

SCHEDULE GLG-7

Gas Daily

Monday, October 2, 2006

Technical rally lifts NYMEX, but cash prices tank

THE MARKET A midday buying spree sent the November NYMEX gas futures contract rallying 22.8 cents Friday to settle at \$5.62/MMBtu. But cash prices headed the other direction, tumbling between 20 cents and 65 cents due to sluggish weekend demand.

"It was just some short-covering," a NYMEX analyst said of Friday's run-up. "The market has come down a long way really fast. We really don't have anything fundamental going on. It's [also] a lit-

(continued on page 2)

OCS bill talks collapse, may resume next month

Negotiations on a bill that would open portions of the Outer Continental Shelf to gas and oil drilling have collapsed, but members of the House Resources Committee said Friday they plan to pursue an agreement during a mid-November lame-duck session of Congress.

Democratic and Republican committee members worked through last week in hopes of hammering out an agreement before Congress recessed over the weekend for the November midterm elections. They said they were close to a deal but could not agree on some key details.

(continued on page 5)

Algonquin eyes LNG-linked mainline expansion

Algonquin Gas Transmission on Friday launched an open season to gauge shipper interest in a proposed expansion of its mainline designed to access new supply sources — including liquefied natural gas.

Depending on the response to the open season, which ends October 27, service on the proposed East-to-West Expansion could begin as early as November 1, 2008, said Algonquin, a Boston-based subsidiary of Duke Energy Gas Transmission.

The project would involve the addition of compression and looping

(continued on page 4)

US judge allows gas, oil leasing in Otero Mesa

A federal judge last week cleared the way for the Bureau of Land Management to begin gas and oil leasing in a two-county region of southeastern New Mexico that includes the environmentally sensitive Otero Mesa.

US District Judge Bruce Black issued the ruling in the US District Court for the District of New Mexico following a lawsuit brought by New Mexico Governor Bill Richardson and the New Mexico Wilderness Alliance. The plaintiffs sought to overturn BLM's amended resource management plan and final environmental impact statement for energy

(continued on page 3)

Daily price survey (\$/MMBtu)

NATIONAL AVERAGE PRICE: 3.570

Trans. date: 9/29
Flow date(s): 10/1-2

	Midpoint	Absolute	Common	Volume	Deals
Permian Basin Area					
El Paso, Permian Basin	3.395	3.26-3.65	3.30-3.49	783	122
Waha	3.435	3.35-3.55	3.39-3.49	358	54
Transwestern, Permian Basin	3.220	3.20-3.30	3.20-3.25	21	10

East Texas-North Louisiana Area					
Carthage Hub	3.480	3.40-3.59	3.43-3.53	107	20
NGPL, Texok zone	3.475	3.33-3.58	3.41-3.54	743	126
Texas Eastern, ETX	3.410	3.30-3.46	3.37-3.46	50	5
Texas Gas, zone 1	3.465	3.40-3.63	3.41-3.62	107	17

East-Houston-Katy					
Houston Ship Channel	3.490	3.40-3.64	3.43-3.55	253	31
Katy	3.495	3.37-3.63	3.43-3.56	654	95

South-Corpus Christi					
Agua Dulce Hub	3.460	3.40-3.55	3.42-3.50	122	11
NGPL, STX	3.460	3.40-3.55	3.42-3.50	267	44
Tennessee, zone 0	3.465	3.33-3.58	3.40-3.53	219	41
Texas Eastern, STX	3.470	3.35-3.55	3.42-3.52	90	19
Transco, zone 1	3.515	3.30-3.55	3.45-3.55	78	15

Louisiana-Onshore South					
ANR, La.	3.535	3.41-3.62	3.48-3.59	379	76
Columbia Gulf, La.	3.510	3.40-3.60	3.46-3.56	417	61
Columbia Gulf, mainline	3.535	3.43-3.66	3.48-3.59	148	29
Florida Gas, zone 1	3.550	3.30-3.59	3.48-3.59	43	6
Florida Gas, zone 2	3.635	3.55-3.72	3.59-3.68	104	11
Florida Gas, zone 3	3.915	3.68-4.07	3.82-4.01	254	23
Henry Hub	3.665	3.46-3.85	3.57-3.76	1739	252
NGPL, La.	3.405	3.40-3.56	3.40-3.45	14	3
Southern Natural, La.	3.565	3.41-3.75	3.48-3.65	304	40
Tennessee, La., 500 Leg	3.540	3.43-3.60	3.50-3.58	184	46
Tennessee, La., 800 Leg	3.495	3.35-3.56	3.44-3.55	307	46
Texas Eastern, WLA	3.530	3.43-3.60	3.49-3.57	121	23
Texas Eastern, ELA	3.495	3.38-3.73	3.41-3.58	363	87
Texas Gas, zone SL	3.515	3.43-3.62	3.47-3.56	153	26
Transco, zone 2	3.500	3.40-3.65	3.44-3.56	249	36
Transco, zone 3	3.695	3.46-3.79	3.61-3.78	525	108
Trunkline, WLA	3.550	3.54-3.55	3.55-3.55	30	7
Trunkline, ELA	3.545	3.50-3.60	3.52-3.57	125	17

Oklahoma					
ANR, Okla.	3.270	3.20-3.32	3.24-3.30	97	25
CenterPoint, East	3.320	3.25-3.37	3.29-3.35	90	18
NGPL, Midcontinent	3.245	3.16-3.38	3.19-3.30	285	66
Onco, Okla.	3.325	3.20-3.35	3.29-3.35	13	4
Panhandle, Tx., Okla.	3.245	3.10-3.36	3.18-3.31	523	95
Southern Star, Tx., Okla., Kan.	3.210	3.15-3.25	3.19-3.24	20	6

New Mexico-San Juan Basin					
El Paso, Bondad	3.100	3.08-3.16	3.08-3.12	72	16
El Paso, San Juan Basin	3.150	3.05-3.29	3.09-3.21	558	87

NYMEX rallies, but cash retreats ... from page 1

the bit of bargain-hunting and a little book-squaring ahead of the weekend."

Sources continued to cite longer-term weakness in the futures market given that storage operators have filled their facilities at an aggressive rate and significant heating demand isn't likely to kick in for another four to six weeks.

In the spot market, some of the hardest-hit points were along the Gulf Coast, which fell below \$4; and in the Rocky Mountains, which plunged beneath the \$3 mark.

Henry Hub cash sank to a four-year low in the mid-\$3.40s early in the session before settling in the upper \$3.60s, down more than 50 cents. "It was ugly," a trader said. "We saw some forecasts calling for [hot] weather across the Gulf Coast, so we hoped that would offset any bloodbath in the market. But that didn't happen."

Transcontinental Gas Pipe Line's zone 3 dropped about a half-dollar to average near \$3.70, while the Houston Ship Channel fell 55 cents to settle in the high \$3.40s.

In the Sunshine State, Florida Gas Transmission called an underage alert through Monday on its system due to high linepack and milder weather forecast over the next few days, according to a web site posting. Buyers shied away from Florida Gas, preferring to schedule short rather than pay penalties due to the alert, a trader said. As a result, prices in Florida Gas' zone 3 plummeted about 60 cents.

'We just don't know where the bottom is'

In the Northeast, where prices tanked as much as 60 cents, several traders observed a late rebound that lured in some buyers who had been sitting out the session. However, those late volumes weren't enough to drive midpoints substantially higher.

"It's just the same story for prices as the past couple of days, but lower," one Northeast trader said. "We just don't know where the bottom is."

Transco's zone 6-New York fell more than 45 cents to average below \$4 for the first time since late September 2002. Both Transco 6 non-New York and Texas Eastern Transmission's zone M-3 lost about a half-dollar, while Tennessee Gas Pipeline's zone 6 came off more than 45 cents.

In Appalachia, Columbia Gas Transmission nosedived about 60 cents, while Dominion Transmission fell more than 55 cents.

Rockies prices, which had recovered from five-year lows earlier in the month, retreated back toward those levels again Friday, falling more than 60 cents at most points. Traders attributed the weakness to mild weather, full storage caverns and a persistently bearish tenor in the market.

Kern River Gas Transmission at the Opal, Wyoming, plant slid around 35 cents to average in the low \$2.90s after sinking to near \$2.80. Colorado Interstate Gas dropped to the mid-\$2.80s before averaging a couple of cents below Opal. Northwest Pipeline's south of Green River station and Wyoming pool each shed more than a quarter to finish the day below \$3.

Sumas, Washington, prices were comparatively strong, sliding about 20 cents from Thursday's levels. In western Canada, AECO-NIT point fell around 30 cents, while Westcoast's Energy's station 2 sank about a quarter.

In the Southwest, where prices gave back as much as 45 cents, the

Daily price survey (\$/MMBtu)

Trans. date: 9/29
Flow date(s): 10/1-2

	Midpoint	Absolute	Common	Volume	Deals
Rockies					
CIG, Rocky Mountains	2.915	2.85-2.97	2.89-2.95	40	11
Kern River, Opal plant	2.930	2.80-3.16	2.84-3.02	499	84
Stanfield, Ore.	3.545	3.47-3.63	3.51-3.59	119	20
Questar, Rocky Mountains	2.680	2.40-2.89	2.66-2.80	15	3
Cheyenne Hub	3.030	3.00-3.05	3.02-3.04	39	10
Northwest, Wyo. Pool	2.945	2.83-3.10	2.88-3.01	64	13
Northwest, s. of Green River	2.985	2.90-3.10	2.94-3.04	30	6

Canadian Gas

Iroquois, receipts	4.000	3.71-4.15	3.89-4.11	340	44
Niagara	3.850	3.75-3.93	3.81-3.90	118	14
Northwest, Can. bdr. (Sumas)	3.655	3.52-3.73	3.60-3.71	469	69
TCPL Alberta, AECO-C*	C3.435	C3.25-3.63	C3.34-3.53	803	82
Emerson, Viking GL	3.630	3.50-3.70	3.58-3.68	129	15
Dawn, Ontario	3.815	3.65-4.05	3.72-3.92	559	68
GTN, Kingsgate	3.460	3.43-3.60	3.43-3.50	72	6
Westcoast, station 2*	C3.435	C3.36-3.50	C3.40-3.47	102	15

Appalachia

Dominion, North Point	3.760	3.76-3.76	3.76-3.76	5	1
Dominion, South Point	3.720	3.57-3.88	3.64-3.80	421	82
Leidy Hub	—	—	—	—	—
Columbia Gas, Appalachia	3.650	3.47-3.86	3.55-3.75	590	117

Mississippi-Alabama

Texas Eastern, M-1 (Kost)	3.615	3.50-3.65	3.58-3.65	86	20
Transco, zone 4	3.670	3.49-3.78	3.60-3.74	55	10

Others

Algonquin, receipts	—	—	—	—	—
SoCal Gas	3.550	3.43-3.65	3.50-3.61	1431	180
PG&E, South	3.465	3.42-3.53	3.44-3.49	308	42
PG&E, Malin	3.570	3.49-3.68	3.52-3.62	337	50
Alliance, Into Interstates	3.680	3.50-3.73	3.62-3.73	287	39
ANR, ML 7	3.735	3.73-3.75	3.73-3.74	36	5
NGPL, Amarillo receipt	3.270	3.22-3.30	3.25-3.29	46	9
Northern, Ventura	3.605	3.50-3.71	3.55-3.66	66	19
Northern, demand	3.605	3.48-3.65	3.56-3.65	302	51
Dracut, Mass.	4.005	3.76-4.15	3.91-4.10	58	7

City-gates

Chicago city-gates	3.665	3.50-3.80	3.59-3.74	1152	202
Consumers Energy city-gate	3.680	3.66-3.73	3.66-3.70	129	24
Mich Con city-gate	3.655	3.66-3.86	3.68-3.73	330	49
PG&E city-gate	3.770	3.70-3.90	3.72-3.82	1055	140
Florida city-gates	3.990	3.99-3.99	3.99-3.99	46	3
Algonquin, city-gates	3.965	3.80-4.10	3.89-4.04	194	34
Tennessee, zone 6 delivered	4.020	3.88-4.12	3.96-4.08	228	42
Iroquois, zone 2	3.920	3.85-4.05	3.87-3.97	195	33
Texas Eastern, M-3	3.905	3.75-4.02	3.84-3.97	254	61
Transco, zone 5 delivered	—	—	—	—	—
Transco, zone 6 non-N.Y.	3.830	3.70-4.00	3.76-3.91	219	50
Transco, zone 6 N.Y.	3.930	3.72-4.05	3.85-4.01	559	103
Kern River, delivered	3.615	3.61-3.70	3.57-3.66	169	26

*NOTE: Price in C\$ per gJ; C\$1=US\$0.8966
Volume in COO 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/.

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pace was "fast and furious" due to an abundance of storage buyers in the market, according to a California trader.

Pacific Gas & Electric issued operational flow orders on its system for Friday and Saturday with a 5% tolerance, and the PG&E city-gate slid nearly 45 cents. Southern California Gas dropped around 35 cents, while Malin, Oregon, trekked nearly 40 cents lower.

In the production basins, El Paso Natural Gas in the San Juan sank about 40 cents, El Paso in the Permian fell a quarter and Waha gave back more than 30 cents.

In the Midcontinent, utility demand remained light and prices tumbled. Natural Gas Pipeline Co. of America's Texok zone widened its premium to CenterPoint's East zone to more than 15 cents as Texok fell around a half-dollar and CenterPoint East lost nearly 55 cents.

Natural's Midcontinent zone and Panhandle Eastern Pipe Line both came off nearly 40 cents, while ANR Pipeline in Oklahoma fell more than 30 cents.

Many upper Midwest traders stayed on the sidelines to balance monthly gas portfolios in what was a quiet session, sources said. Shippers were forced to find new purchase points for gas resale as cooler weather in Canada bolstered prices at the Emerson point, which was seen trading around \$3.70 early in the session, around 15 cents below its previous midpoint.

ANR Pipeline's ML 7 zone fell around 35 cents, as did Northern Natural Gas' demarcation and Ventura, Iowa, points. The Chicago city-gates tumbled more than 55 cents, while Michigan Consolidated Gas and Consumers Energy both gave back about a half-dollar.

— Market Staff Reports

MMS to spend \$250 million to protect shorelines

The Minerals Management Service will distribute \$250 million/year from its royalty collections to six coastal states to fund projects designed to alleviate the impact of offshore gas and oil drilling.

The Coastal Impact Assistance Program, part of the Energy Policy Act of 2005, will dole out the money to coastal cities, towns and states including Alaska, Alabama, California, Louisiana, Mississippi and Texas. "These funds can be applied to projects and activities for the conservation, protection, or restoration of coastal and wetland areas," MMS Director Johnnie Burton said.

The reaction in storm-ravaged Louisiana was positive but restrained. "Any money that could be directed to coastal restoration is helpful," said Democratic Senator Mary Landrieu's press secretary, Stephanie Allen. "What is really needed is to pass a revenue sharing bill that will equal billions of dollars to properly restore the coastline."

Early last week, Landrieu pleaded with her peers in Congress to pass a now-stalled bill that would have opened up more of the country's coastline to drilling and shared more offshore royalties with the coastal states (*see story, page 1*). BH

Judge allows leasing in Otero Mesa ... from page 1

leasing in Otero and Sierra counties.

The complaint argued that BLM failed to provide adequate protection of natural resources in the Otero Mesa and Nutt Grasslands portions of the proposed drilling area.

In his ruling, Black noted that the grasslands "are highly significant environmental resources, as they constitute some of the last large and relatively unfragmented Chihuahuan Desert grasslands in the United States." However, the judge said most of the plaintiffs' challenges to BLM's development plan lacked merit.

Richardson, a Democrat, said he would confer with New Mexico Attorney

Weekly weighted average prices

	09/16-22 2006	09/23-29 2006	/+/-
Permian Basin Area			
El Paso, Permian Basin	4.09	3.75	-34
Waha	4.26	3.83	-43
Transwestern, Permian Basin	4.31	3.68	-63
East Texas-North Louisiana Area			
Carthage Hub	4.52	4.12	-40
NGPL, Texok zone	4.50	4.14	-37
Texas Eastern, ETX	4.53	4.07	-46
Texas Gas, zone 1	4.55	4.28	-27
East-Houston-Katy			
Houston Ship Channel	4.63	4.22	-41
Katy	4.58	4.23	-36
South-Corpus Christi			
Agua Dulce Hub	4.42	4.20	-22
NGPL, STX	4.54	4.16	-37
Tennessee, zone 0	4.59	4.22	-37
Texas Eastern, STX	4.45	4.14	-31
Transco, zone 1	4.58	4.35	-23
Louisiana-Onshore South			
ANR, La.	4.56	4.28	-28
Columbia Gulf, La.	4.65	4.31	-34
Columbia Gulf, mainline	4.77	4.36	-41
Florida Gas, zone 1	4.79	4.29	-49
Florida Gas, zone 2	4.81	4.42	-39
Florida Gas, zone 3	5.00	4.69	-31
Henry Hub	4.74	4.40	-34
NGPL, La.	4.54	4.11	-43
Southern Natural, La.	4.76	4.40	-36
Tennessee, La., 500 Leg	4.65	4.28	-37
Tennessee, La., 800 Leg	4.60	4.26	-34
Texas Eastern, WLA	4.48	4.23	-26
Texas Eastern, ELA	4.64	4.26	-38
Texas Gas, zone SL	4.59	4.29	-30
Transco, zone 2	4.64	4.28	-37
Transco, zone 3	4.69	4.39	-30
Trunkline, WLA	4.62	4.24	-38
Trunkline, ELA	4.68	4.31	-36
Oklahoma			
ANR, Okla.	4.20	3.67	-53
CenterPoint, East	4.29	3.98	-30
NGPL, Midcontinent	4.05	3.69	-36
Oneok, Okla.	3.95	3.71	-24
Panhandle, Tx-Okla.	4.06	3.71	-36
Southern Star, Tx-Okla.-Kan.	3.82	3.64	-17
New Mexico-San Juan Basin			
El Paso, Bonded	4.12	3.67	-55
El Paso, San Juan Basin	4.11	3.59	-52
Rockies			
CIG, Rocky Mountains	2.68	3.20	+54
Kern River, Opal plant	2.81	3.32	+51
Stanfield, Ore.	4.21	3.94	-27
Questar, Rocky Mountains	2.78	3.15	+37
Cheyenne Hub	3.45	3.50	+5
Northwest, Wyo. Pool	3.12	3.25	+14
Northwest, s. of Green River	2.87	3.26	+39
Canadian Gas			
Iroquois, receipts	4.88	4.52	-36
Niagara	4.95	4.53	-42
Northwest, Can. bdr. (Sumas)	4.27	3.94	-33
TCPL Alberta, AECO-C*	C4.23	C3.90	C-33
Emerson, Viking GL	4.41	4.03	-38

General Patricia Madrid on whether to appeal the decision to the 10th Circuit Court of Appeals "or to fight to protect Otero Mesa through other avenues."

Linda Rundell, BLM's New Mexico state director, said the bureau was pleased with the judge's decision. "We had developed a very good plan that allowed for some oil and gas development to occur while still providing special protection for the Otero Mesa area," she said.

Bob Gallagher, president of the New Mexico Oil and Gas Association, also expressed satisfaction with the ruling. He said the decision didn't come as a surprise "given the length of time and the resources the BLM put into it."

Gallagher said his group views the BLM's plan, passed in January 2005, as "very restrictive in nature — in some cases we believe it is overly restrictive — but it is acceptable and doable."

He said Black's ruling clears the way for the BLM to begin offering parcels in the planning area for leasing. He said he spoke with Rundell "about an hour after the decision came out" to encourage her to schedule a lease sale as soon as possible. "It's time to move forward in a timely manner," he said.

Nathan Newcomer, media director for NMWA, said the group likely would appeal the ruling. He also said NMWA plans to call on US Senator Jeff Bingaman, a New Mexico Democrat, to sponsor federal legislation to put the Otero Mesa area off-limits to gas and oil development.

BLM's policy "has been dictated by the Bush administration, where the number one priority of all federal agencies is expedite oil and gas drilling on all public lands," Newcomer maintained. "It was clear the people of New Mexico, the governor, the attorney general, our organization, and a coalition of hunters, business leaders and religious leaders all wanted to see Otero Mesa, its wildlife and its fresh-water aquifers protected. We were ignored."

Currently, there are 28 active leases in Otero County, 17 of which are in the grasslands area in dispute. Most of these leases were issued in the 1980s or 1990s.

"Initially, when we started the planning process back in the late '90s, there were about 70,000 federal acres under lease and roughly the same amount of state land," Rundell said. "My understanding is that recently many of those leases have been allowed to expire, and we now only have about 20,000 acres under lease."

Following approval of the RMPA and final EIS, BLM held a lease sale for a single 1,600-acre parcel of land in the Bennett Ranch Unit on Otero Mesa. The sale engendered a single bid from Roswell-based Harvey E. Yates Company.

The only portion of Black's ruling the plaintiffs deemed favorable was an order that "some type of site-specific environmental analysis must be performed before the BRU lease may be executed." Newcomer said that mandate "gives us a small victory."

But Gallagher said he thinks the judge "overstepped his boundaries" in calling for a site-specific study for the BRU lease. "I think there needs to be some consideration about asking for a rehearing on that," he said.

Algonquin eyes LNG-linked expansion ... from page 1

on the existing mainline system, with new capacity to be added as warranted, Algonquin said. The company said it would use existing rights of way to minimize the impact on the environment and landowners along the route.

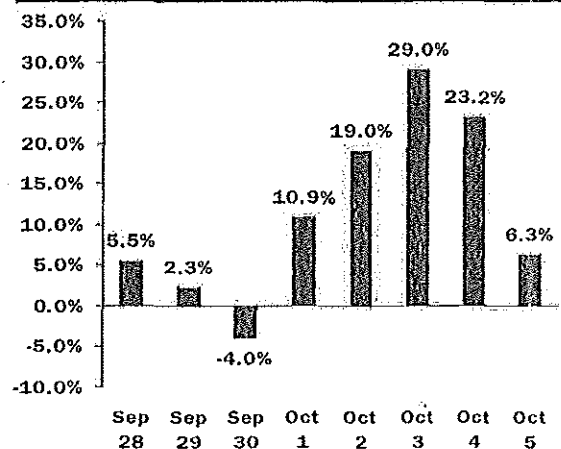
"Algonquin's strategic proximity to proposed new sources of LNG supply at the eastern end of its system offers shippers a ground-floor opportunity to reach growing Northeast markets," said Bill Yardley, DEGT's vice president of marketing, business development and customer service. "Through the use of existing infrastructure, the East-to-West Expansion will provide an economical option for our Algonquin customers."

Weekly weighted average prices

	09/16-22 2006	09/23-29 2006	+/+
Dawn, Ontario	4.83	4.46	-37
GTW, Kingsgate	4.12	3.87	-25
Westcoast, station 2*	C4.13	C3.70	C-43
Appalachia			
Dominion, North Point	4.63	4.43	-20
Dominion, South Point	4.72	4.40	-32
Leidy Hub	5.13	4.49	-63
Columbia Gas, Appalachia	4.88	4.46	-43
Mississippi-Alabama			
Texas Eastern, M-1 (Kosi)	4.78	4.36	-42
Transco, zone 4	4.71	4.40	-31
Others			
Algonquin, receipts	—	—	—
SoCal Gas	4.33	4.00	-33
PG&E, South	4.13	3.85	-28
PG&E, Main	4.25	3.99	-26
Alliance, into interstates	4.74	4.39	-35
AMR, ML 7	4.71	4.43	-28
NGPL, Amarillo receipt	4.02	3.74	-28
Northern, Ventura	4.45	4.11	-34
Northern, demarc	4.39	4.04	-35
Dracut, Mass.	4.92	4.59	-33
Citygates			
Chicago city-gates	4.67	4.34	-33
Consumers Energy city-gate	4.72	4.42	-30
Mich Con city-gate	4.69	4.43	-26
PG&E city-gate	4.72	4.30	-42
Florida city-gates	5.40	5.13	-26
Algonquin, city-gates	5.10	4.74	-36
Tennessee, zone 6 delivered	5.13	4.76	-37
Iroquois, zone 2	5.00	4.75	-25
Texas Eastern, M-3	5.05	4.66	-39
Transco, zone 5 delivered	4.81	4.55	-26
Transco, zone 6 non-N.Y.	4.98	4.64	-35
Transco, zone 6 N.Y.	5.00	4.64	-36
Kern River, delivered	4.40	3.99	-41

*NOTE: Price in C\$ per g

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

Between Algonquin and Maritimes and Northeast Pipeline, which is part-owned by Duke Energy, "we're a very coastal system," said Algonquin spokesman John Sheridan.

Among the proposed and/or approved LNG projects the expanded Algonquin mainline could access, according to Sheridan: the Canaport LNG terminal in New Brunswick; the Northeast Gateway terminal near Gloucester, Massachusetts; the Neptune LNG facility north of Boston; and the Bear Head terminal in Nova Scotia.

"Algonquin and East Coast markets are growing rapidly, and it is our strategy to bring gas in from all points," whether from newly built LNG receipt terminals or from onshore production basins in the West, where new pipelines are being built to carry gas eastward, Sheridan said.

"It's hard to figure out which projects are going to go and which aren't, so we will see what the open season brings," he said, adding that receiving approval from the Federal Energy Regulatory Commission would likely take a year or so. **SGS**

OCS drilling bill eludes Congress ... from page 1

"We remain confident that we will complete a bill this year," the lawmakers said in a statement.

Senate Energy and Natural Resources Committee Chairman Pete Domenici, Republican-New Mexico, said Friday he was "disappointed" that Congress was recessing without an OCS bill. He urged the House to "step back and reflect on a number of compromises the Senate has offered."

The Senate measure passed in early August (*GD 8/2*) would open 8.3 million acres in the Gulf of Mexico to drilling, including nearly 2 million acres that were dropped from the federal government's OCS Lease Sale 181 five years ago. It also includes a provision to share with four Gulf states 37.5% of revenues derived from gas and oil produced in the region.

The House bill passed in late June (*GD 6/30*) is much broader in scope. It would lift the congressional moratorium on nearly all OCS drilling beyond 100 miles and allow states to decide whether to allow drilling between 50 and 100 miles of their shores.

Despite pressure from the exploration-and-production industry and end-user groups to pass some form of pro-drilling legislation this summer, members of both chambers have expressed skepticism that the chasm between the two bills could be bridged during House/Senate conference talks (*GD 9/8*).

David Schryver, executive vice president of the American Public Gas Association, said the failure of Congress to pass a bill is "extremely frustrating to our membership." He called the legislation "one of the most critical issues that

NYMEX Henry Hub gas futures contract, Sep 29

	Settlement	High	Low	+/-	Volume
Nov 2006	5.620	5.735	5.410	+22.8	33322
Dec 2006	7.345	7.430	7.050	+30.8	14454
Jan 2007	7.800	7.880	7.580	+29.6	15041
Feb 2007	7.878	7.910	7.670	+29.2	7740
Mar 2007	7.733	7.800	7.510	+28.2	11549
Apr 2007	7.223	7.250	7.030	+19.2	8316
May 2007	7.203	7.220	7.040	+19.2	674
Jun 2007	7.293	7.300	7.150	+19.0	504
Jul 2007	7.388	7.400	7.250	+18.9	307
Aug 2007	7.453	7.550	7.310	+18.6	185
Sep 2007	7.523	7.660	7.380	+18.7	156
Oct 2007	7.618	7.750	7.490	+18.2	916
Nov 2007	8.198	8.250	8.030	+21.2	311
Dec 2007	8.763	8.830	8.570	+24.2	421
Jan 2008	9.138	8.980	8.920	+24.9	8483
Feb 2008	9.138	8.980	8.940	+24.9	7203
Mar 2008	8.913	8.710	8.710	+24.9	1189
Apr 2008	7.413	7.240	7.240	+22.9	965
May 2008	7.263	7.263	7.263	+22.9	1
Jun 2008	7.334	7.150	7.130	+22.7	52
Jul 2008	7.410	7.260	7.240	+22.5	2
Aug 2008	7.468	7.400	7.400	+22.3	2
Sep 2008	7.541	7.400	7.360	+22.1	3
Oct 2008	7.639	7.470	7.470	+21.9	3
Nov 2008	8.104	8.104	8.104	+23.1	17
Dec 2008	8.554	8.400	8.350	+25.1	1014
Jan 2009	8.889	8.889	8.889	+25.6	55
Feb 2009	8.894	8.894	8.894	+25.6	0
Mar 2009	8.649	8.649	8.649	+25.1	75
Apr 2009	7.169	7.169	7.169	+23.1	86
May 2009	7.024	7.024	7.024	+23.1	67
Jun 2009	7.084	7.084	7.084	+23.1	0
Jul 2009	7.154	6.960	6.960	+22.6	1
Aug 2009	7.224	7.050	7.050	+22.6	0
Sep 2009	7.309	7.169	7.169	+22.6	0
Oct 2009	7.424	7.424	7.424	+22.1	6

Contract data for Thursday

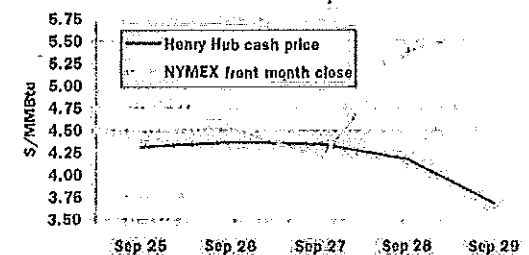
Volume of contracts traded: 113,350

Front-months open interest:

NOV: 119,800; DEC: 59,331; JAN: 56,573

Total open interest: 939,940

Henry Hub/NYMEX spread



Gas Daily basis forwards assessments, Sep 29

	Nov 2006	Dec 2006	Winter 2006-07	Summer 2007	Winter 2007-08	Summer 2008
Transco zone 6-N.Y.	58,250	155,000	242,500	68,000	287,500	67,500
Texas Eastern, M3	55,000	114,000	158,750	63,250	172,000	61,500
Columbia Gas, Appalachia	17,250	25,000	25,500	26,000	27,250	26,000
Transco, zone 3	5,250	7,000	10,000	13,000	10,000	2,000
Trunkline, LA	-13,500	-11,500	-10,000	-10,000	-12,500	-11,250
Chicago city-gate	1,600	-11,500	-9,500	-11,000	-22,000	-8,000
MichCon city-gate	16,500	10,250	0,000	8,250	-10,000	18,000
Panhandle, Tx-Okl.	-67,500	-73,500	-80,000	-73,000	-117,500	-83,500
Houston Ship Channel	-34,250	-51,500	-58,000	-24,000	-66,500	-24,000
Waha	-62,000	-82,000	-82,500	-52,500	-95,000	-48,000
El Paso, Permian Basin	-73,500	-93,000	-94,500	-73,250	-106,000	-65,000
Northwest Pipe, Rockies	-119,000	-117,500	-132,500	-172,500	-178,000	-122,500
SoCal Gas	-47,000	-61,000	-67,750	-57,000	-84,250	-54,750
El Paso, San Juan Basin	-80,000	-120,000	-107,500	-104,000	-140,000	-87,500

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

Platts oil prices, Sep 29

	(\$/b)	(\$/MMBtu)
Gulf Coast spot		
1% Resid	39.00-39.10	6.21
3% Resid	39.40-39.60	6.28
Crude spot		
WTI (Oct)	62.81-62.83	9.99
New York spot		
No. 2	69.49-69.59	11.94
0.3% Resid HP	45.60-45.80	7.27
0.3% Resid LP	50.45-50.65	8.04
0.7% Resid	41.85-42.05	6.67
1% Resid HP	38.10-38.30	6.08

Congress is dealing with right now."

"Whether it's the Senate bill or the House bill, just getting something passed would signal the markets that more domestic natural gas would be delivered to the market in the near future," he told Platts. "That would have a very positive impact on prices."

Over the next five weeks, APGA's member utilities "will be hitting their congressional delegations hard back in their districts and states and urging them to pass something when they come back for a lame duck session," Schryver said.

"Today it became clear that the US Congress will not take further action on OCS energy legislation before the mid-term elections," said Jack Gerard, president and CEO of the American Chemistry Council.

"While we are dismayed that the Congress will be recessing this week without completing work on critically needed American energy supply legislation; we have carefully noted the statements from the House and Senate that promise continued work on the legislation in the post-election session," Gerard said.

"We are absolutely counting on Congress to keep their word and finish the job, and we will work hard to help make that happen," he added. "Every day that goes by without a law that brings more American energy to market increases the risks."

DW/RAW

Deadline passes for sale of Bear Head LNG terminal

The deadline to complete the sale of the Bear Head liquefied natural gas import terminal in Nova Scotia has expired, owner Anadarko Petroleum said last week.

In a filing with the Securities and Exchange Commission, Anadarko said it "is considering its strategic options with respect to the Bear Head LNG facility and will convey any information related to such facility at the appropriate time." An Anadarko spokeswoman said Friday that "there are several options available to us" but could not say when the company might make a decision.

Anadarko purchased the Bear Head facility from Access Northeast Energy in 2004 (GD 8/13/04), and began construction on the 1 Bcf/d terminal later that year. But the company quickly ran into difficulty securing long-term LNG supplies for the facility and had considered mothballing the project before arranging to sell it to the private equity firm US Venture Energy for \$125 million (GD 7/11).

The sale of Bear Head would have been consistent with Anadarko's plans to divest its entire Canadian subsidiary to help fund its double-barreled acquisition of Kerr-McGee and Western Gas Resources, Anadarko Senior Vice President Karl Kurz said in July.

MT

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RETAIL REPORT ... a weekly supplement to Gas Daily

Utility bills may be slow to track gas prices lower

Several utilities announced substantial rate cuts last week in response to declining wholesale gas prices. But representatives of the American Public Gas Association and the American Gas Association say those actions don't necessarily signal a national trend.

The October NYMEX gas futures contract last week expired near a four-year prompt-month low, cash prices fell below \$4/MMBtu in most regions and gas storage inventories topped 3.25 Tcf with more than a month left in the traditional refill season (GD 9/29).

While that confluence of events is seemingly good news for residential utility consumers, there are caveats, according to David Schryver, executive vice president of APGA, and Daphne Magnuson, AGA's communications director.

"A number of systems, municipals and investor-owned utilities have initiated hedge plans to combat price volatility and, as a result of those plans, they entered into contracts based on prices that were posted several months ago," Schryver explained. "Right now, the hedges for winter are yielding a price above the current NYMEX winter price."

APGA represents 650 municipal utilities in 36 states that serve about 5 million customers, and the group is surveying them to find out how many use financial and physical hedges as part of their gas buying strategies.

Buying gas throughout the year 'the responsible thing to do'

"Consumers must understand that while prices are down, it may be different when they receive their bills this winter because there is a good chance their utility has hedged," he said. That means the rates customers pay for gas they use this coming December through March may not reflect the current NYMEX price for those months, he said.

Schryver stressed that munis "are always on the hook" to explain to their local governments how they are protecting customers from price spikes and volatility, and hedging — while it doesn't guarantee below-market rates — does give customers the predictability they desire.

Magnuson offered a similar view. "If the weather is colder and customers do use more gas, even if it costs less per therm, they could pay as much as what they paid last year," she said. Despite the recent pullback in wholesale prices, heating bills "will still be in the neighborhood of the highest prices that people have paid in our lifetime," she said.

Magnuson noted that many of the investor-owned utilities AGA represents are allowed to use various types of hedging tools to protect against volatility — but such instruments don't guarantee that a utility pays the lowest possible price for gas.

"If they were buying gas in the first six months of 2006, they paid more for gas than they did during the first six months of 2005," she said. "So you have to roll in that higher-price gas that they paid earlier this year with what they are buying now."

Still, procuring gas supplies throughout the year "is the responsible thing to do," she said. "Think back a year ago. If utilities had waited until September and October to acquire most of their supplies, there would have been disastrous consequences. They would have been buying gas after the hurricanes at unheard of prices." RAW

California limits imports of coal-fired electricity

California Governor Arnold Schwarzenegger on Friday signed a bill that will limit the state's coal-fired imports by requiring signed contracts for baseload power to comply with a greenhouse gas performance standard based on the typical emissions profile of a natural gas-fired plant.

The measure, S.B. 1368, will require that the GHG standard not exceed emissions from combined-cycle gas generation (GD 9/5). The law applies to power companies and utilities that enter into new or renegotiated energy contracts lasting at least five years.

"With this bill, we make a real dent in time against greenhouse gas emissions," said Senate President Pro Tem Don Perata, the bill's author. "Given the expense and emissions from some current energy sources, requiring power companies and utilities to find cleaner sources makes strategic sense in the fight against global warming and makes economic sense."

About 20% of California's energy comes from coal, the California Energy Commission said, but the majority of the coal-fired plants are located outside the state. Under the new law, municipal utilities will need to comply with S.B. 1368's requirements. LW

Canadian Enerdata gas storage survey, Sep 22

(In Bcf)	East	West	Total
Working gas	232.51	206.50	439.01
Weekly Change	5.19	0.33	5.52
% of capacity	92.64%	91.02%	91.87%
Working Gas	226.40	213.20	439.60
Sep 23, 2005			

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

Baker Hughes Rig Count

Week ending	9/29/2006	9/22/2006	Chg.	9/30/2005
Total US rigs	1,744	1,754	-10	1,483
Total US gas rigs	1,446	1,450	-5	1,273
Total Canadian rigs	353	380	-27	537

Mark your calendar: October 13, 3:30 PM, New York City Platts Pricing Methodology Forum for Natural Gas & Electricity Markets

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To register, contact nancy.covey@platts.com, 1-202-942-8710

WEEKLY GAS FORWARDS

Winter gas forwards climb as lack of fundamentals drive NYMEX lower

November gas forwards strengthened in Central and Western markets but fell along the East Coast as the October NYMEX gas futures contract rolled off the board Wednesday and the November contract retreated as it took the prompt-month position.

West Coast basis for November climbed between a dime and 35 cents, while winter basis rose in most markets between a nickel and 20 cents.

Northwest Pipeline Rockies November climbed 34 cents to minus \$1.19/MMBtu, while winter rose 13 cents to minus \$1.325.

In the Great Lakes region, November basis gains were more modest, about a nickel, as cash cratered in late week. "Cash is extremely weak, and between that and the NYMEX, those two together" limited basis

gains, a Michigan-based trader said. "There are not many holes in the ground to put the gas," he added.

Chicago city-gates November basis finished the week 6 cents higher at plus 1.5 cents, while winter rose 1.75 cents to minus 9.5 cents.

In the lower Midcontinent, West Texas markets rose between a dime and 15 cents for November, while winter basis rose closer to a nickel.

At Houston Ship Channel is East Texas, however, where demand has thinned in the past couple of weeks, November basis rose about a nickel, while winter gained 4.5 cents.

Northeast November basis slid between a penny and 6 cents as the November contract tumbled after moving

into prompt position Thursday. Winter basis rose, however, despite a weaker NYMEX strip, as the last of the summer months fell off the board and the market focused on winter.

"The [higher] demand is merely that it's that time of year to get the winter term business done," an East Coast trader said.

The winter NYMEX strip fell 9.8 cents over the week, but Northeast winter basis defied downward pressure and rose 3.25 cents in the New York market, while Texas Eastern Transmission zone M-3 rose 6 cents for winter.

"There's been a little more demand for winter this past week. That's why we've seen the terms get bid up while the winter NYMEX has been falling," the trader said. SN

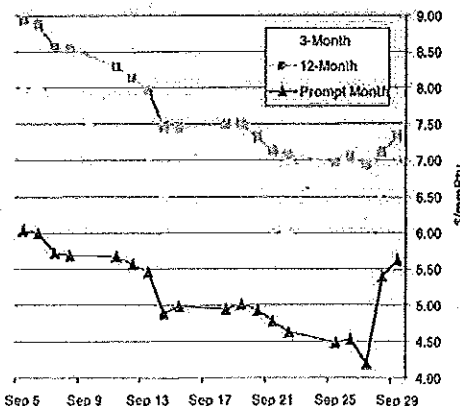
Basis differential

	Henry Hub	El Paso Permian	Agua Dulce	Transco Zone 3	Katy	Kern, Opal	Panhandle, Tx.-Ok.	Chicago city-gates	Col. Gas Appa.	SoCal Gas
Weekly WACOG	4.40	3.75	4.20	4.39	4.23	3.32	3.71	4.34	4.46	4.00
Henry Hub		0.65	0.20	0.01	0.17	1.08	0.69	0.06	-0.06	0.40
El Paso, Permian	-0.65		0.45	-0.64	-0.48	0.43	0.04	-0.59	-0.71	-0.25
Agua Dulce	-0.20	0.45		-0.19	-0.03	0.88	0.49	0.14	-0.26	0.20
Transco Zone 3	-0.01	0.64	0.19		0.16	1.07	0.68	0.05	-0.07	0.39
Katy	-0.17	0.48	0.03	-0.16		0.91	0.52	-0.11	-0.23	0.23
Kern, Opal	-1.08	-0.43	-0.88	-1.07	-0.91		-0.39	-1.02	-1.14	-0.68
Panhandle, Tx.-Ok.	-0.69	-0.04	-0.49	-0.68	-0.52	0.39		-0.63	-0.75	-0.29
Chicago city-gates	-0.06	0.59	0.14	-0.05	0.11	1.02	0.63		-0.12	0.34
Col. Gas Appa.	0.06	0.71	0.26	0.07	0.23	1.14	0.75	0.12		0.46
SoCal Gas	-0.40	0.25	-0.20	-0.39	-0.23	0.68	0.29	-0.34	-0.46	
NYMEX Basis	-1.220	-1.870	-1.420	-1.230	-1.390	-2.300	-1.910	-1.280	-1.160	-1.620

NYMEX Basis is the NYMEX Henry Hub/cash basis differential calculated from the nearmonth settlement of \$5.620.

Henry Hub futures and strips

	09/25 Mon	09/26 Tue	09/27 Wed	09/28 Thu	09/29 Fri
Oct-06	4.475	4.526	4.201	NA	NA
Nov-06	5.733	5.805	5.669	5.392	5.620
Dec-06	7.223	7.320	7.209	7.037	7.345
Jan-07	7.713	7.810	7.644	7.504	7.800
Feb-07	7.773	7.870	7.714	7.586	7.878
Mar-07	7.608	7.705	7.579	7.451	7.733
Apr-07	7.048	7.125	7.089	7.031	7.223
May-07	7.013	7.095	7.069	7.011	7.203
Jun-07	7.105	7.191	7.163	7.103	7.293
Jul-07	7.200	7.290	7.261	7.199	7.388
Aug-07	7.265	7.357	7.331	7.267	7.453
Sep-07	7.338	7.430	7.401	7.336	7.523
3/strip	5.810	5.884	5.693	6.644	6.922
6/strip	6.754	6.839	6.669	7.000	7.267
9/strip	6.855	6.939	6.815	7.035	7.276
12/strip	6.958	7.044	6.944	7.113	7.340



Funds boost long, short positions

Noncommercial traders increased both long and short positions in the NYMEX Henry Hub futures contract for the week ending September 26, according to the Commodity Futures Trading Commission's Commitments of Traders report issued Friday.

Noncommercial traders, or funds, were 58.44% long, compared with 58.29% long a week earlier. Their overall holdings rose by 39,682 lots to 238,263, compared with 198,581 contracts as of September 19. Noncommercial traders were net long by 40,235 contracts compared with 32,917 a week earlier. They held 139,249 long positions as of September 26, up from 115,749 a week earlier, while their short positions increased to 99,014 from 82,832 as of September 19.

Meanwhile, commercial traders' overall holdings decreased for the week ending September 19. Commercial traders came in 54.34% short, vs. 53.77% short a week earlier. The report said commercial traders as of September 26 held 849,175 contracts — 387,733 long and 461,442 short. Those numbers represent a total decrease of 1,221 contracts from the week ending September 19, when commercial traders held a total of 850,396 contracts — 393,169 long and 457,227 short.

Commitments of Traders

Rpt. Date	Long	Short	Spreading
26-Sep	139,249	99,014	343,500
19-Sep	115,749	82,832	367,751
12-Sep	121,290	81,232	361,046

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