



# Gas Daily®

## Daily Price Survey

Listed in the left column are the midpoints of the daily ranges for the most common prices, paid in \$/mmBtu of a typical volume of 5 thousand mmBtu. The middle column shows absolute low-high prices for transactions reported on the date at the top of the column; the third column shows that day's ranges for the most common prices. The prices are generally for gas flowing today; weekends are usually priced using data collected Friday. Ranges are for deals done before nomination deadlines. Boldface indicates the price range is based on data reported the previous day. Plain type indicates insufficient data to reconfirm or change the previous range. The common range is built around the volume weighted average and the midpoint is calculated for the common range. Data in this table is Copyright 2000 by FT Energy.

**NATIONAL AVERAGE PRICE: \$2.995\*\*\*\***

Trans. date	2/7	2/7	2/7
Flow date(s)	2/8	2/8	2/8
	Midpoint	Absolute	Common
<b>Permian Basin Area</b>			
El Paso	2.465	<b>2.42-52</b>	<b>2.44-49</b>
Northern (Mids 1-6)	2.475	<b>2.41-52</b>	<b>2.45-50</b>
Tex intras, Waha area	2.530	<b>2.48-59</b>	<b>2.50-56</b>
Transwestern	2.455	<b>2.40-50</b>	<b>2.43-48</b>
<b>East Texas-North Louisiana Area</b>			
Carthage Hub tailgate	2.585	<b>2.52-66</b>	<b>2.55-62</b>
Koch (Zones 1&2)	2.505	<b>2.35-57</b>	<b>2.45-56</b>
Lone Star	2.490	<b>2.47-51</b>	<b>2.48-50</b>
MRT mainline	2.800	<b>2.78-81</b>	<b>2.79-81</b>
MRT west leg	2.715	<b>2.71-72</b>	<b>2.71-72</b>
NGPL TexOk (West)	2.630	<b>2.61-65</b>	<b>2.62-64</b>
NGPL TexOk (East)	2.620	<b>2.58-67</b>	<b>2.60-64</b>
Tennessee, 100 Leg	2.980	2.97-99	2.97-99
Texas Eastern (ETX)	2.690	<b>2.60-73</b>	<b>2.66-72</b>
Texas Gas (entire Z 1)	2.825	<b>2.80-86</b>	<b>2.81-84</b>
<b>East-Houston-Katy</b>			
Houston Ship Channel	2.680	<b>2.63-79</b>	<b>2.64-72</b>
Katy plant tailgate	2.610	<b>2.56-67</b>	<b>2.58-64</b>
Trunkline North	2.645	<b>2.62-67</b>	<b>2.63-66</b>
<b>North-Texas Panhandle</b>			
NGPL (Permian)	2.455	<b>2.45-47</b>	<b>2.45-46</b>
Northern (Mid 10)	2.450	<b>2.44-49</b>	<b>2.44-46</b>
Transwestern	2.455	<b>2.40-50</b>	<b>2.43-48</b>
<b>South-Corpus Christi</b>			
Agua Dulce hub	2.575	<b>2.52-61</b>	<b>2.55-60</b>
Florida Gas	2.750	<b>2.73-78</b>	<b>2.74-76</b>
HPL	2.620	<b>2.60-63</b>	<b>2.61-63</b>
Koch (Zone 1)	2.635	<b>2.60-66</b>	<b>2.62-65</b>
NGPL (STX)	2.585	<b>2.55-64</b>	<b>2.56-61</b>
Tennessee	2.615	<b>2.58-67</b>	<b>2.59-64</b>
Texas Eastern (STX)	2.630	<b>2.58-69</b>	<b>2.60-66</b>
Transco, St 30	2.715	<b>2.66-76</b>	<b>2.69-74</b>
Trunkline South	2.635	<b>2.63-64</b>	<b>2.63-64</b>
PG&E-GTT	2.530	<b>2.50-55</b>	<b>2.52-54</b>
<b>Louisiana-Onshore South</b>			
ANR	2.700	<b>2.60-76</b>	<b>2.66-74</b>
Columbia	2.780	<b>2.70-82</b>	<b>2.75-81</b>
Columbia, Mainline	2.835	<b>2.79-89</b>	<b>2.81-86</b>
FGT Z1	2.750	<b>2.73-78</b>	<b>2.74-76</b>
FGT Z2	2.810	<b>2.78-86</b>	<b>2.79-83</b>
FGT Z3	2.805	<b>2.75-89</b>	<b>2.77-84</b>
Henry Hub	2.810	<b>2.70-87</b>	<b>2.77-85</b>
Koch (Zones 2&4)	2.735	<b>2.67-77</b>	<b>2.71-76</b>
NGPL (La.)	2.630	<b>2.58-75</b>	<b>2.59-67</b>
Sonat	2.820	<b>2.78-86</b>	<b>2.80-84</b>
Tennessee, 500 Leg	2.900	<b>2.75-96</b>	<b>2.85-95</b>
Tennessee, 800 Leg	2.885	<b>2.75-94</b>	<b>2.84-93</b>
Texas E. (WLA)	2.820	<b>2.78-86</b>	<b>2.80-84</b>
Texas E. (ELA)	2.870	<b>2.74-93</b>	<b>2.82-92</b>
Texas Gas SL	2.800	<b>2.70-86</b>	<b>2.76-84</b>
Transco, St. 45	2.780	<b>2.74-82</b>	<b>2.76-80</b>
Transco, St. 65	2.815	<b>2.77-87</b>	<b>2.79-84</b>
Trunkline WLA	2.765	<b>2.72-82</b>	<b>2.74-79</b>
Trunkline ELA	2.720	<b>2.65-80</b>	<b>2.68-76</b>
<b>Oklahoma</b>			
ANR	2.535	<b>2.46-60</b>	<b>2.50-57</b>
NGPL (Midcont.)	2.505	<b>2.47-56</b>	<b>2.48-53</b>
Reliant (North/South)	2.580	<b>2.52-65</b>	<b>2.55-61</b>
Reliant (West)	2.515	<b>2.47-57</b>	<b>2.49-54</b>
Northern (Mid 11)	2.465	<b>2.45-51</b>	<b>2.45-48</b>
OGT	2.500	<b>2.47-55</b>	<b>2.48-52</b>
PEPL	2.525	<b>2.49-60</b>	<b>2.50-55</b>
Williams	2.510	<b>2.48-56</b>	<b>2.49-53</b>
<b>New Mexico-San Juan Basin</b>			
El Paso, Bondad	2.395	<b>2.38-45</b>	<b>2.38-41</b>

continued on next page

## DOE slashes gas request in latest annual budget

The Energy Department (DOE) yesterday released its latest annual budget — which for Fiscal Year 2001 came in at \$18.9 billion, a 9% increase over last year's request.

But the gas allotments within the package unveiled yesterday represent a dramatic cut from the request filed with Congress a year ago (*GD 2/2/99*). At the time, DOE asked for \$105 million for gas research, and a year earlier, the agency sought about \$95 million.

The two-thirds cut in this year's gas request may represent a concession to what Congressional appropriators will realistically give the program this fall.

Gas-related research and development (R&D) accounts for only a tiny fraction of DOE's expected expenditures next fiscal year. Money devoted to gas research constitutes \$38.75 million of the new budget — a 22.6% increase from the \$31.6 million Congress appropriated last fall, but still, only about 2.1% of DOE's overall wish-list.

By contrast, DOE hopes to allocate \$7.6 billion of the budget to federal R&D, \$3.2 billion to science and technology and \$6.6 billion to national security.

The overall Fossil Energy budget, which encompasses gas and oil development funding, *(continued on page 6)*

## Prices strong despite February warm-up

Traders watched the March NYMEX contract anxiously yesterday as it plunged nearly 12¢ from its opening. But the dive wasn't enough to start the much-anticipated cash fall-off.

Northeast prices continued to hover in unusually high ranges, despite many traders' expectations. Even though a warming trend is forecast this week, temperatures will still be only a few degrees above winter norms, a source said.

The Market

"There's not a lot of movement in prices," he said. "Things are supposed to be cold today, but a warming trend is on the way in the Northeast and that means a downward trend in prices this week."

Northeast citygate prices came off, but there was some late scrambling among traders willing to pay higher prices. A trader stayed away from Transcontinental Gas Pipe Line (Transco) Zone 6 for New York delivery because prices were still too high.

"Nobody wanted to pay up today at Transco non-New York — that's why we saw a lot of deals done at the upper-\$4 range," a trader said.

Gulf Coast and Midcontinent prices crumbled late with the NYMEX screen after showing early strength yesterday. Columbia Gas Transmission onshore and Henry Hub sank late into *(continued on page 5)*

## Marketers craft principles for default service

Concerned that certain states have taken the wrong path in setting prices and programs for default utility service, the National Energy Marketers Assn. (NEMA) has developed guidelines for regulators that will promote competition in unbundling energy markets.

NEMA said it likes what it has seen in Georgia, for instance, where after a certain period of time, all non-choosing customers were doled out to participating suppliers based on their market share.

But in other states where default customers were allowed to stay with the utility, or given to the utility's affiliate, "competition has changed nothing," NEMA said. If regulators allow a default utility service as a transition, the state should make sure its pricing and incentives policies don't drag out that transition, the group added.

NEMA believes the pricing of default service is a critical component to ensuring competition: The default price becomes the "price to compare — the target against which all competitive offers are judged by consumers."

If the default utility "is permitted to subsidize retail energy services by passing through wholesale price signals and embedding the retail costs of energy-related services in its distribution rate, a competitive marketplace cannot occur," NEMA said.

The most competitive default price starts with a periodic or indexed wholesale rate, with

## Daily Price Survey continued

Trans. date	2/7	2/7	2/7
Flow date(s)	2/8	2/8	2/8
<b>Midpoint</b>	<b>Absolute</b>	<b>Common</b>	
El Paso, non-Bondad	2.400	2.33-48	2.36-44
TW (Ignacio, pts south)	2.380	2.37-39	2.37-39
TW SJ (Blanco)	2.310	2.30-32	2.30-32
<b>Rockies</b>			
CIG (N. syst)	2.315	2.26-35	2.29-34
Dj Basin (into CIG)	2.340	2.33-35	2.33-35
Kern River	2.385	2.34-43	2.36-41
Northwest, domestic	2.375	2.32-45	2.34-41
Northwest, Stanfield	2.380	2.33-41	2.36-40
Questar	2.300	2.28-32	2.29-31
<b>Canadian Gas</b>			
Iroquois	3.025	2.90-3.25	2.94-3.11
Niagara (NFG, Tenn)	2.895	2.84-95	2.87-92
NW Sumas	2.365	2.33-40	2.35-38
NOVA (AECO-C, NIT)*	C3.065	C3.01-11	C3.04-09
Emerson (Viking/GL)	2.565	2.54-59	2.55-58
Dawn, Ont.	2.780	2.76-81	2.77-79
PG&E-GTNW (Kingsgate)	2.340	2.31-35	2.33-35
Westcoast, St. 2*	C3.090	C3.04-15	C3.06-12
<b>Appalachia</b>			
CNG North Point	3.440	3.35-55	3.39-49
CNG South Point	3.370	3.19-48	3.30-44
Columbia, App	2.930	2.89-97	2.91-95
<b>Mississippi-Alabama</b>			
FGT, Mobile Bay	2.765	2.72-82	2.74-79
Koch, Mobile Bay	2.705	2.69-72	2.70-71
Texas E., M-1 (Kosi)	2.965	2.90-3.00	2.94-99
Transco, St. 85	2.825	2.80-85	2.81-84
<b>Others</b>			
Algonquin	4.015	3.45-4.75	3.69-4.34
SoCal gas, large pkgs***	2.635	2.57-67	2.61-66
PG&E, large pkgs***	2.670	2.60-72	2.64-70
Malin	2.470	2.43-50	2.45-49
ANR ML7 (entire zone)	2.830	2.78-89	2.80-86
NGPL Amarillo receipt	2.545	2.51-58	2.53-56
NGPL Iowa-III. receipt	2.605	2.55-65	2.58-63
Northern (Mid 13)	2.470	2.44-51	2.45-49
Northern (Ventura)	2.580	2.55-63	2.56-60
Northern (demarc)	2.585	2.54-64	2.56-61
<b>Citygates</b>			
Chicago-LDCs, large e-us	2.740	2.67-79	2.71-77
Mich.-Consum. Power**	2.785	2.73-83	2.76-81
Mich.-Mich Con**	2.740	2.70-78	2.72-76
PG&E citygate	2.700	2.66-73	2.68-72
Florida gates via FGT	3.115	3.02-40	3.02-21
Algonquin citygates	5.795	3.75-7.25	4.92-6.67
Tenn. zone 6 (delivered)	5.075	3.75-6.25	4.45-5.70
Iroquois, Zone 2	5.210	4.00-7.25	4.40-6.02
Texas E., M-3	4.975	3.75-6.90	4.19-5.76
Transco Z6 (non-NY)	6.125	4.50-8.00	5.25-7.00
Transco Z6 (NY)	6.900	4.70-8.50	5.95-7.85

\*NOTE: Price in C\$ per gj; C\$1=US\$0.69171 (Canadian currency settlement from one business day prior EST.)

\*\*Large end-user prices. \*\*\*Deliveries at Topock, Daggett, Blythe, Needles, Ehrenberg. \*\*\*\*Volume-weighted for all points except AECO-C and Westcoast St. 2.

## Citygate, Pooling Point Prices

(Price in \$/mmBtu for deals done on date of column heading. Ranges reflect absolute lows/highs reported.) Data in this table is Copyright 2000 by FT Energy.

Trans. date	2/4	2/7
Flow date(s)	2/5-7	2/8
Cal. Border, Kern River St.	2.49-51	2.62-64
Colorado Citygates	2.30-35	2.35-47
Mid-Atlantic Citygates		
CNG	3.43-75	3.46-5.00
Columbia Gas	4.49-51	4.75-6.50
National Fuel Gas	3.15-19	3.15-19
Tennessee, Zones 4-5	3.60-7.00	3.68-6.50
Northern Natural TBS	2.67-95	2.52-82
Northwest (all gates)	2.41-45	2.47-49

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FINANCIAL TIMES  
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retail service costs added on. The least competitive are the fixed rates and the wholesale indexed rates.

"Early evidence suggests that in those markets where default pricing reflects the true costs of providing retail services rather than hiding these costs in distribution rates, markets are developing quickly, while markets that have subsidized or set artificially low default service prices relative to retail costs are developing much more slowly," NEMA wrote.

The Atlanta Gas Light choice program has been successful because of the customer assignment component and a market-driven retail-wholesale price spread, NEMA explained.

NEMA cited seven basic principles:

- Design default service to maximize customer choice and minimize default service customers.
- Establish a competitive process for acquiring default service customers.
- Design default service pricing mechanisms that reflect retail prices, and do not produce artificial or cross-subsidized price signals.
- Price default service separately for each customer class.
- Design default service pricing mechanisms to account for changing market conditions.
- Design specific programs to address low-income needs, rather than using default service for this purpose.
- Use default service only as a transition mechanism.

For more information, call NEMA at 202-333-3288, or see its web site at [www.energymarketers.com](http://www.energymarketers.com). SGS

## San Francisco judge will hear BP Amoco case

As expected, the Federal Trade Commission (FTC) on Friday filed suit in federal court in San Francisco, asking a U.S. district judge to issue a preliminary injunction to prevent the merger of BP Amoco and Atlantic Richfield (Arco).

The agency filed its suit in the court of Judge Susan Illston of the U.S. District Court for the Northern District of California. A spokesman for the agency said a hearing on the petition is scheduled for March 10.

Last week, the five-member commission voted 3-2 to oppose the proposed \$26.8 billion deal, which would create one of the largest non-state-owned gas and oil companies in the world (*GD 2/3*).

The agency said it was concerned over the combined company controlling some 75% of crude production on the Alaska North Slope, as well as impacts such control would have on the West Coast retail gasoline markets.

In its suit the FTC also cited the level of control the combined company would have over oil pipelines and related assets in Cushing, Okla. — the pricing point for the NYMEX West Texas Intermediate crude oil futures contract.

BP Amoco, which tried to stave off the suit and win the FTC's approval by offering a number of concessions, now said it plans to fight for the merger in court. Tom Koch, a BP Amoco spokesman, said no further negotiations are scheduled between the FTC and company officials.

The FTC, which could have filed the suit in any jurisdiction impacted by the proposed merger, chose San Francisco, because much of its case concerns the impact the merger would have on the West Coast midstream and downstream markets. Many of the case's witnesses also reside in that region, and the FTC's litigation staff has a headquarters there.

President Bill Clinton appointed Illston, a Democrat, to the federal bench in 1995. JM

### KeySpan buys three companies

KeySpan Energy subsidiary KeySpan Services has doubled its size by acquiring three New York engineering and construction companies, whose combined revenues total about \$170 million, the company said Friday.

"These acquisitions are consistent with KeySpan Energy's aggressive strategy to expand our home-energy and business-solutions companies," said KeySpan Energy Chairman and CEO Robert Catell. The company hopes to become the Northeast's "premier" energy company through deals such as these, he added.

"The companies we've acquired are among the leading energy service companies" in New York and New Jersey, said William Feraudo, executive vice president of KeySpan Energy.

The newly acquired companies include Paulus, Sokolowski & Sartor, an engineering-consulting firm in Warren, N.J.; WDF, a plumbing and mechanical contracting firm in Mt. Vernon, N.Y.; and Roy Kay, a mechanical contracting company in Freehold, N.J. CD

### Spirit Energy field sets new record

Unocal's Spirit Energy 76 this week said its Vermilion 39 field, the second-oldest producing in the Gulf of Mexico, recently set a new all-time production record.

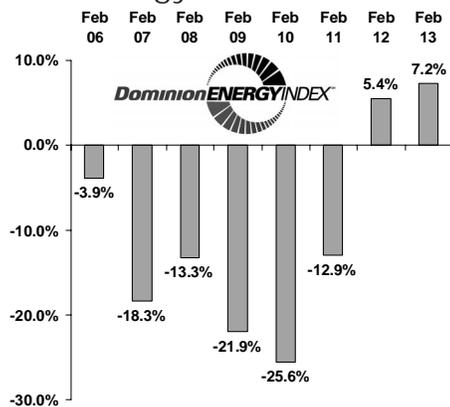
A redevelopment program that began last year allowed production from the 50-year-old field to reach 175,000 boe/d by the end of the year. In addition, the program helped add more than 7 million boe in new reserves to Spirit's 1999 ledger.

The year-end rate was 10,000 boe/d higher than when the redevelopment program began last April and production rates from the field could continue to climb for the first quarter of 2000.

Vermilion 39 has produced more than 285 million boe since 1951. "Reaching this historic milestone highlights our ability to grow the value of our legacy assets and continues our strong track record of cash flow generation at attractive rates of return," said Ken Butler, vice president of Spirit Energy's Shelf/Onshore Profit Center.

The redevelopment program involved drilling six new wells, completing workovers of 13 existing wells, modifying six major production facilities and performing stimulation treatments on seven wells. JM

### 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.

### Electronic Trading System Prices

Daily index prices in this table are supplied by the electronic trading services indicated. The prices are volume weighted averages, in \$/mmBtu, for deals done on the column date. Boldface prices indicate new data.

February	2/4 Index	2/7 Index
ALTRADE		
Henry Hub	2.779	<b>2.794</b>
Chicago	2.705	<b>2.745</b>
Columbia Appal. Pool	2.878	<b>2.924</b>

### East Coast down \$1.50

Change is from day before  
Dow Jones reported Monday

	Buy	Sell	Change
<b>West Texas Intermediate</b>			
Spot Crude	28.40	28.50	-40¢
Crude futures (Mar.)*	28.45	—	-37¢
<b>#6 resid, max 1%:</b>			
East Coast	25.25	25.50	-150¢
	<b>\$4.05/mmBtu</b>		
Gulf Coast	21.25	21.50	-25¢
	<b>\$3.41/mmBtu</b>		
<b>Low-sulfur waxy resid:</b>			
FOB Singapore	—	—	—

### People

El Paso Energy Pipeline Group has named **Stephen Beasley** president of Tennessee Gas Pipeline; **Daniel Martin**, senior vice president of eastern pipeline operations; and **Byron Wright**, vice president of pipeline group strategic planning and pricing.

**Todd Rushton** has become president of Viking Gas Transmission, replacing **Greg Palmer**, who has joined the Nuclear Management Co. Rushton joined Viking parent Northern States Power in 1984. He recently served as vice president of customer service for Viking.

The American Gas Assn. (AGA) has promoted **Lori Traweek** to senior vice president for operations and engineering management. She joined AGA in 1989 as manager of engineering services and became vice president of operations and engineering in 1996.

**Susan Tomasky**, general counsel and senior vice president for American Electric Power (AEP), has been elected AEP's executive vice president. Before joining the company in 1998, she was a partner with the Washington law firm Hogan & Hartson, and was FERC's general counsel from 1993-1997.

Ocean Energy has named **Bruce Busmire** vice president of investor relations. He comes to Ocean Energy from Altura Energy, where he had served as controller. He also spent 16 years with Amoco.

**Steven Boeckman** has been elected president and CEO of Great Lakes Energy. He became interim CEO in December.

Reliant Energy has named **Preston Johnson** senior vice president of human resources. He comes to Reliant after more than 20 years with Dow Chemical.

Strategic Resource Solutions (SRS) has named **Allwyne Richards** vice president of facilities and energy solutions. He recently served SRS parent Carolina Power & Light as director of product and service solutions for retail sales and services. **Neal Hagler** has also been named vice president of enterprise automation. He served as managing director of sales for enterprise automation for SRS.

Shenandoah Energy has elected a new management team. **Mitchell Solish** has become chairman, president and CEO; **Christopher Wagner**, executive vice president, chief financial officer and treasurer; **Roger Flahive**, executive vice president of business development and planning; **Terry Cox**, senior vice president of production and operations; **Daniel Reichel**, vice president of finance and accounting; and **Eric McGlone**, vice president of land.

Atlanta-based Future Energy Resources has named **Inge Fretheim** president and CEO. Fretheim helped Amoco Power Resources become a top independent power company.

The Energy Department's Federal Energy Management Program has awarded its first Louis R. Harris, Jr. Award to **John Mitchell** of ConEdison Solutions. Mitchell won the award for his ongoing contribution to the government's energy-efficiency goals.

TransCanada PipeLines Vice President **Jake Epp** has received Colombia's National Order of Merit in connection with his work in helping develop the country's gas infrastructure. The Colombian government thanked Epp, a former Canadian energy minister, for improving relations between Canada and Colombia and for being a "good friend" to the nation. VT/PM

## Correction

The Canadian Gas Assn.'s storage inventory figures for the week ending Jan. 28, which ran in the Feb. 7 issue, should have read 131.6 billion cf, East region; 152.5 billion cf, West region; and 284.1 billion cf, total. The other figures were correct.

## Price notice

Due to incorrect data provided to *Gas Daily*, the Midpoint, Absolute and Common ranges for Malin, under Others, published in the Feb. 7 Daily Price Survey were wrong and should have been \$2.445, \$2.40-50 and \$2.42-47, respectively.

## FUTURES NYMEX @ Henry Hub

Results from Monday					
	Settlement	High	Low	Change	Volume
Mar., 2000	2.562	2.715	2.550	-18.0	43,764
April	2.508	2.630	2.500	-13.5	17,630
May	2.496	2.580	2.490	-9.7	5,517
June	2.506	2.560	2.500	-7.7	2,094
July	2.520	2.570	2.520	-6.4	1,989
August	2.534	2.580	2.540	-5.2	1,681
September	2.540	2.580	2.540	-4.6	644
October	2.567	2.595	2.560	-3.7	942
November	2.697	2.715	2.695	-1.5	1,742
December	2.808	2.820	2.800	-1.2	1,438
Jan., 2001	2.838	2.850	2.830	-1.2	719
February	2.700	2.710	2.700	-0.8	282
March	2.578	2.585	2.575	-0.5	102
April	2.471	2.480	2.475	-0.5	3
May	2.437	2.447	2.442	-0.5	24
June	2.438	2.448	2.445	-0.5	253
July	2.448	2.458	2.445	-0.5	3
August	2.461	2.471	2.470	-0.5	3
September	2.472	2.482	2.472	-0.5	18
October	2.502	2.512	2.520	-0.5	18
November	2.628	2.640	2.635	-0.5	3
December	2.760	2.770	2.770	-0.5	1
Jan., 2002	2.781	—	—	-0.5	0
February	2.670	—	—	-0.5	0
March	2.559	—	—	-0.5	0
April	2.463	—	—	-0.5	0
May	2.444	—	—	-0.5	0
June	2.455	—	—	-0.5	50
July	2.461	2.465	2.465	-0.5	10
August	2.469	—	—	-0.5	0
September	2.472	—	—	-0.5	0
October	2.506	—	—	-0.5	0
November	2.644	—	—	-0.5	0
December	2.770	—	—	-0.5	0
Jan., 2003	2.801	—	—	-0.5	0
February	2.683	—	—	-0.5	0

Volume of contracts (unofficial) 78,930

Front-months open interest Friday:

March, 56,769; April, 29,374; May, 18,420

Total open interest Friday: 270,026

\* Not all months reported

Weighted average of x number of trades in the last two minutes of trading. Change is from previous settlement price.

## OPTIONS NYMEX@Henry Hub

Strike	Calls-Settle			Puts-Settle		
	Mar.	Apr.	May	Mar.	Apr.	May
2.40	21.8¢	21.8¢	21.7¢	5.6¢	11.1¢	12.2¢
2.45	18.5¢	19.2¢	19.1¢	7.3¢	13.4¢	14.5¢
2.50	15.5¢	16.8¢	16.7¢	9.3¢	16.0¢	17.1¢
2.55	13.0¢	14.7¢	14.7¢	11.8¢	18.9¢	20.1¢
2.60	10.4¢	12.8¢	12.9¢	14.2¢	22.0¢	23.2¢
2.65	8.5¢	11.1¢	11.3¢	17.3¢	25.2¢	—
2.70	6.9¢	9.5¢	9.9¢	20.7¢	28.6¢	—
2.75	5.6¢	8.2¢	8.7¢	24.4¢	—	—
2.80	4.6¢	7.1¢	7.6¢	28.3¢	—	37.7¢

Estimated Volume: Calls: 7,002 Puts: 3,864

Open Interest (Fri.) Calls: 194,391 Puts: 146,654

Not all strike and settlement prices listed.

Implied Volatility for at-the-money strike price

Calls: 56.50% Puts: 56.48% Source: Bloomberg

## Newfield spends \$142 million on Texas assets

Newfield Exploration will acquire interests in producing gas assets in South Texas from an undisclosed seller for \$142 million, significantly increasing the company's onshore foot print.

About 90% of the acquired reserves hold gas. The fields, located in Hidalgo, Brooks and Kenedy counties, currently produce about 75 million cfe/d gross — or about 35 million cfe/d net — to Newfield, which will operate two of the fields.

Newfield, a Houston-based exploration and production (E&P) company, has identified several locations on the acquired acreage that will be drilled this year.

"For some time, we have been looking for the right acquisition that would grow our South Texas focus area," said Newfield President and CEO David Trice. "This deal will give us a significant increase in our 2000 gas production and provide cash flow to help fund our growing onshore U.S. Gulf Coast drilling program."

The company said it would fund the acquisition with cash and loans under Newfield's revolving credit facility. After the transaction closes, the company estimates it will have about \$100 million of unused borrowing capacity. Some of the acquisitions will be subject to the waiver of preferential purchase rights.

The effective date of the transaction is Jan. 1, 2000, and the company expects the deal to close later this month.

Newfield, which was founded in 1989 as a start-up Gulf of Mexico E&P company had \$9 million in initial capital. In recent years Newfield has broadened its portfolio to include properties in the onshore Gulf Coast region.

"We moved onshore in 1996 in Louisiana," a Newfield official said. Last year, the company expanded its onshore program to South Texas, where most of its program consisted of exploration properties. The addition of the producing properties in the current acquisition helps to balance the company's asset portfolio in the region, the official said. "This one fit everything we were looking for," he said.

Newfield recently underwent a change at the top, when Joe Foster, a founder of the company and its first leader, resigned as chairman and CEO to take the reins as interim chairman, president and CEO of Baker Hughes, a Houston-based oilfield services firm. Trice, Newfield's president and chief operating officer, took over as CEO (*GD 2/1*).

The Newfield official called the transition smooth. Foster had been scheduled to retire from the company this month and the Baker Hughes job moved up his departure by a few weeks. Like Foster, Trice is one of the founders of the company and had been groomed to take over the top spot, being named to the president's job last year. JM

## Court allows different tariffs for pipe's shippers

PG&E Gas Transmission-Northwest (PG&E GT-NW) may keep using a modified rolled-in rate schedule that would have some shippers pay more than others until 2002, thanks to a Washington, D.C. Court of Appeals decision this week that upheld a FERC ruling and rejected a challenge from angry capacity-release shippers.

According to FERC, this incremental rate structure is justified because it allows original shippers "to fully benefit from their earlier long-term agreements with the pipeline."

In service since 1960, PG&E GT-NW stretches from British Columbia to Oregon. After successive expansions in 1980 and 1991, the pipeline used a rate system in which shippers who entered into contracts after expansion covered the entire cost of the expansion, while original shippers paid less.

But expansion shippers preferred a rolled-in rate system, where the cost of the expansion and any unrecovered costs associated with the original pipeline are bundled together and divided equally among all shippers, who then pay the same rate regardless of when they obtain their capacity.

In 1994, expansion shippers convinced PG&E GT-NW to request rolled-in rates in its tariff filing at FERC. PG&E GT-NW parent Pacific Gas & Electric (PG&E), the primary original shipper on the pipeline, and the California Public Utilities Commission (CPUC) opposed the proposal.

Two years later, the parties agreed to a settlement that provided for a gradual introduction of the rolled-in rates. Incremental rates remained in place until Nov. 1, 1996, after which all shippers were supposed to pay 26.28¢/dth.

## Interior to study deepwater E&P

The U.S. Interior Department this month will announce a plan to study the environmental impacts of deepwater gas and oil exploration and production (E&P), according to a spokesman.

The agency's Minerals Management Service (MMS) wants to commission the study in response to rising deepwater exploration activities in the Gulf of Mexico. The Gulf has seen a 70% increase in deepwater exploration over the past two years. The percent of production below a 1,000-foot depth also increased from 6% to 36% as a percentage of all offshore exploration between 1985 and 1998, MMS said.

MMS has studied the impacts of E&P in the shallow parts of the Gulf, but wants to investigate further the effects of deepwater activities.

The Outer Continental Shelf Lands Act currently directs MMS to conduct environmental assessments in potential lease areas. Environmental sensitivity and marine productivity are two of the prime considerations in Interior Secretary Bruce Babbitt's decision about size, timing, and location of future lease sales, the agency said.

Archie Melancon, an environmental specialist with MMS, said the agency wants to determine the effects of the equipment used in deepwater E&P to see if the impacts are different from exploration in shallow waters. The information from the study may be used in later studies and to review drilling proposals made by potential lessees, he said. MS

## Eco-terrorism trial begins

A trial that will probe the wave of "eco-terrorism" that swept Alberta between 1995 and 1998 has begun in Edmonton, the province's capital.

Accused eco-terrorists Wiebo Ludwig and Richard Boonstra face 19 counts of mischief, conspiracy to endanger life and extortion following a wave of bombings against gas wells in northern Alberta. If convicted, the two could receive life sentences.

Ludwig, 58, and Boonstra, 54, live on a commune in the Peace River region 250 miles north of Edmonton, and have complained the gas wells have caused health problems among their members and livestock.

The alleged sabotage included blowing up gas wells, shooting at buildings, and scattering nails over service roads. The two-month trial began yesterday in an Edmonton court.

The prosecution plans to emphasize a failed deal between Alberta Energy and Ludwig to buy his farm, home to 34 people. PM

Most of the damage hit Alberta Energy's wells, though Suncor Energy and Union Pacific Resources Group have been affected as well. The attacks have stopped completely following the two men's arrests. PM

Yet PG&E was allowed to pay only 75% of the base rate, or 19.91¢/dth until Nov. 1, 2002, while replacement shippers that had been using PG&E capacity releases would pay 24.28¢ of the base rate. At the same time, expansion shippers agreed to pay a surcharge of 6.5¢ over the base rate to cover the PG&E and replacement shippers' discounts.

The settlement gave PG&E other benefits, including rebates on certain surcharges that it had paid and an entitlement to obtain refunds when it releases capacity.

Most of the parties, including PG&E, CPUC and most of the expansion shippers, accepted the settlement. FERC approved the deal over the objections of Washington Water Power — the plaintiff in the case this week — and several replacement shippers.

Some replacement shippers argued they should not pay rates higher than PG&E, and said FERC's approval of the settlement is inconsistent with its price cap regulation. They also said FERC's decision is impermissibly retroactive and contradicts precedent.

The court did not find much merit to the petitioners' claims.

"They challenge neither the logic behind FERC's ruling that they are similarly situated to the expansion shippers, nor the commission's authority" to overrule preceding decisions, Judge David Tatel wrote for the court.

Replacement shippers relied on FERC Order 636 to claim they should pay the same as PG&E. The order says "the pipeline must allocate released capacity to the person offering the highest rate not over the maximum tariff rate the pipeline can charge to the releasing shipper."

But the subsequent Order 636-A clarifies that this notion does not apply to incrementally priced systems.

Because FERC's position represents an interpretation of its own regulation, the court gave it "controlling weight unless it is plainly erroneous or inconsistent with the regulation" and found that petitioners "have not come close to meeting this heavy burden." (98-1245) GS

## Alberta approves new tolling principles

The Alberta Energy and Utilities Board (AEUB) has finally approved a long-awaited overhaul of the province's gas tolls, ending a 20-year-old "postage stamp" system designed to encourage gas development in remote corners of the province.

AEUB approved a deal called Receipt Point Specific Rates that is to be in place by April 1 although it has yet to set specific tolls.

But the new variable rate toll system nearly matches an agreement signed between TransCanada PipeLines (TCPL), which took over Nova in July 1998 and the Canadian Assn. of Petroleum Producers (CAPP) last March.

At the time Nova planned to charge Alberta gas producers between C13¢/mcf and C24¢/mcf, ending a C18.2¢/mcf flat rate system. The AEUB decided to hold hearings after receiving opposition from smaller Alberta gas producers represented by the Small Explorers and Producers Assn. of Canada, the Industrial Gas Consumers Assn. of Alberta and Atco Gas, a distributor.

"The tolls are now more in line with the cost of moving the gas on the system," said CAPP Vice President Greg Stringham.

The single-rate system was introduced in 1980 to encourage producers to tap into smaller pools of gas in the north, but faced a major challenge 18 years later when major southern Alberta producers threatened to build their own pipeline to the TCPL mainline. PM

## Futures tumbles ahead of cash ... (from page 1)

the low-\$2.70s.

A Gulf trader said he was buying gas at the Chicago citygate and selling supply on Trunkline Gas because it didn't make sense to transport at current prices.

Florida citygate traders said prices were stable yesterday. "There has been solid demand from a 25¢-35¢ spread from Zone 2 compared to the citygate," one noted. "The driving force could be oil prices. It might be cheaper to buy citygate gas than oil."

The NYMEX March Henry Hub contract opened lower yesterday and slipped more than 10¢ below its starting price, relinquishing gains made last week as weather continues to moderate. The contract traded in the low-\$2.70s yesterday morning but had fallen below \$2.60 by early afternoon. It settled at \$2.562, down 18¢.

"We heard the next resistance point on the March contract is \$2.48, then \$2.42," a source said. "After that there's no bottom to be seen."

Transportation costs were being better covered in West Texas as spreads widened between

## Gas Daily seeks marketer info

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## NRG pledges millions on turbines

NRG Energy will add 3,000 MW at existing power plant sites, the company said Friday in announcing a \$500 million purchase of additional turbines.

NRG, a subsidiary of Northern States Power, will buy 11 gas and five steam turbine generators from GE Power Systems and install them over the next five years. The agreement includes an option to purchase additional units.

"This is truly a system-wide purchase and one that will allow us to significantly expand generating capacity or upgrade units at our facilities to capture the full value of their existing infrastructure," NRG Chairman, President and CEO David Peterson said.

NRG will install the turbines at facilities it already owns, or plans to purchase, the company's Frank Rapley said. NRG owns 17 generating facilities totaling about 8,600 MW, primarily in the Northeast and Southwest. It is completing agreements to acquire 1,708 MW from Cajun Electric Power Cooperative in Louisiana and 1,875 MW from Conectiv in the Pennsylvania-New Jersey-Maryland Interconnection.

Rapley said the company would decide on a case-by-case basis how to deploy the turbines. At some facilities, they will be used to replace older, less efficient units that give off more pollutants. At others, they will be installed to provide additional capacity.

NRG is known more as a buyer of existing power plants than a developer of new ones, though it is involved in some development partnerships.

The deal is GE Power Systems' second major announcement in a week. Last Thursday, it announced a \$4 billion deal with Duke Energy to provide 101 turbines totaling about 13,000 MW.

Last October, it made a \$2 billion deal with Entergy for 44 turbines capable of more than 4,000 MW.

ML

El Paso Natural Gas in the Permian Basin, Waha, and Katy, a trader said.

The southwestern production basins saw early price strength wane as utilities failed to step into the market in a big way, traders said.

Western Canada and the Pacific Northwest are expecting temperatures three to seven degrees below normal in the next six to 10 days, a source said. Strength in the Rockies and the continuing short supply at Opal, Wyo., helped prices not only in the Rockies, but also in western Canada.

Hydration problems at Northwest Pipeline's Clay Basin storage facility yesterday moved Rockies prices up, and helped Sumas, Wash., prices tick up about 7¢ from the weekend, a source said.

Sumas prices started trading in the \$2.35 range yesterday, moved down with the screen to about \$2.33, and from there rose above \$2.40 late in trading — a direct result of the strength in the Rockies, a source said.

"Opal has been short all winter," a Rockies source said. "The trend there has been a price run-up at the end. Today was no different."

Another Sumas player came out of the gate trading in the mid-\$2.30s, but then he saw people coming out of the woodwork short and needing gas.

"I bought gas over the weekend in the \$2.20s," he said. "We put it in storage, took it out today and made a pretty decent amount of money."

The steady fall of the March NYMEX contract yesterday and somewhat weak demand kept prices "in the can" most of the day at the major eastern U.S./Canadian points, a trader said.

Niagara prices stayed flat to weekend prices, hovering in the upper \$2.80s.

Prices at the Chicago citygate were a little higher than expected yesterday considering the warmer forecasts, a source said. He did several deals at the Chicago citygate yesterday because he was able to get a better price differential at the gate than in the field. TC/TH/KB/SS

## DOE cuts gas budget ... (from page 1)

compares at only \$406.6 million — up considerably from last year's appropriations of \$379.3 million.

"The Department of Energy, at its heart, is a science agency," Energy Secretary Bill Richardson explained at a press conference yesterday.

But the DOE is making an effort to improve efficiency within the power market, in order to obtain a 30 trillion cf gas consumption market.

The overall gas R&D budget increase stems solely from a substantial increase in spending on gas infrastructure reliability. The DOE has asked for \$13.2 million to invest in infrastructure reliability — a 1,220% increase from its FY 2000 request of \$1 million.

The DOE hopes to "improve the nation's reliability standards" within the energy industry, and has requested the \$13.2 million to invest in an infrastructure R&D program to enhance energy system reliability, Richardson said. Such a program would help gas deliverability and storage meet increasing demands.

But all other aspects of the gas budget request — including exploration and production, gas hydrates, processing technology, and environmental protection — decreased significantly.

The overall budget figures will not be set in stone until this fall, after Congress' appropriations committees have scrutinized the request and made changes its members deem necessary. In recent years especially the appropriations process has often bogged down in extensive political maneuvering, sometimes resulting in late beginnings for the next fiscal year. FY 2001 officially begins Oct. 1.

CD/JP

## Pipeline operational update

Based on the current weather forecast and the projected demand on **Southern Natural Gas**' system, the pipeline canceled an operational flow order (OFO) for this week.

**Nova Gas Transmission** postponed to this week an outage at Burton #1 originally scheduled for last week. Burton #2 work scheduled for yesterday will begin tomorrow.

Due to maintenance on Amber station compressor #3, capacity west of Amber will be limited to 340,000 dth/d. **Reliant Energy Gas Transmission** expects this outage to last through Friday.

**Mississippi River Transmission** has canceled an OFO that took effect Jan. 19.

**KN Gas Gathering's (KNGG)** Douglas Plant, located in Converse County, Wyo., will reduce throughput due to an unplanned outage of the Phillips liquid products pipeline. **Kinder Morgan Interstate Pipeline** said the reduction starts this week and will continue until further notice. Impacted receipt points include KNGG/Douglas Outlet (PIN 996620), Barrett Arminto (PIN 9757) and Chevron Arminto (PIN 9675). VT



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