

# Gas Daily

Tuesday, June 3, 2008

## NYMEX settles below \$12; cash storms higher

**THE MARKET**

After jumping to a new 29-month high Monday on storm fears, the July NYMEX gas futures contract slid later in the day to settle at \$11.969/MMBtu, 26.6 cents above Friday's close. Cash prices rose in nearly every region as summer heat arrived.

The contract opened at \$11.90 and traded as high as \$12.203 and as low as \$11.633. "I think anxiety over the storm in the Gulf [of Mexico] caused the price to pop up," said MF Global broker Mike Fitzpatrick. "It broke resistance at \$12 but couldn't hold, so that shows inherent weak-

*(continued on page 2)*

## Louisiana landowners put mineral rights on eBay

Want to get in on the next hot shale play but haven't the time, connections or land to make it work? Through Internet auction site eBay, investors can now buy 100% of the mineral rights on some land in Louisiana's Haynesville Shale for prices starting at \$5,000/acre.

Paul Hoenke, a Minden, Louisiana, accountant, has organized about 50 landowners in Bienville, Webster and Claiborne parishes to sell the mineral rights on 16,000 acres on eBay. The group's listing went live late last week and has already generated 500 hits "and a ton of e-mail," Hoenke said Monday.

*(continued on page 6)*

## Pipeline talk spurs drilling in remote Alaska

Betting on the eventual construction of a gas pipeline from Alaska's North Slope, a three-company consortium led by Anadarko Petroleum is ramping up a gas exploration project in the remote foothills of the Brooks Range.

The partnership, which also includes Petro-Canada and BG Energy, had completed the drilling of one well and partially completed a second well in the region before being forced to suspend operations by the end of the winter drilling season. The three companies are each one-third partners, with Anadarko as the operator.

*(continued on page 5)*

## EnCana expects Cutbank Ridge to reach 1 Bcf/d

EnCana expects to nearly quadruple gas production from its Cutbank Ridge play in northeastern British Columbia to 1 Bcf/d, Mike Graham, the company's Canadian Foothills president, told a gas conference in Vancouver last week.

Without setting a target date for the increased volumes, he said Triassic-age Montney formation in the play is "the best in Canada ... and may be the best in North America."

"We think in the core of the Montney play you're probably going to recover more than 5 Bcf a well," Graham said, estimating that EnCana

*(continued on page 4)*

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

**NATIONAL AVERAGE PRICE: 11.290**

Trans. date: 6/02  
Flow date(s): 6/03

	Midpoint	Absolute	Common	Volume	Deals
<b>Permian Basin Area</b>					
El Paso, Permian Basin	10.255	10.10-10.47	10.16-10.35	1114	162
Waha	10.435	10.10-10.53	10.33-10.53	589	84
Transwestern, Permian Basin	10.165	10.15-10.20	10.15-10.18	12	2
<b>East Texas-North Louisiana Area</b>					
Carthage Hub	11.600	11.43-11.96	11.47-11.73	233	40
NGPL, Texok zone	11.230	9.50-11.68	10.69-11.68	990	138
Texas Eastern, ETX	11.450	11.40-11.60	11.40-11.50	30	10
Texas Gas, zone 1	11.825	11.68-12.13	11.71-11.94	233	42
<b>East-Houston-Katy</b>					
Houston Ship Channel	11.565	11.41-11.95	11.43-11.70	906	119
Katy	11.530	11.42-11.91	11.42-11.65	847	108
<b>South-Corpus Christi</b>					
Agua Dulce Hub	11.650	11.45-11.86	11.55-11.75	95	11
NGPL, STX	11.740	11.50-11.90	11.64-11.84	89	18
Tennessee, zone 0	11.650	11.45-12.00	11.51-11.79	206	36
Texas Eastern, STX	11.685	11.40-12.00	11.54-11.84	177	43
Transco, zone 1	11.790	11.70-11.85	11.75-11.83	28	10
<b>Louisiana-Onshore South</b>					
ANR, La.	11.750	11.65-12.18	11.65-11.88	295	56
Columbia Gulf, La.	11.790	11.69-12.08	11.69-11.89	396	71
Columbia Gulf, mainline	11.770	11.68-12.07	11.68-11.87	244	51
Florida Gas, zone 1	11.735	11.60-11.82	11.68-11.79	32	10
Florida Gas, zone 2	11.955	11.78-12.34	11.82-12.10	79	12
Florida Gas, zone 3	12.545	12.00-13.08	12.28-12.82	435	39
Henry Hub	11.795	11.71-12.08	11.71-11.89	625	81
NGPL, La.	11.600	11.60-11.60	11.60-11.60	9	2
Southern Natural, La.	11.990	11.75-12.35	11.84-12.14	522	65
Tennessee, La., 500 Leg	11.850	11.65-12.25	11.70-12.00	338	70
Tennessee, La., 800 Leg	11.780	11.64-12.10	11.67-11.90	509	74
Texas Eastern, WLA	11.810	11.63-12.16	11.68-11.94	403	59
Texas Eastern, ELA	11.975	11.73-12.23	11.85-12.10	100	34
Texas Gas, zone SL	11.810	11.74-12.10	11.74-11.90	111	16
Transco, zone 2	11.850	11.76-12.05	11.78-11.92	110	26
Transco, zone 3	11.905	11.75-12.35	11.76-12.06	860	131
Trunkline, WLA	11.745	11.70-11.86	11.71-11.79	173	27
Trunkline, ELA	11.745	11.70-11.95	11.70-11.81	40	7
<b>Oklahoma</b>					
ANR, Okla.	10.180	10.00-10.25	10.12-10.24	143	31
CenterPoint, East	10.145	10.09-10.25	10.11-10.19	151	30
NGPL, Midcontinent	10.030	9.50-10.17	9.86-10.17	241	51
Oneok, Okla.	10.145	10.10-10.15	10.13-10.15	2	2
Panhandle, Tx.-Okla.	9.875	9.81-9.95	9.84-9.91	366	69
Southern Star, Tx.-Okla.-Kan.	10.115	9.95-10.25	10.04-10.19	99	11
<b>New Mexico-San Juan Basin</b>					
El Paso, Bondad	9.955	9.75-10.05	9.88-10.03	202	32
El Paso, San Juan Basin	10.120	9.88-10.18	10.05-10.18	614	85

## Cash prices soar on summer heat ... from page 1

ness." He expects prices to continue to slide.

Pax Saunders, analyst at Gelber & Associates, said despite lower crude prices early Monday morning, gas traders were jittery over the stormy beginning to the 2008 hurricane season. "I think the convergence of hot weather, hurricane jitters and the fact that storage, while reasonably robust, is still 15% off last year's total" caused the bounce, he said.

In the spot market, prices shot higher everywhere, with some Western markets surging more than \$2 as hot weather drove utility demand.

Day-ahead electricity prices at Mead, a power hub outside Las Vegas, were trading in the mid-\$90s/MWh, one trader said, but the bulk of gas moving through Mead from the Pacific Northwest failed to arrive in California. "It's looking like a lot of that activity is staying there [in Nevada], which tells me it's all going east of California. With that, you're going to see San Juan, Permian and Waha all go up."

Prices at El Paso San Juan shot up about \$1.75 from Friday, while Waha picked up about \$1.45 and Southern California Gas soared \$2.20 to average in the mid- to upper \$10.70s. The Pacific Gas and Electric city-gate ticked up a more modest 40 cents or so.

Meanwhile, temperatures in much of Colorado, Wyoming and Utah are hovering in the 70s, but pockets of heat have popped up in the Midcontinent, which propelled prices at Kern River Gas Transmission at the Opal, Wyoming, plant up as much as \$2.45 at one point. Opal swung in a wide arc and ultimately averaged just below \$10.

### Midcontinent prices jump as much as \$1.70

Liquidity remained solid at Cheyenne Hub as cash jumped more than \$1.35, but prices were much more muted at AECO-NIT in Alberta, which climbed 40 cents.

The yesterday-only trading instrument available at AECO traded at a wide discount to the next-day instrument, which is atypical for the summertime, a trader added. "You mostly see that disconnect in the winter, when loads are fluctuating a lot... [but] it tells me that people are long on their imbalances for June 1 and are trying to balance out."

Points in the upper Midwest gained ground, but Northern Natural Gas' demarcation point rallied nearly \$1.60 in conjunction with the Midcontinent.

The Chicago city-gates generally moved higher during trading to average in the low \$11.80s, while Michigan Consolidated Gas and Consumers Energy each trekked higher to trade between 30 and 35 cents above Friday.

Cash in the Midcontinent spiked as much as \$1.70 at most points on increased cooling loads and strength on the July NYMEX. Buying demand also increased after players were "spooked" by the beginning of hurricane season and the stronger prices a tropical system could bring, one trader said.

ANR Pipeline in Oklahoma traded in the high \$10.10s, up about \$1.55, while Natural Gas Pipeline Co. of America's Midcontinent zone picked up about \$1.50. Panhandle Eastern Pipe Line widened its premium to the Cheyenne Hub to nearly 65 cents as it shot up about \$1.60.

New England markets were boosted by more than 80 cents as Maritimes and Northeast US performed work to complete its phase IV expansion facilities. The first outage lasts through today between the Baileyville, Maine, and Richmond, Maine, compressor stations; as a result, all flows through Baileyville are reduced to zero, and all backhaul

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

Trans. date:	6/02				
Flow date(s):	6/03				
	Midpoint	Absolute	Common	Volume	Deals
<b>Rockies</b>					
CIG, Rocky Mountains	9.035	8.80-9.30	8.91-9.16	17	7
Kern River, Opal plant	9.980	9.55-10.35	9.78-10.18	622	112
Stanfield, Ore.	10.610	10.55-10.70	10.57-10.65	95	20
Questar, Rocky Mountains	—	—	—	—	—
Cheyenne Hub	9.245	9.00-9.48	9.13-9.37	43	13
Northwest, Wyo. Pool	9.640	9.45-9.82	9.55-9.73	119	14
Northwest, s. of Green River	9.680	9.50-9.77	9.61-9.75	15	2

<b>Canadian Gas</b>					
Iroquois, receipts	12.210	12.10-12.37	12.14-12.28	228	34
Niagara	12.175	12.08-12.39	12.10-12.25	254	37
Northwest, Can. bdr. (Sumas)	10.490	10.40-10.61	10.44-10.54	87	18
TCPL Alberta, AECO-C*	C9.795	C9.67-9.98	C9.72-9.87	1377	138
Emerson, Viking GL	11.040	10.97-11.18	10.99-11.09	177	28
Dawn, Ontario	12.085	11.99-12.29	12.01-12.16	596	80
GTN, Kingsgate	10.530	10.50-10.59	10.51-10.55	231	22
Westcoast, station 2*	C9.730	C9.55-9.85	C9.66-9.81	177	39

<b>Appalachia</b>					
Dominion, North Point	—	—	—	—	—
Dominion, South Point	12.290	12.25-12.55	12.25-12.37	395	70
Leidy Hub	—	—	—	—	—
Columbia Gas, Appalachia	12.130	12.05-12.40	12.05-12.22	759	118

<b>Mississippi-Alabama</b>					
Texas Eastern, M-1 (Kosi)	12.165	11.95-12.30	12.08-12.25	86	29
Transco, zone 4	11.950	11.82-12.25	11.84-12.06	306	33

<b>Others</b>					
Algonquin, receipts	—	—	—	—	—
SoCal Gas	10.770	10.50-10.88	10.68-10.87	1109	121
PG&E, South	10.740	10.70-10.90	10.70-10.79	181	33
PG&E, Malin	10.830	10.73-10.90	10.79-10.87	956	107
Alliance, into interstates	11.875	11.81-12.00	11.83-11.92	209	33
ANR, ML 7	12.070	12.05-12.11	12.06-12.09	28	7
NGPL, Amarillo receipt	10.190	10.10-10.27	10.15-10.23	47	5
Northern, Ventura	10.350	10.13-10.53	10.25-10.45	523	69
Northern, demarc	10.260	10.12-10.48	10.17-10.35	605	97
Dracut, Mass.	12.900	12.90-12.90	12.90-12.90	3	1

<b>Citygates</b>					
Chicago city-gates	11.820	11.70-12.10	11.72-11.92	1181	198
Consumers Energy city-gate	12.000	11.97-12.10	11.97-12.03	159	34
Mich Con city-gate	12.030	11.98-12.25	11.98-12.10	600	92
PG&E city-gate	11.345	11.24-11.51	11.28-11.41	887	109
Florida city-gates	13.145	12.88-13.65	12.95-13.34	102	14
Algonquin, city-gates	13.015	12.75-13.25	12.89-13.14	259	48
Tennessee, zone 6 delivered	12.825	11.80-12.98	12.53-12.98	193	33
Iroquois, zone 2	12.815	12.65-12.90	12.75-12.88	209	31
Texas Eastern, M-3	12.725	12.45-13.05	12.58-12.88	391	87
Transco, zone 5 delivered	12.520	12.37-12.90	12.39-12.65	72	8
Transco, zone 6 non-N.Y.	12.720	12.50-13.10	12.57-12.87	179	39
Transco, zone 6 N.Y.	12.725	12.55-13.05	12.60-12.85	225	40
Kern River, delivered	10.765	10.73-10.81	10.75-10.79	224	25

\*NOTE: Price in C\$ per gj; C\$1=US\$0.9987

Volume in 000 MMBtu/day

### Market coverage

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

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service is restricted, extending from Richmond to the pipeline's interconnection with Maritimes-Canada.

Prices at the Algonquin Gas Transmission city-gates rose about 85 cents. Dracut, Massachusetts, one of the terminuses of the Maritimes system, increased more than 90 cents. Prices at Transcontinental Gas Pipe Line zone 6-New York and Texas Eastern Transmission zone M-3 picked up more than 65 cents, but Appalachian markets were more subdued.

Along the Gulf Coast, Florida Gas Transmission posted an overage alert for Monday and prices at Florida Gas zone 3 gained more than 70 cents. "The market was out of control because of the overage alert and the heat. People couldn't get enough gas and were still looking for it way past the normal session," a trader said.

Elsewhere, Katy and the Houston Ship Channel rose nearly 40 cents, while Transco zone 3 climbed about 45 cents and Henry Hub averaged around \$11.80.

— *Market Staff Reports*

## Tennessee may expand to move Marcellus Shale gas

Tennessee Gas Pipeline is mulling expanding its current system as well as its proposed Northeast Passage project to accommodate as much as 1 Bcf/d of gas from the Marcellus Shale, a company executive said Monday.

Tennessee now joins Transcontinental Gas Pipe Line in proposing to serve not only Rockies Express Pipeline supply from REX's terminating point in Clarington, Ohio, but also to move gas out of the burgeoning unconventional play in Pennsylvania. Transco's parent, Williams, announced in early May it was combining its Rockies Connector and Northeast Connector projects to tap both supply regions (*GD 5/7*).

In discussions with customers for Northeast Passage, Tennessee has received requests for new interconnections of up to 1 Bcf/d, Stanley Chapman, Tennessee's vice president of marketing, development and asset optimization, said Monday at Interchange Energy's LDC Forum Northeast in Boston.

"The Marcellus play in northeast Pennsylvania sits right on top of Tennessee's 300 Line, which has a capacity of 700,000 [Mcf/d]," Chapman said.

Speaking on the sidelines of the conference, he said Tennessee was looking at a variety of options, including enhancing the 300 Line with added compression and looping or building a market expansion that would allow both Marcellus and REX gas to aggregate and create sufficiently liquid pooling points.

Chapman said a logical point for such a market expansion would be at one of the REX-Tennessee interconnections, but he did not pinpoint any locations.

Northeast Passage has as its anchor tenant Equitable Resources, with a commitment of 300,000 Mcf/d on the proposed 1.1 Bcf/d pipe. Equitable is one of the major players in the Marcellus, alongside Range Resources, XTO Energy, Chesapeake Energy and Atlas Energy Resources.

The Clarington-to-Sussex County, New Jersey, line is scheduled to come online in November 2011. — *Samantha Santa Maria*

## Southern Star rate hike suspended amid protests

Southern Star Central Gas Pipeline's proposal to increase its revenue by \$70.4 million, which has prompted a wave of protests from customers large and small, has been suspended until November 1, the Federal Energy Regulatory Commission said last week.

In its petition for the rate hike, the pipeline company based its request on a proposed \$257.3 million annual cost of service, which includes \$102.6 million in operation and maintenance expenses, \$44.9 million in depreciation expenses, \$3.9 million in amortization expenses, \$45.7 million in taxes and a \$57.8 million return.

## MMS says price levels exceed royalty relief threshold for most Gulf leases

The Minerals Management Service issued a notice Monday indicating that the annual market price in 2007 exceeded the price threshold for royalty relief for most Gulf of Mexico deepwater oil, deepwater gas and deep gas leases.

For example, the adjusted price threshold level for deepwater oil leases ranged from \$32.64/barrel to \$42.37/barrel. The annual average NYMEX crude futures price in 2007 was \$72.39/barrel.

The only category where royalty relief is not suspended is deep gas (0-200 meters), for leases before 2000 and the 2004-2007 leases. The adjusted price threshold level was \$10.15/MMBtu. The annual average NYMEX gas contract price was \$7.12/MMBtu. Still to be determined is the price threshold level for another deep gas category (200-400 meters).

MMS noted that deepwater leases in 1996-1997 and in 2000 may be affected by the outcome of pending litigation on the price threshold at that time. MMS failed to include the price threshold in those leases and the agency is in negotiations with a number of companies to collect royalties on those leases. The agency has also been taken to court by companies contending that they are under no contractual obligation to pay royalties on those leases. — *Gerald Karey*

## GE Financial Services, partner buy gas, oil assets in Oklahoma

A partnership of GE Financial Services and independent producer GeoResources said Monday that it has bought oil and gas assets in Oklahoma for \$60 million from a group of private sellers.

The joint venture, OKLA Energy Partners, will spend another \$30 million to develop additional reserves from the gas-prone assets, the companies said in a statement.

The properties include more than 200 producing wells in multiple fields across Oklahoma and more than 90 drilling sites mostly classified as proved undeveloped.

The Oklahoma deal marks the third time GE Energy Financial Services and GeoResources have teamed up to purchase oil and gas assets. Prior deals in 2003 and 2007 involved properties in Texas and Louisiana. — *Kevin Saville*

## EIA to release storage data five minutes later than usual

The Energy Information Administration on Monday said it will delay by five minutes the weekly releases of its Weekly Petroleum Status Report on Wednesdays and of its Weekly Natural Gas Storage Report on Thursdays while it updates its web site procedures. The reports are typically released at 10:30 a.m. Eastern Time.

The five-minute delays are the result of pending changes to EIA's web site systems and procedures necessary to avoid a repeat of its early release of petroleum data that occurred May 29, the agency said.

As soon as permanent system changes to the release process can be fully implemented and tested, EIA will resume the 10:30 am release times.

— *Richard Rubin*

The Owensboro, Kentucky-based company said it needs an overall rate of return of 10.53% because of the significantly increased risk for investor capital associated with rising competition, FERC said

FERC noted that Southern Star said it faces significant business and regulatory risk with respect to the potential capacity turnback that may occur and the discounting of services during the period that the proposed rates are in effect. In addition, Southern Star calculated it proposed rates using a mainline commodity throughput quantity of 322 million Dt/year, an increase of 35.9 million Dt from the level underlying its current rates.

Among the customers protesting the increase is the Kansas Municipal Gas Agency, which buys gas on behalf of its 20 municipal members. The agency said Southern Star's proposed increase in its transportation costs would boost rates charged its members between 39% and 100%.

City Utilities of Springfield, Missouri, said the proposed rates would boost the pipeline's rates by more than 44%, from \$178 million to \$257 million. The muni also alleged that Southern Star wants to impose transportation and fuel charges twice for the gas that is stored and delivered to its customers.

Salt Plains Storage, which operates a 15 Bcf underground facility 110 miles north of Oklahoma City, objected to Southern Star's proposal to eliminate a tariff provision that "ensures basic comparability of service for third-party storage providers." Calling the proposal "troublesome," Salt Plains said Southern Star, which owns competing storage facilities, has not offered any justification for its proposal.

The Missouri Public Service Commission said Southern Star's rate of return has not been justified. It also said that the pipeline company is trying to collect for the same gas losses in two different cases before FERC.

The state regulator noted that Southern Star wants to recover \$9.3 million "to replace 1,037,888 Dt of line pack lost in January and February 2007" and an adjustment of \$1.8 million "to replace 204,687 Dt of storage base gas lost as a result of a storage line failure in the McLouth storage field."

The pipeline company's transmission system spans more than 6,000 miles in the Midwest and Midcontinent regions. It serves major markets such as St. Louis, Wichita, and Kansas City. — *Rodney White*

## EnCana details Cutbank Ridge prospects ... *from page 1*

can drill 40 horizontal wells for every 640 acres and could develop a total of 1,500 to 3,000 wells.

Cutbank Ridge is currently yielding 280,000 Mcf/d for EnCana, of which 125,000 Mcf/d comes from the Montney.

The Montney play has been driving British Columbia government lease sales to new heights over recent months, with a record-setting C\$441 million garnered during a May lease sale (*GD 5/28*). Graham said EnCana has about 240,000 net acres in the core of the Montney and 544,000 prospective acres, adding that the company estimates its land holds 5 Tcf to 6 Tcf of original gas in place.

Limited in its output by processing constraints, EnCana is currently doubling capacity at its Steeprock gas plant to 140,000 Mcf/d, opening the way for a significant ramp-up in Cutbank volumes by year's end, Graham said.

He also said EnCana is expecting a sharp increase in its Devonian-age shale formations in British Columbia's Horn River Basin, where it holds 250,000 net acres.

Apache — which partners EnCana in a joint venture — EOG Resources and Nexen have reported discoveries this year that have boosted Horn River gas resource estimates to 18 Tcf to 28 Tcf. Apache operated EnCana's first three wells, which had initial production of up to 5,000 Mcf/d.

Graham said EnCana is now operating the rigs in the heart of Horn River, which he believes has the "thickest, cleanest part of the shale."

## Senate votes 74-14 in favor of debating CO<sub>2</sub> cap-and-trade bill

Following a veto threat from President Bush, the US Senate late Monday voted 74-14 to proceed with what promises to be a contentious debate on legislation to cut greenhouse gas emissions from US industry by as much as 71% by 2050.

The debate of the landmark GHG cap-and-trade bill is expected to take several days.

A year ago, the Senate was debating whether climate change was a problem, Senator Amy Klobuchar, a Democrat from Minnesota who favors the bill, told the Senate: "Today, we can start debating how to solve it."

But senators, who, like the White House, oppose a carbon mandate, were preparing to discuss how the legislation would harm the economy. "A cap-and-trade system without the technology is just a massive tax increase," said Senator Christopher Bond, Republican-Missouri.

Whether the bill would gain the necessary 60 votes to overcome a filibuster and win final passage raised doubts even from the bill's cosponsor, Joe Lieberman, Independent-Connecticut.

"It's not going to happen unless the American people get on the phone [to their senators] and say 'I want you to do something about global warming,'" said Lieberman. "The important thing is to start."

Prior to the Senate vote, the cosponsors of the legislation hit back at a veto threat from the White House, saying the bill would provide billions of dollars in tax relief, improve the national security and grow domestic jobs in the alternative energy industry.

"Don't get up here and say the 'Boxer tax bill.' Point to where there is a tax in this bill," said Senate Environment and Public Works Committee Chairwoman Barbara Boxer, the bill's chief sponsor. "There is tax relief."

Under the bill, S. 3036, coal-burning power plants and factories, natural gas processors and importers, and petroleum refiners and importers and "producers of high global warming potential gases" must reduce their carbon emissions starting in 2012 by about 2% a year. Reductions would reach 19% by 2020 and ultimately a 71% cut by 2050 (*GD 6/2*). — *Cathy Cash*

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He said the company is counting on Horn River wells dropping from their current C\$10 million or more to drill and complete as manufacturing-style practices such as pad drilling are deployed. — Gary Park

### Alaska line spurs independents to drill ... from page 1

Mark Hanley, a spokesman for Anadarko's Alaska operations, said the two wells were drilled about 20 miles apart in a gas-prone region of the North Slope about 95 miles south-southwest of the Prudhoe Bay oil field. The gas field was discovered in the 1950s by exploration companies looking for oil, but the region has never been commercially drilled for gas because of its distance from existing pipelines and roads.

Alaska State Geologist Bob Swenson told Platts that the North Slope region holds estimated gas reserves of about 35 Tcf. Historically, it has been an oil-producing region, with any gas that was produced being re-injected into the reservoir to enhance oil recovery.

"Gas was a secondary hydrocarbon that was run into in a number of wells in those initial discoveries in the '60s and '70s and even into the '80s," Swenson said. "When they were drilling in the foothills region, south of the Barrow Arch region, the wells were all drilled looking for oil as the primary commodity."

However, with the increasing possibility for the construction of one or more pipelines to move gas out of the region, the North Slope's days as an oil-only region could be numbered.

Hanley said that after Anadarko drilled and completed its Gubik well, it moved the rig to drill its Chandler well and performed a rigless test on Gubik. "Because of a whole lot of things we did not get the Chandler well finished" before having to suspend drilling operations with the onset of the spring thaw. "The rig is sitting on an insulated ice pad and we'll be going back next season."

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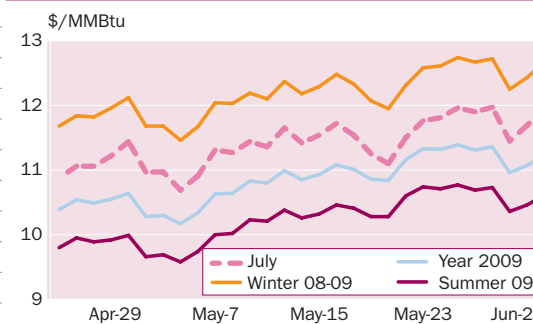
### Platts-ICE Forward Curve — Natural Gas, Jun 2 (¢/MMBtu)

Prompt month: Jul08

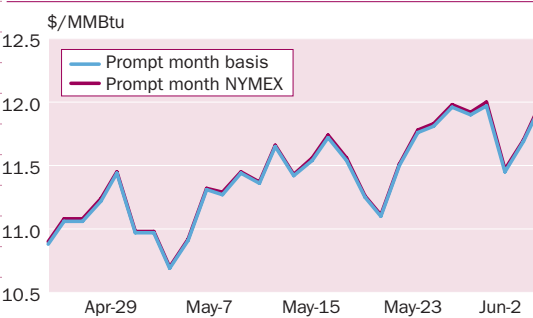
Algonquin city-gate	103.00
Transco Zone 6-NY	110.00
Texas Eastern, M-3	98.00
Columbia Gas, Appalachia	36.00
Transco, zone 3	12.00
Transco, zone 4	16.75
Florida, zone 3	66.00
Trunkline, LA	-1.75
Houston Ship Channel	-15.50
Chicago city-gates	-2.00
MichCon city-gate	17.00
Panhandle, Tx.-Okla.	-211.75
Waha	-115.75
El Paso, Permian Basin	-150.75
El Paso, San Juan Basin	-160.50
PG&E city-gate	-49.50
SoCal Gas	-103.75
Northwest Pipe, Rockies	-303.00
Northwest, Sumas	-122.50
Dawn, Ontario	19.50
AECO, Alberta	-152.00

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

Trunkline, LA: Key packages, last 30 days



Trunkline, LA: Basis market vs NYMEX



Trunkline, LA: Forward curve

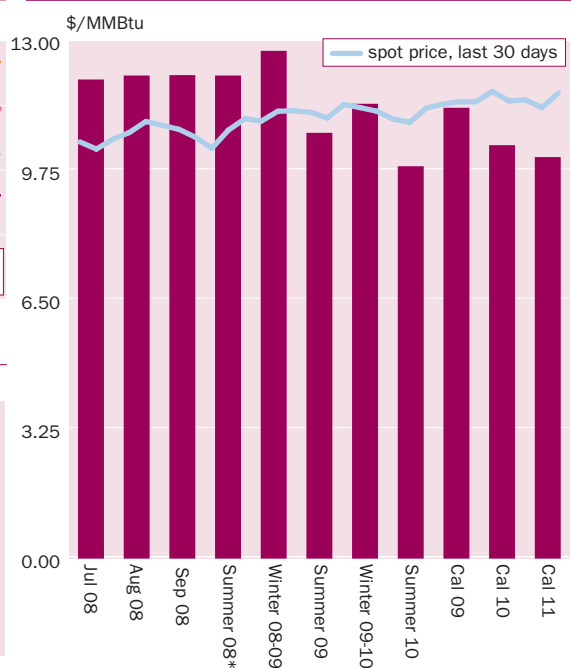


Table and graphs are created using Platts-ICE Forward Curve — Natural Gas (North America) data. Forward assessments as basis to the Henry Hub and full values are available for periods spanning three years. To see a sample and find information on how to subscribe to the full data set go to [www.risk.platts.com](http://www.risk.platts.com).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

Although he declined to release the results of the tests of the first well, Hanley said Anadarko would analyze them over the summer while deciding on how to proceed with the exploration project. "There was gas," he said. "The real question we've always had was about volume and deliverability."

Part of the challenge in developing the field lies in its remote location, Hanley said. "We brought the rig 80 miles on snow roads using rollagons" — vehicles with huge low-pressure tires that can move across the tundra.

Although a number of wells have been drilled in the Brooks Range foothills region from the 1940s through the 1970s, the extent of the gas resource is still ill-defined. "People drilled there looking for oil, and many of the wells hit gas," Hanley said. "They didn't do a lot of testing. It was kind of, 'oh darn.'"

Anadarko and its partners "would like to be ready if and when a big line gets built," he said. In addition, he said Anadarko is in discussions with Enstar Natural Gas, the biggest gas utility company in south-central Alaska, about the feasibility of building a so-called "bullet line," an intrastate pipeline to carry gas from the foothills area into the Cook Inlet region.

Enstar spokesman Curtis Thayer said the utility has told Anadarko that "as long as they are looking at gas we've committed to the feasibility of building a 20-inch-diameter pipeline from the foothills to Wasilla where it would connect with our existing system." He estimated that it would cost about \$3.3 billion to build the 700-mile pipe and said the company would likely make a "go or no-go" decision on the project by June 2009.

"We don't have a problem with the financing of such a line. It's whether we can build it and whether they have enough gas to justify a line," Thayer said. "We figure it needs to have about 3 Tcf of gas to anchor the line." — *Jim Magill*

## Landowners list mineral rights on eBay ... from page 1

In fact, while one can bid lower or higher (or Buy It Now! for \$15,000) using eBay, Hoenke really sees himself as a facilitator between buyers brought in by the eBay site and landowners.

"I'll just put you in contact with the landowners; you'll still need to hire an attorney just like any other mineral, or real estate, deed," Hoenke said.

Hoenke said he and two attorneys researched the legality of selling mineral rights using eBay and couldn't find any conflicts. "I did not want to get cross-legged with anybody," he said.

Southern Methodist University law professor Joseph Dancy, who lectures on oil and gas leasing at SMU's School of Law, couldn't find anything wrong with it, either. "This could be a unique way to market your property instead of waiting for

## Natural gas hub flow, Jun 2

Hub Name	Scheduled Flow	+/-	% Change	Daily Price	—31 Day Average— Flow	Price
ANR, La.	794	-32	-3.83	11.400	974	11.279
Dracut, Mass.	60	-12	-16.21	11.965	112	11.836
Florida city-gates	2,069	-43	-2.02	12.635	1,979	12.080
Iroquois, receipts	851	9	1.07	11.850	777	11.884
Kern River, Opal plant	701	0	0.03	7.895	654	8.437
Niagara	890	30	3.44	11.825	718	11.793
Northern, Ventura	22	-4	-15.07	8.835	63	9.874
Northern, demarc	1,746	1	0.04	8.680	1,672	9.585
Northwest, Can. bdr. (Sumas)	569	-10	-1.76	10.030	642	10.242
PG&E, Malin	1,313	-19	-1.41	10.415	1,326	10.489
Stanfield, Ore.	0	0	-	10.245	1	10.376
Transco, zone 3	1,881	-5	-0.27	11.445	2,022	11.327
Transco, zone 6 N.Y.	1,296	49	3.93	12.040	1,340	12.009

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

Source: Platts Energy Advantage

## NYMEX Henry Hub gas futures contract, Jun 2

	Settlement	High	Low	+/-	Volume
Jul 2008	11.969	12.160	11.880	+26.6	69492
Aug 2008	12.063	12.230	12.135	+26.8	11188
Sep 2008	12.077	12.295	12.115	+26.7	6859
Oct 2008	12.144	12.280	12.280	+26.7	6914
Nov 2008	12.359	12.359	12.359	+25.2	1716
Dec 2008	12.699	12.699	12.699	+24.2	1285
Jan 2009	12.909	12.830	12.830	+23.2	3475
Feb 2009	12.864	12.864	12.864	+23.2	600
Mar 2009	12.614	12.614	12.614	+23.2	2181
Apr 2009	10.649	10.775	10.775	+16.2	2179
May 2009	10.489	10.489	10.489	+15.2	531
Jun 2009	10.557	10.557	10.557	+14.9	210
Jul 2009	10.645	10.645	10.645	+14.8	67
Aug 2009	10.702	10.702	10.702	+14.6	99
Sep 2009	10.717	10.717	10.717	+14.2	27
Oct 2009	10.779	10.779	10.779	+14.2	143
Nov 2009	11.029	11.140	11.140	+14.2	322
Dec 2009	11.394	11.400	11.390	+13.7	249
Jan 2010	11.619	11.619	11.619	+13.7	428
Feb 2010	11.569	11.569	11.569	+13.2	1
Mar 2010	11.319	11.307	11.297	+13.2	54
Apr 2010	9.799	9.799	9.799	+8.7	61
May 2010	9.654	9.750	9.750	+8.7	25
Jun 2010	9.724	9.747	9.737	+8.7	25
Jul 2010	9.814	9.814	9.814	+8.7	25
Aug 2010	9.879	9.879	9.879	+8.7	25
Sep 2010	9.899	9.922	9.912	+8.7	25
Oct 2010	9.979	10.050	9.970	+8.7	25
Nov 2010	10.274	10.274	10.274	+9.7	1
Dec 2010	10.679	10.702	10.692	+9.7	1
Jan 2011	10.929	10.929	10.929	+10.2	0
Feb 2011	10.914	10.914	10.914	+10.2	0
Mar 2011	10.679	10.700	10.677	+10.2	25
Apr 2011	9.549	9.549	9.549	+7.2	25
May 2011	9.474	10.702	10.692	+6.7	0
Jun 2011	9.549	9.592	9.582	+6.7	0

### Contract data for Friday

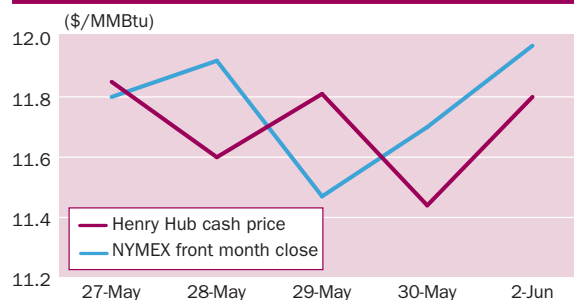
Volume of contracts traded: **108,357**

Front-months open interest:

JUL, 159,915; AUG, 47,107 ; SEP, 42,892

Total open interest: 893,851

## Henry Hub/NYMEX spread



## Platts oil prices, Jun 2

	(\$/b)	(\$/MMBtu)
<b>Gulf Coast spot</b>		
1% Resid	94.20-94.30	14.99
3% Resid	83.95-84.05	13.36
<b>Crude spot</b>		
WTI (Jun )	127.74-127.78	21.93
<b>New York spot</b>		
No.2	155.59-155.80	26.73
0.3% Resid HP	106.75-106.95	17.00
0.3% Resid LP	112.45-112.65	17.90
0.7% Resid	93.60-93.80	14.90
1% Resid HP	94.35-94.55	15.02

the landmen to come to you.”

Dancy said any investors should remember that they are buying a piece of real property and should rely on a lawyer to draft a written agreement and a title search to confirm the rights haven't been severed or split.

“It's pretty creative,” Dancy said. “It's pretty cool.”

Dancy also thought it would be a way for landowners to ascertain what the real market value of their mineral rights would be, rather than just take a landman's first offer. “Put it on eBay; determine the fair market value, especially with shale and all its fracing and horizontal drilling. Test the market — what is the fair market value for your property?”

A spokeswoman from the Louisiana Department of Natural Resources, which regulates oil and gas leasing in the state, wouldn't comment one way or the other on the offering. “This is a completely private situation,” spokeswoman Phyllis Darenbourg said. “I might add, this could be a first. There doesn't appear to be anything legally wrong with doing this.”

eBay didn't return calls or e-mails asking how many oil and gas rights have been sold through the auction site, if any.

Hoenke is not offering any fraction interests in the mineral rights, which he said keeps him clear of securities regulators. Many of his landowners are elderly and by selling the mineral rights outright would pay only 15% capital gains tax on that income.

If they leased the property, Hoenke said, they would have to pay a 36% federal income tax and a 6% state income tax on their lease payment — more if the properties began to produce.

“The fixed price of \$15,000 is for 100% minerals per one net mineral acre in an area that is currently leasing for \$4,000 to \$5,000 per net mineral acre for a three-year lease with 25% retained royalty,” his listing states. “We have properties that are not leased and some that are already under lease. The \$15,000 per one net mineral acre is for our most expensive properties not under lease. We have properties that would be \$5,000 per one net mineral acre and price points in between the \$15,000 and \$5,000.”

“The elderly may want to enjoy the money or give it to their kids,” Hoenke said.

Hoenke, who owns his own payroll accounting business and is a frequent eBay seller of motorcycles, coins and other items, assumed many others were selling mineral rights using eBay and found himself surprised when he typed in “Haynesville Shale” and saw there were no other classifieds. — *Bill Holland*

## Climate change bill will boost crop prices up to \$12 billion/year: Study

If pending federal climate change legislation is enacted, US farmers' cost of doing business could increase \$6 billion to \$12 billion a year by 2020, The Fertilizer Institute projected Monday.

“The better-something-than-nothing attitude that seems to have ruled the climate change debate up until now needs to be replaced by a measured look at solutions that do not threaten such a vital sector of the economy,” said TFI President Ford West. “Particularly, as the world experiences a food crisis, it is important that steps to control climate change do not penalize farmers in the world's most efficient food production system.”

“Despite having experienced the largest operating price increases in history during the last seven years, farmers may be in for a surprise when they learn of the impact this legislation would have on their bottom lines,” West said. “While some growers may have an opportunity to receive payments for sequestering carbon if they use specific farming practices, the costs of this legislation appear to far outweigh any potential benefits.”

America's Climate Security Act of 2007 and rising energy prices will add up to \$78.80 in operating costs per acre of corn, resulting in a total increase of well over \$100/acre by 2020, according to a study conducted for the institute by Doane Advisory Services.

The study was endorsed by the American Farm Bureau Federation.

Using assumptions that nuclear power and biomass power generation do not increase, the Environmental Protection Agency has suggested that natural gas prices could increase 50% and crude oil prices rise 36.6%. As a result, the TFI study said total crop production expenses could increase by \$8 billion in 2020. If carbon capture and sequestration technology does not become available until after 2020, the increase in production expenses will be near \$12 billion.

Nitrogen prices are closely tied to natural gas prices, the study said, adding that natural gas costs explain on average about 77% of the variation in nitrogen prices. The statistical fit is in line with estimates furnished by industry sources with anhydrous ammonia exhibiting the strongest relationship with natural gas, followed by a solution of urea and ammonium nitrate in water known as UAN. — *Rodney White*

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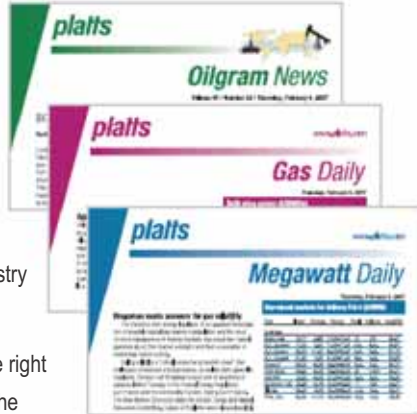
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