

Gas Daily

Thursday, February 5, 2004

SoCal Gas capacity rights settlement in jeopardy

A long-awaited decision to unbundle Southern California Gas' massive intrastate pipeline system could be derailed as the California Public Utilities Commission appears to be split on the issue ahead of a scheduled Feb. 11 vote.

Support for SoCal Gas' comprehensive settlement agreement, which would assign firm capacity rights for so-called "backbone" transmission and storage, has largely eroded. Market changes, a flood of proposed liquefied natural gas terminals on the West Coast and the related pipeline capacity issues surrounding LNG — along with a recent

(continued on page 5)

Nexen, Husky are latest to cut reserve estimates

Two large Canadian producers on Wednesday became the latest companies to cut their gas and oil reserve estimates as part of an industrywide effort to comply with tougher disclosure rules.

Nexen downgraded its global reserves by 8%, while Husky Energy reduced its estimate by 13%.

The moves follow announcements of substantial reserve write-downs by two major companies over the last few weeks: Royal Dutch/Shell and El Paso. On Monday, El Paso said it expects to make a "material" downward revision to its gas reserves by mid-February (GD 2/3).

(continued on page 5)

Price volatility blamed partly on lower liquidity

Increased gas price volatility is due in part to reduced liquidity in the wholesale marketplace, according to industry officials speaking at the Natural Gas Symposium this week in Boston.

"The demise of marketers has led to a decline in liquidity at several hubs," said Jim Carmichael, principal of New Hampshire-based consultant Merrimack Energy Group. He added that tougher credit requirements have further reduced the number of qualified gas buyers and sellers.

Carmichael said price-induced demand destruction also has contributed to the recent volatility as gas consumption ebbs and flows

(continued on page 4)

Weather, NYMEX give cash prices another lift

Spot prices moved up between a penny and a quarter in most regions Wednesday in response to the prior day's 7.7¢/MMBtu gain on the March NYMEX futures contract and forecasts for more frigid weather across the northern tier of the country this weekend.

In the Northeast, where another round of sleet and snow is expected by Friday, sellers didn't have to look too hard to find buyers. In response to the weather forecasts, Transcontinental Gas Pipe Line zone 6-New York gained 13¢ to average \$6.81 and Texas Eastern Transmission's zone M-3 shot up 22¢ to average \$6.66.

"You were in the money by 13¢ when taking gas from Texas Eastern

Daily price survey (\$/MMBtu)

NATIONAL AVERAGE PRICE: 5.750

Trans. date: 2/04
Flow date(s): 2/05

	Midpoint	Absolute	Common	Volume
Permian Basin Area				
El Paso, Permian Basin	5.450	5.30-5.52	5.39-5.51	437
Northern, MIDS 1-6	5.650	5.64-5.66	5.64-5.66	6
Waha	5.450	5.40-5.50	5.42-5.48	501
Transwestern, Permian Basin	5.370	5.30-5.41	5.34-5.40	64
East Texas-North Louisiana Area				
Carthage Hub	5.455	5.44-5.47	5.45-5.46	31
Lone Star	5.500	5.35-5.54	5.46-5.54	25
MRT, mainline	5.680	5.68-5.68	5.67-5.69	8
MRT, west leg	—	—	—	—
NGPL, Texok zone	5.485	5.39-5.54	5.45-5.52	566
Texas Eastern, ETX	5.390	5.31-5.57	5.32-5.46	43
Texas Gas, zone 1	5.720	5.67-5.75	5.70-5.74	148
East-Houston-Katy				
Houston Ship Channel	5.460	5.41-5.50	5.44-5.48	115
Katy	5.450	5.40-5.49	5.43-5.47	183
South-Corpus Christi				
Agua Dulce Hub	—	—	—	—
Houston Pipe Line	5.430	5.42-5.44	5.42-5.44	10
NGPL, STX	5.435	5.38-5.46	5.41-5.46	208
Tennessee, zone 0	5.455	5.35-5.48	5.43-5.48	476
Texas Eastern, STX	5.440	5.35-5.48	5.41-5.47	161
Transco, zone 1	5.440	5.38-5.50	5.41-5.47	53
Trunkline, Texas	—	—	—	—
EPGT, Texas	—	—	—	—
Louisiana-Onshore South				
ANR, La.	5.685	5.64-5.73	5.66-5.71	66
Columbia Gulf, La.	5.730	5.61-5.78	5.69-5.77	277
Columbia Gulf, mainline	5.825	5.78-5.88	5.80-5.85	61
Florida Gas, zone 1	5.570	5.51-5.64	5.54-5.60	48
Florida Gas, zone 2	5.770	5.70-5.79	5.75-5.79	6
Florida Gas, zone 3	5.790	5.76-5.81	5.78-5.80	57
Henry Hub	5.740	5.62-5.78	5.70-5.78	720
Gulf South, S. La./East Side	—	—	—	—
NGPL, La.	5.540	5.50-5.56	5.52-5.56	4
Southern Natural, La.	5.745	5.70-5.80	5.72-5.77	93
Tennessee, La., 500 Leg	5.690	5.60-5.73	5.66-5.72	326
Tennessee, La., 800 Leg	5.680	5.60-5.70	5.66-5.70	85
Texas Eastern, WLA	5.645	5.62-5.69	5.63-5.66	71
Texas Eastern, ELA	5.705	5.57-5.75	5.66-5.75	187
Texas Gas, zone SL	5.730	5.65-5.76	5.70-5.76	152
Transco, zone 2	5.750	5.74-5.76	5.74-5.76	6
Transco, zone 3	5.790	5.72-5.85	5.76-5.82	263
Trunkline, WLA	5.705	5.69-5.73	5.69-5.72	13
Trunkline, ELA	5.745	5.73-5.78	5.73-5.76	56
Oklahoma				
ANR, Okla.	5.645	5.63-5.70	5.63-5.66	10
NGPL, Midcontinent	5.435	5.40-5.46	5.42-5.45	40
Reliant, East	5.490	5.45-5.50	5.48-5.50	143
Reliant, West	5.495	5.46-5.51	5.48-5.51	22
Oneok, Okla.	5.485	5.45-5.51	5.47-5.50	62
Panhandle, Tx.-Okla.	5.480	5.46-5.53	5.46-5.50	94
Williams, Tx.-Okla.-Kan.	5.530	5.52-5.54	5.52-5.54	6

Despite moderating weather in California, the Pacific Gas and Electric city-gate gained a dime to settle at \$5.49 and Southern California Gas ticked up 6¢ to average at \$5.27. At Malin, Ore., prices notched a 10¢ increase to average \$5.22.

In the Rockies, Williston Basin Interstate Pipeline said it will take down one unit at the Little Beaver Compressor Station for eight hours for maintenance today, resulting in a restriction of about 500,000 Mcf/day on the Baker Area mainline. Meanwhile, the Opal, Wyo., plant gained 9¢ Wednesday to average \$5.14, while Colorado Interstate Gas inched up 8¢ to average \$5.12 and Northwest Pipeline's Wyoming pool added 8¢ to settle at \$5.11.

San Juan Basin cash also picked up steam on Wednesday, with El Paso San Juan gaining 12¢ to average \$5.20.

In the Pacific Northwest, forecasts called for lows in the mid-30s and daytime highs in the 40s and 50s — continuing the mild weather patterns the region has experienced over the past few weeks. Even so, Sumas, Wash., followed the rest of the market higher and gained a nickel to average \$5.09.

Frigid air in Calgary helped prop up daily spot prices at the AECO-C Hub in Alberta as low temperatures in the province are expected to remain in the teens through the end of the week. AECO-C rose C9¢ to average C\$6.31, while in British Columbia, Westcoast Energy station 2 averaged C12¢ up on the day at C\$6.31. — Market Staff Reports

Texican, Oneok top customer satisfaction survey

Texican Natural Gas, a midsized aggregator in the Southeast, ranked as North America's top regional gas marketer last year in customer satisfaction, Mastio & Co. said in its latest survey.

Calgary-based Husky Oil Operations ranked last among the 38 firms that Mastio included in its survey released this week — the seventh the St. Joseph, Mo.-based consultant has conducted since 1995.

The rankings are based on interviews with industrial end-users, utilities, power generation companies, independent power producers and other marketers, Mastio said. Each respondent rated the marketers on 31 customer satisfaction attributes, including ease of doing business, consistency of account management, integrity of supply, credit quality and overall performance.

Mastio divided the survey into two categories: "major" marketers and "regional" marketers. The first group included only seven companies in the latest report as most of the so-called mega-marketers have exited the merchant function.

"Two or three years ago we had more than 20 marketers in that 'major' category," said Mastio Vice President Kevin Huntsman. "But a lot of those companies like El Paso, Aquila and Dynege either have dropped out of the

business or simply don't have that nationwide presence they once had."

Of the seven majors, Oneok Energy Marketing and Trading ranked highest in terms of customer satisfaction, followed by ConocoPhillips, BP, Sempra Energy Trading, Coral Energy, Cinergy and Duke Energy.

As large marketing companies have dropped from the scene, Mastio has seen growth in the regional category, Huntsman said. "You have seen sort of a proliferation of the smaller, niche-type marketers becoming a force as they fill the void left by the major companies," he said. "We've seen quite a few companies pop up that we haven't seen before."

About one-third of the regional marketers in Mastio's latest ranking are

Tauzin's resignation raises questions about energy bill

House Energy and Commerce Committee Chairman Billy Tauzin, R-La., said Wednesday he will leave his committee post on Feb. 16 and will not seek re-election to Congress this fall. The announcement left energy industry officials questioning how his departure will affect negotiations over comprehensive energy legislation.

House Energy and Air Quality Subcommittee Chairman Joe Barton, R-Texas, who drafted much of the electricity title now before Congress, is expected to succeed Tauzin as chairman.

Barton on Wednesday said he is "actively seeking" to replace Tauzin, who has given Barton his endorsement.

Rep. Ralph Hall, R-Texas, a longtime committee member who switched parties in January, has talked with House leaders about taking the chairmanship of the subcommittee, an aide to Hall said.

Energy industry officials on Wednesday described Tauzin's move as new wrinkle in ongoing efforts to salvage a broad-based energy bill this year.

The House passed the bill, HR 6, in November, but a bipartisan group of senators managed to defeat it in part because of language offering a partial liability waiver for producers of the gasoline additive MTBE and its \$30 billion price tag.

Tauzin's announcement, which was made in a letter to House Speaker Dennis Hastert, R-Ill., came the same day that Senate Energy and Natural Resources Committee Chairman Pete Domenici, R-N.M., said he planned to trim the bill's tax incentives, remove the MTBE language and offer a leaner bill as an amendment to a unrelated legislation that is expected to move through the Senate this month.

Tauzin's departure might mean the House will be more receptive to paring down costly tax incentives in the legislation, an industry source said. But he cautioned that Barton "is second to none in his defense of the MTBE provision."

In announcing his plans to leave Congress, Tauzin cited health reasons and wanting to spend more time with family and friends. Tauzin shepherded a comprehensive energy bill through Congress in 2002, but negotiations fell apart and the House/Senate conference he chaired never reported compromise legislation.

Also on Wednesday, a source said Tauzin informed his staff that Reliant Resources lobbyist C.H. "Bud" Albright Jr. would be named staff director of the House Energy and Commerce Committee if Barton succeeds him as chairman.

Albright is vice president for federal relations at Reliant, which said recently it would close its Washington lobbying shop.

Previously, he was chief oversight counsel to the committee when former Rep. Thomas Bliley, R-Va., was chairman. CC

Customer Satisfaction Survey

Top five regional North American gas marketers in terms of customer satisfaction*

1. Texican Natural Gas
2. U.S. Energy Services
3. Prior Energy
4. ProLiance Energy
5. CenterPoint Energy

...and the bottom five

34. Scana
35. Cargill
36. Kinder Morgan
37. Apache
38. Husky Oil Operations

*Source: Mastio & Co.

Price notice

There should have been no Midpoint, Absolute and Common ranges, and volume for MRT, mainline, under East Texas-North Louisiana Area, published in the Feb. 2 issue of *Gas Daily*.

independent producers such as Anadarko Petroleum, Apache, Amerada Hess and Burlington Resources — firms that have stepped up their gas sales businesses in the wake of the merchant sector's financial collapse.

Among the regional marketers, U.S. Energy Services ranked second behind Texican, followed by Prior Energy, ProLiance Energy and CenterPoint Energy. The companies experiencing the greatest improvement from 2002 to 2003 were Crosstex Energy, U.S. Energy Services, Entergy-Koch Trading, Seminole Energy Services, Enbridge Energy, Apache and Tenaska Marketing Ventures. MD

Coalition seeks to limit CBM drilling in Wyoming

A coalition of environmental groups is asking a federal judge in Wyoming to suspend a U.S. Army Corps of Engineers permit giving exploration-and-production companies broad latitude to drill for gas and oil in the state.

Judge William Downes, of the U.S. District Court for the District of Wyoming, this week heard testimony on a motion to grant a preliminary injunction preventing the corps from enforcing General Permit 98-08. The plaintiffs, led by the Wyoming Outdoor Council, claims the statewide permit has allowed water produced as a byproduct of coalbed methane to harm the property of ranchers downstream of CBM wells.

Downes on Tuesday heard from two Wyoming ranchers and on Wednesday was scheduled to hear arguments from attorneys for the plaintiffs, the corps and the Petroleum Association of Wyoming.

At issue is GP 98-08, which the corps issued on June 20, 2000, and which "covers surveys, roads, pads, utilities, reservoirs, erosion control and hazardous waste cleanup," said Matthew Bilodeau, a spokesman for the corps in Cheyenne. The permit provides "one-stop shopping" for operators seeking federal authorization for CBM and conventional gas and oil drilling projects across the state.

"As long as they met the criteria of the general permit, they could undertake the activities," Bilodeau said.

Should Downes grant the injunction, it could slow gas and oil development across Wyoming since E&P companies would have to apply to operate under other, narrower federal permits. "They couldn't use the general permit for the activities it authorizes," Bilodeau said. "There's a number of other national permits they would still be able to make use of, issued out of Washington, that cover roads, pipelines and erosion control."

Dan Heilig, executive director of the WOC, said the plaintiffs are trying to force the corps to revise GP 98-08 or rescind it altogether. "We're hoping the corps will follow the law," he said. "They are violating the Clean Water Act and the National Environmental Policy Act. We're asking them to do what's right for the environment and for the people that are being impacted by oil and gas in the Powder River Basin."

Heilig said that although the permit pertains to all gas and oil production, the plaintiffs are primarily interested in curbing CBM drilling. "The corps permit, the way it was issued, was to accommodate the coalbed methane industry," he said.

Heilig said that if the plaintiffs are successful in derailing GP 98-08, gas and oil drillers still would be able to seek permits for individual projects. JM

Price spikes linked to lower liquidity ... from page 1

depending on rapidly changing market conditions.

Dan McElduff, director of gas research at NYMEX, said liquidity in gas futures remains strong, but he agreed that it has shrunk to some degree since the collapse of large energy merchants such as Enron that held huge positions in the market.

The gas industry can take a number of steps to dampen the volatility, Carmichael said. They include investing more money in storage and pipeline capacity in key Northeast markets and increasing liquefied natural gas send-out capacity in the region.

The unprecedented price spikes in New England during the cold snap of Jan. 12-16 were more related to insufficient pipelines serving high-demand market

Groups sue BLM over proposal to allow drilling in New Mexico

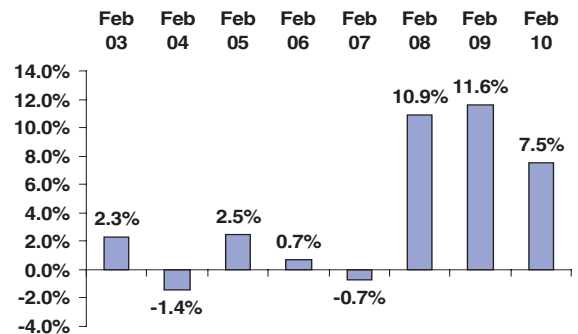
A coalition of environmental groups, ranchers and Navajo tribal governments on Wednesday filed suit in a federal district court in Washington, D.C., to block a Bureau of Land Management decision allowing nearly 10,000 new gas and oil wells in New Mexico's San Juan Basin, plaintiff Natural Resources Defense Council said.

The groups argue that BLM's drilling plan would lead to the destruction of the ranching economy, the region's air quality and thousands of Native American cultural sites. They also claim BLM failed to consult with the Navajo Nation and local communities as required by law.

The BLM decision authorizes 9,942 new wells, 12,200 new wellhead compressors, 319 larger compressors and 1,000 miles of new roads, NRDC said. Some 18,000 wells are now producing in the San Juan Basin, the environmental group noted.

BLM's Farmington, N.M., field office "is already struggling with ongoing enforcement problems for current oil and gas operations and air pollution that threatens to exceed federal safety limits," NRDC asserted.

Dominion Energy's U.S. energy use forecast



This section of the Dominion Energy Index represents a national forecast for home heating and cooling requirements above or below normal with the baseline of 0 representing normal for that day based on historical data.

Source: Dominion Energy

platts International Gas Report

The leading source of quality intelligence on the international gas and liquids industry.

Subscribe today!

@ www.platts.com