	11.780	11.850	11.700	-9.9	2413
Feb 2006	11.780	11.820	11.650	-8.9	202
Mar 2006	11.550	11.590	11.450	-7.9	3383
Apr 2006	9.585	9.650	9.500	-7.4	1151
May 2006	9.365	9.440	9.280	-7.4	666
Jun 2006	9.410	9.490	9.410	-7.4	535
Jul 2006	9.450	9.480	9.480	-7.4	169
Aug 2006	9.495	9.495	9.495	-7.9	615
Sep 2006	9.500	9.500	9.500	-7.9	169
Oct 2006	9.555	9.600	9.580	-7.9	164
Nov 2006	10.080	10.080	10.080	-6.9	103
Dec 2006	10.605	10.630	10.630	-5.9	161
Jan 2007	10.990	10.990	10.990	-4.9	161
Feb 2007	10.980	10.960	10.960	-3.9	161
Mar 2007	10.745	10.745	10.745	-1.4	167
Apr 2007	8.775	8.780	8.780	-1.4	376
May 2007	8.555	8.555	8.555	-1.4	378
Jun 2007	8.590	8.590	8.590	-1.4	153
Jul 2007	8.630	8.630	8.630	-1.4	147
Aug 2007	8.665	8.665	8.665	-1.4	146
Sep 2007	8.665	8.665	8.665	-1.4	146
Oct 2007	8.705	8.705	8.705	-1.4	246
Nov 2007	9.210	9.210	9.210	-0.9	144
Dec 2007	9.715	8.630	8.630	-0.4	145
Jan 2008	10.135	10.135	10.135	+0.6	102

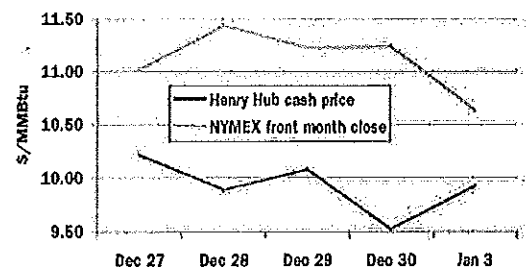
Contract data for Monday

Volume of contracts traded: 50,374

Front-months open interest:

FEB: 71,583; MAR: 72,724; APR: 34,269

#### Henry Hub/NYMEX spread



#### Platts oil prices, Jan 3

	(\$/b)	(\$/MMBtu)
Gulf Coast spot		
1% Resid	51.25-51.75	8.10
3% Resid	45.25-45.50	7.22
Crude spot		
WTI (Jan )	63.08-63.10	10.03
New York spot		
No. 2	74.30-74.51	12.77
0.3% Resid HP	54.00-54.50	8.63
0.3% Resid LP	56.75-57.00	9.05
0.7% Resid	50.75-51.25	8.11
1% Resid HP	48.75-49.25	7.70

The change, and the elimination of publicly available draft orders, have freed up the secretary's office to move final orders out faster, Kelliher said.

Technically, FERC could issue all orders notationally, he said, but the commission chooses to meet in publicly because "we think it's good to explain our policy in an open session."

JK/KF

## Analyst sees \$10 gas through 2007 ... from page 1

for an average of \$9.75/Mcf, up 8% from his previous call. For the fourth quarter, he expects prices to average \$10/Mcf, unchanged from his prior forecast.

Adkins also made his first price prediction for 2007, estimating that gas will sell for an average of \$10/Mcf for the full year.

"Given a healthy U.S. economy and growing electric generation demand, we anticipate steadily rising gas demand in 2007, with price as the sole mechanism to curtail excess demand," he said in a note to clients.

Adkins said his firm's current oil-to-gas price ratio assumption of 6.2-to-1 may prove too conservative and "should be closer to 5.5-to-1, reflecting the higher costs associated with consuming home heating oil equivalents, such as emissions credits."

Adkins acknowledged that his gas price forecasts for 2006 and 2007 are about 28% above consensus estimates, but he predicted that time will prove him right.

"For the third year in a row, our reputation for being overly bullish proved unfounded as almost all energy business metrics outperformed our 'aggressive' 2005 forecasts," he said. "The bottom line remains simple: The combination of falling domestic supply, a healthy U.S. economy and favorable fuel-switching ratios should eventually result in natural gas prices trading at or near Btu parity with petroleum liquids."

BH

## Georgia PSC certifies new firm to market gas to retail customers

The Georgia Public Service Commission on Tuesday approved the application of a new retail gas marketer, Gas South LLC, to serve customers in distributor Atlanta Gas Light's service territory. The PSC also transferred Southern Co. Gas' customer base to the newly certified firm.

Gas South is a wholly owned subsidiary of Marietta, Ga.-based Cobb Electric Membership Corp., the state's largest co-op serving more than 162,000 electric customers in Cobb, Cherokee, Paulding, Bartow and Fulton counties.

Over the summer, Southern Co. Gas agreed to sell the assets of its gas marketing operation to Cobb EMC for an undisclosed sum, after saying it had received unsolicited offers for the operation (GD 7/11). At the time, Southern Co. Gas had some 170,000 gas customers, or about 12.5% of those served by Atlanta Gas Light's distribution system.

Southern Co. Gas itself entered the retail market in 2002 by paying \$62 million for 210,000 customers and associated assets from bankrupt marketer NewPower Holdings (GD 6/13/02).

Two other EMCs in the state—Walton and Coweta-Fayette—are currently certified and selling gas to customers. With the latest entrant, there will be 10 companies actively selling gas in Georgia's retail market.

Gas South must honor all existing contracts between Southern Co. Gas and its customers, the commission noted.

SGS

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## Gas Daily

Tuesday, January 10, 2006

### Mild weather sends cash, NYMEX lower still

#### THE MARKET

The February NYMEX futures contract resumed its downward trek on Monday, shedding 27.2 cents to settle at \$9.36 as expectations for much warmer-than-normal weather continued to weigh on the market. Cash prices followed suit, with some points in the East falling nearly \$1.

"It's looking like the entire month of January is going to be warm," a NYMEX analyst said. "These continuing weather patterns are making it hard for the market to really rebound."

(continued on page 2)

### Analyst calls demand destruction 'exaggerated'

U.S. gas prices will remain around \$10/Mcf throughout 2006 given that "fears of demand destruction are greatly exaggerated," Bear Stearns energy analyst Ellen Hannan said Monday.

In her monthly report on the exploration-and-production industry, Hannan told clients that "the price of natural gas has not been high enough for long enough to begin to make a dent in total domestic demand."

As a result, "we are hard-pressed to see natural gas prices much below \$10/Mcf, seasonal and emotional volatility notwithstanding," she

(continued on page 6)

### Virginia lawmaker revives OCS drilling proposal

The Virginia Coal and Energy Commission will propose legislation later this month that endorses gas drilling off Virginia's Atlantic coast and finances a state methane hydrates research center.

A draft of the bill, which was obtained Monday by *Gas Daily*, is being circulated among Virginia legislators, a commission spokeswoman said. The bill is sponsored by State Sen. Frank Wagner, R-Virginia Beach.

Wagner last year persuaded the Virginia General Assembly to adopt a resolution that would allow the state to opt out of the national moratorium on offshore drilling. The resolution was vetoed by Gov. Mark

(continued on page 5)

### U.S. LNG importers facing tough global market

Regulators and lawmakers alike continue to question why U.S. liquefied natural gas import terminals have been operating so far below capacity even after Hurricanes Katrina and Rita knocked substantial gas volumes off the market.

According to industry officials and analysts, the answer is not easy to pin down.

In December, less than half the capacity of domestic terminals was utilized as competitors in more mature markets in Europe and Asia outpaced their North American counterparts with a willingness to pay

(continued on page 3)

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

NATIONAL AVERAGE PRICE: 8.280

Trans. date: 1/09  
Flow date(s): 1/10

Midpoint Absolute Common Volume Deals

#### Permian Basin Area

El Paso, Permian Basin	7.510	7.38-7.65	7.44-7.58	660	95
Waha	7.500	7.40-7.72	7.42-7.58	699	83
Transwestern, Permian Basin	7.320	7.17-7.37	7.27-7.37	5	3

#### East Texas-North Louisiana Area

Carthage Hub	7.645	7.60-7.70	7.62-7.67	92	11
NGPL, Texco zone	7.670	7.37-7.85	7.55-7.79	769	109
Texas Eastern, ETX	7.680	7.45-7.95	7.55-7.81	29	6
Texas Gas, zone 1	8.430	8.35-8.65	8.38-8.48	185	28

#### East-Houston-Katy

Houston Ship Channel	7.585	7.40-7.70	7.51-7.66	219	26
Katy	7.570	7.50-7.68	7.53-7.61	250	30

#### South-Corpus Christi

Agua Dulce Hub	7.660	7.60-7.75	7.62-7.70	180	11
NGPL, STX	7.595	7.50-7.64	7.56-7.63	296	38
Tennessee, zone 0	7.635	7.40-7.75	7.55-7.72	170	24
Texas Eastern, STX	7.610	7.50-7.70	7.56-7.66	73	18
Transco, zone 1	7.430	7.32-7.54	7.37-7.49	83	13

#### Louisiana-Onshore South

ANR, La.	8.410	8.35-8.50	8.37-8.45	296	62
Columbia Gulf, La.	8.725	8.55-8.90	8.64-8.81	90	18
Columbia Gulf, mainline	8.760	8.50-8.90	8.66-8.86	64	16
Florida Gas, zone 1	8.715	8.50-8.89	8.62-8.81	48	4
Florida Gas, zone 2	8.710	8.60-8.80	8.66-8.76	70	7
Florida Gas, zone 3	8.895	8.65-9.28	8.71-9.08	232	31
Henry Hub	8.795	8.60-9.10	8.67-8.92	499	87
NGPL, La.	7.550	7.55-7.55	7.55-7.55	6	2
Southern Natural, La.	8.800	8.60-9.00	8.70-8.90	181	26
Tennessee, La., 500 Leg	8.625	8.54-8.75	8.57-8.68	235	50
Tennessee, La., 800 Leg	8.410	8.32-8.50	8.36-8.46	223	44
Texas Eastern, WLA	8.255	8.18-8.46	8.18-8.33	94	22
Texas Eastern, ELA	8.530	8.30-8.70	8.43-8.63	366	56
Texas Gas, zone SL	8.475	8.40-8.53	8.44-8.51	103	23
Transco, zone 2	8.520	8.45-8.60	8.48-8.56	115	30
Transco, zone 3	8.735	8.55-8.90	8.65-8.82	376	75
Trunkline, WLA	8.600	8.60-8.60	8.60-8.60	10	1
Trunkline, ELA	8.650	8.51-8.82	8.57-8.73	54	14

#### Oklahoma

ANR, Okla.	7.525	7.52-7.55	7.52-7.53	8	4
CenterPoint, East	7.630	7.51-7.70	7.58-7.68	65	24
NGPL, Midcontinent	7.510	7.40-7.62	7.45-7.57	225	40
Oneok, Okla.	7.395	7.20-7.60	7.32-7.47	20	5
Panhandle, Tx-Okla.	7.570	7.42-7.79	7.48-7.66	237	45
Southern Star, Tx-Okla.-Kan.	7.525	7.49-7.62	7.49-7.56	22	4

#### New Mexico-San Juan Basin

El Paso, Boudad	7.405	7.30-7.51	7.35-7.46	70	15
El Paso, San Juan Basin	7.470	7.38-7.55	7.43-7.51	246	44

## Weather sends cash, NYMEX lower ... from page 1

After starting the day at \$9.38, the February contract spent the entire session below its Friday settlement, moving between a low of \$9.15 and a high of \$9.42. Yet with the market becoming oversold from a technical standpoint, and with little fresh fundamental news circulating on the floor, one broker said the contract might bolt higher on even the hint of a cold snap.

"The market has been declining so consistently without any reprieve. That has burdened many people's minds with the possibility that there could be a really significant snap-back," he said.

Additionally, the contract has slowed its descent since topping out last month at a record \$15.378 front-month settlement high, which may signify that it has neared a bottom, he said.

In the Northeast spot market, prices slid nearly 80 cents from their pre-weekend levels as unseasonable warmth quashed demand. "We are looking at record-high temperatures through the week, and we probably won't see it warmer than this," one eastern Canadian trader said, citing daytime highs in the 50s and 60s across the region Monday.

Transcontinental Gas Pipe Line zone 6-New York fell nearly 80 cents to average in the mid- to upper \$9.20s, while reduced flows out of Appalachia ushered in a loss of more than 50 cents on Columbia Gas Transmission and 65 cents at Dominion Transmission.

### Florida deemed a 'complete buyer's market'

Spot prices fell as much as 95 cents across Florida as a cold front that brought sub-freezing temperatures over the weekend gave way to more seasonal weather. One Florida trader characterized the session as a "complete buyer's market."

Elsewhere along the Gulf Coast, prices slid between 35 cents and 45 cents amid light volumes, with Henry Hub cash averaging in the low \$8.80s. In Texas, Houston Ship Channel prices held up relatively well, declining about 35 cents from Friday.

Upper Midwest prices picked up where they left off before the weekend, falling between 15 cents and more than 40 cents. Michigan markets were particularly hard-hit after AccuWeather called for sunshine and highs in the low to mid-40s today.

Spot prices across the Midcontinent took a sharp turn to the downside, losing 15 cents to nearly a quarter as regional forecasts called for highs in the upper 40s and lower 50s across most of the region today. "There was just no demand out there, and that, in combination with the falling NYMEX, meant cash had no support," a trader said.

As it did Friday, CenterPoint's East zone led the Midcontinent's losses Monday, sliding nearly 25 cents to average in the high \$7.50s. Meanwhile, Panhandle Eastern Pipe Line slid nearly 20 cents to settle nearly flat with CenterPoint.

With weak fundamentals dictating the market, spot prices at several Southwest points moved lower while some others were virtually unchanged from Friday. Temperatures in portions of California and Arizona are expected to soar into the mid-70s as the week progresses, which capped demand, sources said.

The market was "lackluster" according to a California trader. "There's no demand, no operational flow orders." In addition, regional spreads "weren't super great" and bid-offer ranges were tight.

Spot prices at the Pacific Gas and Electric city-gate were down nearly 20 cents, while Southern California Gas maintained Friday's levels. Spreads from SoCal Gas to the San Juan and Permian producing basins

## Daily price survey (\$/MMBtu)

Trans. date: 1/09  
Flow date(s): 1/10

	Midpoint	Absolute	Common	Volume	Deals
<b>Rockies</b>					
CIG, Rocky Mountains	7.515	7.43-7.60	7.47-7.56	29	6
Kern River, Opal plant	7.565	7.42-7.68	7.50-7.63	205	33
Stanfield, Ore.	7.775	7.73-7.85	7.74-7.81	119	14
Questar, Rocky Mountains	7.280	7.20-7.30	7.23-7.29	21	3
Cheyenne Hub	7.555	7.42-7.60	7.51-7.60	39	9
Northwest, Wyo. Pool	7.505	7.35-7.60	7.44-7.57	33	8
Northwest, s. of Green River	7.245	7.20-7.30	7.22-7.27	82	17

<b>Canadian Gas</b>					
Iroquois, receipts	9.235	8.98-9.30	9.15-9.30	384	43
Niagara	9.030	8.98-9.13	8.99-9.07	89	14
Northwest, Can. bdr. (Sumas)	7.795	7.74-7.90	7.76-7.84	422	47
TCPL Alberta, AECO C*	8.320	8.27-8.39	8.29-8.35	983	80
Emerson, Viking GL	8.170	8.14-8.20	8.15-8.19	162	12
Dawn, Ontario	8.820	8.75-8.97	8.76-8.88	544	49
GTN, Kingsgate	7.810	7.81-7.81	7.81-7.81	1	1
Westcoast, station 2*	8.785	8.73-7.94	8.78-7.91	85	17

<b>Appalachia</b>					
Dominion, North Point	—	—	—	—	0
Dominion, South Point	8.740	8.68-9.20	8.68-8.87	225	34
Ledy Hub	—	—	—	—	0
Columbia Gas, Appalachia	9.015	8.75-9.35	8.86-9.17	467	82

<b>Mississippi-Alabama</b>					
Florida Gas, Mobile Bay	—	—	—	—	0
Texas Eastern, M-1 (Kosi)	8.570	8.45-8.68	8.51-8.83	43	12
Transco, zone 4	8.800	8.60-9.00	8.67-8.93	84	22

<b>Others</b>					
Algonquin, receipts	9.415	9.37-9.50	9.38-9.45	57	9
SoCal Gas	7.855	7.75-7.98	7.80-7.91	869	83
PG&E, South	7.825	7.80-7.87	7.81-7.84	224	24
PG&E, Malin	7.840	7.76-7.90	7.80-7.88	238	31
Alliance, Infil Interstates	8.580	8.50-8.70	8.53-8.63	282	32
ANR, ML 7	8.740	8.68-8.76	8.72-8.76	7	2
NGPL, Amarillo receipts	7.705	7.60-7.80	7.65-7.76	41	7
Northern, Ventura	7.990	7.90-8.05	7.95-8.03	139	15
Northern, demarc	7.905	7.85-8.05	7.85-7.96	211	34
Dracut, Mass.	9.375	9.30-9.40	9.35-9.40	26	4

<b>Citygates</b>					
Chicago city-gates	8.560	8.25-8.90	8.40-8.72	1148	153
Consumers Energy city-gate	8.730	8.60-8.87	8.66-8.80	229	37
Mich Con city-gate	8.720	8.65-8.92	8.65-8.79	444	62
PG&E city-gate	8.185	8.15-8.25	8.16-8.21	620	68
Florida city-gates	9.550	9.55-9.55	9.55-9.55	15	2
Algonquin, city-gates	9.425	9.35-9.50	9.39-9.46	169	27
Tennessee, zone 6 delivered	9.375	9.35-9.48	9.35-9.40	183	24
Iroquois, zone 2	9.420	9.30-9.67	9.35-9.49	225	36
Texas Eastern, M3	9.335	9.20-9.65	9.22-9.45	219	52
Transco, zone 5 delivered	9.095	9.00-9.15	9.06-9.13	17	4
Transco, zone 6 non-N.Y.	9.280	9.12-9.40	9.21-9.35	191	43
Transco, zone 6 N.Y.	9.290	9.17-9.43	9.22-9.36	294	71

\*NOTE: Price in C\$ per g; C\$1=US\$0.8553  
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/NaturalGas/Resources/Methodology&Specifications/](http://www.platts.com/NaturalGas/Resources/Methodology&Specifications/). Questions may also be directed to our market editors: Tom Castleman, (713) 658-3263; tom.castleman@platts.com and Lane Kueher, (202) 383-2147; lane.kueher@platts.com.

also were nearly unchanged.

Activity in the Rocky Mountain region was as mild as the region's temperatures, and most points shed between a dime and 25 cents. Kern River Gas Transmission at Opal, Wyo., bucked the trend to climb about a nickel, but with temperatures in Denver still above seasonal norms, Colorado Interstate Gas lost about a nickel on the day.

In a market characterized as calm and quiet, Pacific Northwest prices dropped between 15 cents and 30 cents. Ranges were reportedly tight, as one trader described the high/low spread at Sumas, Wash., at only 8 cents.

In Canada, prices at Westcoast Energy's station 2 traded within about a 15-cent range before falling about a quarter from Friday. —Market Staff Reports

## Questar Gas allowed to recover processing costs

After a protracted legal and regulatory battle, the Utah Public Service Commission has approved a settlement allowing Questar Gas to recover safety-related gas processing costs incurred after Feb. 1, 2005.

As a result of the order, Salt Lake City-based Questar Gas' customers will pay an additional 50 cents/month over the next three years, the company said Monday.

The PSC's action followed a stipulated agreement between Questar Gas, the Utah Division of Public Utilities and the Utah Committee of Consumer Services. "We've acted in good faith to protect our customers," Questar Gas President and CEO Alan Allred said. "These costs are legitimate and have benefited customers. Independent experts retained by both the division and committee agree with our approach."

Since 1999, Questar Gas has contracted with an affiliate to process coalbed methane at a plant near Price, Utah. The firm said the processing was necessary to ensure the gas it delivered to customers was compatible with their appliances and did not create a safety hazard.

In August 2003, the Utah Supreme Court reversed a PSC order allowing Questar Gas to collect \$25 million over the previous five years to pay for the processing, saying the commission erred by basing its decision strictly on safety concerns.

A year later, the PSC ordered Questar Gas to refund, with interest, all of the money it had collected to that point—about \$25 million (GD 8/31/04). In a statement Monday, the PSC stressed that its order does not negate those refunds and that customers won't bear any of the processing costs incurred before February 2005.

The PSC said it, along with the state Committee of Consumer Services, concluded that customer safety would be jeopardized without action by Questar Gas to manage the heat content in the gas stream; CBM generally has a lower heat content than conventional gas.

Evidence presented in the long-running case showed that Questar Gas is using more CBM than ever before, the PSC said, adding that CBM has proven to be an economical supply source that has saved Utah ratepayers millions of dollars.

Questar Gas customers "have benefited from the shipment of coalbed methane ... that has become an important component of Questar Gas' gas supplies," the commission said. "Since 2002, coalbed methane has accounted for a significant portion (up to 40%) of the company's annual gas supply purchases, compared to less than 5% only a few years earlier." RAW

## LNG importers face tough market ... from page 1

above the standard Henry Hub spot price, according to analysts. They stressed that the United States is still a bit player in the global LNG market and that losing out on price is to be expected when demand far exceeds supply.

But in Washington, D.C., a lack of knowledge about how U.S. importers interact with the spot market has added to confusion about what economic conditions are driving the current LNG market—and what the future holds.

## platts LNG Daily

covering the growing global market  
for liquefied natural gas

■ Regulatory battles on the local and federal levels for the building of new terminals in the United States, considered vital for the development of many LNG projects

■ Contractual and pricing issues around the globe, but with an emphasis on existing Asian trade

■ The many plans to turn stranded natural gas into LNG, from the Caribbean to the Middle East to the Russian Far East

■ Important developments in the market for competing fuels

■ The views of significant industry leaders

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October was the first month that the Dept. of Energy's Office of Fossil Energy began collecting data on spot LNG deliveries. The office has traditionally collected data on LNG shipments entering the country under long-term and short-term contracts—the latter defined as arrangements of two years or less.

Concerns about the underutilization of domestic terminals prompted a series of questions from FERC Commissioner Suedeen Kelly at the commission's late-December meeting and has attracted similar inquiries in open sessions from FERC Chairman Joseph Kelliher and Sen. Pete Domenici, R-N.M., chairman of the Senate Energy and Natural Resources Committee.

Jeff Wright of FERC's Office of Energy Projects told commissioners last month that declining LNG deliveries to U.S. ports stem more from conditions on the spot market rather than changes in long-term contract portfolios. BG LNG, for example, holds various contracts at terminals in the Atlantic Basin and "they are willing to swing their deliveries to wherever they can get the highest price," he said.

Wright's view is pretty much on the mark, according to several officials and analysts contacted last week by *Gas Daily*. Still, they said the model for an efficient LNG spot import/export business is still forming.

Giant companies such as BG and Shell operate with global portfolios of production and marketing assets, giving them greater flexibility and providing the stimulus for a shorter-term market for the foreseeable future. Meanwhile, investors in Middle East and African LNG are sinking billions of dollars into liquefaction.

At the same time, the U.K., Spain and Italy are all investing in more terminal capacity—which suggests that the U.S./Europe spot market will be highly competitive—and U.S. terminals will continue to be built and expanded to provide spare capacity to accommodate a flexible short-term global market once more liquefaction comes on-line.

### U.S. terminals 'operating below expectations'

Until new U.S. terminals backed by long-term contracts start operating in 2008 and 2010, BG, Distrigas and Shell will buy off the spot market for delivery to the Lake Charles, La., Everett, Mass., and Cove Point, Md., terminals, analysts predicted. But regardless of long-term contracts that tie up terminal capacity, the spot market appears to be developing into a permanent part of the global market in which the United States will participate, they said.

In the meantime, U.S. terminals "are definitely operating below expectations," said Gordon Shearer, president of Hess LNG, which has proposed the Weaver's Cove LNG terminal in Fall River, Mass. "But that's because everything isn't lined up. You can expand throughput much faster than you can bring on upstream to satisfy those requirements."

"In the old days, there was always slack in the system," Shearer added. "Now, the slightest disruption is magnified on the spot market."

Julie Vitek, a spokeswoman for Suez LNG, which ships supplies to U.S. LNG terminals, said the decision to buy spot cargoes is largely a question of economics and scheduling.

Importers and terminal operators face increasingly complex decisions about whether they can offer a price that clears the market rate and whether a terminal has the room for a large volume shipment. "To bring additional cargo in on short notice, it requires more adjustments," Vitek explained.

Lake Charles is a more liquid market, she said, explaining that there are no firm customers there. "If BG diverts [cargo], and they've made a commitment, they can probably go out and get more gas." In Boston, that's less likely because "we're at the end of the pipeline."

U.S. terminals are expanding ahead of supply to accommodate the floating supplies and pressure to use differentials to the U.S. advantage on the future spot market. Lake Charles, Cove Point and Elba Island, Ga., are looking to expand. And rather than contract for 100% of capacity, some newer projects plan to set

### Platts seeks comments on price-point additions, deletions under consideration

Platts is seeking comments on the proposed addition of three pricing locations to the daily and monthly natural gas price surveys and the proposed discontinuance of two pricing locations in the daily gas survey. Please respond with your comments by Friday, Jan. 20 and email them to both tom.castleman@platts.com and kelley.doolan@platts.com.

For the three new points being considered—Transco, Cove Point (Pleasant Valley, Va.), Kern River, delivered, and El Paso, Ehrenberg—Platts requests that market participants that are not already reporting their transactions at those points please begin to do so as soon as possible. Including transactions for the three points in daily and monthly data submittals to Platts will help us determine if there is sufficient liquidity at those locations to add them to the daily and monthly biweekly surveys.

Pricing locations considered for addition in both the daily and monthly biweekly surveys are:

- Transco, Cove Point (Pleasant Valley, Va.)—Gas delivered from the Cove Point, Md., LNG terminal on Dominion Transmission's Cove Point lateral to Transcontinental Gas Pipe Line's Pleasant Valley meter in Fairfax County, Va.

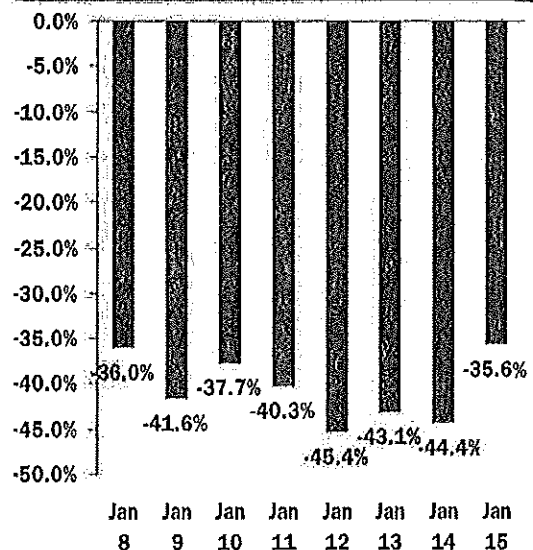
- Kern River, delivered—Gas delivered from Kern River Gas Transmission in the Las Vegas, Nev., market area.

- El Paso, Ehrenberg—Non-Southern California Gas supply on El Paso Natural Gas delivered at the El Paso Ehrenberg, Ariz., meter just east of the Southern California border.

Pricing locations proposed to be discontinued in the daily survey only:

- Transwestern, Permian Basin
- Florida Gas, Mobile Bay

### Dominion'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.

Source: Dominion

aside capacity for short-term cargoes.

"In a world in which companies really want to arbitrage, you really need spare capacity," said Jim Jensen, a Massachusetts-based global LNG analyst. "It's price, price, price. Basis differentials are running the show."

The LNG market is reconfiguring itself, with prices linked to the gas price indexes rather than oil benchmarks, Jensen said. The risk has migrated upstream so that big players in the global LNG industry are "self-contracting" and marketing LNG and its regasified version themselves.

"In that sense, it's not spot. It's not a traditional contract, but it is not as flexible as a pure spot market," Jensen said.

Bill Cooper, director of the Washington-based Center for LNG, also said price is the key. "What will eventually make the U.S. competitive is the ultimate price of the product. We become more competitive because our pricing model will become closer to the global market."

With U.S. importers increasingly eager to compete in the global LNG market, the Gulf Coast will continue to be a focal point for spot cargoes. "We'll be lucky to have 60% under contract in the Gulf," Shearer said. "We don't have a choice. We'll have to compete on the global market. The one thing we know in the U.S. is that it's liquid." JK

## Va. lawmakers revives OCS drilling plan ... from page 1

Warner, a Democrat (GD 3/30). Warner leaves office Saturday and will be succeeded by his Democratic lieutenant governor, Tim Kaine.

According to the draft, the bill would require that state policymakers "ensure the availability of affordable natural gas throughout the commonwealth by expanding Virginia's natural gas distribution and transmission infrastructure, developing coalbed methane and offshore gas resources, including methane hydrate resources, and siting one or more liquefied natural gas terminals."

The legislation calls on the Virginia Liaison Office to work with members of the state's congressional delegation to enact federal legislation that would exempt Virginia from the 23-year-old ban on drilling along the Outer Continental Shelf, which expires in 2012.

The bill calls for the surveying, exploration, development or production of potential gas reserves off the state's shores that are under federal jurisdiction but would not permit any drilling in the Chesapeake Bay.

The measure also would create an offshore energy revenue fund into which all license fees, lease payments and royalties paid by the federal government would be deposited. About 20% of that fund would be used to promote renewable electric energy and finance the Virginia Methane Hydrates Research Center.

### Gas Daily basis forwards assessments, Jan 9

	Feb 2006	Winter* 2005-06	Summer 2006	Winter 2006-07	Summer 2007
	Midpoint	Midpoint	Midpoint	Midpoint	Midpoint
Transco zone 6-N.Y.	285.500	201.500	66.500	239.000	60.500
Columbia Gas, Appalachia	29.625	29.875	34.250	41.000	32.000
Transco, zone 3	14.750	14.875	10.500	12.000	12.000
Chicago city-gates	-41.500	-40.250	-29.000	-30.000	-26.000
MichCon city-gate	-22.000	-20.750	0.000	-12.000	8.000
Panhandle, Tx.-Okla.	-157.000	-157.750	-105.500	-130.000	-102.000
Houston Ship Channel	-158.000	-159.000	-77.000	-130.000	-51.500
Waha	-171.500	-170.750	-113.500	-152.500	-94.500
Northwest Pipe, Rockies	-182.500	-184.000	-171.000	-202.500	-198.500
SoCal Gas	-130.500	-132.500	-104.000	-115.000	-84.000
El Paso, San Juan Basin	-180.000	-181.250	-160.500	-173.000	-162.500

Prices in cents/MMBtu. Summer season is April-October. Winter is November-March.  
\*Balance of the season.

### NYMEX Henry Hub gas futures contract, Jan 9

	Settlement	High	Low	+/-	Volume
Feb 2006	9.360	9.420	9.150	-27.2	17735
Mar 2006	9.490	9.530	9.280	-25.2	14129
Apr 2006	9.290	9.300	9.140	-11.2	9791
May 2006	9.305	9.290	9.160	-8.7	5405
Jun 2006	9.360	9.350	9.225	-8.2	634
Jul 2006	9.425	9.410	9.260	-7.7	430
Aug 2006	9.480	9.450	9.350	-7.2	1988
Sep 2006	9.500	9.450	9.350	-7.2	1143
Oct 2006	9.560	9.500	9.430	-7.2	1766
Nov 2006	10.195	10.130	10.070	-5.2	1228
Dec 2006	10.805	10.750	10.680	-3.7	1626
Jan 2007	11.245	11.170	11.120	-3.7	2837
Feb 2007	11.265	11.190	11.120	-3.7	228
Mar 2007	11.085	10.980	10.920	-1.7	1069
Apr 2007	9.245	9.110	9.110	+3.3	595
May 2007	9.040	8.950	8.950	+3.8	249
Jun 2007	9.090	8.940	8.940	+3.8	137
Jul 2007	9.140	9.080	9.080	+3.8	10
Aug 2007	9.200	9.100	9.100	+4.3	8
Sep 2007	9.205	9.205	9.205	+4.8	5
Oct 2007	9.260	9.260	9.260	+4.8	134
Nov 2007	9.825	9.825	9.825	+5.8	56
Dec 2007	10.390	10.390	10.390	+6.8	16
Jan 2008	10.820	10.740	10.700	+7.8	16
Feb 2008	10.815	10.815	10.815	+8.8	5
Mar 2008	10.635	10.635	10.635	+9.3	19
Apr 2008	8.775	8.775	8.775	+11.3	6
May 2008	8.685	8.685	8.685	+11.3	49
Jun 2008	8.630	8.630	8.630	+11.3	5
Jul 2008	8.680	8.560	8.560	+11.3	35
Aug 2008	8.720	8.720	8.720	+11.3	2
Sep 2008	8.725	8.725	8.725	+11.3	2
Oct 2008	8.775	8.700	8.700	+11.3	32
Nov 2008	9.330	9.330	9.330	+12.8	2
Dec 2008	9.885	8.560	8.560	+14.3	202
Jan 2009	10.325	10.325	10.325	+14.3	0

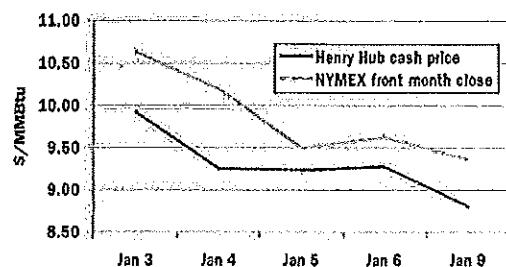
#### Contract data for Friday

Volume of contracts traded: 61,889

Front-months open interest:

FEB: 73,176 ; MAR: 74,778 ; APR: 33,787

### Henry Hub/NYMEX spread



### Platts oil prices, Jan 9

	(\$/b)	(\$/MMBtu)
Gulf Coast spot		
1% Resid	48.50-49.00	7.75
3% Resid	43.40-43.65	6.92
Crude spot		
WTI (Jan.)	63.33-63.35	10.07
New York spot		
No.2	72.87-72.98	12.52
0.3% Resid HP	53.25-53.50	8.49
0.3% Resid LP	56.00-56.25	8.93
0.7% Resid	49.50-49.75	7.89
1% Resid HP	46.50-47.00	7.44

The state Division of Energy would be mandated to develop a comprehensive plan by Jan. 1, 2007. It would include, among other things, an analysis of siting requirements for gas transmission and distribution systems as well as power generation facilities.

The bill also would require the State Corporation Commission to compile a list of sites for a nuclear power plant, a wind farm and an LNG terminal. A final version of the legislation is expected to be prepared by Jan. 17 and introduced shortly thereafter to the General Assembly.

Wagner told *Gas Daily* on Monday that he expects the bill to undergo changes as it moves through the legislative process but said he believes there is a substantial constituency for boosting energy development.

He said he represents the most tourist-dependent part of Virginia but has been surprised at the local support for OCS drilling and other measures to help reduce energy costs.

RAW

## Analyst calls demand loss 'exaggerated' ... from page 1

said, adding that gas values will continue to be bolstered by crude oil prices that will hover around \$60/barrel.

Overall, Hannan expects gas consumption to be flat in 2006, with any price-induced destruction of industrial demand to be offset surging usage by the power generation sector.

With the end of hurricane season, Hannan estimates "that all of the 'lost' demand was offset by an increase in consumption of gas" by electric utilities—demand she sees growing regardless of weather.

Hannan said she expects industrial gas usage to fall by 7.1% to 6.8 Tcf this year, while power generation demand will rise 9.3% to 5.85 Tcf—putting overall demand just 0.5% lower than 2005 at 22.25 Tcf, or 60.8 Bcf/day.

"We believe utility demand for natural gas may be less switchable than is generally perceived due to the impractical nature of carrying an alternative inventory of diesel product," Hannan said. "In addition, the delivered price of natural gas has traded within the range of No. 2 fuel oil and No. 6 fuel oil, thus negating the economic incentive for switching."

Hannan estimated that U.S. gas production declined by 3.6% in 2005 but will rise 1.2% in 2006, to 18.2 Tcf, with Canadian gas and liquefied natural gas imports balancing the market out for a total consumption of 22.27 Tcf this year.

Meanwhile, noting that both her 2004 and 2005 gas price forecasts ended up too low by one-third, Hannan said Monday that \$8.90/Mcf is the new "price deck" she will use to forecast the finances and returns of the companies she covers.

BH

## FERC to prepare impact statement for Rockies Express pipeline project

FERC will prepare an environmental impact statement for the western section of the proposed 1,300-mile Rockies Express pipeline project to ship gas from Wyoming to Ohio, the commission said Friday.

The project sponsors, Kinder Morgan Energy Partners and Semptra Pipelines & Storage, envision the western phase to include construction of about 710 miles of 42-inch-diameter pipeline and facilities in Colorado, Wyoming, Nebraska, Kansas and Missouri. The pipe would begin at the Cheyenne Hub in Weld County, Colo., and the Panhandle Eastern Pipe Line system in Audrain County, Mo. (GD 11/10).

FERC's announcement kick-starts the regulatory assessment of one of the largest U.S. gas pipeline projects in decades; the developers intend to build the pipe in three different phases that would require separate FERC certificates.

Friday's notice said FERC staff already has started meeting with the project sponsors, stakeholders and other regulatory agencies, and that nine scoping meetings are scheduled for Jan. 23-27 along the route.

In November, FERC also granted sponsors the go-ahead to begin the pre-filing process, which requires developers to address state and local environmental issues prior to filing a formal certificate application.

According to FERC, the sponsors estimate that the western phase would include five new compressor stations with 116,500 horsepower of compression, 42 mainline valves and 12 interconnections.

JK

## FERC sets Feb. 2 meeting on EPACT Implementation

FERC on Monday said it will conduct a public meeting on Feb. 2 regarding its implementation of the Energy Policy Act of 2005.

The commission is engaged in several proceedings arising from the five-month-old law, including those on reliability mandates, transmission incentives, market-based rates for gas storage and a broad ban on market manipulation.

"We are committed to meeting all of our EPACT implementation obligations on time, and this special meeting will help us assure that outcome," Chairman Joseph Kelliher said in a statement.

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## Gas Daily

Tuesday, January 31, 2006

### Buying spree sends NYMEX contract surging 12%

**THE MARKET** Aggressive short-covering sent the March NYMEX futures contract soaring 88.2 cents on Monday—its first day in the prompt-month position—to settle 12% higher than Friday at \$9.389/MMBtu.

Some traders attributed the rally to new National Weather Service forecasts calling for below-normal temperatures across much of the country during the second week of February. But others disagreed, citing bullish technical indicators as the primary market driver.

(continued on page 2)

### ExxonMobil turns record profit; gas output drops

ExxonMobil on Monday reported the highest quarterly profit ever posted by a U.S. company—\$10.71 billion for the three months ending Dec. 31—as sharply higher gas and oil prices helped boost earnings 27% over the same period of 2004. For the full year, the company reported record earnings of \$36.13 billion, a 42% increase.

Irving, Texas-based ExxonMobil, which has come under fire over the past year for turning such hefty profits while heating bills and gasoline prices soar, was quick to note that it has reinvested billions of dollars into exploration and production.

(continued on page 6)

### For new OMOI director, 'compliance' is job one

With a mandate from Congress to step up its market-monitoring efforts, the new director of FERC's Office of Market Oversight and Investigations is focused on beefing up her staff of skilled compliance officers.

FERC has "articulated its preference for compliance with the rules and not punishment for violations," Susan Court said in an interview with *Gas Daily*. "So that is going to be our focus—to make sure that companies are in compliance."

In pursuit of that goal, OMOI is "defining the capabilities that we believe we need to comply with and enforce the authority that Congress

(continued on page 5)

### Industry bristles at proposed gas processing tax

Louisiana Public Service Commissioner Foster Campbell wants lawmakers to levy a 4% tax on all gas and oil processed in the state, a proposal he said would generate \$4.8 billion in annual revenues.

Campbell, who has launched a radio ad campaign promoting the idea, argued that major producers are making record profits while avoiding taxes on gas and oil they import into Louisiana from offshore and from abroad.

The revenue derived from his proposed tax could "rebuild our coastline and levees and take the state income tax off the people," Campbell maintained. He urged state residents to ask Gov. Kathleen Blanco to

(continued on page 4)

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

NATIONAL AVERAGE PRICE: 7.860

Trans. date: 1/30  
Flow date(s): 1/31

Midpoint Absolute Common Volume Deals

#### Permian Basin Area

El Paso, Permian Basin	7.170	7.00-7.25	7.11-7.23	748	107
Waha	7.165	6.96-7.26	7.09-7.24	491	70
Transwestern, Permian Basin	7.010	6.80-7.10	6.93-7.09	7	3

#### East Texas-North Louisiana Area

Carthage Hub	7.620	7.48-7.70	7.56-7.68	91	14
NGPL, Texok zone	7.405	7.30-7.49	7.36-7.45	866	90
Texas Eastern, ETX	7.310	7.30-7.40	7.30-7.34	41	5
Texas Gas, zone 1	8.060	8.00-8.25	8.00-8.12	96	14

#### East-Houston-Katy

Houston Ship Channel	7.425	7.33-7.65	7.34-7.51	186	20
Katy	7.470	7.40-7.60	7.42-7.52	405	41

#### South-Corpus Christi

Agua Dulce Hub	7.520	7.30-7.75	7.41-7.63	247	14
NGPL, STX	7.365	7.31-7.41	7.34-7.39	112	20
Tennessee, zone 0	7.565	7.40-7.75	7.48-7.65	287	27
Texas Eastern, STX	7.195	7.16-7.25	7.17-7.22	37	9
Transco, zone 1	7.370	7.31-7.44	7.34-7.40	88	14

#### Louisiana-Onshore South

ANR, La.	8.020	7.97-8.12	7.98-8.06	118	27
Columbia Gulf, La.	8.335	8.22-8.53	8.26-8.41	316	56
Columbia Gulf, mainline	8.445	8.29-8.60	8.39-8.50	49	10
Florida Gas, zone 1	8.230	8.20-8.25	8.22-8.24	10	4
Florida Gas, zone 2	8.120	8.00-8.23	8.06-8.18	47	7
Florida Gas, zone 3	8.245	8.15-8.38	8.19-8.30	105	20
Henry Hub	8.345	8.26-8.56	8.27-8.42	558	89
NGPL, La.	7.480	7.48-7.48	7.48-7.48	5	2
Southern Natural, La.	8.325	8.24-8.65	8.25-8.40	148	22
Tennessee, La., 500 Lpg.	8.145	7.88-8.20	8.06-8.20	121	33
Tennessee, La., 800 Lpg.	8.000	7.90-8.11	7.95-8.05	230	47
Texas Eastern, WLA	7.950	7.91-7.99	7.93-7.97	72	21
Texas Eastern, ELA	8.155	8.09-8.20	8.13-8.18	459	58
Texas Gas, zone SL	8.120	8.10-8.24	8.10-8.16	224	37
Transco, zone 2	8.260	8.22-8.35	8.23-8.29	89	19
Transco, zone 3	8.360	8.25-8.45	8.31-8.41	375	65
Trunkline, WLA	8.165	8.13-8.18	8.14-8.17	2	2
Trunkline, ELA	8.105	8.04-8.18	8.07-8.14	28	9

#### Oklahoma

ANR, Okla.	7.075	7.00-7.10	7.05-7.10	9	3
CenterPoint, East	7.440	7.34-7.55	7.39-7.49	85	27
NGPL, Midcontinent	7.135	7.01-7.28	7.07-7.20	131	18
Oneok, Okla.	7.065	7.05-7.08	7.06-7.07	26	5
Panhandle, Tx-Okla.	7.090	7.00-7.22	7.03-7.15	141	27
Southern Star, Tx-Okla.-Kan.	7.270	7.05-7.30	7.21-7.30	22	4

#### New Mexico-San Juan Basin

El Paso, Bonadad	7.045	6.98-7.15	7.00-7.09	65	8
El Paso, San Juan Basin	7.100	6.95-7.18	7.04-7.16	290	52

## NYMEX contract leaps 88.2 cents ... from page 1

"We don't have any cold weather in the near term, and we're not going to run through our massive storage inventories," an analyst said. "We've just got a lot of shorts in the market looking to ring in at the cash register."

After starting the day at \$8.73, the March contract dropped to a low of \$8.66 before lunging higher late in the session to a peak of \$9.42.

The analyst cited additional buy stops above \$9.60, which he pegged as light resistance. If the contract breaks through that level, he said it could keep climbing past \$10 or even \$11, which "would still only represent an upward correction" given the futures market's free fall from its mid-December peak above \$15.

In the cash market, prices rose between a dime and 40 cents depending largely on localized weather conditions.

Lower temperatures forecast for the Midcontinent next week helped spark some buying interest among utilities and sent prices rising between 15 cents and 40 cents. "The six- to 10-day forecast still looks bearish around here, but the eight- to 14-day [forecast] is calling for below-normal temperatures, which has increased buying activity," one Midcontinent trader reported.

Despite bearish weather forecasts on tap for the upper Midwest, spot prices in the region rose on the back of the NYMEX gains. "Colder weather is coming to the Southern Plains and the Midwest, according to the six- to 10-day forecast, but not this far north," a trader noted.

Trading at the Chicago city-gates was robust as prices rose more than a quarter to average in the low \$7.90s. Farther east, Michigan Consolidated and Consumers Energy each moved up about a nickel from Friday to settle in the low \$8.30s.

### Cash prices inch higher in most markets

Prices across the Northeast posted gains of between a dime and 30 cents, driven partly by utility buying, sources said. Temperatures across New England remained 10 to 15 degrees above normal on Monday, although a return to more seasonal weather is predicted today and for the rest of the week.

Tennessee Gas Pipeline's zone 6 gained nearly 20 cents to average in the upper \$8.90s, while Transcontinental Gas Pipe Line's zone 6-New York climbed more than a dime to settle in the low \$8.90s.

Linepack conditions eased significantly Monday on Columbia Gas Transmission's system, an Appalachian trader said. "Arbitrage flows are open to the Northeast, but prices have come in and don't offer as much as they did if you had capacity Friday."

At nearly 20 cents, spreads between Columbia Gas and Transco zone 6-New York were less than half what they were Friday, the trader said, as prices on Columbia Gas jumped more than 30 cents.

Despite a quiet trading session, Gulf Coast prices rose between a dime and 40 cents, with traders attributing the strength to the March NYMEX contract's buoyancy. "The gains sure aren't from the weather," one trader said. "Temperatures from Texas to Florida are above normal and will only climb higher throughout the week."

The return of work-week loads in Texas brought an abundance of buyers into the market, and Houston Ship Channel prices climbed nearly 40 cents from Friday as Katy gained nearly 35 cents. In Louisiana, Henry Hub cash rose nearly 20 cents to average in the mid-\$8.30s.

In the Pacific Northwest and western Canada, spot prices were flat to up slightly from Friday. "Cash seems to be bouncing back and forth" due primarily to the fluctuations on the March contract, a Canadian

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

Trans. date: Flow date(s):	1/30 1/31				
	Midpoint	Absolute	Common	Volume	Deals
<b>Rockies</b>					
CIG, Rocky Mountains	6.965	6.907.00	6.946.99	12	3
Kern River, Opal plant	7.010	6.907.20	6.937.09	177	30
Stanfield, Ore.	7.210	7.177.28	7.187.24	91	16
Questar, Rocky Mountains	6.835	6.706.93	6.786.89	14	3
Cheyenne Hub	7.080	7.057.10	7.077.09	24	6
Northwest, Wyo. Pool	7.040	6.957.12	7.007.08	25	7
Northwest, s. of Green River	6.865	6.856.88	6.866.87	28	6
<b>Canadian Gas</b>					
Iroquois, receipts	8.640	8.608.70	8.618.67	314	38
Niagara	8.510	8.438.81	8.438.61	126	16
Northwest, Can. bdr. (Sonmas)	7.215	7.187.27	7.197.24	422	60
TCPL Alberta, AECO-C*	67.550	67.507.62	67.527.58	921	94
Emerson, Viking GL	7.530	7.477.58	7.507.56	206	20
Dawn, Ontario	8.325	8.268.50	8.268.39	877	87
GIN, Kingsgate	7.100	7.107.10	7.107.10	7	2
Westcoast, station 2*	67.160	67.117.22	67.127.18	88	17
<b>Appalachia</b>					
Dominion, North Point	8.410	8.408.55	8.408.45	17	4
Dominion, South Point	8.425	8.358.74	8.358.52	351	58
Loidy Hub	—	—	—	—	0
Columbia Gas, Appalachia	8.725	8.598.82	8.678.78	828	149
<b>Mississippi-Alabama</b>					
Florida Gas, Mobile Bay	8.270	8.218.30	8.258.29	48	5
Texas Eastern, M-1 (Kosl)	8.275	8.208.40	8.228.33	31	7
Transco, zone 4	8.410	8.278.65	8.318.51	74	14
<b>Others</b>					
Algonquin, receipts	8.970	8.909.00	8.949.00	17	3
SoCal Gas	7.390	7.267.53	7.327.46	875	92
PG&E, South	7.300	7.257.35	7.277.33	43	6
PG&E, Molin	7.300	7.257.35	7.277.33	388	45
Alliance, into Interstates	8.055	7.858.30	7.948.17	202	28
ANR, ML 7	8.460	8.288.58	8.388.54	24	7
NGPL, Amarillo receipt	7.255	7.247.31	7.247.27	24	4
Northern, Ventura	7.370	7.317.57	7.317.44	71	9
Northern, domestic	7.375	7.287.53	7.317.44	236	32
Dracut, Mass.	8.875	8.808.95	8.848.91	20	4
<b>City-gates</b>					
Chicago city-gates	7.920	7.558.40	7.718.13	812	101
Consumers Energy city-gate	8.295	8.258.31	8.288.31	113	16
Mich Con city-gate	8.310	8.268.44	8.288.36	342	61
PG&E city-gate	7.540	7.477.83	7.477.63	858	99
Florida city-gates	8.215	8.178.50	8.178.30	11	2
Algonquin, city-gates	9.010	8.959.08	8.989.04	164	23
Tennessee, zone 6 delivered	8.940	8.889.10	8.889.00	246	28
Iroquois, zone 2	8.950	8.909.00	8.928.98	241	40
Texas Eastern, M-3	8.935	8.879.00	8.908.97	252	56
Transco, zone 5 delivered	8.825	8.758.95	8.778.88	56	11
Transco, zone 6 non-N.Y.	8.830	8.808.90	8.808.86	165	35
Transco, zone 6 N.Y.	8.930	8.859.00	8.898.97	95	30

\*NOTE: Price in C\$ per g; C\$1=US\$0.8739  
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/NaturalGas/Resources/Methodology&Specifications/](http://www.platts.com/NaturalGas/Resources/Methodology&Specifications/). Questions may also be directed to our market editors: Tom Castleman, (713) 658-3263; tom.castleman@platts.com and Liane Kucher, (202) 383-2147; liane.kucher@platts.com.

trader said. According to another trader: "I got in and got out. Things were unexciting—we'll have to see what the new month brings."

AECO-NIT again averaged in the mid-C\$7.50s/Gj, while Westcoast Energy's station 2 climbed nearly a dime from Friday to average in the mid-C\$7.10s/Gj. Sumas, Wash., tacked on about a dime as well.

Rocky Mountain prices gained traction as well, climbing between 15 cents and 35 cents. Kern River Gas Transmission at Opal, Wyo., averaged near \$7.10, while Colorado Interstate Gas hit a low in the \$6.80s and finished the day just below \$7.

Despite forecasts for temperatures in the mid-60s to low 70s in parts of California and Arizona, Southwest prices climbed around 20 cents from Friday's levels, buoyed by double-digit gains on the NYMEX. Some traders characterized cash markets in the region as anemic.

Prices at the Pacific Gas and Electric city-gate were "pretty weak," and very little volume traded at PG&E South, a California trader said. "We've been there every day this month but [Monday], I just couldn't make it work." —Market Staff Reports

## Officials see bumps in road to LNG spot market

A global spot market for liquefied natural gas will develop over the next 15 years, but what form it will take and who will assume the financial risks are still largely unknown, speakers at an LNG conference in Houston said Monday.

Audie Setters, vice president of international marketing and business development for Chevron Global Gas, said the LNG market in 2020 will involve "a lot more swapping and trading" than the current market.

"A lot of LNG business is linked by long-term contracts from the wellhead to the marketplace," Setters told the forum sponsored by IQPC. "We're seeing a lot of those chains coming undone."

As a result of such fundamental changes in the worldwide LNG market, the future will see a "lot more risk for each link in the value chain," Setters predicted. "It's just getting harder to tie these together."

Currently, the largest LNG markets in the world are in East Asian countries such as Japan, Taiwan and South Korea, where LNG prices are still based primarily on long-term contracts. However, by 2020, the U.S. LNG market is expected to become the world's biggest, comprising about a fourth of global demand. "The U.S. market has really changed the game," Setters said.

"As more regasification infrastructure is built in North America, an increasing volume of LNG will be traded based on Henry Hub prices," Setters maintained. "Henry Hub is becoming the bellwether of international trade."

Even so, he cautioned that there is a potential for the U.S. energy industry to overbuild LNG import capacity. "Fifteen years from now we could be in an over-supply situation," he said.

Stephen Davis, a partner in the law firm of Vinson & Elkins, noted that the four existing onshore U.S. terminals were built between 1970 and 1981, when long-term supply contracts were the norm. "Early contracts were for terms of 15 to 25 years," he said.

In those days, LNG buyers mostly included utility companies that could pass their costs on to their customers, Davis explained, while most sellers were state-owned companies that required long-term deals to ensure their ability to recoup large up-front capital investments.

He also pointed out that early LNG contracts, which were tied to oil prices, didn't have take-or-pay provisions, which have since become an important component of contracts from a seller's point of view. "We've evolved into an efficient short-term market," Davis said. "The U.S. gas market is spot-based."

As a result, LNG buyers may be willing to enter into one- or two-year supply contracts, but not the 15- to 20-year deals that are standard in other parts of the world, he added.

## Enbridge has support to expand its East Texas pipeline system

Enbridge Energy Partners has received sufficient customer commitments to support construction of a \$530 million expansion and extension of its East Texas gas system, the Houston-based pipeline company said Monday.

The expansion project is needed "to handle the strong growth occurring in East Texas natural gas production, particularly from the Bossier Sands and other regional producing formations," the company said.

Key components of the project include a 36-inch-diameter intrastate pipeline running from Bethel to Orange County, Texas, with a capacity of approximately 700,000 Mcf/day. The new pipeline would provide service to industrial and power companies in southeast Texas and would be completed in stages throughout 2007, Enbridge Partners said.

In addition, Enbridge Partners plans to build a 250,000 Mcf/day treating facility near Marquez, Texas, connecting to the new pipeline via a new 24-inch-diameter pipeline that is scheduled for completion in early 2007.

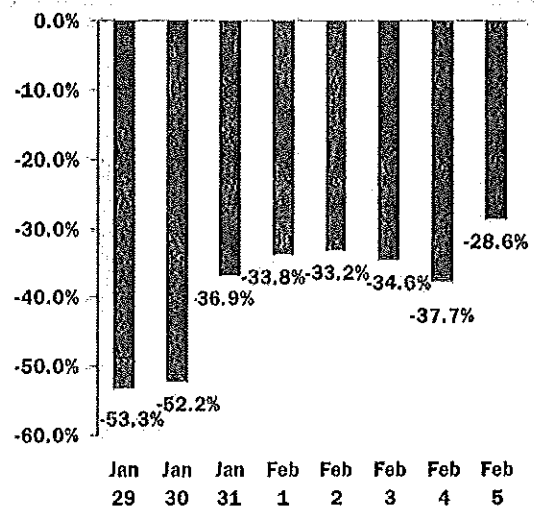
The company also is planning a number of upstream facilities, including gathering pipelines to tie existing facilities into the new intrastate pipeline, also with a target completion date of early 2007.

"This strategic project results from extensive coordination with our customers to develop and enhance access for growing Texas production to major markets in southeast Texas," said Dan Tutcher, president of Enbridge Partners' general partner and management company. The expansion "is a significant step towards avoiding [shutting in] gas production that would result in insufficient capacity." MT

## Correction

Dominion East Ohio's February 2006 gas cost recovery rate will decline to \$12.504/Mcf from \$13.279/Mcf. A story in Monday's Gas Daily provided the incorrect rates.

## Dominion'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.

According to the conference speakers, one of the biggest questions regarding the creation of a viable global LNG market is: where is the credit going to come from to build new facilities? They noted that the collapse of the big energy trading houses following Enron's 2001 bankruptcy raised serious questions about industry creditworthiness.

As a result, Davis predicted that companies seeking to enter the LNG business will increasingly be forced by their counterparties to undergo credit checks—not just at the beginning of a deal but on an annual basis.

Davis said that as the global LNG market grows, financing will become similar to that in other energy markets. "Lenders will increasingly assume the price risk but they'll want some other creditworthy entity to take the volume risk," he said. The lender will therefore "guarantee that the commodity will be sold, but not guarantee the price." JM

## Gas processing tax proposed in La. ... from page 1

place the item on the agenda for a Feb. 6 special session of the State Legislature.

According to data compiled by *Gas Daily*, Louisiana has more than two dozen gas processing plants with more than 13 Bcf/day of capacity.

In a recent letter to Blanco and the Legislature, Campbell said he envisions the processing tax replacing the state income tax, the state severance tax, the state sales tax on business utilities and the state corporate income tax.

A member of the Louisiana State Senate for nearly seven terms before his election to the PSC in 2002, Campbell unsuccessfully championed a plan in the 1990s to amend the state Constitution by replacing the severance tax on gas and oil with a processing tax.

"The nature of the oil industry has totally changed, and we haven't changed with it. That's the message I am trying to get the politicians to hear, and I need the people to tell them," Campbell said.

But Larry Wall, public relations coordinator for the Louisiana Midcontinent Oil and Gas Assn., called Campbell's proposal "smoke and mirrors" and said his group will fight it vigorously—just as it did in the 1990s. "The message is wrong and everything we have said in the past still applies," he said.

Wall pointed out that until the early 1980s, Louisiana was "almost totally dependent on oil and gas revenues." But after the bottom fell out of the oil market, the state was forced to quickly develop new revenue streams and "now we have a diversified tax base," he said.

If Campbell's proposal had been law on Aug. 29, when Hurricane Katrina hit the Gulf Coast, "where would the state be today?" he asked, noting that most processing plants and refineries were knocked out of service and some remain offline. Campbell's idea "does not make good sense," he added.

State Sen. Joe McPherson, a Democrat who supports Campbell's proposal, insisted that such a measure would not drive the gas industry out of Louisiana as some critics have predicted.

McPherson, who intends to introduce a bill calling for the processing tax, told *Gas Daily* that the measure would include a requirement that voters change the Constitution through a referendum.

The likelihood that Blanco, a Democrat, would sign such a bill appears remote.

In a statement on her Web site, the governor says she "will support Louisiana's oil and gas industry by standing firm in opposition to any attempt to create impediments to its security and growth including any processing tax."

The exploration-and-production industry "is not 'the bad guy,' and Louisiana should do nothing to treat it as though it were," Blanco said. "The oil and gas industry is an integral part of our state's economic foundation, and any tax that might destabilize it would also undermine our state's economy." RAW

## Platts expands gas forwards coverage

With this issue, Platts expands its coverage of the natural gas forward basis swap market, adding three new points and providing additional assessments for the month after the prompt month (prompt month plus one) for all points (see table, page 5).

The three new locations are El Paso, Permian Basin, Texas Eastern, M-3 and Trunkline, La. Detailed descriptions of those points are in the Platts Methodology for North American Natural Gas Markets at [www.platts.com](http://www.platts.com).

With the additions, Platts will provide daily forward basis assessments at 14 locations for the prompt month, the month after the prompt month, the balance of the current seasonal strip, and the next three full seasonal strips, extending currently through summer 2007.

Platts' daily forward basis assessments are published in *Gas Daily*, and are available as part of the Platts Forward Curve product, The Platts Forward Curve—Natural Gas also includes market commentary and complete historical data and is available as an additional service to Platts Natural Gas Alert subscribers or in pure data format via FTP.

## BP won't repair Grand Chenier processing plant in Louisiana

After four months of clean-up and damage assessment, two major energy firms have come to opposite conclusions regarding the future of their gas processing plants in Cameron Parish, La.

BP said Monday it has decided not to repair its 650,000 Mcf/day Grand Chenier plant and will close it down, while Williams said it will have its 500,000 Mcf/day Cameron Meadows plant fully restored to service in the second quarter. Both facilities were among the four processing plants in Cameron Parish flooded by Hurricane Rita in September (GD 10/6).

Williams has had up to 100 workers at the Cameron Meadows site over the past few months as well as "some of our very best engineering talent," spokesman Kelly Swann said.

But BP decided it would be too expensive to repair its Grand Chenier plant, a company spokeswoman said. The firm will finish some clean-up work at the plant and is working on finding new jobs within the company for the plant's 19 workers.

Since the storm knocked out Grand Chenier, Tennessee Gas Pipeline has been routing gas and liquids through Targa Resources' Lowry, La., plant.

Houston-based Targa also owns and operates two processing plants in Cameron Parish—the 225,000 Mcf/day Bnracuda and 257,000 Mcf/day Stingray facilities—that previous owner Dynegy said in October would take two months to repair. BH

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## OMOI director to focus on compliance ... from page 1

gave us" in the Energy Policy Act of 2005, which will include the addition of about 20 new staffers to the current roster.

"We are engaged in a recruitment program and developing a recruitment program to find people with the appropriate skill sets," including investigators and others with forensic skills—"especially with respect to dealing with large databases," she said.

"We learned through the Enron and Western market investigations that to really examine manipulation of markets we are frequently confronted with these huge data dumps," Court explained. As a result, OMOI needs people "with the IT skills and the forensic skills to be able to navigate through that data and be able to pull out ... the relevant data."

That is not to say FERC currently lacks such skills, but with EPACT's significant expansion of FERC enforcement powers—greater authority to impose substantially higher penalties and tougher anti-manipulation provisions—"we are looking for more of those skill sets," she added.

"In my view, the commission, for the first time in history, has an articulated enforcement program," Court asserted. The commission has always had an enforcement role, but it has been increasingly important as FERC "shed its birth-to-grave approach to regulation."

Today, "we have a stated enforcement program. We have given guidance with respect to the imposition of penalties. We have given guidance, or provided vehicles for no-action letters," Court said.

Further, the commission is eyeing repeal of its existing market behavior rules given the adoption of the broad new anti-manipulation rule. FERC also is considering expanding due process rights for the subjects of operational audits to match those accorded in financial audits.

"What I bring philosophically to the job is a commitment to the agency's mission, a deep foundation in the agency's laws, a commitment to enforcing those laws strictly," said Court, a 23-year FERC veteran who replaced William Hederman as head of OMOI late last year (GD 11/9). "This is one message that I have been trying to convey to the industry in speeches that I give, namely, that I believe very much in staying within the four corners of the law."

"We are going to have a firm but fair enforcement policy," she said. Given its "awesome authority" now to assess fines of up to \$1 million/day/penalty, "I think it is very important for the commission to have said that at this time."

In the face of all of the new market scrutiny, what are the chances for another California-type meltdown? "I think they are very remote," Court maintained, noting OMOI was created in the wake of that crisis. "I think that we obviously learned a great deal; the industry learned a great deal from that whole experience."

### Gas Daily basis forwards assessments, Jan 30

	Mar 2006	Apr 2006	Summer 2006	Winter 2006-07	Summer 2007	Winter 2007-08
Transco zone 6-N.Y.	93,000	68,000	65,750	299,000	64,625	210,250
Texas Eastern, M3	82,250	64,000	64,000	188,000	63,500	145,000
Columbia Gas, Appalachia	32,375	33,000	32,750	36,500	30,000	30,000
Transco, zone 3	12,500	12,000	11,750	13,500	12,250	12,250
Trunkline LA	-12,500	-10,000	-10,000	-8,500	-8,500	-8,500
Chicago citygates	-58,500	-71,500	-68,000	-83,500	-50,000	-51,750
MichCon citygate	-35,000	-45,000	-45,000	-71,500	-19,500	-39,750
Panhandle, Tx.-Okla.	-148,500	-142,500	-137,500	-180,000	-117,500	-130,000
Houston Ship Channel	-110,500	-105,000	-91,000	-170,000	-56,500	-110,000
Waha	-156,500	-188,250	-195,000	-195,000	-110,000	-148,000
El Paso, Permian Basin	-163,000	-179,000	-144,000	-206,000	-120,500	-157,500
El Paso, San Juan Basin	-206,000	-210,500	-190,750	-218,000	-172,000	-179,000
Northwest Pipe, Rockies	-210,500	-222,500	-200,000	-230,000	-200,000	-193,500
SoCal Gas	-161,000	-164,500	-146,500	-182,500	-129,000	-147,000

Prices in cents/MMBtu. Summer season is April-October. Winter is November-March.

\*Balance of the season

### NYMEX Henry Hub gas (futures contract, Jan 30)

	Settlement	High	Low	+/-	Volume
Mar 2006	9.369	9.420	8.660	+88.2	26362
Apr 2006	9.474	9.490	8.830	+82.2	6781
May 2006	9.539	9.639	8.920	+78.7	4107
Jun 2006	9.619	9.619	9.000	+76.4	1357
Jul 2006	9.699	9.699	9.100	+74.9	1233
Aug 2006	9.779	9.779	9.270	+74.4	1414
Sep 2006	9.824	9.824	9.280	+73.9	1315
Oct 2006	9.904	9.904	9.380	+73.4	1011
Nov 2006	10.754	10.754	10.340	+66.4	1794
Dec 2006	11.504	11.504	11.050	+60.4	1039
Jan 2007	12.014	12.014	11.550	+55.9	1070
Feb 2007	12.014	12.014	11.650	+54.9	1093
Mar 2007	11.834	11.834	11.400	+53.4	1801
Apr 2007	9.684	9.684	9.400	+34.4	258
May 2007	9.474	9.474	9.300	+31.9	184
Jun 2007	9.639	9.639	9.300	+31.9	55
Jul 2007	9.604	9.604	9.350	+31.9	12
Aug 2007	9.674	9.674	9.674	+31.9	23
Sep 2007	9.669	9.669	9.669	+31.9	60
Oct 2007	9.759	9.759	9.580	+31.9	1173
Nov 2007	10.359	10.359	10.100	+30.9	213
Dec 2007	10.949	10.949	10.650	+29.9	580
Jan 2008	11.374	11.374	11.139	+28.9	16
Feb 2008	11.374	11.374	11.374	+27.9	16
Mar 2008	11.199	11.199	11.199	+28.9	2094
Apr 2008	9.049	9.049	8.950	+13.9	960
May 2008	8.839	8.839	8.839	+10.9	18
Jun 2008	8.889	8.889	8.810	+10.9	54
Jul 2008	8.949	8.949	8.949	+10.9	27
Aug 2008	8.999	8.999	8.999	+10.9	23
Sep 2008	9.009	9.009	9.009	+10.9	20
Oct 2008	9.059	9.059	9.059	+10.9	15
Nov 2008	9.639	9.639	9.639	+9.9	18
Dec 2008	10.219	10.219	10.219	+8.9	830
Jan 2009	10.664	8.999	8.999	+8.9	43
Feb 2009	10.658	10.658	10.658	+8.3	33

#### Contract data for Friday

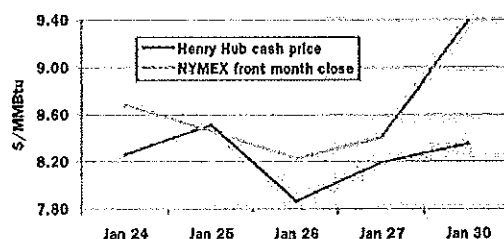
Volume of contracts traded: 60,867

Front-months open interest:

MAR, 102,466; APR, 34,336; MAY, 33,806

Total open interest: 536,073

### Henry Hub/NYMEX spread



### Platts oil prices, Jan 30

	(\$/b)	(\$/MMBtu)
Gulf Coast spot		
1% Resid	50.50-51.25	8.09
3% Resid	49.50-50.25	7.93
Crude spot		
WTI (Feb)	68.32-68.34	10.67
New York spot		
No. 2	74.72-75.03	12.85
0.3% Resid HP	53.25-53.50	8.49
0.3% Resid LP	56.00-56.25	8.93
0.7% Resid	51.00-51.50	8.15
1% Resid HP	49.75-50.25	7.95

Looking forward, "I'm very open to listening to the industry and members of the public. Not just the companies that we regulate, I mean everyone who is affected by FERC regulation," she said. "I want to talk to anyone. I want to be available to talk to all groups, whether they agree with the current commission policy or they don't agree. We cannot be ostriches with our heads in the sand." CC

## ExxonMobil's earnings top \$10 billion ... from page 1

Chairman Rex Tillerson said that in the fourth quarter alone, ExxonMobil spent \$5.3 billion on capital projects worldwide, "bringing full-year spending to \$17.7 billion—an increase of 19%, or \$2.8 billion, vs. 2004."

Tillerson also said the firm's "strong financial results will continue to allow us to make significant, long-term investments required to do our part in meeting the world's energy needs."

The company reported that its worldwide gas production in the latest quarter declined nearly 6% to 9.822 Bcf/day from 10.43 Bcf/day a year earlier. It linked the reductions to "the impact of mature field decline, lower European demand, maintenance activity, the residual effect of hurricanes Katrina and Rita, as well as entitlement and divestment impacts," which more than offset higher volumes from its gas projects in Qatar.

ExxonMobil's U.S. gas production during the quarter slid 11% to 1.62 Bcf/day from 1.81 Bcf/day, while its Canadian gas output dipped 4% to 912,000 Mcf/day from 951,000 Mcf/day.

For the full year, the company reported 9.25 Bcf/day of average worldwide gas production, down 6% from 9.86 Bcf/day produced in 2004. In the United States, full-year production fell 10% to 1.739 Bcf/day from 1.947 Bcf/day a year ago, while Canadian volumes dropped 5% to 918,000 Mcf/day from 972,000 Mcf/day the prior year.

ExxonMobil reported average realized U.S. gas prices of \$11.34/Mcf for the fourth quarter, up 72% from the year-earlier price of \$6.61/Mcf.

The company said its fourth-quarter upstream earnings rose to \$7.038 billion from \$4.887 billion a year earlier. U.S. upstream earnings totaled \$1.787 billion vs. \$1.384 billion.

Lower-than-expected production volumes capped the supermajor's earnings in the upstream segment, analysts at Credit Suisse First Boston said in a report. "Despite a strong showing in Africa oil, there is little sign of a volume growth renaissance at ExxonMobil, just like at most of the company's peers," they said. SGS/Staff

## Analyst cuts first-quarter gas price forecast by 24%

One of the industry's most bullish analysts on Monday slashed his first-quarter U.S. gas price projection by 24%, to \$9.50/Mcf from \$12.50/Mcf, citing the effects of three weeks of unseasonably warm weather.

But Raymond James and Associates analyst Marshall Adkins reiterated his view that, over the coming year, "the underlying fundamentals of natural gas also remain very bullish."

Adkins dropped his second-quarter forecast by 18%, to \$8/Mcf from \$9.75/Mcf, but kept in place his \$9.75/Mcf and \$10/Mcf projections for the third and fourth quarters, respectively.

"In a normalized weather scenario, we believe that the midpoint of U.S. natural gas will be linked to oil prices with roughly a 6:1 Btu parity," Adkins said in a note to clients. Assuming that ratio "and our 2006 oil forecast [of \$59.25/barrel], fair value for gas in 2006 should be near \$10."

However, "if the gas markets feel temporarily comfortable about the supply/demand balance, gas is likely to trade below this midpoint," Adkins said.

Meanwhile, Energy and Environmental Analysis—while agreeing that the recent warm spell has loosened the supply/demand balance—stuck by its earlier prediction that Henry Hub prices will moderate from last year's levels and average around \$7.50/MMBtu this year.

EEA director Kevin Petak foresees considerable supply growth this year, with another 1.4 Bcf/day from the Gulf of Mexico being restored by midsummer, liquefied natural gas imports climbing by 200,000 Mcf/day and higher-than-expected levels of gas in storage at the end of the heating season.

Offsetting that supply increase to a degree, Petak said, is a projected 600,000 Mcf/day of increased demand from power generators.

Looking ahead to 2007, "we expect Henry Hub prices to remain relatively high near \$8.25/MMBtu as supply struggles to keep up with demand growth," Petak said. He also predicted that about 300,000 Mcf/day of Gulf production will be permanently lost as producers will find it uneconomic to bring it back on stream. BH

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## Gas Daily

Thursday, February 16, 2006

### NYMEX briefly dips beneath \$7, but cash rallies

#### THE MARKET

An erratic March NYMEX futures contract briefly dipped below \$7/MMBtu on Wednesday before settling at \$7.066, down 4.8 cents from Tuesday's close. But the cash market regained its footing as an impending cold snap lifted prices between a dime and a half-dollar.

The March contract opened at \$7.34—22.6 cents higher than Tuesday's settle—and bounced to a peak of \$7.44 before a selling spree sent it tumbling through key resistance at \$7 to a low of \$6.975 just

(continued on page 2)

### EnCana slashes capital budget by \$800 million

EnCana on Wednesday said it replaced 271% of its 2005 production and increased total proved reserves by 18%, to 18.5 Tcf-equivalent. But the Calgary-based exploration-and-production company said concerns about soaring drilling costs forced it to scale back its 2006 capital spending budget by \$800 million.

In its fourth-quarter earnings statement, EnCana said its North American gas sales rose about 7% from a year earlier, to 3.32 Bcf/day, while the average price it received for that gas shot up 83% to \$12.96/Mcf.

Full-year 2005 gas sales increased about 8% to 3.23 Bcf/day, EnCana (continued on page 6)

### Williams plans 'rapid' gas development in 2006

Ramping up domestic gas production and retaining a skilled workforce are among the biggest challenges facing Williams in the coming year, the company's chairman and CEO said Wednesday.

Speaking at the UBS 2006 Natural Gas and Electric Utilities conference in New York, Steve Malcolm said the company's exploration-and-production segment is ready to speed its pace of growth, particularly with the arrival of new rigs in the highlands area of Colorado's Piceance Basin.

"Our strategy remains rapid development of our premiere drilling inventory," Malcolm said.

(continued on page 5)

### Oneok to swap assets for Northern Border stake

In a complex deal valued at \$3 billion, Oneok will exchange its pipeline and gas processing units with Northern Border Partners for \$1.35 billion in cash and a controlling stake in the partnership, the two companies said Wednesday.

In a related transaction, Calgary-based TransCanada will purchase 20% of Northern Border Pipeline, a unit of Omaha, Neb.-based NBP, for \$300 million, increasing its stake to 50%. The partnership plans to transfer the operation of the pipeline to TransCanada in 2007.

TransCanada is also selling its 17.5% stake in the general partnership (continued on page 4)

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

NATIONAL AVERAGE PRICE: 7.130

Trans. date: 2/15  
Flow date(s): 2/16

	Midpoint	Absolute	Common	Volume	Deals
<b>Permian Basin Area</b>					
El Paso, Permian Basin	6.480	6.41-6.63	6.42-6.54	749	94
Waha	6.540	6.35-6.68	6.46-6.62	645	91
Transwestern, Permian Basin	6.420	6.42-6.42	6.42-6.42	4	1
<b>East Texas-North Louisiana Area</b>					
Corthage Hub	6.830	6.80-6.85	6.82-6.84	75	12
NGPL, Texas zone	6.810	6.74-6.93	6.76-6.86	462	68
Texas Eastern, ETX	6.815	6.79-6.86	6.80-6.83	42	9
Texas Gas, zone 1	7.085	6.95-7.14	7.04-7.13	50	10
<b>East-Houston-Katy</b>					
Houston Ship Channel	7.030	6.85-7.30	6.92-7.14	285	18
Katy	6.985	6.87-7.10	6.93-7.04	375	37
<b>South-Corpus Christi</b>					
Agua Dulce Hub	6.955	6.85-7.08	6.90-7.01	156	11
NGPL, STX	6.970	6.92-7.00	6.95-6.99	211	34
Tennessee, zone 0	7.020	6.90-7.07	6.98-7.06	66	19
Texas Eastern, STX	6.900	6.84-6.97	6.87-6.93	101	24
Transco, zone 1	6.975	6.85-7.03	6.93-7.02	39	8
<b>Louisiana-Onshore South</b>					
ANR, La.	7.145	7.08-7.19	7.12-7.17	172	32
Columbia Gulf, La.	7.300	7.20-7.37	7.26-7.34	370	67
Columbia Gulf, mainline	7.405	7.35-7.42	7.39-7.42	89	22
Florida Gas, zone 1	7.180	7.10-7.20	7.15-7.20	34	4
Florida Gas, zone 2	7.330	7.32-7.33	7.33-7.33	34	2
Florida Gas, zone 3	7.330	7.25-7.55	7.25-7.41	199	23
Henry Hub	7.310	7.23-7.45	7.25-7.37	489	67
NGPL, La.	6.785	6.79-6.80	6.79-6.80	3	1
Southern Natural, La.	7.320	7.27-7.38	7.29-7.35	136	25
Tennessee, La., 500 Leg	7.230	7.15-7.36	7.18-7.28	137	38
Tennessee, La., 800 Leg	7.180	7.16-7.23	7.16-7.20	168	36
Texas Eastern, WLA	7.075	7.01-7.13	7.04-7.11	103	24
Texas Eastern, ELA	7.060	6.90-7.13	7.00-7.12	258	41
Texas Gas, zone SL	7.075	7.00-7.10	7.05-7.10	76	12
Transco, zone 2	7.310	7.27-7.35	7.29-7.33	133	22
Transco, zone 3	7.345	7.28-7.39	7.32-7.37	305	46
Trunkline, WLA	7.185	7.14-7.22	7.18-7.21	70	14
Trunkline, ELA	7.195	7.15-7.21	7.18-7.21	46	7
<b>Oklahoma</b>					
ANR, Okla.	6.695	6.65-6.72	6.68-6.71	61	15
CenterPoint, East	6.730	6.67-6.79	6.70-6.76	141	21
NGPL, Midcontinent	6.680	6.57-6.73	6.64-6.72	102	22
Oneok, Okla.	6.625	6.56-6.65	6.60-6.65	14	6
Panhandle, Tx-Okla.	6.620	6.54-6.68	6.58-6.66	236	48
Southern Star, Tx-Okla-Kan.	6.690	6.68-6.70	6.68-6.70	30	3
<b>New Mexico-San Juan Basin</b>					
El Paso, Bonadad	6.425	6.40-6.46	6.41-6.44	76	9
El Paso, San Juan Basin	6.450	6.38-6.53	6.41-6.49	464	61

## NYMEX dips, but cash prices rally ... from page 1

after noon EST. Commercial buyers then swept in and sparked a modest late-day recovery.

"I think it is very interesting that it held this \$7 level," a New York-based broker said. "The technical charts show a band of support at \$6.90 and \$7.15. I suspect it will hold."

While the loss marked the eighth in a row for the March contract, a Houston-based broker said he was pleased to see some long-awaited volatility. "We opened some eyes today and got a lot of those very patient consumers in the market," he said. "I think they are very attached to the idea of \$7 front-month gas and summer gas of \$7.80."

He said the commercial sector jumped in after becoming nervous about missing out on \$7 gas. "Don't be surprised to see more buying, particularly if it rises above \$8," he said.

In the Pacific Northwest cash market, a sharp drop in temperatures throughout Alberta and British Columbia helped send prices as much as 50 cents higher. Forecasts call for temperatures below zero Fahrenheit in Calgary today and Friday with only modest relief for the weekend.

"It's cold—a lot colder than it has been in a while, that's for sure," a western Canadian trader said. "And it feels a lot colder than where we would be normally."

The spread between AECO-NIT and Westcoast Energy's station 2 "closed considerably," the trader noted, as AECO climbed about 35 cents to average near C\$7 and station 2 jumped about 50 cents to settle in the low C\$6.90s.

### 'It's going to get cold later in the week'

In the Rockies, Colorado Interstate Gas prices shot up more than 40 cents as utility demand soared in advance of a snowstorm with overnight temperatures in the single digits in Denver. Kern River Gas Transmission's Opal, Wyo., plant also gained about 40 cents, while the Cheyenne Hub ran up nearly 50 cents.

Despite hefty pulls on storage gas to meet weather-related demand in the upper Midwest, prices still rose between a quarter and nearly 50 cents. Northern Natural Gas' demarcation point was especially strong "because of lots of gas moving north from the supply area," one trader reported.

Because of well-below-normal temperatures forecast in Northern Natural's market area, the pipeline issued a system overrun limitation for today. "It basically means Northern Natural shippers have to stay within tolerances and force gas into the system at Carlton," a trader explained.

The spread between the Chicago city-gates and Michigan pricing points tightened enough Wednesday to make transport unattractive for one upper Midwest shipper. Michigan Consolidated Gas "popped up to the \$7.50s for a while there, but couldn't sustain with the added pressure of plenty of storage gas available," he said.

Prices in ANR Pipeline's ML 7 zone moved back above the NYMEX prompt-month level Wednesday after two weeks trading beneath it. "It's abnormal for ML 7 to trade below the NYMEX, but it has been for a while now. When it trades below NYMEX there's no incentive to put gas into storage in Wisconsin for the summer," a marketer said.

Expectations of an arctic blast Friday created a buying spree in the Midcontinent, where prices generally rallied 35 cents to 45 cents. "The short-covering rally on the NYMEX saved cash prices," one Oklahoma trader said. "Yeah, it's going to get cold later in the week but the battle cry now is: 'We have plenty of storage to cover it.'"

Unscheduled maintenance work on Unit One at compressor station

## Daily price survey (\$/MMBtu)

Trans. date: 2/16  
Flow date(s): 2/16

	Midpoint	Absolute	Common	Volume	Deals
<b>Rockies</b>					
CIG, Rocky Mountains	6.485	6.45-6.54	6.46-6.51	28	10
Kern River, Opal plant	6.470	6.42-6.51	6.45-6.49	131	25
Stanfield, Ore.	6.680	6.63-6.73	6.65-6.71	206	26
Questar, Rocky Mountains	6.225	6.00-6.35	6.14-6.31	17	4
Cheyenne Hub	6.675	6.67-6.68	6.67-6.68	14	2
Northwest, Wyo. Pool	6.460	6.44-6.47	6.45-6.47	24	3
Northwest, s. of Green River	6.325	6.30-6.37	6.31-6.34	83	14

<b>Canadian Gas</b>					
Iroquois, receipts	7.860	7.75-7.95	7.81-7.91	416	39
Niagara	7.670	7.65-7.75	7.65-7.70	44	7
Northwest, Can. bdr. (Sunnys)	6.895	6.83-6.96	6.86-6.93	220	34
TCPL Alberta, AECO-C*	6.995	6.83-7.07	6.93-7.06	591	65
Emerson, Viking GL	7.065	7.03-7.10	7.05-7.08	306	22
Dawn, Ontario	7.500	7.31-7.57	7.43-7.57	679	57
GTN, Kingsgate	—	—	—	—	0
Westcoast, station 2*	6.925	6.85-7.00	6.89-6.96	184	28

<b>Appalachia</b>					
Dominion, North Point	—	—	—	—	0
Dominion, South Point	7.645	7.42-7.72	7.57-7.72	413	71
Ledy Hub	—	—	—	—	0
Columbia Gas, Appalachia	7.640	7.60-7.68	7.62-7.66	442	76

<b>Mississippi-Alabama</b>					
Florida Gas, Mobile Bay	—	—	—	—	0
Texas Eastern, M-1 (Kosi)	7.285	7.20-7.35	7.25-7.32	103	19
Transco, zone 4	7.430	7.38-7.45	7.41-7.45	7	3

<b>Others</b>					
Algonquin, receipts	7.975	7.85-8.00	7.94-8.00	33	9
SoCal Gas	6.715	6.65-6.81	6.67-6.76	1280	142
PG&E, South	6.715	6.68-6.83	6.68-6.75	262	18
PG&E, Malin	6.695	6.68-6.73	6.68-6.71	159	21
Alliance, into Interstates	7.295	7.20-7.38	7.25-7.34	342	37
ANR, ML 7	7.335	7.30-7.40	7.31-7.36	18	6
NGPL, Amarillo receipt	6.780	6.75-6.81	6.76-6.80	47	6
Northern, Ventura	7.305	7.20-7.40	7.25-7.36	436	55
Northern, demarc	7.105	7.01-7.20	7.06-7.15	386	53
Dracut, Mass.	7.850	7.85-7.85	7.85-7.85	10	2

<b>Citygates</b>					
Chicago city-gates	7.245	7.10-7.40	7.17-7.32	1295	153
Consumers Energy city-gate	7.460	7.40-7.55	7.42-7.50	183	20
Mich Con city-gate	7.460	7.40-7.54	7.42-7.50	257	39
PG&E city-gate	6.950	6.91-7.00	6.93-6.97	573	67
Florida city-gates	7.485	7.48-7.49	7.48-7.49	37	4
Algonquin, city-gates	8.030	7.95-8.10	7.99-8.07	90	23
Tennessee, zone 6 delivered	7.985	7.90-8.10	7.93-8.04	154	30
Iroquois, zone 2	7.955	7.85-8.10	7.89-8.02	443	38
Texas Eastern, M-3	7.885	7.70-8.01	7.81-7.96	402	95
Transco, zone 5 delivered	7.805	7.75-7.81	7.79-7.81	29	3
Transco, zone 6 non-N.Y.	7.855	7.81-7.90	7.83-7.88	189	33
Transco, zone 6 N.Y.	7.935	7.80-8.05	7.87-8.00	359	62

\*NOTE: Price in C\$ per gJ; C\$1=US\$0.8665

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/NaturalGas/Resources/Methodology&Specifications/](http://www.platts.com/NaturalGas/Resources/Methodology&Specifications/).

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812 in Atoka County, Okla., in Natural Gas Pipeline Co. of America's Texok zone was not completed as scheduled Tuesday, the pipeline said on its Web site. Because of that, interruptible transportation, authorized overrun and secondary out-of-path transportation service may not be fully scheduled through the station. "The restriction has been in place for more than two weeks, so people are making do around it," one Midwest trader said.

In the Southwest, cash prices gained as much as 40 cents Wednesday, sparked by early gains on the March NYMEX contract, traders agreed. While temperatures are expected to fall over the weekend, they will remain around seasonal norms in the 60s. "Any demand out there is going to be met with storage," a California trader predicted.

Pacific Gas and Electric city-gate prices climbed nearly 30 cents to average in the mid-\$6.90s, although one trader characterized the point as weak compared with nearby markets. "Spreads worked from the [Southern California] border to the gate," but transport along the Baja Path wasn't economic, he said.

Gulf Coast prices tracked early NYMEX gains and marched to higher ground, with most points adding between 20 cents and 35 cents from Tuesday's levels. "The weather is mild across the Southeast, and systems are running smoothly," a trader said. "Prices are ticking up on expectations of what this arctic system will bring to the Northeast over the weekend."

Even with utilities seeking provisions for another winter shock, however, spreads between Henry Hub and Transcontinental Gas Pipe Line's zone 6-New York narrowed by more than a dime to about 60 cents.

Northeast spot prices ran up between a quarter and 35 cents Wednesday in what one East Coast trader described as a quiet day with a only slight increase in volumes changing hands. "This was basically a cut-and-paste day," he remarked.

—Market Staff Reports

## Lawmakers offer another bill opening OCS to drilling

Two U.S. senators on Wednesday proposed legislation allowing coastal states to opt out of the federal moratorium on gas drilling along the Outer Continental Shelf.

Sens. Mark Pryor, D-Ark., and Sen. John Warner, R-Va., said their bill would "help alleviate the natural gas shortage that is creating skyrocketing heating bills for families, increased fertilizer costs for our farmers and higher manufacturing costs for businesses."

Called the Reliable and Affordable Natural Gas Reform Act, the bill is remarkably similar to a proposal that passed the House Resources Committee last fall but has since languished (*GD 10/27*).

The Pryor/Warner bill would give governors of coastal states the option of extending the existing ban beyond 2012 or opting out of it beginning in 2007. States that choose the latter alternative would receive a higher percentage of royalty payments from gas leases than currently mandated.

The measure would ban drilling within 100 miles of Florida or California but allow existing leases in those areas to be repurchased by the Interior Dept. or swapped for other leases farther offshore.

Pryor and Warner stressed that gas prices have more than doubled in the past year and will continue to climb unless Congress takes action to increase supplies. "Home heating bills, electricity rates and the price we pay for consumer goods are all tied directly to natural gas. This bill will not only increase the American supply of gas to bring down prices, it will also help create and maintain jobs," Warner said.

The National Assn. of Manufacturers on Wednesday praised Pryor and Warner for offering the legislation, saying the bill "gives states along the Atlantic and Pacific coasts the option of developing their respective offshore resources."

NAM said passage of the legislation would send a clear signal that Congress is serious about expanding domestic energy supplies. "Manufacturers need more

## Pennsylvania chapter of AARP wants state to repeal utility shut-off rule

The Pennsylvania Legislature should repeal a 2004 state law that made it easier for gas utilities to shut off customers who fall behind in paying their bills, the Pennsylvania chapter of the AARP said this week.

Citing a survey conducted late in 2005, the over-50 advocacy group said 72% of respondents opposed the law and 81% want additional protection for utility customers who may be unable to pay their heating bills.

AARP Pennsylvania State Director Fred Griesbach called for legislative hearings to consider repealing the provisions of Chapter 14, which went into effect this winter.

"The survey shows our members believe the new Chapter 14 law went too far and presents a real danger to those struggling to balance household budgets in the face of soaring energy costs," Griesbach said. "Shutting off someone's heat during the winter represents a drastic measure that should once again require oversight and approval by Pennsylvania's Public Utility Commission."

The survey also said 33% of the organization's members in Pennsylvania said it was difficult for them to pay their home heating bills last winter and that 15% said they had to cut back on food, prescription drugs or other necessities to afford their utility bills.

"This survey was conducted before the beginning of the 2005 heating season, and home heating prices are rising between 3% and 50% this winter," Griesbach said. "Older and economically disadvantaged residents should not be forced to make a choice between food, prescription drugs, or keeping the heat on." RAW

## Wyoming governor proposes study on disposal of CBM-produced water

Wyoming Gov. Dave Freudenthal has asked state legislators to approve \$500,000 to study the feasibility of piping coalbed methane-produced water from the Powder River Basin to the North Platte Basin.

In his State of the State address this week, Freudenthal, a Democrat, told lawmakers that he would request an amendment to the omnibus water bill to be considered this session to include a study of the project's feasibility. On Tuesday, he provided members of the Joint Agriculture Committee with possible language for the amendment.

"It is important to emphasize that this is simply the authorization of a feasibility study," the governor said. "Many questions need to be answered before we make a decision to proceed or not to proceed. It is, however, worth spending the money and the time to see if this can help resolve the continuing issues surrounding coalbed methane water in the Powder River Basin."

Disposal of high-sodium water produced as a byproduct of CBM drilling is one of the key issues surrounding the development of the resource, particularly in Wyoming. Freudenthal said that although the state has made progress in developing administrative, regulatory and other solutions to the dilemmas related to water's quality and quantity, much work remains to be done to resolve concerns of landowners, ranchers and others.

The study is expected to identify a number of options for dealing with CBM-produced water, possibly including the construction of a pipeline to carry it to the North Platte, where it could be used to augment local water supplies, Freudenthal said. JM

affordable natural gas because they rely on it both as a source of electricity and as a feedstock for products such as plastics and pharmaceuticals. Allowing more offshore development of natural gas resources will help manufacturers keep high quality jobs onshore here at home." RAW

## Kansas may allow LDCs to charge pipeline safety fee

Despite opposition from the Kansas Corporation Commission and a state consumer advocate, local distribution companies are promoting legislation that would enable them to add a gas system "reliability" surcharge to customers' bills.

The Gas Safety and Reliability Act, which is under consideration by the Kansas State Senate, would allow twice-a-year rate hikes designed to cover the LDCs' costs of implementing government-mandated pipeline safety initiatives.

The fees, which would be in effect for up to five years, could add about \$24/year to the average homeowner's gas bill, according to the draft legislation. Customers could get a partial refund if regulators determine that an overcharge has occurred.

LDCs favor the bill because they say it can take them years to recover the costs of meeting increasingly onerous federal and state pipeline safety requirements. They also assert that utilities often must pay the cost of moving gas pipelines and other facilities to make way for highway improvement projects for which they are not reimbursed.

The utilities argue that it's too expensive to ask the KCC for a rate increase every time they are compelled to replace expensive equipment or perform a costly gas line relocation—and that a surcharge specifically for those projects makes more sense.

Steve Johnson, manager of government affairs for Kansas Gas Service, told *Gas Daily* on Wednesday that seeking a base rate increase to cover safety-related expenditures is inefficient. "We're always behind the eight ball on these costs," he said. "We are always playing catch-up." The bill is modeled after legislation passed a year ago in Missouri, Johnson explained.

Don Low, utilities director for the KCC, opposes the measure, telling lawmakers that "the surcharge could result in customers paying unreasonable rates." A KCC spokeswoman added Wednesday that the proposed legislation could effectively shift the financial risk of doing business from the utility to the ratepayer.

The Citizens' Utility Ratepayer Board also has spoken out against the bill, saying it is written too broadly and that LDCs should be able to cover the cost of pipeline safety-related projects with existing revenues. RAW

## Oneok, Northern Border enter \$3 billion deal ... from page 1

of NBP to Oneok for \$40 million, giving Tulsa, Okla.-based Oneok sole control.

NBP will use the cash from TransCanada, along with more than \$1 billion in bank debt, to fund its purchase of Oneok's midstream and pipeline assets. Oneok executives said they plan to use the money to pay down some of the company's \$3.5 billion in debt, finance future acquisitions and possibly buy back corporate stock.

"It's great when you can do a win-win for everybody," Oneok CEO David Kyle told analysts on a conference call Wednesday. "As the general partner and a significant unit holder in Northern Border Partners, Oneok's shareholders will also participate in the future growth of NBP."

According to NBP CEO William Cordes, "In addition to improving our ability to increase distributions to unitholders, the acquisitions also provide us with a stronger balance sheet, with additional capacity to fund future growth. Adding these assets to our existing base will provide us with a larger and more diversified portfolio."

Among the assets Oneok is selling to NBP is its gathering and processing operations in Oklahoma and Kansas, which has 1.7 Bcf/day of capacity, 10,140 miles of gathering pipeline and 89,000 barrels of liquids fractionating capacity. Currently, the gathering operation processes 1.2 Bcf/day of gas and 64,000 barrels of natural gas liquids, Oneok said.

## Cheniere official says U.S. to play key role in global LNG market

As domestic imports of liquefied natural gas continue to grow, the United States will achieve an increasingly important position in the global gas market, Cheniere LNG President Keith Meyer predicted Wednesday.

Speaking at the UBS 2006 Natural Gas and Electric Utilities conference in New York, Meyer said the NYMEX Henry Hub gas price will gradually become a global benchmark price for LNG, "which is a dramatic change."

Although LNG prices in foreign countries today are often linked to crude oil prices, "we don't see North American buyers ever really getting comfortable with an oil-based index," he said. Meanwhile, global LNG buyers are becoming "very comfortable with the liquidity and the oversight" of a NYMEX-based benchmark, he maintained.

Meyer noted that recent political discussions have centered on the need for the United States to reduce its dependence on foreign energy sources. But he asserted that "North America does not have a good domestic solution" given that traditional gas plays in both the United States and Canada are mature.

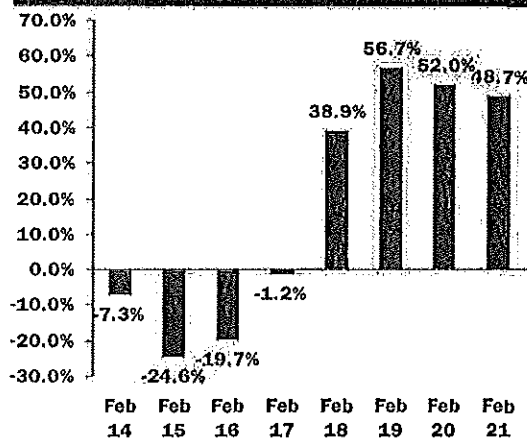
As a result, "LNG is very much needed for the health of the demand side of our industry," Meyer said.

Global LNG consumption in 2004 averaged 17 Bcf/day, and Meyer estimated that worldwide liquefaction capacity could reach 41 Bcf/day by 2010. Of that, the Asia-Pacific region will take about 17 Bcf/day and Europe will consume between 6 Bcf/day and 8 Bcf/day, leaving between 16 Bcf/day and 19 Bcf/day available for the U.S. market by 2010.

Meyer said 2006 "will be a year of attrition" for many proposed U.S. LNG import terminals as many of the dozens of announced projects will quietly fade from view. Nevertheless, Meyer estimated that the United States will have regasification capacity of between 14 Bcf/day and 22 Bcf/day by 2010, which is sufficient to absorb available liquefaction capacity.

In terms of supplying LNG to North America, "a lot of substantial entities are vying for that position," with Russia and Qatar poised to compete with current suppliers Trinidad and Nigeria, Meyer told the conference. MT

## Dominion'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.

Source: Dominion

Also included in the deal are 2,500 miles of interstate NGL pipelines and 2,800 miles of intrastate NGL pipes, as well as a transportation and storage unit with 5,600 miles of intrastate pipelines and 51.6 Bcf of storage capacity.

Reaction from the three major credit rating agencies was mixed, with only Moody's Ratings Service giving its blessing to the deal by reaffirming its Baa2 investment grade ratings of Oneok and NBP.

Fitch Ratings placed NBP on a negative credit watch due to concerns that NBP was gaining a riskier market segment in the fee-based processing and transportation units, while Standard and Poor's Ratings Direct put both Oneok and NBP on a negative credit watch—Oneok for not committing cash from the sale to a specific pay-down of its debt and NBP for its increased exposure to risk.

"Fitch believes that the new assets will have greater exposures to changes in commodity prices and increased volatility in cash flows than its existing interstate pipelines," Fitch analysts Ralph Pellecchia and Hugh Welton said.

Investors, on the other hand, seemed to love the deal. Shares of NBP gained \$5.26, or 12%, to close at \$49.15/share, while Oneok stock climbed \$3.60, or 13.5%, to close at \$30.16/share.

BH

## Williams to ramp up gas production ... from page 1

Meanwhile, as the E&P industry struggles with a shortage of qualified engineers and other rig workers, Williams has made "recruiting new talent and retaining existing talent" a top priority, hiring about 200 new employees in the past year alone, he said.

Malcolm noted that Williams based its financial outlook on average NYMEX gas prices of \$8.50/MMBtu in 2006 and \$7/MMBtu in 2007 and 2008. However, "one never knows what to expect with respect to commodity prices," he acknowledged.

While noting that prompt-month NYMEX prices have been holding steady below \$8.50/MMBtu for weeks, "we are still bullish on gas prices," Malcolm stressed. "They still make sense for us going forward."

In any event, Malcolm said he did not foresee prices falling below \$5/MMBtu given the country's tight supply/demand balance.

Williams' gas pipeline business, which Malcolm said moves about 12% of the gas consumed every day in the United States, has "many opportunities for us to grow." Expansions are planned for both the Transcontinental Gas Pipe Line and Northwest Pipeline systems, and while "we're not currently pleased with the returns that we're seeing" on the Gulfstream Natural Gas System, demand in Florida is growing at a rate that should enable Gulfstream to fill more of its capacity, he said.

Because the expansions are designed, in part, to accommodate new imports of liquefied natural gas, Williams is closely following the ongoing debate over gas quality and interchangeability, Malcolm told *Gas Daily* on the sidelines of the

### Gas Daily basis forwards assessments, Feb 15

	Mar 2006	Apr 2006	Summer 2006	Winter 2006-07	Summer 2007	Winter 2007-08
Transco zone 6-N.Y.	84.000	59.000	62.500	275.000	62.500	210.000
Texas Eastern, M3	74.000	57.375	57.500	174.000	58.000	194.500
Columbia Gas, Appalachia	32.500	33.500	31.500	35.250	30.000	34.000
Transco, zone 3	11.000	11.000	10.000	13.500	10.750	12.000
Trunkline LA	-16.000	-11.500	-10.500	-12.500	-12.500	-12.500
Chicago city-gates	-11.500	-15.000	-17.500	-27.500	-17.500	-25.500
MichCon city-gate	21.000	20.250	6.500	-22.000	15.000	-13.500
Panhandle, Tx, Okla.	-72.250	-67.500	-73.000	-97.500	-75.000	-92.500
Houston Ship Channel	-22.000	-22.000	-25.250	-62.500	-22.500	-72.500
Waha	-67.500	-71.500	-63.500	-117.500	-62.500	-95.000
El Paso, Permian Basin	-81.500	-82.000	-77.500	-127.500	-75.000	-110.000
El Paso, San Juan Basin	-95.000	-118.500	-120.500	-152.500	-137.500	-147.500
Northwest Pipe, Rockies	-100.000	-122.500	-135.500	-159.750	-161.500	-157.500
SoCal Gas	-56.500	-65.500	-85.000	-115.000	-87.500	-107.500

Prices in cents/MMBtu. Summer season is April-October. Winter is November-March.  
\*Balance of the season

### NYMEX Henry Hub gas futures contract, Feb 15

	Settlement	High	Low	+/-	Volume
Mar 2006	7.066	7.440	6.975	4.8	26509
Apr 2006	7.249	7.620	7.160	-5.0	17215
May 2006	7.399	7.710	7.320	-5.3	6724
Jun 2006	7.524	7.860	7.450	-5.5	2652
Jul 2006	7.647	7.950	7.600	-5.7	2120
Aug 2006	7.722	8.020	7.660	-5.7	1194
Sep 2006	7.787	8.060	7.740	-4.7	1898
Oct 2006	7.869	8.130	7.800	-5.0	7183
Nov 2006	8.729	9.000	8.700	-4.5	2591
Dec 2006	9.554	9.800	9.520	-4.0	1481
Jan 2007	10.089	10.280	10.030	-3.0	3669
Feb 2007	10.109	10.280	10.060	-3.0	455
Mar 2007	9.939	10.090	9.910	-4.0	1336
Apr 2007	8.334	8.540	8.334	-7.5	884
May 2007	8.169	8.169	8.160	-8.0	34
Jun 2007	8.229	8.350	8.200	-8.0	86
Jul 2007	8.299	8.400	8.299	-8.0	144
Aug 2007	8.364	8.440	8.364	-8.0	48
Sep 2007	8.384	8.450	8.384	-8.0	11
Oct 2007	8.459	8.520	8.450	-8.0	49
Nov 2007	9.049	9.050	9.049	-8.5	1038
Dec 2007	9.609	9.730	9.600	-9.0	24
Jan 2008	10.029	10.100	10.029	-9.5	3
Feb 2008	10.039	10.230	10.039	-9.0	3
Mar 2008	9.879	9.960	9.879	-8.0	428
Apr 2008	8.029	8.030	8.029	-9.0	825
May 2008	7.869	7.950	7.869	-9.0	25
Jun 2008	7.921	7.921	7.921	-9.0	0
Jul 2008	7.986	7.986	7.986	-9.0	0
Aug 2008	8.046	8.046	8.046	-8.5	0
Sep 2008	8.069	8.069	8.069	-8.2	0
Oct 2008	8.129	8.129	8.129	-7.7	1520
Nov 2008	8.719	8.890	8.719	-7.7	125
Dec 2008	9.309	9.309	9.309	-7.7	1246
Jan 2009	9.772	8.046	8.046	-7.7	52
Feb 2009	9.777	9.777	9.777	-8.2	0

#### Contract data for Tuesday

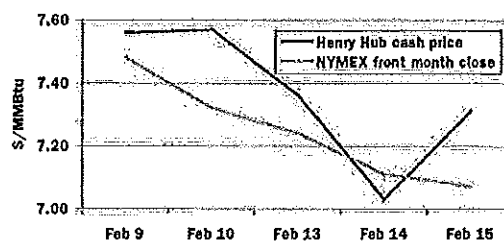
Volume of contracts traded: 84,871

Front-months open interest:

MAR, 67,063; APR, 64,362; MAY, 49,162

Total open interest: 583,354

### Henry Hub/NYMEX spread



### Platts oil prices, Feb 15

	(\$/b)	(\$/MMBtu)
Gulf Coast spot		
1% Resid	45.50-46.00	7.28
3% Resid	44.00-44.50	7.04
Crude spot		
WTI (Feb.)	57.58-57.60	9.16
New York spot		
No.2	44.79-44.80	11.13
0.3% Resid HP	47.00-47.25	7.60
0.3% Resid LP	60.00-50.25	7.97
0.7% Resid	46.25-46.75	7.40
1% Resid HP	45.50-46.00	7.28

conference. Ultimately, "there needs to be an industry solution" guided by FERC, and Malcolm stressed that Williams would be "an active participant" in any discussions on the topic.

MT

## EnCana cuts capital budget by 12% ... from page 1

said, while its annual average gas price jumped 40% to \$8.63/Mcf.

EnCana's net income for the quarter fell 8% from the same period of 2004, to \$2.37 billion, while its profits for the year fell by 2% to \$3.43 billion. But the firm said its annual operating earnings rose 73% to \$3.24 billion and cash flow jumped 57% to \$7.4 billion.

"EnCana achieved record natural gas production, strong financial results, solid operating performance and tremendous proved reserves additions in a year characterized by robust prices and tough operating conditions," President and CEO Randy Eresman said in a statement.

However, the company also said it would reduce its previously announced 2006 capital expenditure forecast by 12% and lowered its gas sales forecast for the year by 75,000 Mcf/day.

Citing inflationary pressures, which have driven drilling costs upward by more than 15%, EnCana said it "decided to reduce drilling in areas where costs have increased the most, resulting in a \$500 million reduction in its previously announced 2006 upstream capital investment forecast."

The remaining \$300 million reduction results from capital previously assigned to building the second segment of the Entrega Pipeline, which will not be required because EnCana had entered into an agreement to sell Entrega (GD 11/16). That deal is expected to close this quarter.

In a conference call with analysts, Eresman said unseasonably warm weather had hampered the company's winter drilling program in western Canada, resulting in fewer wells being drilled than planned in the fourth quarter. "We achieved about 80% of our expected production," he said.

During the quarter, the company drilled 1,142 wells, about 20% more than in the same period of 2004. For the full year 2005, EnCana drilled 4,658 wells, a drop of about 5%.

One analyst said he was not surprised to see the Calgary-based producer cut down on planned capital expenditures given the high costs associated with producing gas.

Chris Theal, an analyst with Calgary-based Tristone Capital, said the biggest issue is "cost structure and the ability to try to manage costs," for EnCana and the rest of the E&P sector. "These guys have been under a tremendous amount of pressure both in terms of field operating costs and on the capital side," he said. JM

## Falcon plans another 15 Bcf of storage capacity at MoBay

Based on strong demand for its original 12-Bcf Phase I capacity, Falcon Gas Storage on Wednesday launched a non-binding open season for an additional 15 Bcf of high-deliverability, multi-cycle working gas capacity at its MoBay Storage Hub in Alabama. Bids are due by 5 p.m. CST on March 15.

Falcon said it is in the process of finalizing binding, multi-year precedent agreements for all of the original Phase I scope of 12 Bcf for the proposed facility, which will connect directly to Gulfstream Natural Gas System, Florida Gas Transmission, Transcontinental Gas Pipe Line and Gulf South Pipeline.

The MoBay Storage Hub is located at the confluence of major market and supply area pipeline systems and processing plants serving natural gas and electric utilities in the southeastern and northeastern United States, Falcon said.

The expansion calls for bi-directional receipt and delivery points with Gulfstream, Florida Gas' zone 3, Transco's Zone 4A and Mobile Bay Lateral and Gulf South's zone 4. The Destin Pipeline also will be accessible through the connection with Gulfstream, Falcon said.

Receipt point options with supply pipelines include Chevron, the Dauphin Island Gathering System, Exxon Mary Ann Plant, the Mobil Bay Processing Partners plant, the Shell Yellowhammer plant and the Williams processing plant. All of the potential receipt and delivery points are within two miles of the proposed plant site.

"Recent supply disruptions along the Gulf Coast, combined with continued growth in gas demand and the unprecedented volatility in gas prices, have substantially increased the value of storage as a long-term, strategic asset," said Edmund Knolle, Falcon's chief operating officer. "We've seen significant interest from firms that have not utilized storage in the past. MoBay will be designed to operate in conditions that meet or exceed those under which the interconnecting pipelines are designed to operate."

Falcon plans to file permit applications by May with FERC and the state of Alabama. The projected Phase I in-service date is October 2007.

VJ

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# Gas Daily

Friday, February 17, 2006

## FERC official: Market dodged a bullet this winter

While extraordinarily warm weather nationwide in January contributed to the recent plunge in natural gas prices, it would be a mistake to count on continued price relief from unseasonable conditions, a FERC official cautioned Thursday.

Pointing out that January temperatures were the highest in at least 112 years, Office of Market Oversight and Investigations Deputy Director Stephen Harvey reported that Henry Hub prices have lost more than half their value since late autumn.

Despite dire predictions of gas supply shortages after damaging hurricanes, (continued on page 6)

## Rivals square off over drilling in eastern Gulf

Even if the Lease Sale 181 Area off Florida's coast were opened to gas development as quickly as advocates desire, it would take "at least two years" before any drilling could occur in the controversial section of the eastern Gulf of Mexico, R.M. "Johnnie" Burton, director of the Minerals Management Service, said Thursday.

At issue is legislation introduced by Senate Energy Committee Chairman Pete Domenici, R-N.M., and the committee's ranking Democrat, Sen. Jeff Bingaman, D-N.M., that would require the Interior Secretary to offer 2.9 million acres in MMS Lease Sale 181 Area (continued on page 5)

## Southern Union sells R.I. utility for \$575 million

Southern Union on Thursday said it has sold the Rhode Island portion of its New England Gas Co. subsidiary for \$575 million.

"The sale of these assets is part of the continuing transformation of Southern Union from a utility to a leader in the natural gas transportation and services industry," Southern Union CEO George Lindemann said.

Southern Union said it plans to use the bulk of the proceeds—which will be reduced by \$77 million for debt assumed by the buyer, Britain's National Grid—to pay down some of the \$1.6 billion it spent to buy Fort Worth, Texas-based midstream operator Sid Richardson Energy (continued on page 4)

## NYMEX ends losing streak, regains 6.8 cents

**THE MARKET** The March NYMEX futures contract on Thursday recorded its first gain in nine sessions, adding 6.8 cents to reach a \$7.134/MMBtu settlement as market players engaged in sporadic short-covering throughout the day. Cash trading results were mixed as prices generally tracked regional weather trends.

After starting off the session at \$7.12, the March contract rose as high as \$7.23 before briefly testing \$7 support later in the session. The prompt-month contract dipped as low as \$6.98 before recovering.

In addition to short-covering, an analyst cited support from rising

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

NATIONAL AVERAGE PRICE: 7.100

Trans. date: 2/16  
Flow date(s): 2/17

Midpoint Absolute Common Volume Deals

#### Permian Basin Area

El Paso, Permian Basin	6.650	6.53-6.70	6.61-6.69	623	91
Waha	6.785	6.65-6.83	6.72-6.81	802	123
Transwestern, Permian Basin	6.555	6.55-6.66	6.55-6.56	14	2

#### East Texas-North Louisiana Area

Carthage Hub	6.815	6.71-6.91	6.76-6.87	120	13
NGPL, Texas zone	6.845	6.70-6.91	6.79-6.90	410	63
Texas Eastern, ETX	6.720	6.65-6.77	6.69-6.75	57	11
Texas Gas, zone 1	7.050	6.90-7.10	7.00-7.10	113	22

#### East-Houston-Katy

Houston Ship Channel	6.940	6.75-7.12	6.85-7.03	228	21
Katy	6.905	6.82-6.96	6.87-6.94	508	64

#### South-Corpus Christi

Agua Dulce Hub	6.950	6.95-6.95	6.95-6.95	30	3
NGPL, STX	6.935	6.86-7.00	6.90-6.97	240	42
Tennessee, zone 0	6.920	6.88-7.05	6.88-6.96	178	28
Texas Eastern, STX	6.820	6.70-6.88	6.77-6.87	84	20
Transco, zone 1	6.875	6.85-6.90	6.86-6.89	18	4

#### Louisiana-Onshore South

ANR, La.	7.045	7.00-7.09	7.02-7.07	193	38
Columbia Gulf, La.	7.130	7.09-7.19	7.10-7.16	351	57
Columbia Gulf, mainline	7.240	7.20-7.30	7.21-7.27	77	14
Florida Gas, zone 1	7.050	7.05-7.05	7.05-7.05	20	2
Florida Gas, zone 2	7.140	6.90-7.16	7.07-7.16	93	6
Florida Gas, zone 3	7.185	7.13-7.30	7.14-7.23	65	11
Henry Hub	7.165	7.10-7.20	7.14-7.19	417	58
NGPL, La.	6.715	6.71-6.83	6.71-6.75	5	5
Southern Natural, La.	7.150	7.13-7.20	7.13-7.17	81	15
Tennessee, La., 500 Leg	7.050	6.95-7.12	7.01-7.09	139	33
Tennessee, La., 800 Leg	7.065	6.98-7.11	7.03-7.10	249	42
Texas Eastern, WLA	6.975	6.90-7.03	6.94-7.01	132	25
Texas Eastern, ELA	6.990	6.96-7.06	6.96-7.02	300	39
Texas Gas, zone SL	7.020	6.95-7.09	6.98-7.06	134	20
Transco, zone 2	7.120	7.09-7.15	7.10-7.14	123	23
Transco, zone 3	7.175	7.13-7.23	7.15-7.20	356	55
Trunkline, WLA	7.085	7.00-7.10	7.04-7.09	57	10
Trunkline, ELA	7.075	7.04-7.12	7.05-7.10	76	13

#### Oklahoma

ANR, Okla.	6.730	6.70-6.83	6.70-6.76	71	20
CenterPoint, East	6.830	6.78-6.90	6.80-6.88	75	18
NGPL, Midcontinent	6.770	6.68-6.85	6.73-6.81	111	28
Oneok, Okla.	6.635	6.61-6.75	6.61-6.67	6	2
Panhandle, Tx-Okla.	6.810	6.65-6.90	6.76-6.87	235	44
Southern Star, Tx-Okla.-Kan.	6.740	6.72-6.75	6.73-6.76	21	4

#### New Mexico-San Juan Basin

El Paso, Bonad	6.560	6.40-6.61	6.51-6.61	73	10
El Paso, San Juan Basin	6.580	6.40-6.63	6.52-6.63	527	68

crude oil and petroleum products futures prices. "Crude popped up at the end, and that probably helped natural gas come off its lows," he said.

Traders largely dismissed the impact of a slightly smaller-than-anticipated gas storage withdrawal after the Energy Information Administration estimated a 102-Bcf draw for the week ending Feb. 10 (see story, page 3).

"It did kill off some of the upward momentum" earlier in the session, said another analyst, although he noted the market's response to the withdrawal was muted in comparison to previous weeks.

In the cash market, utility demand brought Rocky Mountain buyers out in droves as temperatures in Denver were expected to dip below zero tonight and forecasts for Cheyenne, Wyo., anticipated highs only in the teens through Saturday. Consequently, regional spot prices climbed another 15 cents to 20 cents from Wednesday's averages. "I had a utility guy call me and tell me he was going to need some gas [today]. That's unusual," a Rockies trader said.

According to its Web site, Northwest Pipeline issued a stage two unauthorized overrun entitlement for receiving customers north of their Kemmerer compression station, effective for today and until further notice.

"If you short your deliveries [on Northwest], they'll smack you. It makes no economic sense to draft the pipe—whatever profit you might make, you're penalized for," a trader said. Northwest's south of Green River point rose a nickel on the day, while Northwest's Wyoming pool averaged about 15 cents higher.

### 'There's just a lot of gas in the ground'

Prices in the Pacific Northwest surged higher during early trading, but fell off as the day progressed. "It's cold in Washington, it's cold in Oregon," a trader noted. "The high at Sumas was higher than [at] the Henry Hub, but then [Sumas] crashed at the end." Sumas ultimately averaged up about a quarter.

Southwest spot gas prices were a mixed bag, with some points shedding a few cents to more than a nickel and others climbing as much as 20 cents. Pacific Gas and Electric city-gate started strong, according to a California trader, but "ratcheted down" throughout the morning, eventually averaging more than 5 cents lower than Wednesday. "There's no forward curve, [and] the gate is trading about flat to March. That seems to indicate there's just a lot of gas in the ground," the trader said.

The spread along the Baja Path—between Southern California Gas and the PG&E city-gate—was "under water," as SoCal climbed a dime from Wednesday. Spreads generally came in throughout the region, the trader said—but noted that an interesting relationship developed between SoCal and Malin, Ore.

While the differential between Malin and SoCal is generally only a few pennies, the spread Thursday widened considerably. Buying at Malin and shipping to SoCal "hasn't made any sense until [Thursday]," the trader said. "That's the more interesting thing going on."

With most Oklahoma spot traders expecting to bask in pleasant 60-degree weather before a Canadian cold front moves into the region today, spreads between some Midcontinent pricing points narrowed dramatically as most prices gained less than a nickel to nearly 20 cents from Wednesday.

One Oklahoma trader noted that pipelines in the region were getting stricter with operational tolerances. "[Pipeline] operational flexibility is drying up because of the cold coming in," the trader reported.

Sub-zero low temperatures permeated upper Midwest spot markets, as the much-anticipated Alberta Clipper made its way through Minnesota and

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

Trans. date:	2/16				
Flow date(s):	2/17				
	Midpoint	Absolute	Common	Volume	Deals
<b>Rockies</b>					
ClG, Rocky Mountains	6.635	6.59-6.70	6.61-6.66	37	8
Kern River, Opal plant	6.620	6.56-6.66	6.59-6.65	107	16
Stanfield, Ore.	6.685	6.66-6.76	6.63-6.74	106	15
Questar, Rocky Mountains	6.400	6.15-6.50	6.31-6.49	7	2
Cheyenne Hub	6.830	6.70-6.88	6.78-6.88	33	6
Northwest, Wyo. Pool	6.600	6.56-6.65	6.58-6.62	38	7
Northwest, s. of Green River	6.430	6.30-6.50	6.38-6.48	86	14
<b>Canadian Gas</b>					
Iroquois, receipts	7.780	7.63-7.87	7.72-7.84	314	47
Niagara	7.530	7.50-7.57	7.52-7.55	40	6
Northwest, Can. bdr. (Sumas)	7.160	6.90-7.30	7.06-7.26	499	62
TCPL Alberta, AECO-C*	6.955	6.83-7.05	6.90-7.01	684	74
Emerson, Viking GL	6.895	6.86-6.97	6.87-6.92	265	18
Dawn, Ontario	7.385	7.27-7.44	7.34-7.43	568	51
GTN, Kingsgate	6.650	6.65-6.65	6.65-6.65	20	2
Westcoast, station 2*	6.705	6.60-7.27	6.90-7.13	168	19
<b>Appalachia</b>					
Dominion, North Point	—	—	—	—	0
Dominion, South Point	7.545	7.48-7.62	7.51-7.58	451	77
Leidy Hub	—	—	—	—	0
Columbia Gas, Appalachia	7.460	7.38-7.55	7.41-7.49	626	90
<b>Mississippi-Alabama</b>					
Florida Gas, Mobile Bay	—	—	—	—	0
Texas Eastern, M-1 (Kosci)	7.185	7.15-7.21	7.17-7.20	38	11
Transco, zone 4	7.205	7.17-7.22	7.19-7.22	22	9
<b>Others</b>					
Algonquin, receipts	7.890	7.80-7.95	7.85-7.93	33	4
SoCal Gas	6.805	6.72-6.90	6.76-6.85	1557	162
PG&E, South	6.890	6.79-7.00	6.84-6.94	98	5
PG&E, Malin	6.870	6.67-6.80	6.61-6.73	128	16
Alliance, into interstate	7.310	7.24-7.42	7.28-7.36	264	30
ANR, ML 7	7.375	7.29-7.68	7.30-7.45	33	7
NOPL, Anadarko receipt	6.970	6.83-7.05	6.91-7.03	62	11
Northern, Ventura	7.375	7.20-7.45	7.31-7.44	372	62
Northern, demarc.	7.130	7.08-7.20	7.10-7.16	174	27
Dracut, Mass.	7.675	7.59-7.78	7.63-7.72	44	8
<b>Citygates</b>					
Chicago citygate	7.265	7.18-7.42	7.20-7.33	699	131
Consumers Energy citygate	7.340	7.32-7.36	7.33-7.35	88	10
Mich Con citygate	7.335	7.29-7.40	7.31-7.36	285	43
PG&E citygate	6.885	6.82-7.05	6.83-6.94	397	50
Florida citygate	7.390	7.35-7.51	7.35-7.43	41	10
Algonquin, citygates	7.950	7.80-8.03	7.89-8.01	91	17
Tennessee, zone 6 delivered	7.830	7.70-7.95	7.77-7.89	96	18
Iroquois, zone 2	7.850	7.80-7.95	7.81-7.89	391	43
Texas Eastern, M-3	7.800	7.70-7.87	7.76-7.84	586	116
Transco, zone 5 delivered	7.610	7.61-7.63	7.61-7.62	16	2
Transco, zone 6 non-N.Y.	7.710	7.65-7.80	7.67-7.75	187	43
Transco, zone 6 N.Y.	7.800	7.70-7.90	7.75-7.85	292	69

\*NOTE: Price in C\$ per g; C\$1=US\$0.6637  
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/NaturalGas/Resources/Methodology&Specifications/](http://www.platts.com/NaturalGas/Resources/Methodology&Specifications/). Questions may also be directed to our market editors: Tom Castleman, (713) 658-3263; tom.castleman@platts.com and Liane Kucher, (202) 389-2147; liane.kucher@platts.com.

Wisconsin. Supply-area spot prices went up a few cents to a dime from Wednesday's midpoints and prices in the market areas were flat to down more than a dime.

"Spreads just died because the cold hasn't hit the East yet and transport east or anywhere in the [upper Midwest], was lousy, right at the margin, and not worthwhile," one upper Midwest trader said.

The Chicago city-gates traded roughly flat to Wednesday's midpoint, while Michigan Consolidated and Consumers Energy both lost more than a dime. Large volumes were moving through Northern Natural Gas' demarcation and Ventura, Iowa, points to meet cold weather loads in the market areas, and a system overrun limitation was in place on Northern Natural Thursday with another issued for today. As a result, demarc jumped up a few cents and Ventura gained nearly a dime.

Falling between a dime and 20 cents, Northeast prices could not maintain Wednesday's rally as temperatures near seasonal norms and robust supplies left buyers little reason to look to the spot market. "Cash is relatively flat to [Wednesday]," one east Canada trader said.

Gulf Coast spot prices lost between a dime and 20 cents as many Southeast utilities remained long, leaving no reason to look to spot gas for supplies. In Louisiana, Henry Hub shed more than 15 cents, while Transcontinental Gas Pipe Line zone 3 lost about as much.

—Market Staff Reports

## Gas storage inventory surplus continues to expand

The Energy Information Administration on Thursday reported a 102-Bcf net storage withdrawal for the week ending Feb. 10, reducing nationwide inventories to 2.266 Tcf—and once again expanding the surplus over the year-ago level and the five-year average.

"The natural gas markets just can't seem to catch a break when it comes to the storage report," IFR Energy Services analyst Timothy Evans said in a note to clients. "The 102 Bcf in net withdrawals for last week came in well under our own 125-Bcf estimate and the 113-Bcf ICAP auction target."

In the same week of 2005, EIA reported a withdrawal of 109 Bcf, leaving 1.822 Tcf in storage. As a result, the surplus over the year-ago level grew to 444 Bcf from 437 Bcf a week ago, while the surplus over the five-year average of 1.575 Tcf widened to 691 Bcf from 649 Bcf.

"Storage remains on track to exit winter at a record high 1.6 to 1.7 Tcf," Banc of America analyst Robert Morris said. "Assuming normal (10-year average) temperatures this summer and no hurricane-related shut-ins, our proprietary models indicate that storage could theoretically approach 3.7 Tcf heading into next winter."

But falling gas prices could spark new demand, Morris said, as industrial and power plants capable of switching from fuel oil seize that opportunity. "We estimate that fuel-switching to natural gas from residual fuel oil in all three key fuel-switching regions could add 2 Bcf/day of incremental gas demand, or 430 Bcf during the entire injection season," he said.

EIA reported a net withdrawal last week of 70 Bcf in the East region to 1.249 Tcf (992 Bcf a year ago); 11 Bcf drawn from the West region to 314 Bcf (250 Bcf a year ago); and 21 Bcf from the producing regions to 703 Bcf (579 Bcf a year ago).

In the East, inventories are now 375 Bcf above the five-year average, while stocks are 94 Bcf above the average in the West and 222 Bcf above the average in the producing region. JMM/BH

### Estimated working gas in storage

(week ending Feb 10)

	This Week (Bcf)	Last Week (Bcf)	Change (Bcf)
Consuming Region East	1,249	1,319	-70
Consuming Region West	314	325	-11
Producing Region	703	724	-21
Total U.S.	2,266	2,368	-102

	This Week Last Yr. (Bcf)	Prior 5 Year Average (Bcf)
Consuming Region East	992	874
Consuming Region West	250	220
Producing Region	579	481
Total U.S.	1,822	1,575

Source: Energy Information Administration

## DTE Gas Storage launches open season for N.Y. capacity

DTE Gas Storage said it has launched an open season for storage services in the Central New York region, with an in-service date of April 1, 2008.

DTE, a subsidiary of Detroit-based DTE Energy, said the storage would be interconnected at Corning, N.Y., with the proposed Millennium Pipeline, the Empire extension project and the Columbia Gas Transmission systems. The open season closes on March 2.

An affiliate of DTE is proposing development of the storage projects, which would provide services such as 10-day peaking to 110-day baseload, ratcheted or unratcheted, and either annual or seasonal injections and withdrawals, the company said.

The open season is targeting two specific services—70-day ratcheted and 30-day unratcheted, DTE added. To obtain an open season package, e-mail Della Rupkey at rupkeyd@dteenergy.com.

## Bobcat seeks FERC approval for 12-Bcf gas storage project

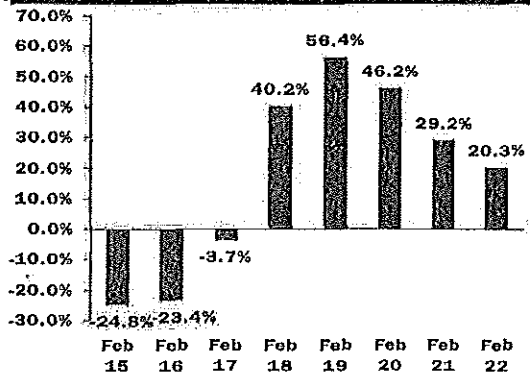
Bobcat Gas Storage on Thursday filed an application with FERC requesting regulatory approval to build and operate a gas storage project in St Landry Parish, La., near Henry Hub, developer Port Barre Investments said.

If approved, Bobcat would develop two salt caverns with a total working gas capacity of 12 Bcf, injection capacity of 900,000 Mcf/day and maximum withdrawal of 1.2 Bcf/day, the company said. An open season is planned for March and the company has requested FERC authorization by July 15.

"This approval date from FERC will allow Bobcat to begin construction before the rainy season in Louisiana to meet our targeted winter 2007 in-service date," said Paul Blenlowski, Bobcat's vice president.

"Reaching our target in-service date and bringing this project to the market will help mitigate ongoing supply constraints resulting from Hurricanes Katrina and Rita, coincide with the in-service date proposed by certain liquefied natural gas import terminals in the Gulf Coast region, and bring positive economic benefits to the state of Louisiana and the local Port Barre community," he added.

### Dominion'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.

Source: Dominion

## Market dodged a bullet this winter ... from page 1

canes knocked out much of the gas production in the Gulf of Mexico, residential energy needs in January were actually 20% less than under normal weather conditions, Harvey said, adding that gas deliveries fell 15% between December and January.

The relatively warm November, an average December and "extraordinary" January "resulted in gas market conditions that we certainly could not have predicted in the fall," Harvey told commissioners at FERC's regular monthly meeting.

One result of the weather pattern is that recent gas storage levels have spiked so much that "we now face the task of getting enough out of storage" by April 1 to maintain the integrity of the system—"a remarkable story," Harvey said.

He cited three basic reasons for the current supply/demand/price situation—extremely mild winter weather; a significant "demand response" by residential customers who "lowered thermostats and took other energy-saving actions" in anticipation of high gas prices; and a strong supply response from the production sector, with rig counts surging.

But Harvey noted that gas prices, buttressed in part by global oil prices, are expected to remain relatively strong over the long term. Gas futures markets indicate that "prices today are as low as they are likely to be for the remainder of the decade," he said, citing forecasts of increased demand for gas in the power generation sector as one reason.

So while little stress has been placed on gas deliverability systems nationwide this winter, "this fairly short-term view ... reflects the cyclical nature" of prices, and seasonal weather and should not translate into any relaxation by the gas sector in the effort to expand supply and infrastructure, Harvey warned.

After the summer's hurricanes, the country went through "a major shock to the supply system followed by a major shock to the demand system" due to warm weather, which resulted in what is at this point "a fairly heavily supplied system."

But such weather patterns are unlikely to continue, Harvey stressed. It would be "absolutely wrong to say that because we had a warm winter this year, we'll always have warm winters ... We can't just assume recent experiences will be applicable to the future."

As a result, he said policymakers, regulators, the energy industry and consumers have "got to prepare for more extreme conditions" in the years to come. CN

## Holiday Notice

Gas Daily will not publish Monday, Feb. 20, due to the Presidents Day holiday. The next issue will appear on Tuesday, Feb. 21. Gas price information collected Friday, Feb. 17, for the Daily Price Survey to be published in the Feb. 21 Gas Daily will be for gas flowing Feb. 18-21.

## FERC approves Lake Charles LNG expansion to meet peak-day demand

FERC on Thursday approved an expansion—to 1.5 Bcf/day from 1.3 Bcf/day—of peak-day vaporization capacity at Trunkline LNG's liquefied natural gas terminal near Lake Charles, La., to reflect the current available capacity of its vaporizers.

Trunkline gradually has been increasing its storage, pipeline and vaporization capacity to accommodate BG LNG's interest in shipping more LNG through the terminal. Later this year, sustained send-out capacity is expected to grow to as much as 1.8 Bcf/day, with 2.1 Bcf/day peak send-out, through its broader expansion project.

The expansions are designed, in part, to accommodate increasing global competition for shipments. FERC approved the expansion Thursday to help BG in scheduling deliveries planned for arrival in the first and second quarters of 2006, the order said.

"BG LNG, Trunkline LNG's firm customers for the expanded terminal service, has requested this additional regasification flexibility to facilitate the efficient and economical scheduling of ships and LNG send-out for delivery to its downstream markets," FERC said.

The order follows a previous send-out expansion in September from 630,000 Mcf/day to 1.2 Bcf/day. The commission already had authorized Trunkline LNG to install three new vaporizers on top of the seven included in the original construction. JK

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