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Wednesday, August 14, 2013

Market far less prone to hurricane price spikes

With Gulf of Mexico gas production down to just 6% of total US output, the traditional bullish threat of supplies being knocked offline has been replaced by the bearish potential for demand destruction as winds and rains shut down power plants, businesses and factories.

As a result, any loss of gas supply due to rig evacuations and pipeline curtailments will likely have a minimal impact on prices that historically have gone wild when storms entered the Gulf, analysts say.

"In terms of basic seasonality, roughly 80% of Atlantic Basin

(continued on page 5)

Colorado city set to place fracking ban on ballot

Defying state officials' contention that localities can't pass their own drilling laws, the city of Fort Collins, Colorado, this week certified a petition to place a five-year hydraulic fracturing moratorium on the November ballot.

The move angered the only driller operating in Fort Collins, Prospect Energy, which called a fracking ban unnecessary. And it prompted a producer trade group to warn that gas output could be curtailed in Colorado if the Fort Collins move is the start of a trend.

(continued on page 4)

Chesapeake fires top execs in cost-cutting move

Chesapeake Energy's new CEO promised investors he would cut costs at the once free-spending oil and gas producer, and this week he started at the top by firing four high-level executives.

"Chesapeake needed a new business strategy under a new management in this time of transition, from lease capture to asset harvesting," Oppenheimer analyst Fadel Gheit said Tuesday in response to what CEO Doug Lawler called a streamlining of the executive suite.

"The management changes were expected, with more to come."

(continued on page 3)

Appalachian cash soars; NYMEX inches lower

Appalachian cash prices continued to rebound Tuesday, gaining nearly 60 cents at one point as buyers jumped in to take advantage of cheap Marcellus Shale gas. But traders pushed the NYMEX September gas futures contract down 2.5 cents to \$3.285/MMBtu as they focused on mild near-term weather forecasts.

Tennessee Gas Pipeline zone 4-300 leg in Appalachia jumped 54 cents, and Transcontinental Gas Pipe Line Leidy Line receipts gained 60 cents to average in the \$2.60s. Prices sank into the \$2 range in the Marcellus this summer as new pipeline and processing plant capacity

Daily price survey (\$/MMBtu)

NATIONAL AVERAGE PRICE: 3.230

Trans. date: 8/13

Flow date(s): 8/14

	Midpoint	+/-	Absolute	Common	Volume	Deals
Permian Basin Area						
El Paso, Permian	3.235	+0.020	3.22-3.27	3.22-3.25	482	70
Waha	3.265	+0.000	3.22-3.30	3.25-3.29	308	43
Transwestern, Permian	3.225	+0.020	3.21-3.24	3.22-3.23	50	9
East Texas-North Louisiana Area						
Carthage Hub	3.255	-0.035	3.25-3.29	3.25-3.27	48	14
NGPL, Texok zone	3.285	-0.025	3.27-3.34	3.27-3.30	174	33
Tx. Eastern, ETX	3.240	-0.040	3.24-3.24	3.24-3.24	3	1
Tx. Gas, zone 1	3.280	-0.035	3.26-3.30	3.27-3.29	124	23
East-Houston-Katy						
Houston Ship Channel	3.310	-0.005	3.29-3.32	3.30-3.32	58	8
Katy	3.305	-0.020	3.26-3.34	3.29-3.33	459	59
South-Corpus Christi						
Agua Dulce Hub	3.330	+0.020	3.33-3.33	3.33-3.33	15	1
NGPL, STX	3.275	-0.020	3.24-3.29	3.26-3.29	65	10
Tennessee, zone 0	3.225	-0.025	3.20-3.25	3.21-3.24	145	32
Tx. Eastern, STX	3.270	-0.025	3.27-3.28	3.27-3.27	59	10
Transco, zone 1	3.250	-0.040	3.25-3.25	3.25-3.25	5	1
Louisiana-Onshore South						
ANR, La.	3.235	-0.040	3.22-3.31	3.22-3.26	67	13
Columbia Gulf, La.	3.285	-0.035	3.27-3.34	3.27-3.30	135	23
Columbia Gulf, mainline	3.285	-0.030	3.27-3.30	3.28-3.29	333	54
Florida Gas, zone 1	3.330	-0.005	3.31-3.35	3.32-3.34	12	4
Florida Gas, zone 2	3.325	-0.030	3.31-3.36	3.31-3.34	139	17
Florida Gas, zone 3	3.490	+0.000	3.32-3.52	3.44-3.52	204	37
Henry Hub	3.340	-0.005	3.32-3.36	3.33-3.35	301	50
Southern Natural, La.	3.310	-0.035	3.30-3.34	3.30-3.32	325	33
Tennessee, 500 Leg	3.290	-0.025	3.28-3.30	3.29-3.30	46	11
Tennessee, 800 Leg	3.275	-0.025	3.26-3.31	3.26-3.29	205	51
Tx. Eastern, WLA	3.290	-0.070	3.29-3.29	3.29-3.29	21	6
Tx. Eastern, ELA	3.275	+0.010	3.27-3.28	3.27-3.28	43	9
Tx. Gas, zone SL	3.250	-0.045	3.24-3.28	3.24-3.26	4	4
Transco, zone 2	3.280	-0.025	3.27-3.32	3.27-3.29	19	9
Transco, zone 3	3.300	-0.035	3.29-3.31	3.30-3.31	109	30
Trunkline, WLA	3.270	-0.050	3.27-3.28	3.27-3.27	15	4
Trunkline, ELA	3.265	-0.035	3.26-3.28	3.26-3.27	20	4
Oklahoma						
ANR, Okla.	3.205	+0.000	3.20-3.21	3.20-3.21	10	3
CenterPoint, East	3.225	-0.050	3.18-3.26	3.21-3.25	123	29
NGPL, Midcontinent	3.210	-0.035	3.19-3.26	3.19-3.23	274	48
Oneok, Okla.	3.100	-0.060	3.08-3.12	3.09-3.11	70	10
Panhandle, Tx-Okla.	3.070	-0.075	3.03-3.14	3.04-3.10	205	43
Southern Star	3.135	-0.050	3.09-3.17	3.12-3.16	55	17
New Mexico-San Juan Basin						
El Paso, Bondard	3.220	+0.025	3.19-3.23	3.21-3.23	124	27
El Paso, San Juan	3.230	+0.025	3.21-3.25	3.22-3.24	211	41
Transwestern, San Juan	3.235	+0.020	3.22-3.26	3.23-3.25	226	27
Rockies						
CG, Rockies	3.165	+0.045	3.12-3.19	3.15-3.18	36	5
Kern River, Opal	3.215	+0.025	3.20-3.23	3.21-3.22	507	67
Stanfield, Ore.	3.195	-0.090	3.16-3.24	3.18-3.22	108	19
Questar, Rockies	3.145	+0.030	3.12-3.18	3.13-3.16	9	3
Cheyenne Hub	3.205	+0.015	3.19-3.21	3.20-3.21	109	20
NW, Wyo. Pool	3.175	+0.045	3.10-3.22	3.15-3.21	115	23
NW, s. of Green River	3.150	+0.040	3.15-3.16	3.15-3.15	47	5
White River Hub	3.215	+0.055	3.21-3.22	3.21-3.22	25	3

THE MARKET

came online.

Meanwhile, New York and Boston-area prices headed in the other direction on lower weather-related demand. Both cities are forecast to have high temperatures in the upper 70s Wednesday, a few degrees below seasonal norms, and Platts unit Bentek projected Northeast demand at 11.3 Bcf Wednesday, down from 11.5 Bcf Tuesday.

In downstream markets, the Algonquin Gas Transmission city-gate fell 6 cents, as did Transco zone 6-New York.

Along the Gulf Coast, prices fell on lackluster demand in the consuming regions. The Houston Ship Channel and Henry Hub held flat, and traded volumes at the Houston Ship Channel nearly doubled to about 85,000 Mcf on IntercontinentalExchange.

Prices also fell across the Midcontinent, with Panhandle Eastern Pipe Line dropping about 7 cents to average around \$3.07, holding a region-low price.

Southern Star Central Gas Pipeline lost nearly as much, with traded volumes jumping from about 10,000 Mcf to nearly 35,000 Mcf on ICE.

In the Upper Midwest, Chicago is forecast to be nearly 10 degrees below seasonal norms Wednesday, with highs around 72. The Chicago city-gates edged a few cents lower to average in the low \$3.40s.

A 40,000 b/d ethane-propane pipeline owned by Enterprise Products Partners exploded late Monday in a rural part of Illinois, Enterprise spokesman Rick Rainey said Tuesday. The affected line was a lateral off the northern portion of the Mid-American Pipeline that runs from Conway, Kansas, to near Chicago, however, it had no direct effect on prices in the region (see story, page 6).

Michigan Consolidated fell 5 cents while Consumers Energy held flat.

Ruby maintenance lifts Rockies prices

Most Northwest prices increased a few cents on increasing downstream demand in the west.

Rockies prices also received some support as more capacity was set to become available Wednesday on Ruby Pipeline amid maintenance at the Roberson compressor station in Lincoln County, Wyoming. Opal rose 3 cents.

Capacity was reduced to zero Tuesday and is scheduled to return to 1.1 Bcf/d on Wednesday. Throughput at Ruby West dropped 745,000 Mcf/d to 5,000 Mcf/d Tuesday, according to Bentek.

Gas Transmission Northwest's Kingsgate point saw the region's largest drop, coming down 15 cents.

Increased regional demand pushed up most southwest spot prices. Sacramento's high temperature was forecast to stay in the mid-90s through the remainder of the workweek, slightly above normal.

Bentek projected total West demand at about 10 Bcf Wednesday, up from about 9.8 Bcf Tuesday.

Pacific Gas & Electric had in effect operational flow orders for Tuesday's and Wednesday's gas days due to low inventory with tolerance levels of 5%.

PG&E's city-gate dipped 2 cents to average in the low \$3.60s, putting it at a 10-cent premium to Southern California Gas' city-gate.

Upward price pressure on PG&E's city-gate was limited due to the increased Ruby capacity availability. The same factor weighed heavily on Malin, which dropped 10 cents, narrowing its premium over Rockies point Opal to 6 cents.

Bentek said PG&E was likely meeting supply shortage Tuesday by drawing on storage. PG&E forecast withdrawals of 245,000 Mcf/d Tuesday, compared with a prior seven-day average injection rate of 350,000 Mcf/d.

Daily price survey (\$/MMBtu)

Trans. date:	8/13		8/14			
Flow date(s):	8/14					
	Midpoint	+/-	Absolute	Common	Volume	Deals
Canadian Gas						
Iroquois, receipts	3.810	-0.070	3.79-3.86	3.79-3.83	102	31
Niagara						
NW, Can. bdr. (Sumas)	3.015	-0.010	2.97-3.09	2.99-3.05	428	66
TCPL Alberta, AECO-C*	C2.170	C0.045	C2.14-2.20	C2.16-2.19	898	73
Emerson, Viking GL	3.480	-0.030	3.45-3.50	3.47-3.49	172	49
Dawn, Ontario	3.785	-0.045	3.77-3.82	3.77-3.80	916	121
GTN, Kingsgate	3.175	-0.145	3.05-3.21	3.14-3.21	222	29
Westcoast, station 2*	C2.340	C0.020	C2.28-2.42	C2.31-2.38	336	57
Appalachia						
Dominion, North Point	3.040	+0.010	3.04-3.04	3.04-3.04	47	2
Dominion, South Point	3.070	+0.010	3.00-3.12	3.04-3.10	887	158
Leidy Hub	3.300	+2.050	3.30-3.30	3.30-3.30	1	1
Columbia Gas, App.	3.330	+0.005	3.25-3.37	3.30-3.36	150	27
Lebanon Hub	3.380	+0.015	3.37-3.40	3.37-3.39	68	13
REX, Clarifington Ohio	3.395	+0.030	3.38-3.41	3.39-3.40	104	17
Tennessee						
Tennessee, zone 4-Ohio						
Tennessee, zone 4-200 leg	3.245	-0.030	3.23-3.30	3.23-3.26	150	22
Tennessee, zone 4-300 leg	2.640	+0.540	2.50-2.75	2.58-2.70	148	39
Texas Eastern, M-2 receipts	3.165	-0.020	3.15-3.18	3.16-3.17	374	54
Millennium, East receipts	2.970	+0.030	2.90-3.07	2.93-3.01	55	5
Transco, Leidy Line receipts	2.645	+0.600	2.15-2.90	2.46-2.83	395	68
Mississippi-Alabama						
Tx. Eastern, M-1 30-in.						
Transco, zone 4	3.320	-0.030	3.31-3.34	3.31-3.33	523	76
Others						
Algonquin, receipts	3.235	-0.025	3.21-3.25	3.23-3.25	15	3
El Paso, South Mainline	3.440	-0.005	3.43-3.46	3.43-3.45	220	17
SoCal Gas	3.420	+0.000	3.39-3.47	3.40-3.44	422	54
PG&E, South	3.430	+0.015	3.40-3.48	3.41-3.45	193	22
PG&E, Malin	3.280	-0.100	3.24-3.31	3.26-3.30	334	59
Alliance, into interstates	3.400	-0.040	3.37-3.42	3.39-3.41	123	20
ANR, MI 7	3.505	+0.030	3.50-3.53	3.50-3.51	46	3
NGPL, Amarillo receipt	3.235	-0.100	3.23-3.27	3.23-3.25	5	2
Northern, Ventura	3.380	+0.030	3.33-3.38	3.37-3.38	63	3
Northern, demarc	3.315	-0.045	3.32-3.32	3.32-3.32	40	6
Dracut, Mass.						
Tx. Eastern, M-1 24-in.	3.295	-0.040	3.28-3.30	3.29-3.30	16	5
Northern Bdr., Ventura TP	3.325	-0.025	3.32-3.33	3.32-3.33	70	8
Trunkline, zone 1A	3.280	-0.030	3.27-3.30	3.27-3.29	225	32
Citygates						
Chicago city-gates	3.415	-0.025	3.38-3.44	3.40-3.43	899	104
Consumers city-gate	3.560	+0.005	3.52-3.59	3.54-3.56	40	8
Mich Con city-gate	3.480	-0.050	3.47-3.49	3.46-3.49	206	36
PG&E city-gate	3.610	-0.020	3.60-3.64	3.60-3.62	330	38
Florida city-gates	3.760	+0.035	3.76-3.76	3.76-3.76	58	2
Algonquin, city-gates	3.500	-0.060	3.48-3.56	3.48-3.52	33	10
Tennessee, zone 6 del.	3.500	-0.085	3.48-3.60	3.48-3.53	138	12
Iroquois, zone 2	3.845	-0.095	3.80-3.90	3.82-3.87	70	16
Tx. Eastern, M-3	3.330	-0.040	3.32-3.35	3.32-3.34	206	35
Transco, zone 5 del.	3.445	-0.040	3.41-3.49	3.43-3.47	221	36
Transco, zone 6 non-N.Y.	3.450	-0.050	3.42-3.46	3.44-3.46	168	36
Transco, zone 6 N.Y.	3.440	-0.065	3.43-3.47	3.43-3.45	115	29
Kern River, delivered	3.415	+0.000	3.40-3.43	3.41-3.42	240	27
SoCal Gas, city-gate	3.515	+0.010	3.51-3.54	3.51-3.52	375	33

*NOTE: Price in C\$ per GJ; C\$1=US\$0.9667

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:

<http://www.platts.com/MethodologyAndSpecifications/NaturalGas>

Questions may also be directed to our market editor, Tom Castleman, (713) 658-3263, tom_castleman@platts.com.

As for NYMEX trading, analysts with TFS Energy Futures said normal to below-normal temperatures are expected in the eastern US over the next five days, "followed by a slight shift warmer across the Midwest in the Northeast [consuming regions] in the latter part of this month."

"I guess it's not hot enough," said Price Futures Group analyst Phil Flynn. "The market is waiting around to see how hot it's going to be."

Gelber & Associates analyst Aaron Calder noted "quite a bit of short-covering" over the past three sessions and a 24% contraction in open interest. "Short sellers have taken their profits, and price action is free to move further down now that [the] short side of the trade is less crowded," he said.

— Market Staff Reports

Chesapeake fires execs in cost-cutting move ... from page 1

Gheit has said for years that Chesapeake – the second-largest US gas producer – possesses some of the best gas leases in the country while expressing doubts about Chesapeake's strategy of leasing more land under the direction of founder and CEO Aubrey McClendon, who resigned April 1.

Lawler, after spending his career at Anadarko Petroleum, took charge at Oklahoma City-based Chesapeake in June, replacing interim CEO Steve Dixon.

Dixon, who had been with Chesapeake for 22 of the company's 24 years, was among the four executives given their walking papers Monday. Also departing are Executive Vice President of Production Jeff Fisher; Senior Vice President for Human and Corporate Resources Martha Burger; and Senior Vice President for Drilling Steve Miller.

Lawler had promised stock analysts he'd get costs down quickly during an earnings conference call two weeks ago (GD 8/2). But most of the talk involved ending Chesapeake's head-long leasing strategy and shifting operations to multi-well drilling pads to improve rig efficiency; he didn't mention laying off managers or workers.

Chesapeake declined to comment Tuesday beyond releasing the text of a company-wide e-mail. But in an interview Monday evening, Lawler told the local newspaper, the *Daily Oklahoman*, that the firings "are part of an ongoing effort to reduce expenses and improve performance."

Lawler said he will "be directly engaged" in operations, drilling and human resources and was only appointing interim managers to each team.

Gheit said the new CEO "outlined the company's priorities of increased focus on value creation through improving operating and capital efficiency and financial discipline, including simplifying the company's operating and financial structure, the balance sheet, and achieving investment grade metrics. Investors liked the plan and endorsed the new direction, making Chesapeake one of the best stocks this year."

Shares in Chesapeake have gained 50% since hitting their low in the last week of 2012, a climb that accelerated in the four months since McClendon's April departure. The stock gained just a penny Tuesday to close at \$25.03/share.

It wasn't immediately clear how much savings were actually involved: Dixon's \$12.5 million annual compensation was replaced with \$12 million in severance benefits for being terminated without cause, according to Chesapeake's annual proxy statement filed for its June annual meeting.

Fisher's \$5.2 million in annual compensation was replaced with \$5.6 million in severance payments. For both men, the bulk of their compensation is in company stock, not cash.

The details of Burger's and Miller's compensation were not filed with the Securities and Exchange Commission and were not immediately available.

All four executives presided over at least \$1 billion in cost cuts in the first six months of this year as Chesapeake reported a 38% drop in drilling expenses to \$3.1 billion and a 70% decrease in spending on leases from a year earlier to \$497 million.

"On behalf of the entire company, I want to express our gratitude to Steve, Jeff, Steve and Martha for their many years of service and dedication," Lawler's

BP sues EPA to regain access to gas, oil leases; new rationale unveiled

The federal government banned BP from new federal contracts – including lucrative oil and natural gas leases in the Gulf of Mexico – after the 2010 Deepwater Horizon blowout in large part because of earlier "empty promises" the company made after previous disasters, a new document reveals.

The document, included as an exhibit in a lawsuit BP filed Monday against the Environmental Protection Agency, lays out for the first time the reasons the government imposed its suspension – and the high bar BP must clear to regain the ability to win oil and gas leases and other contracts.

BP filed a lawsuit in US District Court for the Southern District of Texas seeking to overturn the temporary suspension EPA imposed last November and the more serious debarment imposed earlier this year. EPA took the actions after BP agreed to plead guilty to serious criminal charges stemming from Deepwater Horizon.

The suspension, which covers 21 BP subsidiaries, was discretionary and made after BP agreed last November to a plea deal, which included the payment of \$4 billion in fines and penalties.

The debarment, required by statute in response to violations of the Clean Water Act, prohibits BP's exploration-and-production arm from performing any work on government contracts from its corporate headquarters in Houston.

BP was the deepwater Gulf's largest oil and gas producer in 2012 with output of 214,000 b/d of oil equivalent. The company also holds contracts with the US worth more than \$1.34 billion to supply natural gas, jet fuel, marine diesel fuel, aviation gasoline, commercial airport refueling services, bulk fuel storage and lubricants to facilities in the US and abroad.

The suspension and debarment did not affect any of BP's current contracts – just the ability to be awarded future business, including participation in Gulf lease sales.

In its lawsuit, BP argues that EPA's decision unfairly penalizes BP and fails to comply with federal law.

The company said the broad suspension and the more focused debarment "are unsupported and contradicted by the record in this matter; and are punitive, arbitrary, capricious, and an abuse of EPA's discretion." BP calls on the court to declare the ban null, void and unenforceable.

The company said, however, that it remains open to a "reasonable" settlement with EPA.

But an exhibit BP filed with its lawsuit explains that the agency's decision to continue its suspension is based on a long history of BP accidents and promises.

The exhibit is a July 19 denial of BP's appeal of the suspension and debarment decision. The document, signed by Richard Pelletier, an EPA suspension and debarment official, compares promises to boost safety and ethics made to the EPA last year against similar promises made in 2009, when EPA was considering suspending BP because of safety failures at the Texas City refinery and the company's Alaska oil pipeline.

In rejecting BP's appeal, Pelletier said the company has not shown why he should accept the most recent pledges to increase safety "when the promises and changes in the April 2009 presentation proved to be ineffective ... and apparently were nothing more than window dressing."

In July 2012, BP first approached several federal agencies to persuade them that steps taken after Macondo were sufficient to meet the statutory requirement for contractors to be "presently responsible" for the purposes of providing fuel and other services to federal agencies and being awarded leases for offshore E&P.

But Pelletier said such efforts cannot be evaluated out of context of earlier BP accidents and unfulfilled promises.

— Gary Gentile, Robert Perkins

announcement read, "Each of these executive leaders has contributed greatly to Chesapeake, and we wish them the very best in their future endeavors."

Their future endeavor could literally be just down the street. Less than 10 blocks east of Chesapeake's northern Oklahoma City campus are the offices of McClendon's newest effort, privately held American Energy Partners.

Across the street is a billboard announcing that AEP is hiring, and AEP's website says it wants people interested in creating a "best-in-class E&P company."

According to SEC filings, McClendon can't poach current Chesapeake employees, but he can hire anyone Chesapeake lets go. A spokesman for AEP had no immediate comment.

— Bill Holland

City set to place fracking ban on ballot ... from page 1

City officials on Monday certified that a petition drive calling for the moratorium had enough signatures to place it on the ballot. The petition organizers collected 8,052 signatures, more than twice the 3,907 needed.

City Clerk Wanda Nelson said Tuesday that the next step is to present the ballot measure to City Council at its August 20 meeting. The council will then have the option of adopting an ordinance enacting the ballot measure or placing the issue before voters in November.

"We believe hydraulic fracturing is safe and has limited application in the city of Fort Collins," Prospect Energy CEO Scott Hall said Tuesday.

Hall, who also serves as managing member of Prospect's parent company, Denver-based Black Diamond Minerals, said the producer has an operating agreement with Fort Collins that goes beyond the environmental and safety measures the Colorado Oil and Gas Conservation Commission requires of drillers.

"Should this moratorium pass, it would invalidate that operator agreement,"

Investment firms active in commodities must register as CPOs: CFTC rule

Securities and Exchange Commission-registered investment companies – including mutual funds, exchange-traded funds and unit investment trusts – must register with the Commodity Futures Trading Commission as commodity pool operators if they intend to trade futures contracts, according to a final CFTC rule issued Tuesday.

Entities will be considered compliant with new CFTC registration rules if they are following SEC regulations regarding CPOs.

The CFTC said it decided to effectively piggyback on SEC registration because as it "continues to gain experience regulating CPOs of RICs, it believes that general reliance upon the SEC's compliance regime, with minor additional disclosure should provide market participants and the general public with meaningful disclosure."

A federal appeals court in June had affirmed a lower court ruling that required RICs to register as CPOs under the Commodity Exchange Act. The CFTC registration requirement was challenged by the Investment Company Institute and US Chamber of Commerce.

The final rule outlines disclosure procedures, record-keeping and reporting obligations of RICs. According to the agency, the rules are designed to promote market integrity and transparency, improve CFTC oversight of the commodity markets and provide important information to retail investors.

The final rule allows RICs to use a third-party provider for record-keeping and eliminates an earlier requirement that all books and records be maintained at the CPO's primary location.

The CFTC expects that about 1,266 RICs will register under the new rule.

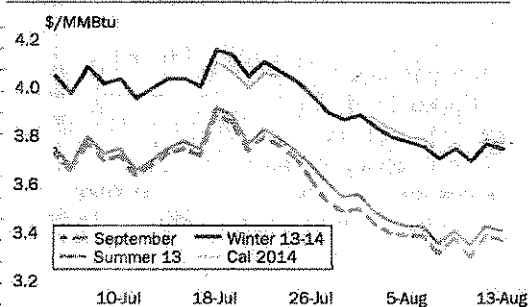
— Christopher Tremulis

Platts-ICE Forward Curve – Natural Gas, Aug 13 (c/MMBtu)

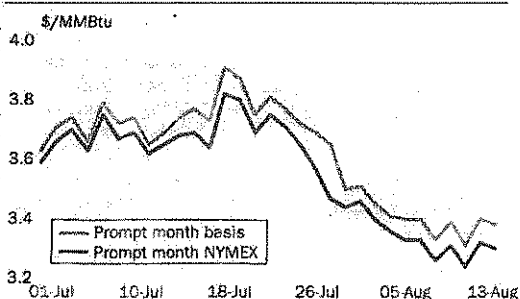
Prompt month: Sep 13	
Algonquin, city-gates	5.25
Transco, zone 6-NY	-7.00
Texas Eastern, M-3	-16.00
Columbia Gas, Appalachia	-6.25
Dominion, South Point	-35.00
Transco, zone 3	-0.50
Transco, zone 4	2.00
Southern Natural, LA	-3.00
Tennessee, 500 Leg	-5.50
Florida Gas, zone 3	10.00
Columbia Gulf, mainline	-6.50
Houston Ship Channel	-1.50
NGPL, Texok	-4.75
Chicago city-gates	8.25
MichCon city-gate	19.25
Dawn, Ontario	47.50
Panhandle, TX-Okl.	-21.00
Northern, Ventura	1.00
Northern, demarc	1.50
Waha	-6.75
El Paso, Permian Basin	-13.50
El Paso, San Juan Basin	-15.50
PG&E city-gate	28.50
PG&E, Malin	-9.50
SoCal Gas	6.25
Northwest, Rockies	-17.00
Northwest, Sumas	-36.25
AECO, Alberta	-102.75

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

Chicago city-gates: Key packages, last 30 days



Chicago city-gates: Basis market vs NYMEX



Chicago city-gates: Forward curve

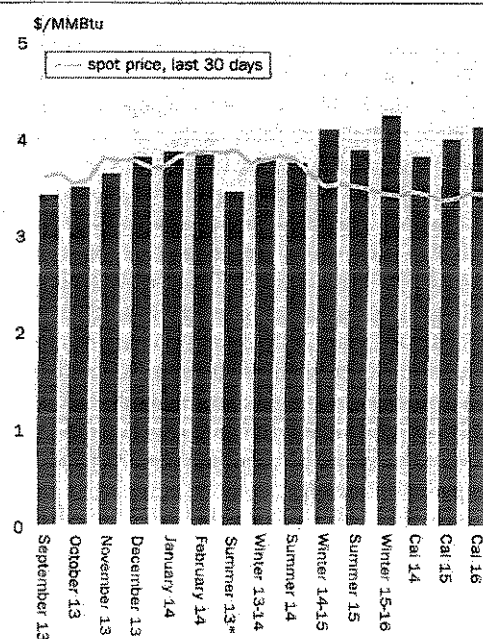


Table and graphs are created using Platts-ICE Forward Curve — Natural Gas (North America) data. Forward assessments as basis to the Henry Hub and full values are available for periods spanning three years. To see a sample and find information on how to subscribe to the full data set go to www.risk.platts.com. For more information on Platts services, please call +1-800-PLATTS8. For editorial questions call Leticia Vasquez +713-658-3259.

he said.

Hall said Prospect had been drilling in the Fort Collins oil and gas field for years, even before the city decided to annex an area that includes the company's operations. "We have the potential to drill some additional wells, which would require fairly small hydraulic fractures," he said.

In March, the Fort Collins City Council passed an ordinance banning fracking within the city limits. It contained a provision to grandfather in existing operations, providing the producer applied for a permit and agreed to certain operating conditions.

"Prospect Energy has gone above and beyond to be a good neighbor with the city of Fort Collins," Hall said, adding that the company has met with homeowners groups to address their concerns about environmental impacts, such as the need to capture fugitive emissions.

Doug Flanders, a spokesman for the Colorado Oil and Gas Association, said municipal fracking bans, such as the one proposed by the petitioners in Fort Collins, could disrupt oil and gas production across the state.

"We're starting to see groundswell of support from community and civic leaders who see the negative impacts of these bans," he said.

Flanders said it is too early to say whether COGA, which already has one lawsuit pending against a Colorado city over a fracking ban, would also sue Fort Collins.

In December, COGA filed suit against the city of Longmont challenging a resolution banning fracking within the city limits, which Longmont voters passed in the previous month's election (*GD 12/27*).

Fort Collins' actions are likely to bring it into the sights of state officials, who claim primacy in regulating oil and gas production in Colorado.

Under the administration of Governor John Hickenlooper, a Democrat, the COGCC in July 2012 sued the city of Longmont over the changes the City Council had made to the local drilling ordinance. Hickenlooper has threatened to sue other municipalities whose local oil and regulations go beyond what is allowed under state law.

— Jim Magill

Market less prone to hurricane price spikes ... from page 1

named storms occur between August 15 and October 15, with September 10 the peak day over the past 100 years, and so it is time to pay closer attention," Citi Futures Perspective analyst Tim Evans said in a note Monday.

The federal Climate Prediction Center said in an updated forecast last week that there still is a 70% chance of an above-normal Atlantic hurricane season, with 13 to 19 named storms and six to nine hurricanes, of which three to five could strengthen into major hurricanes.

Evans cited the Department of Energy Monte Carlo simulation, which models the impact on oil and gas production from tropical storms and hurricanes based

Natural gas hub flow, Aug 13

Hub Name	Scheduled Flow	+/-	% Change	Daily Price	-31 Day Average Flow	Price
ANR, La.	0	0		3.275	0	3.440
Florida city-gates	1,921	4	0.19	3.725	2,140	3.799
Iroquois, receipts	318	71	28.50	3.880	386	4.159
Kern River, Opat plant	702	17	2.56	3.190	714	3.378
Northern, Ventura	937	0	0.02	3.350	1,025	3.544
Northern, demarc	773	-139	-15.22	3.360	797	3.547
Northwest, Can. bdr. (Sumas)	1,338	0	0.00	3.025	1,338	3.220
PG&E, Malin	1,418	19	1.37	3.380	1,312	3.456
Stanfield, Ore.	693	0	0.00	3.285	693	3.340
Transco, zone 3	899	97	12.14	3.335	920	3.499
Transco, zone 6 N.Y.	1,166	62	5.65	3.505	1,309	3.776

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

Source: Platts data

NYMEX Henry Hub gas futures contract, Aug 13

	Settlement	High	Low	+/-	Volume
Sep 2013	3.285	3.334	3.262	-2.5	185431
Oct 2013	3.312	3.356	3.288	-2.3	99741
Nov 2013	3.440	3.486	3.428	-2.7	98985
Dec 2013	3.623	3.667	3.613	-2.5	23563
Jan 2014	3.715	3.751	3.702	-2.1	28828
Feb 2014	3.718	3.750	3.706	-2.0	7037
Mar 2014	3.684	3.720	3.670	-2.0	12157
Apr 2014	3.639	3.661	3.621	-1.7	11004
May 2014	3.664	3.683	3.659	-1.5	1904
Jun 2014	3.696	3.715	3.688	-1.5	353
Jul 2014	3.728	3.747	3.712	-1.6	1048
Aug 2014	3.745	3.763	3.730	-1.5	1018
Sep 2014	3.745	3.754	3.729	-1.5	542
Oct 2014	3.766	3.787	3.751	-1.5	2224
Nov 2014	3.851	3.860	3.845	-1.4	1304
Dec 2014	4.023	4.035	4.008	-1.2	898
Jan 2015	4.111	4.127	4.098	-1.1	833
Feb 2015	4.097	4.104	4.097	-1.0	24
Mar 2015	4.042	4.058	4.029	-1.0	1120
Apr 2015	3.862	3.881	3.857	-1.0	1105
May 2015	3.880	3.880	3.880	-1.0	17
Jun 2015	3.908	3.924	3.900	-1.0	16
Jul 2015	3.940	3.963	3.940	-1.0	0
Aug 2015	3.957	3.978	3.950	-1.0	0
Sep 2015	3.957	3.957	3.957	-1.0	0
Oct 2015	3.977	3.995	3.977	-1.0	107
Nov 2015	4.050	4.050	4.050	-1.0	3
Dec 2015	4.220	4.220	4.220	-1.0	103
Jan 2016	4.313	4.313	4.313	-1.0	1
Feb 2016	4.298	4.298	4.298	-0.9	1
Mar 2016	4.231	4.231	4.231	-0.9	0
Apr 2016	3.989	3.989	3.989	-0.1	50
May 2016	4.005	4.005	4.005	-0.1	75
Jun 2016	4.032	4.032	4.032	-0.1	25
Jul 2016	4.067	4.298	4.298	-0.1	0
Aug 2016	4.087	4.087	4.087	-0.1	0

Contract data for Monday

Volume of contracts traded: 479,741

Front-months open interest:

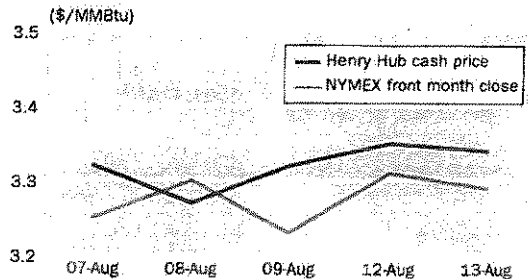
Sep, 190,014; Oct, 167,939; Nov, 190,430

Total open interest: 1,363,854

Data is provided by a third-party vendor

and is accurate as of 5:30 pm Eastern time.

Henry Hub/NYMEX spread



Platts oil prices, Aug 13

	(\$/b)	(\$/MMBtu)
Gulf Coast spot		
1% Resid (1)	98.29-98.31	15.73
3% Resid (1)	92.79-92.81	14.85
Crude spot		
WTI (Sep) (2)	106.63-106.65	18.39
New York spot		
No.2 (1)	123.70-123.74	19.80
0.3% Resid LP (3)	105.99X-106.01X	16.96
0.3% Resid HP (3)	102.44X-102.46X	16.39
0.7% Resid (3)	98.73X-98.75X	15.80
1% Resid (3)	94.78-94.80	15.17

1= barge delivery; 2= pipeline delivery; 3= cargo delivery

on CPC forecasts. This year, Evans said that the simulation produced a mean gas production loss of 64 Bcf.

By contrast, Hurricanes Katrina and Rita in 2005 caused total production losses of 517.2 Bcf, and gas prices soared to record highs, with the NYMEX futures contract peaking above \$15/MMBtu.

One of the main factors at play, Evans said, is that "natural gas production efforts have moved onshore. Gulf of Mexico natural gas production that was 13.77 Bcf/d or 23% of US total supply back in 2001 has declined to about 4.16 Bcf/d and 6% of the total in 2012."

In addition, "we would argue that production infrastructure is more robust than in the past," he said. "It makes it more likely that hurricane damage is limited, with the bulk of production able to recover more easily once the storm has passed."

Evans noted that DOE simulations do not account for onshore impacts to market demand, such as decreased cooling loads, electric utility outages and reduced consumption by oil refineries and petrochemical plants along the Gulf that would shut down in the event of a major storm.

Gelber & Associates analyst Aaron Calder said that because production in the Gulf has shrunk so dramatically, "you won't see a run up to \$12/MMBtu or \$6/MMBtu like in the past. ... Once prices get up to \$4.50/MMBtu there is a lot of demand evaporation."

Calder said that going forward, there will likely be greater downward pressure on gas prices from demand destruction than upward pressure from any potential Gulf shut-ins.

As a result, the analysts said, traders are far less inclined to assume that all storms heading into the Gulf are bullish.

Evans also said hurricanes can have an impact on calendar-spread price relationships, pointing specifically to the December-April spread as "a potential heating season bargain even without a hurricane to curtail storage injections."

Meanwhile, government agencies are working with oil and gas companies operating in the Gulf. DOE will invite representatives from at least six major industry trade groups to come to its Emergency Response Center in Washington when hurricanes threaten rigs in the Gulf.

Additionally, DOE unveiled a new tool on the agency's website to track the potential impact of hurricanes and other tropical storms on US energy infrastructure, including pipelines, refineries and power plants.

— Christopher Tremulis

Enterprise pipeline carrying ethane/propane mix explodes in Illinois

The US ethane and propane markets appeared unaffected Tuesday by a late-Monday explosion in rural Illinois on a segment of Enterprise Products Partners' 40,000 b/d natural gas liquids pipeline, traders and brokers said.

The blast occurred shortly before midnight on a pipeline that helps serve a 550,000 mt/year petrochemical plant in Morris, Illinois, owned by LyondellBasell, said David Harpole, a LyondellBasell spokesman.

LyondellBasell also has a 450,000 mt/year olefins plant in Clinton, Iowa, that is now shut for maintenance work and was unaffected by the incident, Harpole said.

The affected line was a lateral off the northern portion of the Mid-American Pipeline that runs from Conway, Kansas, to near Chicago. EPP spokesman Rick Rainey said the supply impact was minimal given that its main customer is also being served by another pipeline.

The e/p mix is usually an 80% mix of ethane and a 20% mix of propane and used solely as a feedstock for petrochemical production.

The Conway e/p market was trading lower Tuesday at 20.50 cents/gal, 50 points below Monday's assessment. Gulf Coast ethane also was lower, trading 15 points under Monday's assessment at 24 cents/gal.

However, market participants said the pipeline explosion had little effect on the movement in the Conway market.

According to one Gulf Coast NGL broker, the explosion is unlikely to have any immediate effect given that the e/p market is somewhat illiquid and any shortages could be covered by stockpiles. But the broker said the market could begin to see some reaction by the end of the month if supplies tighten.

The explosion, which occurred about 11:15 pm CDT Monday, sent flames about 300 feet into the air and led to the evacuation of about 80 families living within a one-mile radius of the blast site. No injuries were reported and most of those evacuated were permitted to return to their homes Tuesday morning, according to local news reports.

— Michael McCafferty



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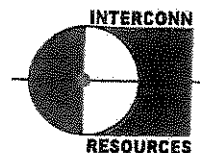
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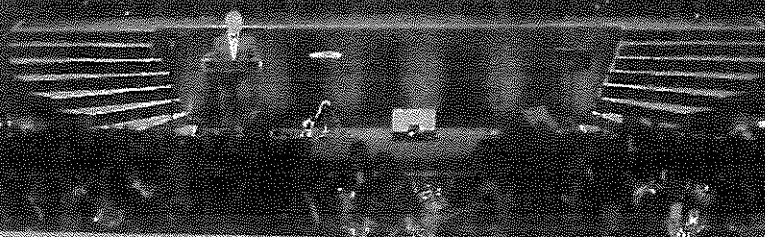


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