

UNITED STATES OF AMERICA
before the
FEDERAL ENERGY REGULATORY COMMISSION

Price Discovery in Natural Gas and
Electric Markets

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Docket No. PL03-3

Comments of Intelligence Press, Inc.

This filing is a response by Intelligence Press Inc., more generally known as *Natural Gas Intelligence* or *NGI*, to the Federal Energy Regulatory Commission's March 5, 2004 Staff Notice of Request for Comments. This follows and updates the response *NGI* filed with the Commission on Jan. 14 under PL03-3.

In the interest of providing the Commission with a complete response in each of the five areas identified in the request for comments, *NGI* has melded information contained in its January filing with the latest in its efforts toward adoption of the Policy Statement. Whenever possible in this document, *NGI* has specified the policies and procedures that have changed or developed since its January filing.

First, *NGI* would like to take this opportunity to update the Commission on the continued improvements in the quality and volume of data as well as the number of companies reporting to *NGI* under the voluntary system.

FERC has succeeded in impressing the industry with the importance of participating in a price reporting system to the extent that a number of companies have returned to reporting. Also, a coalition has been formed, the Market Price Reporting Action Committee (MPRAC), which includes representatives of almost all the natural gas and power trade associations and a number of individual energy companies. The group is dedicated to advancing the process of reporting of natural gas and electric power transaction data. *NGI* also is a member of MPRAC, and has been providing data and regularly participating in several MPRAC workgroups.

In January, *NGI* reported that Bidweek trading volume and transactions reported had rebounded from the low point of November 2002. For the January bidweek, *NGI* received 1,357 transactions comprising a volume of 7.9 Bcf/d. Compared to the 435 transactions and 3.9 Bcf/d received in November 2002, the figures for January were up significantly.

Since the January Bidweek, the improvement has been even more impressive. In February, *NGI* received 1,792 transactions contributing to a volume of 11.8 Bcf/d. The uptrend continued in the March Bidweek, which saw 1,951 transactions and a volume of 12.1 Bcf/d reported. These figures are equally impressive when expressed in percentage terms. Specifically, volumes have more than tripled and number of trades has nearly quadrupled from the number of observations received back in November of 2002. Attached as appendix A is a chart and graph depicting the rise in Bidweek reporting to *NGI* over the time period.

More data received by *NGI* has resulted in more price transparency for the market as evidenced by the fact *NGI* was able to publish 80 Bidweek indices in February, up from the 75 published in January. That upward trend continued in March when *NGI* not only increased the number of indices published to 81, but also succeeded in publishing 40 tier I indices (volumes of 100,000 MMBtu/d or greater), up 50% from the 26-27 tier I indices published by *NGI* in the second half of 2003.

NGI's focus on the bidweek market is a reflection of the focus of the entire industry and the Commission. While *NGI* experienced a dip in the level of daily market reporting in late 2002, it never reached the near-crisis stage experienced in the Bidweek market.

As to daily data, *NGI* now receives between 1,400-1,500 transactions daily that comprise a volume of more than 10 Bcf/day. That marks a modest increase in the reported volume from November 2002, but a notable

increase in number of trades. *NGI* continues to request that data providers submit data for both bidweek and daily trades.

Much of the increase in reporting levels is attributable to the increase in the number of data providers supplying data to *NGI*. Since January, at least a half-dozen data providers have either restarted or initiated for the first time reporting to *NGI*, bringing the total number of companies reporting to nearly 50. Of the 15 largest natural gas marketers, all but two are either reporting prices to *NGI* or have said they intend to resume shortly.

1. Code of conduct and confidentiality.

Intelligence Press Inc. operates under the journalism code of ethics, which requires that the personnel creating and compiling the content of our publications and management have no financial interest in the companies on which they report. Editorial, price-survey employees and management also pledge not to trade in the natural gas commodity market, or in any paper market relating to the natural gas commodity market.

Also, as journalists, *NGI* employees strive to maintain the highest standards of truth, accuracy, fairness and impartiality. This means double-checking facts, correcting errors as soon as possible, and striving to tell all sides of a story as equally as possible.

NGI also has a record of meeting deadlines and never failing over more than 20 years to publish a scheduled daily or weekly issue. In the real-time world, *NGI* strives to stay abreast of the news with timely reports over the Internet.

In order to gain the broadest possible market participation and to protect our sources' competitive standing, *NGI* pledges not to reveal the confidential data that it receives, nor the source of any price information, nor will it reveal the parties involved in any transaction to any outside organization, except to the extent that it is legally required to do so (i) in response to any summons, subpoena, request of governmental or regulatory authority, or otherwise, or (ii) in order to comply with any applicable law, order or regulation, (hereafter, a "Required Disclosure"). *NGI*, before seeking to disclose Data in a Required Disclosure, shall to the extent legally permissible notify the Data Provider prior to making such disclosure in order to permit the Data Provider an opportunity to seek an appropriate protective order or grant a waiver of compliance with the provisions of this agreement.

Except for any Required Disclosure, without the prior written consent of the Data Provider, *NGI* will not disclose to any person either the fact that Data has been made available to it, that it has inspected any portion of the Data, the fact that discussions with respect to the price index surveys are taking place with the Data Provider or other facts with respect to these discussions, including the status thereof; provided, however, that the Data Provider hereby consents to the public identification by *NGI* of Data Provider as providing information for use in *NGI*'s publication of price index surveys.

Data sent to *NGI* price editors at the prices@intelligencepress.com e-mail address is archived and encrypted on a daily basis. Only the price survey staff and management have access to the confidential data submitted. Those personnel with access to the data are required to sign pledges of confidentiality restricting the use to purposes of evaluation, compilation, or editorial review of various price index surveys published by *NGI*.

2. Completeness.

Since its January filing, *NGI* has created a set of guidelines for data providers to follow when reporting prices. This document is attached as Appendix B and is available publicly at http://intelligencepress.com/features/reporting_guidelines.html. Effective April 1, *NGI* will have completed this transition and will no longer be accepting information that does not conform to these standards.

In July 2003 *NGI* began posting tiers in its bidweek survey to show the volume of trading observed at various market locations: Tier 1 over 100,000 MMBtu/day; Tier 2 over 25,000 MMBtu/day; Tier 3 less than 25,000 MMBtu/day.

NGI has chosen to focus its efforts on boosting the transparency of its bidweek indices in an effort to sure up confidence following the liquidity crunch of November 2002. However, going forward, *NGI* acknowledges the need for better price transparency in its daily indices as well and therefore plans to begin publishing the daily volume tiers in May.

Attached to this filing are sample issues of *NGI's Bidweek Survey* and *NGI's Daily Gas Price Index*.

3. Data verification, error correction, and monitoring.

Price submissions received by *NGI* are first separated into their component parts or trades and initial determinations are made as to which, if any, of the pricing locations *NGI* publishes each component applies to. Also an initial determination is made of whether each component meets our requirements for applicable trade date and flow date(s) for the survey and a cursory check is made on the reasonableness of the report (to ferret out typos and obvious mistakes of transcription). Individual components or entire submissions may be dropped from our survey at this stage or they may be flagged for further investigation. Also components may be flagged because of questions as to the appropriateness of the component or provenance of the data.

Once data from all or nearly all submissions has been initially processed *NGI* is left with a set of data for each location we publish. Each of these sets are then taken individually and determinations are made about outliers within the set and determinations are made to identify any irregular data.

Irregular data may be either price or volume levels that are outside the norm and/or not confirmed by more than one source. When there is a sufficient number of reports in a given set, then statistical measures are often used to help make these determinations, such as reports that are more than three (3) standard deviations from the mean and are unconfirmed by other companies. In addition reports that are between 2.5 and 3 standard deviations from the mean may be excluded if they are not confirmed and similar trading was not observed by other sources at related locations, at the discretion of the editor.

When irregular data is observed it is often because *NGI* has made errors in the initial determination of appropriate pricing location or applicable trade or flow date -- these are then corrected, either by moving the report to the appropriate location or removing it from our survey. Occasionally the source of an irregularity cannot be explained and *NGI* may exclude a report, at the discretion of the editor. Reports that were flagged in the initial processing of the data are reviewed for their appropriateness, applicability, and reasonableness and may be excluded at the discretion of the editor. Reports may also be excluded because of extremely low volume (less than 1,000 MMBtu/d) or if there is an indication that there were special provisions tied to the transaction or if the transaction was not conducted at arms length, again at the discretion of the editor.

If *NGI* notices a pattern of persistent irregular reporting, *NGI* may contact the company involved. If the problem is not resolved, *NGI* may decide to exclude all information submitted by that company.

Because we understand that the market relies on the certainty provided by *NGI* indices and that trading decisions are being made based on these indices the moment they are published, *NGI* will only correct errors within two business days of the posting of the original index. And although the ultimate decision will be made after taking into account factors such as the nature of the error and who was responsible, it would be unlikely that *NGI* would issue a correction unless the error results in an index that diverges by at least 1% from the originally published index posting. Should it be necessary for *NGI* to issue a correction, the notice would appear in the next published edition of the newsletter or report.

4. Verifiability.

Since its filing in January, *NGI* has been working to implement a proprietary software system to facilitate thorough internal review of the index setting process. This should also allow for a meaningful external review of *NGI's* data handling procedures and methodology.

As of this writing, *NGI* is engaged in talks with two accounting/audit firms to see how an outside process review might be performed that will meet with both FERC's expectations and *NGI's* budget. As mentioned in its January filing, *NGI* plans to solicit bids for the review in the second quarter of 2004.

5 Accessibility.

NGI's price indices are available on a daily or weekly basis to anyone who subscribes and pays a subscription price to *NGI's Daily Gas Price Index* or *NGI's Bidweek Survey*, which comes as an insert *NGI's Weekly Gas Price Index*. The publications may be accessed on the web at <http://intelligencepress.com>. *NGI* also sells historical data sets of its published indices.

Responding to the Commission staff's questions about accessibility for the Commission to relevant data in the event of suspected bad faith reporting or potential manipulation, *NGI* notes that the confidentiality terms stated above and in the sample confidentiality agreement attached as Appendix C provide that *NGI* will not disclose commercially sensitive data provided by survey participants "except to the extent that it is legally required to do so (i) in response to any summons, subpoena, request of governmental or regulatory authority, or otherwise, or (ii) in order to comply with any applicable law, order or regulation. The terms stipulate that if legally permissible *NGI* will notify the data provider before responding to a government subpoena.

Also, in the event of a Commission request for confidential data where there is evidence of false information being supplied, where appropriate, *NGI* will seek a waiver of the confidentiality agreement with the parties involved, and will cooperate to the extent possible, consistent with its confidential agreements and First Amendment protections.

Also, as it has in the past, *NGI* will continue to provide non-confidential reports to the Commission and respond to questions seeking non-confidential information.

Please do not hesitate to contact us if you have any questions on this response or on *NGI's* position on natural gas reporting or price discovery.

Sincerely,

/s/

Ellen Beswick
Publisher and Editor in Chief
703 318-8848
Intelligence Press, Inc.
22648 Glenn Drive Suite 305
Sterling, VA 20164

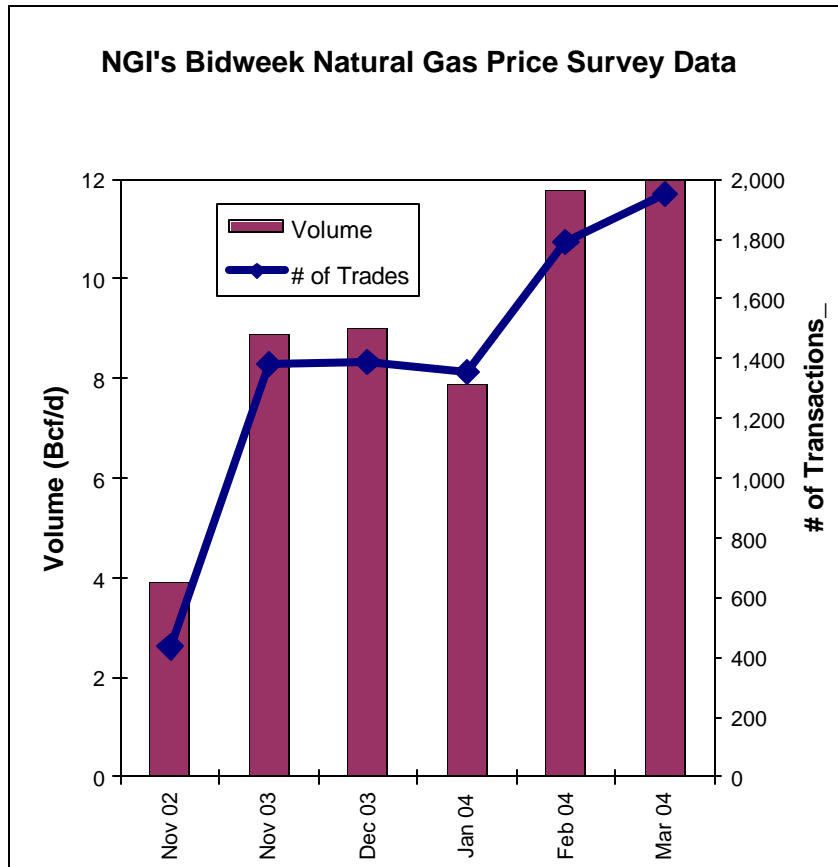
Dexter Steis
Executive Publisher
703 318-8848

Mark Curran
Managing Price Editor
503 235-1174

Appendix A

NGI's Bidweek Natural Gas Price Survey Statistics						
	Volume	# of	Indices	Tier	Tier	Tier
	(Bcf/d)	Transactions	Published	1	2	3
Nov 02	3.9	435	68	na	na	Na
Nov 03	8.9	1,381	79	27	31	21
Dec 03	9.0	1,387	78	29	28	21
Jan 04	7.9	1,357	75	26	24	25
Feb 04	11.8	1,792	80	32	25	23
Mar 04	12.1	1,951	81	40	30	11

Notes: In response to industry requests for more market price transparency, NGI began posting tiers in July 2003 to show volume of trading observed at various market locations: Tier 1 over 100,000 MMBtu/day; Tier 2 over 25,000 MMBtu/day; Tier 3 less than 25,000 MMBtu/day.



Appendix B

Guide to Providing Data to Natural Gas Intelligence

To improve the quality of the natural gas price survey data and to comply with the FERC's July 2003 policy statement, *NGI* is asking that data providers adhere to the following guidelines:

- Report all negotiated, fixed-price, non-affiliate natural gas transactions for both daily "incremental" and monthly (bidweek) "baseload" delivery.
 - Daily data includes all fixed price deals done each business day (where a business day is any day Nymex is trading) before the 12:30 p.m. EPT pipeline nomination deadline for gas to flow the next day or over the weekend, as is the case Fridays.
 - Monthly bidweek data includes transactions done on the last five business days of the month for gas to be delivered in the following month.
 - Nymex physical basis deals done during bidweek should be denoted as such and included.
- Each transaction should be listed separately and should include the following:
 - trading location
 - transaction date
 - beginning flow date
 - ending flow date (may be the same as beginning flow date)
 - volume
 - price (\$/MMBtu or C\$/Gigajoule for Canadian trading locations)
 - buy/sell indicator*
 - counterparty*
- Provide data from a central, mid- or back- office reporting source within the company.
- Data providers should make all reasonable efforts to send price data to prices@intelligencepress.com by 4:00 p.m. (EPT) on the business day before the beginning flow date of the data being submitted. Data submitted after 4:00 p.m. (EPT) will be included at the editor's discretion.
 - Because we understand that data providers may be submitting data to more than one index provider, *NGI* does not impose any specific file format or specificity pertaining to how the data is arranged within the file.
- List the contact information of data provider representatives that can answer questions about the data.
- Notify *NGI* via prices@intelligencepress.com of errors as soon as possible.

*In the interests of receiving data from the broadest selection of data providers in the near term, *NGI* currently is not requiring that buy/sell or counterparty information be included. Going forward however, *NGI* believes that this information, along with the other criteria outlined in this guide are in the best interest of market transparency and price index accuracy.

A copy of *NGI's* Code of Conduct and Price Index Methodology is available here:

<http://intelligencepress.com/methodology.html> . *NGI* is willing to enter into an agreement protecting the confidential nature of the price data. For a copy of this document or for more information on the data submission process, please contact Dexter Steis at 703-318-8848 or Mark Curran at 503-235-1174.

Appendix C

Sample Confidentiality Agreement

Re: Confidentiality Agreement protecting <disclosing party> proprietary information

Ladies and Gentlemen:

<disclosing party> (the "disclosing party") may from time to time furnish Intelligence Press, Inc. (including editors at Intelligence Press, Inc. publications such as *Natural Gas Intelligence*, *NGI's Weekly Gas Price Index* and *NGI's Daily Gas Price Index*, with gas related pricing and other information in connection with the receiving party's compilation of various price index surveys, which information is confidential or otherwise generally not available to the public (the "Confidential Information"). The term "Confidential Information" shall not, with respect to the receiving party, include information (a) that is or may become generally available to the public other than as a direct or indirect result of any breach of this agreement, or (b) that is known to the receiving party at the time of disclosure or is thereafter acquired at any time from a source other than the disclosing party and was not reasonably believed by the receiving party to be prohibited from making disclosure.

In order to induce the disclosing party to furnish Confidential Information to the receiving party, the parties agree as follows:

1. The receiving party will not disclose the Confidential Information furnished to it pursuant to this agreement without the prior written consent of the disclosing party, other than to directors, officers and employees of the receiving party, who need to receive such Confidential Information solely for the purposes of evaluation, compilation or editorial review of various price index surveys for publication (in aggregated form only and without identifying the source thereof) in *Natural Gas Intelligence*, *NGI's Weekly Gas Price Index* and *NGI's Daily Gas Price Index* (those individuals who are directly or indirectly furnished Confidential Information by the disclosing party or the receiving party are collectively referred to herein as the "Representatives"), and that the receiving party will advise its Representatives of the confidential nature of the information and shall be responsible for such Representatives' compliance with the terms of this agreement.
2. The receiving party may also disclose the Confidential Information to the extent that it is legally required to do so (i) in response to any summons, subpoena, request of governmental or regulatory authority, or otherwise, or (ii) in order to comply with any applicable law, order or regulation, (hereafter, a "Required Disclosure"). Receiving party, before seeking to disclose Confidential Information in a Required Disclosure, shall to the extent legally permissible notify the disclosing party prior to making such disclosure in order to permit the disclosing party an opportunity to seek an appropriate protective order or grant a waiver of compliance with the provisions of this Agreement.
3. Except for any Required Disclosure, without the prior written consent of the disclosing party, the receiving party will not, and will direct its Representatives not to, disclose to any person either the fact that the Confidential Information has been made available to it, that it has inspected any portion of the Confidential Information, the fact that discussions with respect to the price index surveys are taking place with the disclosing party or other facts with respect to these discussions, including the status thereof; provided, however, that the disclosing party hereby consents to the public identification by receiving party of disclosing party as providing information for use in receiving party's publication of price index surveys that adheres to receiving party's publicly disclosed requirements.

4. Except as otherwise provided herein, the receiving party and its Representatives will not use the Confidential Information other than solely for the purpose of evaluation, compilation or editorial review of various price index surveys for publication (in aggregated form only and without identifying the source thereof) in *Natural Gas Intelligence*, *NGI 's Weekly Gas Price Index* and *NGI's Daily Gas Price Index*.
5. Each party understands and agrees that monetary damages would not be an adequate remedy for breach of this agreement. In the event of a breach or threatened breach of this agreement, the other party shall be entitled to injunctive and other equitable relief and such remedies shall be in addition to all other remedies available to it at law or in equity. Both parties hereby expressly waive (i) their right to trial by jury in respect of any suit, action or proceeding relating to this agreement and (ii) their right, if any, to claim or recover punitive or exemplary damages in connection with any alleged or actual breach of this agreement. The disclosing party shall also be entitled to recover its reasonable legal fees and expenses and costs in enforcing this agreement or recovering damages for any breach hereof.
6. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK WITHOUT REGARD TO THE PRINCIPLES OF CONFLICTS OF LAWS THEREOF.
7. The parties hereto agree that no employment, agency, joint venture, partnership or fiduciary relationship shall be deemed to exist or arise between them with respect to this agreement or the proposed reporting of price index surveys.
8. Disclosing Party hereby certifies that it will provide gas and/or power transaction and related pricing and other information to Intelligence Press, Inc. with the good faith belief that such information: (i) accurately represents transactions consummated by the Disclosing Party at the stated price and contains accurate information about the components of each reported transaction; (ii) represents a complete set of transactions for the stated product; and (iii) is provided by a back office or other non-commercial point or person within the Disclosing Party's organization who is responsible for the accuracy and completeness of all reported transactional data. Disclosing Party understands that if Intelligence Press, Inc. poses questions to it concerning the accuracy and/or completeness of information that the Disclosing Party has previously submitted, it will respond in a timely manner and in good faith to resolve those questions. In the event of any errors or omissions, Disclosing Party will make reasonable efforts to inform Intelligence Press, Inc. and, as necessary, modify its internal processes to eliminate or minimize the likelihood of future errors or omissions in its data submissions.
9. The provisions of this Agreement shall terminate on the date two years from the date of the last disclosure of Confidential Information made pursuant to this letter.

Very truly yours,

Intelligence Press, Inc.

By: _____

Name: _____

Title: _____

ACCEPTED AND AGREED:

<Disclosing Party>

By: _____

Name: _____

Title: _____

Major Index Gains by Northeast Citygates In Sharp Contrast With Overall Softening

It seemed somewhat fitting that the Northeast — a region that had endured some of the worst winter weather in years throughout most of January, with more to come in early February — would stand out from the overall market with rising February indexes amid a sea of softness elsewhere. Dracut and Transco Zone 6-New York City, with indexes exceeding \$12 and \$11 respectively, led the gainers. Niagara and Transco Zone 6's non-NYC pool were the only Northeast points with gains of less than a dollar.

Otherwise, flat CIG numbers and a small intra-Alberta rise were the exceptions to declines ranging from about a nickel to a little more than half a dollar. The smaller losses tended to be concentrated in the West; Gulf Coast and Midcontinent/Midwest indexes mostly fell by 25-50 cents. The general market largely emulated the behavior of the screen, whose February settlement of \$5.775 was 37.5 cents under the one for January. The February contract had made its prompt-month debut above the January close, but dropped 46.8 cents over the course of the month despite widespread freezing weather across the northern U.S. and Canada.

The overall February declines marked a significant reversal from the strength shown in January's bidweek trading. Driven by a \$1.29 rise in screen settlements from December 2003 to the first month of the new year, eastern markets saw dollar-plus index advances for January, with some Northeast citygates up more than \$2. Although no points in the West managed as much as a triple-digit gain, they did record sizeable upticks of 70-90 cents or so.

The current softening at most points also represents a change in direction (excluding the Northeast) from the year-ago market, when the normal February trend of falling indexes yielded to major gains. Dominion-Appalachia and several Northeast citygates led the February 2003 market with advances of more than a dollar, and most other points rose by 30 cents or much more. Rockies/San Juan Basin points were the only ones to see increases smaller than 30 cents.

A sign of increasing market liquidity — and of NGI's success in both recruiting new survey sources and persuading others to return that had suspended their participation in the wake of false data reporting scandals in the year following Enron's demise — is the setting of indexes at 80 points this month. Although that total is up only marginally from the range of 75-79 indexes over the preceding three months, much more telling is the fact that 32 points currently qualify for Tier 1 status (that is, each point had more than 100,000 MMBtu/d in quoted volumes). That compares with a Tier 1 range of 26-29 from November through January. Tier 2 (more than 25,000 MMBtu/d) and Tier 3 (less than 25,000 MMBtu/d) indexes were 24 each for February 2004, compared with respective ranges of 24-31 and 21-25 in the other three months.

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February 2004 Bidweek

Gas Traded January 26 - 30 for February Baseload Delivery

	range	avg.	change	tier
South Texas				
Agua Dulce	5.31-5.31	5.31		3
El Paso GTT (Valero)	5.34-5.36	5.35		3
Florida Gas Zone 1	5.71-5.73	5.72	-0.37	2
Gulf South (Koch)	- - -	-		
Houston Pipe Line	5.28-5.39	5.34		2
NGPL S. TX	5.31-5.38	5.35	-0.52	2
Tennessee	5.27-5.50	5.32	-0.51	1
Texas Eastern S. TX	5.27-5.38	5.32	-0.51	1
Transco St. 30	5.31-6.18	5.39	-0.49	2
Trunkline	- - -	-		
Regional Avg.	5.27-6.18	5.39	-0.51	NA
East Texas				
Carthage	5.34-5.45	5.40	-0.50	3
Houston Ship Channel	5.28-5.60	5.37	-0.34	1
Katy	5.15-5.34	5.24		3
Lone Star	- - -	-		
NGPL TexOk	5.20-5.47	5.33	-0.45	1
Tennessee	5.27-5.50	5.32	-0.51	1
Texas Eastern E. TX	5.47-5.48	5.48		3
Texas Gas Zone 1	5.74-5.76	5.75	-0.38	3
Transco St. 45	5.81-6.26	6.00	-0.14	3
Trunkline	- - -	-		
Regional Avg.	5.15-6.26	5.49	-0.43	NA
West Texas				
El Paso Permian	5.01-5.18	5.12	-0.29	1
Northern Nat. Mid 1-6	- - -	-		
Transwestern	5.00-5.14	5.08	-0.36	3
Waha	5.01-5.59	5.15	-0.34	1
Regional Avg.	5.00-5.59	5.12	-0.33	NA
Midwest				
Alliance	5.88-6.08	5.91	-0.37	3
ANR ML7	5.97-5.98	5.98		3
Chicago Citygate	5.78-6.08	5.93	-0.38	1
Consumers Energy	5.85-6.00	5.95	-0.28	2
Dawn	5.90-6.10	6.03	-0.28	1
Michigan Consolidated	5.76-5.89	5.85	-0.27	3
Regional Avg.	5.76-6.10	5.94	-0.31	NA
Midcontinent				
ANR SW	5.40-5.44	5.42	-0.35	2
Enogex	5.30-5.32	5.31	-0.27	3
NGPL Amarillo Mainline	- - -	-		
NGPL Iowa-Illinois	5.68-5.79	5.75		2
NGPL Midcontinent	5.05-5.32	5.18	-0.41	1
Northern Natural Demarc	5.40-5.82	5.53	-0.51	1
Northern Nat. Mid 10-13	- - -	-		
Northern Natural Ventura	5.64-5.95	5.79	-0.35	1
OGT	5.11-5.39	5.24	-0.41	2
Panhandle Eastern	5.12-5.39	5.27	-0.34	1
CenterPoint East (Reliant)	5.28-5.51	5.41	-0.40	2
CenterPoint West (Reliant)	5.18-5.34	5.22	-0.47	3
Williams	5.19-5.42	5.27	-0.42	3
Regional Avg.	5.05-5.95	5.40	-0.38	NA
Louisiana				
ANR SE	5.59-5.77	5.68	-0.42	2
Columbia Gulf onshore	5.72-5.79	5.75	-0.38	2
Columbia Gulf Mainline	5.67-6.00	5.80	-0.40	2
Florida Gas Zone 2	5.77-5.78	5.78	-0.38	2
Florida Gas Zone 3	5.83-5.83	5.83	-0.36	3
Gulf South (Koch)	- - -	-		
Henry Hub	5.64-5.80	5.76	-0.39	1
Miss. River Trans.	5.68-5.77	5.72	-0.44	3
NGPL LA	5.68-5.68	5.68	-0.33	3
Southern Natural	5.74-5.76	5.75	-0.42	2

Despite NGI's increase in Tier 1 indexes, it was another "extremely difficult" bidweek for an industrial end-user who cited the liquidity issue. "I used to be able to place a 40 MMcf/d [baseload] order with one counterparty, no problems," he said. "Now I call some major players and they may be able to offer only 1 [MMcf/d] or 2 [MMcf/d] each." He reported hearing that natural gas liquids prices are rising and thus processing activity is heating up again, which may be contributing to lower levels of available dry gas. A producer on ANR-Southwest estimated that he was losing 20% of his production volumes to processing, the end-user said.

He also said he found some stronger-than-usual index premiums for February, citing the Chicago citygate as going at the NGI index plus 4 cents, for example. ANR-Southwest, which is generally discounted 3-4 cents, traded at index-flat, he said, and ANR-Southeast was fetching index plus 0.5-1 cent.

A Gulf Coast producer said a recent trend of doing next-month deals prior to what is normally regarded as the official bidweek (the last five business days of the preceding month) had "ended somewhat. There was very little jumping of the gun this month."

A couple of sources independently reported their perception that the market seemed to be in a longer supply position going into February than it did for January. Barring any return of very severe weather, they expect that to keep a lid on any potential price spikes like the Northeast has seen recently. The Northeast is going to stay cold for a while longer, a marketer said, but its temperatures aren't expected to get as low as in the last couple of weeks of January.

As bidweek kicked off on Monday, a Southwest trader reported deals being done in the high \$4.90s for Transwestern-Permian (which happened to match her swing numbers that day), in the low \$5.20s at the California border into SoCalGas,

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February 2004 Bidweek

Gas Traded January 26 - 30 for February Baseload Delivery

	range	avg.	change	tier
Louisiana (continued)				
Tennessee Line 500	5.54-5.77	5.69	-0.37	2
Tennessee Line 800	5.56-5.76	5.69	-0.38	1
Texas Eastern E. LA	5.72-6.00	5.75	-0.40	2
Texas Eastern W. LA	5.73-5.80	5.75	-0.40	3
Texas Gas Zone SL	5.74-5.75	5.75	-0.37	2
Transco St. 65	5.82-6.34	5.86	-0.25	1
Trunkline E. LA	- - - -	- -	- -	-
Trunkline W. LA	5.75-5.86	5.81	-	2
Regional Avg.	5.54-6.34	5.75	-0.37	NA
Alabama/Mississippi				
Texas Eastern Kosciusko	5.81-6.07	5.95	-0.38	2
Transco St. 85	5.86-5.98	5.91	-0.51	3
Regional Avg.	5.81-6.07	5.93	-0.45	NA
Florida				
FGT Citygate	- - - -	- -	- -	-
Rocky Mountains				
CIG	5.00-5.22	5.12	0.00	1
Cheyenne Hub	5.13-5.13	5.13	-	3
El Paso Bondad	4.94-5.02	4.99	-0.18	3
El Paso non-Bondad	4.88-5.08	5.00	-0.13	1
Kern River	4.97-5.24	5.13	-0.11	1
Kingsgate	- - - -	- -	- -	-
Northwest Domestic	4.90-5.24	5.12	-0.14	1
S. of Green River	4.90-5.12	5.02	-0.08	3
Northwest Sumas	4.99-5.34	5.22	0.00	1
Opal	5.00-5.24	5.14	-0.10	1
Questar	4.88-5.01	4.92	-0.17	2
Stanfield	- - - -	- -	- -	-
Regional Avg.	4.88-5.34	5.08	-0.10	NA
Northeast				
Algonquin (citygate)	9.33-12.78	10.99	2.27	2
Columbia Gas	5.93-6.31	6.03	-0.31	1
Dominion (CNG)	6.33-6.85	6.50	-0.05	1
Dracut	11.78-12.28	12.11	4.18	3
Iroquois Zone 2	8.90-12.78	9.87	1.92	2
Niagara	6.43-6.93	6.70	0.19	1
Tennessee Zone 6	9.78-10.01	9.81	1.71	2
Tetco M-3	8.61-9.90	9.14	1.41	1
Transco Zone 6 NY	9.13-13.90	11.30	3.32	1
Transco Zone 6 non-NY	7.38-9.75	8.28	0.72	2
Regional Avg.	5.93-13.90	9.07	1.54	NA
California				
Malin	5.10-5.38	5.23	-0.06	1
Kern River Station, PG&E	- - - -	- -	- -	-
PG&E Citygate	5.38-5.59	5.52	-0.07	1
Southern Border, PG&E	5.25-5.30	5.28	-0.12	2
Southern Border, SoCal	5.15-5.41	5.29	-0.16	1
Kern River Station, SoCal	- - - -	- -	- -	-
Southern Cal. Border Avg.	5.15-5.41	5.29	-0.16	1
Regional Avg.	5.10-5.59	5.32	-0.11	NA
National Spot Gas Avg.	4.88-13.90	5.85	-0.15	NA
Canada				
NOVA/AECO C (Cdn\$/GJ)	6.25-6.55	6.32	0.04	1

Notes to February Bidweek Spot Gas Prices table: Prices are in US\$/MMBtu for dry gas with the exception of NOVA/AECO C, which is in Cdn\$/GJ. Bidweek survey taken January 26 - 30 of baseload fixed price and physical basis transactions for the month of February. Changes are from January bidweek. Tiers are assigned based on the volume of trading observed: tier 1 over 100,000 MMBtu/day; tier 2 over 25,000 MMBtu/day; tier 3 less than 25,000 MMBtu/day. Some pricing points are marked with an asterisk to denote that NGI has used editorial judgment based on confirmed bids or asks, or relationships to other market locations in determining the published price.

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and in the upper \$5.20s for Panhandle Eastern. However, futures weakness was taking Panhandle lower Monday afternoon, when the bid-offer spread was down to \$5.165-24, the trader said.

A marketer who had indexed all his bidweek volumes up to that point said Monday he was finding "a lot more people interested in selling me gas for February than in buying from me." He was seeing Katy basis at minus 5-2 cents and quoted a Waha deal at just over \$5.

A marketer reported Chicago citygates trading for February in a \$5.82-90 range Tuesday, which he said was stable from the day before. A Sumas package was quoted in the mid \$5.10s by a producer.

"So far we haven't done any bidweek deals," said a West Coast utility buyer Tuesday. "We are bidding our time, waiting for more action. I think Wednesday will be the big day for bidweek. We'll be picking up the pieces if necessary come Thursday."

Her anticipation proved correct. "It's really busy on the floor," said a Texas marketer. "Wednesday has been the most hectic trading day so far this bidweek." Another marketer said February numbers were softening a bit Wednesday, according to a marketer, but he didn't see much downside for them because forecasts have very cold weather lasting into the first week of the month. As it turned out, prices remained fairly stable as the week proceeded, with few points outside the Northeast seeing ranges of more than 20-30 cents.

Utility buyers in both the Southeast and Rockies didn't plan to obtain any baseload for February, saying they had enough winter term supply lined up to handle most needs and would dip into the daily market if necessary for anything else.

A marketer reported tiny baseload Michigan citygate purchases in the high \$5.80s and mid \$5.90s on the MichCon and Consumers Energy systems respectively. He explained the small volumes as due to having all but two of his customers' supply already termed up through April.

A marketer said Northeast basis for February tended to get a little stronger as the Nymex three-day settlement period went on, and that he had seen Transco Zone 6-NYC basis trade as high as plus \$7.00. That would put some first-of-month deliveries to the Big Apple around \$13, he noted. Basis was similarly strong for New England citygates, he said.

Several sources concurred that bidweek had ended Thursday for all practical purposes, with very little business left to be done Friday. As a result, it was a very quiet trading day Friday.

January 2004 Cumulative

Gas Traded Dec 31 - Jan 29 for Jan Incremental Delivery

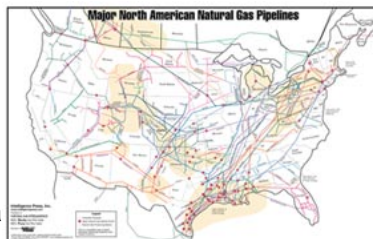
	range	avg.
South Texas		
Agua Dulce	5.10 - 6.95	5.76
El Paso GTT (Valero)	- - -	- -
Florida Gas Zone 1	5.24 - 7.00	6.04
NGPL S. TX	5.03 - 6.68	5.63
Tennessee	5.03 - 7.00	5.71
Texas Eastern S. TX	4.96 - 6.95	5.75
Transco St. 30	5.00 - 6.75	5.67
Trunkline	- - -	- -
Regional Avg.	4.96 - 7.00	5.76
East Texas		
Carthage	5.07 - 6.81	5.70
Houston Ship Channel	5.09 - 6.94	5.76
Katy	4.90 - 6.90	5.70
NGPL TexOk	4.85 - 6.93	5.67
Texas Eastern E. TX	4.99 - 6.87	5.75
Texas Gas Zone 1	5.30 - 7.15	6.08
Transco St. 45	5.35 - 7.15	6.13
Trunkline	- - -	- -
Regional Avg.	4.85 - 7.15	5.83
West Texas		
El Paso Permian	4.90 - 6.87	5.54
NGPL Permian	4.86 - 6.84	5.55
Transwestern	4.85 - 6.89	5.54
Waha	4.60 - 7.00	5.56
Regional Avg.	4.60 - 7.00	5.55
Midwest		
Alliance	5.45 - 7.02	6.17
ANR ML7	5.65 - 7.67	6.33
Chicago Citygate	5.45 - 7.40	6.19
Consumers Energy	5.55 - 7.15	6.24
Dawn	5.50 - 7.28	6.18
Michigan Consolidated	5.40 - 6.98	6.07
Regional Avg.	5.40 - 7.67	6.20
Midcontinent		
ANR SW	5.20 - 7.20	5.90
NGPL Amarillo Mainline	5.15 - 6.75	5.74
NGPL Iowa-Illinois	5.39 - 6.85	6.06
NGPL Midcontinent	4.95 - 6.85	5.60
Northern Natural Demarc	5.22 - 6.89	5.87
Northern Natural Mid 10-13	- - -	- -
Northern Natural Ventura	5.38 - 7.05	6.06
OGT	5.00 - 6.89	5.74
Panhandle Eastern	4.94 - 7.05	5.70
Reliant East (NorAm)	5.07 - 7.00	5.78
Reliant West (NorAm)	4.94 - 7.00	5.67
Williams	5.20 - 6.37	5.81
Regional Avg.	4.94 - 7.20	5.81
Louisiana		
ANR SE	5.34 - 7.04	6.08
Columbia Gulf Onshore	5.48 - 7.27	6.20
Columbia Gulf Mainline	5.39 - 7.25	6.12
Florida Gas Zone 2	5.48 - 7.25	6.14
Florida Gas Zone 3	5.42 - 7.15	6.17
Gulf South (Koch)	- - -	- -
Henry Hub	5.30 - 7.25	6.13
Miss. River Trans.	5.39 - 7.01	6.09
NGPL LA	5.49 - 6.75	5.94
Southern Natural	5.42 - 7.10	6.13
Tennessee Line 500	5.39 - 7.15	6.13
Tennessee Line 800	5.37 - 7.09	6.09
Texas Eastern E. LA	5.32 - 7.25	6.11
Texas Eastern W. LA	5.25 - 7.05	6.03
Texas Gas Zone SL	5.35 - 7.11	6.13
Transco St. 65	5.38 - 7.32	6.20
Trunkline E. LA	5.54 - 7.01	6.07
Trunkline W. LA	5.35 - 7.16	6.01
Regional Avg.	5.25 - 7.32	6.10

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BASIS SURVEY

Point/Pipeline	February Range	February Avg.	January Avg.
Agua Dulce	-46.50 to -46.50	-46.50	--
Algonquin (citygate)	350.00 to 700.00	484.25	257.00
ANR SE	-5.00 to -1.00	-4.25	-4.75
ANR SW	-38.00 to -34.00	-35.25	-30.25
Carthage	-44.00 to -33.00	-38.00	-25.00
Chicago Citygate	10.50 to 27.00	13.75	7.50
Columbia Gas	22.50 to 38.00	24.75	23.50
Columbia Gulf Mainline	2.75 to 6.00	3.75	5.00
Columbia Gulf onshore	-3.50 to 1.00	-2.50	-2.50
Consumers Energy	16.00 to 20.00	19.00	10.00
Dawn	19.00 to 32.50	26.25	11.75
Dominion (CNG)	55.00 to 81.00	72.00	38.25
El Paso GTT (Valero)	-43.00 to -42.00	-42.25	--
Florida Gas Zone 1	-6.00 to -5.00	-5.75	-4.75
Florida Gas Zone 2	-0.50 to 0.50	0.25	1.50
Florida Gas Zone 3	5.50 to 5.50	5.50	--
Henry Hub	-0.05 to 1.00	-0.25	--
Houston Ship Channel	-35.00 to -18.00	-34.00	--
Iroquois Zone 2	357.50 to 700.00	411.50	180.00
Katy	-44.00 to -44.00	-44.00	--
Michigan Consolidated	-2.00 to 8.00	7.80	0.75
NGPL Midcontinent	-51.50 to -51.50	-51.50	--
NGPL S. TX	-47.00 to -40.00	-42.00	-28.00
NGPL TexOk	-48.00 to -40.00	-42.00	-36.50
Niagara	65.00 to 115.00	92.00	35.75
OGT	-45.00 to -45.00	-45.00	-38.00
Panhandle Eastern	-47.00 to -45.00	-46.25	-44.00
Reliant East (NorAm)	-33.00 to -33.00	-33.00	--
Southern Natural	-3.50 to -2.00	-2.50	-1.75
Tennessee Line 500	-8.25 to -1.00	-7.75	-6.25
Tennessee Line 800	-8.00 to -6.00	-7.00	-7.75
Tennessee Zone 0	-48.00 to -40.00	-44.50	-31.25
Tennessee Zone 6	400.00 to 400.00	400.00	195.00
Texas Eastern E. LA	-4.00 to -2.00	-3.00	-4.00
Texas Eastern E. TX	-30.00 to -30.00	-30.00	--
Texas Eastern Kosciusko	3.00 to 29.00	17.25	18.00
Texas Eastern M-3	283.00 to 360.00	322.75	157.25
Texas Eastern S. TX	-48.00 to -40.00	-44.50	-31.75
Texas Eastern W. LA	-4.25 to -3.75	-4.25	-4.00
Texas Gas Zone 1	-3.50 to -3.50	-3.50	-2.50
Texas Gas Zone SL	-3.00 to -2.75	-2.75	-2.25
Transco St. 30	-46.50 to -35.00	-42.75	-27.00
Transco St. 45	3.50 to 3.50	3.50	-1.00
Transco St. 65	4.50 to 8.00	5.75	6.50
Transco St. 85	8.50 to 20.00	13.75	10.25
Transco Zone 6 non-NY	160.00 to 320.00	252.00	140.25
Transco Zone 6 NY	335.00 to 750.00	511.50	180.25
Trunkline S.TX	-37.00 to -37.00	-37.00	--
Waha	-19.00 to -19.00	-19.00	--
Futures Contract	-- --	5.775	6.150

Notes: Basis survey taken January 26 - 28, 2004 of February physical basis transactions. Averages rounded to nearest quarter of a cent.

January 2004 Cumulative

Gas Traded Dec 31 - Jan 29 for Jan Incremental Delivery

Alabama/Mississippi

Texas Eastern Kosciusko	5.45 - 7.48	6.34
Transco St. 85	5.63 - 7.28	6.34
Regional Avg.	5.45 - 7.48	6.34

Florida

FGT Citygate	-- --	--
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Rocky Mountains

CIG	4.92 - 6.67	5.51
Cheyenne Hub	5.01 - 6.70	5.71
El Paso Bondad	5.10 - 6.64	5.46
El Paso non-Bondad	4.90 - 6.76	5.44
Kern River	4.70 - 6.75	5.54
Kingsgate	-- --	--
Northwest Domestic	4.85 - 6.63	5.52
Northwest S. of Green River	4.80 - 6.55	5.46
Northwest Sumas	4.98 - 6.70	5.57
Opal	4.70 - 6.75	5.54
Questar	4.85 - 6.50	5.46
Stanfield	4.98 - 6.83	5.57
Regional Avg.	4.70 - 6.83	5.52

Northeast

Algonquin (citygate)	6.00 - 75.00	13.48
Columbia Gas	5.60 - 7.65	6.43
Dominion (CNG)	5.70 - 11.40	6.85
Dracut	5.70 - 65.00	12.39
Iroquois Zone 2	5.10 - 76.00	12.72
Niagara	5.82 - 16.00	7.18
Tennessee Zone 6	6.00 - 65.00	12.97
Tetco M-3	6.01 - 64.50	10.80
Transco Zone 6 NY	5.97 - 72.00	13.35
Transco Zone 6 non-NY	5.87 - 55.00	10.00
Regional Avg.	5.10 - 76.00	10.62

California

Malin	5.06 - 6.74	5.61
PG&E Citygate	5.47 - 6.90	5.92
Southern Border, PG&E	5.18 - 6.54	5.71
Southern California Bdr. Avg	5.15 - 6.80	5.66
Regional Avg.	5.06 - 6.90	5.73

Canada

NOVA/AECO C (Cdn\$/GJ)	5.84 - 7.92	6.59
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Notes to January Cumulative Spot Gas Prices table:

Prices are in US\$/MMBtu for dry gas with the exception of NOVA/AECO C, which is in Cdn\$/GJ. This table is based on information distilled from daily incremental prices published in *NGI's Daily Gas Price Index*. The range represents the high and low observed in day trading for the month of January and the average is a simple average of the published daily indexes for that month.

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NGI's Daily Gas Price Index



A Daily Price Service of Natural Gas Intelligence

Friday March 26, 2004

Volume 11, No. 177

Fading Weather Demand Forces All Points Lower

Spring is busting out all over — finally — and that translates to lower spot prices. Quotes fell across the board Thursday; a few drops were in single digits, but the rest were fairly consistent in all regions in ranging from a dime to just over 20 cents.

Although parts of the Northeast will experience just a bit more chill this weekend in the form of a weak cold front, it wasn't expected to be serious enough to rally prices. Meanwhile, the weather elsewhere runs from no worse than cool in the Pacific Northwest and Upper Plains to moderately hot in parts of the desert Southwest; conditions in most places are generating very little, if any, of either heating or cooling load.

A marketer, noting highs in the mid 60s in the Upper Midwest, joked, "You'd think it was spring or something."

The Energy Information Administration came in near the higher end of prior expectations with its estimate of a 65 Bcf storage withdrawal for the week ending March 19. Though the report seemed modestly bearish, Nymex traders greeted it essentially with yawns (see related story). Natural gas futures for April fell 9.3 cents, but their decline was dwarfed by major losses in the petroleum-based contracts. Crude oil for May fell a cool buck and a half to \$35.51/bbl as doubts linger that OPEC will cut production as planned on April 1.

A trader at intrastate Texas points said he was "seeing kind of the same thing every day lately," except that Thursday's numbers were softer. The Katy market consists mainly of storage buyers these days, he added, because there certainly isn't that much utility load to satisfy.

The Rockies tended to record most of the smaller declines of less than a dime after PG&E failed to extend a high-linepack OFO through Friday. The Southern California border into PG&E saw the day's smallest loss of a nickel, while other California points had declines in the low teens.

One Northeast utility obviously was in a wheeling and dealing mood, reporting well over twice its normal number of daily transactions. About two-thirds of them were sales; a mix of sales and purchases was quoted for the production area, while all but one market area deal were sales.

As bidweek officially got under way, a marketer reported these fixed-price numbers Thursday: El Paso-Permian mid to upper \$4.60s; Waha either side of \$4.80; Panhandle Eastern mid \$4.90s; ANR Southwest mid to high \$4.90s; NGPL Midcontinent high \$4.80s; and San Juan-Blanco mid \$4.40s. She also had daily swing quotes that were anywhere from a few cents to more than a dime lower than April levels for Panhandle, NGPL, El Paso-Permian and Waha. That rendered moot another trader's commentary on Wednesday about prices holding up despite fundamental weakness, in which he questioned why anyone would have bought spot gas for storage injection purposes that day when April prices were shaping up as lower than then-current swing levels (see *Daily GPI*, March 25). Thursday's spot market declines apparently turned the situation around, at least at the Midcontinent and western points quoted above by the marketer.

One trader said he was seeing Katy deals for April at index minus 2.5-2 cents Wednesday. On Thursday someone was offering index minus 1.75 cents, he said, but no sellers were able to take advantage of the higher. "They can't trade with that company because it shows up red on their ICE [IntercontinentalExchange] screens," he explained.

MARCH CASH MARKET PRICES

South Texas	Range	Avg.	Chg
Agua Dulce	\$5.13-\$5.20	\$5.19	
El Paso GTT (Valero)	\$5.10-\$5.12	\$5.10	-14
Florida Gas Zone 1	-- --	--	--
NGPL S. TX	\$4.99-\$5.09	\$5.07	-15
Tennessee	\$5.05-\$5.14	\$5.09	-15
Texas Eastern S. TX	\$4.96-\$5.00	\$4.96	-8
Transco St. 30	\$5.00-\$5.10	\$5.08	-16
Trunkline	-- --	--	--
East Texas			
Carthage	\$5.02-\$5.04	\$5.03	-15
Houston Ship Channel	-- --	--	--
Katy	\$5.10-\$5.22	\$5.18	-12
NGPL TexOk	\$5.04-\$5.10	\$5.07	-13
Texas Eastern E. TX	\$5.00-\$5.07	\$5.04	-12
Texas Gas Zone 1	\$5.18-\$5.20	\$5.18	-13
Transco St. 45	\$5.17-\$5.22	\$5.20	-12
Trunkline	-- --	--	--
West Texas			
El Paso Permian	\$4.60-\$4.70	\$4.65	-12
Northern Natural Mid 1-6	\$4.72-\$4.74	\$4.73	-12
Transwestern	\$4.58-\$4.66	\$4.60	-15
Waha	\$4.68-\$4.76	\$4.73	-10
Midwest			
Alliance	\$5.28-\$5.32	\$5.31	-16
ANR ML7	\$5.36-\$5.52	\$5.46	
Chicago Citygate	\$5.27-\$5.34	\$5.31	-13
Consumers Energy	\$5.40-\$5.45	\$5.42	-13
Dawn	\$5.58-\$5.64	\$5.60	-12
Michigan Consolidated	\$5.44-\$5.49	\$5.46	-12
Midcontinent			
ANR SW	\$4.88-\$4.91	\$4.90	-9
NGPL Amarillo Mainline	\$4.81-\$4.84	\$4.83	-10
NGPL Iowa-Illinois	-- --	--	--
NGPL Midcontinent	\$4.71-\$4.77	\$4.73	-14
Northern Natural Demarc	\$4.82-\$4.89	\$4.86	-13
Northern Natural Mid 10-13	-- --	--	--
Northern Natural Ventura	\$4.78-\$4.93	\$4.86	-15
OGT	\$4.82-\$4.84	\$4.83	-13
Panhandle Eastern	\$4.89-\$4.94	\$4.92	-11
CenterPoint East (Reliant)	\$5.00-\$5.07	\$5.03	-8
CenterPoint West (Reliant)	\$4.82-\$4.84	\$4.83	
Williams	\$4.67-\$4.82	\$4.69	-20
Louisiana			
ANR SE	\$5.16-\$5.20	\$5.19	-12
Columbia Gulf Onshore	\$5.13-\$5.23	\$5.18	-13
Columbia Gulf Mainline	\$5.23-\$5.25	\$5.24	-14
Florida Gas Zone 2	\$5.18-\$5.27	\$5.23	-12
Florida Gas Zone 3	\$5.22-\$5.24	\$5.23	-12
Gulf South (Koch)	-- --	--	--
Henry Hub	\$5.16-\$5.27	\$5.22	-13
Miss. River Trans.	-- --	--	--
NGPL LA	\$5.09-\$5.14	\$5.12	-13
Southern Natural	\$5.16-\$5.21	\$5.20	-15

"We're just getting started on bidweek," said a Gulf Coast producer. "We had a few deals done before the official start and set our positions, so we are ready to trade. The action [Thursday] was fair. Not hectic, not dead. The trend I have seen lately is to do just a bit of trading every day so that there is no 'big' trading day."

Switching from winter to summer is quite a change, the producer continued. "April could be cooler than average, but not as cold as March. If that takes away from [storage] injections, April may be the cheapest of the 'summer' months."

Sizeable Storage Withdrawal Draws Mostly Futures Market Yawns

Apparently unimpressed with the larger than expected storage withdrawal announced Thursday, the April natural gas futures contract dropped 9.3 cents on the day to close at \$5.336. The consensus among market observers was that the 65 Bcf pull from storage surprised no one after the East experienced a widespread cold snap last week.

However, the withdrawal did beat most estimates, which were in the 39-61 Bcf range, while decimating the 6 Bcf withdrawal reported for the same week last year. Nevertheless, the storage announcement by the Energy Information Administration sent the April gas futures contract 14 cents lower to \$5.29 in the first 10 minutes of trading following the release.

The East region, which showed a 68 Bcf withdrawal, was the odd man out as the Producing and West regions combined for a net 3 Bcf injection. The EIA reported that last week's withdrawal left working gas in storage at 1,032 Bcf, or 372 Bcf higher than the same time last year and 92 Bcf below the five-year average of 1,124 Bcf. The government agency added that total working gas levels are currently within the five-year historical range.

"The storage report was meaningless," said Ed Kennedy of Commercial Brokerage Corp. in Miami. "It is a foregone conclusion that we will have 1 Tcf in the ground at the end of the withdrawal cycle and that is more than we had last year at this time."

Also acknowledging that the industry is likely to hit April 1 with 1 Tcf in storage, Ronald Barone of UBS said, "We view this approximate 1 Tcf level as moderately bearish when compared to 696 Bcf in 2003, but slightly bullish when compared to the prior 10-year average of 1,072 Bcf." He noted that if the 1 Tcf level is reached by April 1, injections will need to be roughly 10 Bcf/d to get supplies to "a very solid comfort level of 3,150 Bcf by Nov. 1."

Looking ahead, Kennedy believes the next price clues will come from the next round of long range forecasts. "The Farmers Almanac calls for an above-normal summer east of the Mississippi, but that has been out in the market since October... More important are the updated private forecasts set to be released in the next couple weeks."

Coming out of the blocks with its three-month forward forecast, WSI Corp. said earlier in the week that it expects April to remain cool through most gas consuming regions, while May should be cool in the East, with warmer than normal weather across most of the West (see *Daily GPI*, March 23). The company said June should be cooler than normal along most of the U.S. coasts, while much of the country's interior will be warmer than normal.

"We have established the upside with last week's highs, now we are probing the downside," said Kennedy. "At \$5.50, the summer strip is not giving me warm and fuzzies quite yet if I am a buyer. We saw them jump into the market when it dropped down to \$5.15. I am not so sure [buyers] will let it get that low before they step in to bid it up next time."

Kennedy added that crude oil has some potential weakness in the short-run, and he suggested that could lead to some sympathy selling in natural

MARCH CASH MARKET PRICES

Louisiana (continued)	Range	Avg.	Chg
Tennessee Line 500	\$5.09-\$5.16	\$5.14	-14
Tennessee Line 800	\$5.09-\$5.18	\$5.15	-13
Texas Eastern E. LA	\$5.16-\$5.21	\$5.17	-12
Texas Eastern W. LA	\$5.07-\$5.11	\$5.10	-14
Texas Gas Zone SL	\$5.18-\$5.19	\$5.18	-13
Transco St. 65	\$5.15-\$5.29	\$5.26	-12
Trunkline E. LA	\$5.19-\$5.24	\$5.21	-12
Trunkline W. LA	\$5.17-\$5.18	\$5.18	-9
Alabama/Mississippi			
Texas Eastern Kosciusko	\$5.20-\$5.31	\$5.25	-10
Transco St. 85	\$5.25-\$5.27	\$5.26	-13
Florida			
FGT Citygate	-- --	--	--
Rocky Mountains			
CIG	\$4.32-\$4.43	\$4.37	-11
Cheyenne Hub	\$4.28-\$4.47	\$4.42	-6
El Paso Bondad	\$4.52-\$4.54	\$4.53	-13
El Paso non-Bondad	\$4.48-\$4.58	\$4.53	-13
Kern River	\$4.56-\$4.62	\$4.60	-11
Kingsgate	\$4.55-\$4.57	\$4.56	-11
Northwest Domestic	\$4.47-\$4.58	\$4.51	-8
Northwest S. of Green River	\$4.51-\$4.53	\$4.52	-6
Northwest Sumas	\$4.48-\$4.54	\$4.50	-9
Opal	\$4.56-\$4.63	\$4.60	-11
Questar	\$4.36-\$4.52	\$4.44	-8
Stanfield	\$4.56-\$4.65	\$4.61	-10
Northeast			
Algonquin (citygate)	\$5.60-\$5.77	\$5.71	-17
Columbia Gas	\$5.44-\$5.50	\$5.46	-12
Dominion (CNG)	\$5.43-\$5.54	\$5.50	-22
Dracut	\$5.50-\$5.61	\$5.57	-20
Iroquois Zone 2	\$5.65-\$5.70	\$5.68	-15
Niagara	\$5.60-\$5.68	\$5.64	-12
Tennessee Zone 6	\$5.60-\$5.75	\$5.71	-17
Tetco M-3	\$5.63-\$5.72	\$5.68	-16
Transco Zone 6 NY	\$5.58-\$5.65	\$5.60	-17
Transco Zone 6 non-NY	\$5.57-\$5.63	\$5.60	-16
California			
Malin	\$4.68-\$4.74	\$4.69	-11
PG&E Citygate	\$5.06-\$5.12	\$5.08	-12
Southern Border, PG&E	\$4.77-\$4.82	\$4.79	-11
Southern California Bdr. Avg.	\$4.76-\$4.86	\$4.84	-13
Canada			
NOVA/AECO C (Cdn\$/GJ)	\$5.69-\$5.70	\$5.69	-14

Notes: Prices are in U.S. \$/MMBtu for dry gas with the exception of NOVA/AECO C, which is in Cdn\$/GJ. Prices traded Thursday, March 25 for March 26 delivery. Dashes in the change column indicate that insufficient information was collected to update the corresponding price.

Previous 5 Days

	3/19	3/22	3/23	3/24	3/25
Mar Henry Hub	\$5.48	\$5.46	\$5.36	\$5.35	\$5.22
Apr Nymex	\$5.582	\$5.546	\$5.530	\$5.429	\$5.336
3 Month Strip	\$5.651	\$5.613	\$5.613	\$5.499	\$5.412
6 Month Strip	\$5.699	\$5.667	\$5.674	\$5.562	\$5.479
12 Month Strip	\$5.849	\$5.826	\$5.841	\$5.736	\$5.662
18 Month Strip	\$5.625	\$5.615	\$5.633	\$5.544	\$5.486
24 Month Strip	\$5.577	\$5.576	\$5.596	\$5.520	\$5.476

gas. "Though I am not bearish just yet, I am starting to grow fur and claws," he admitted.

MidAmerican-Led Group Backs Out of Alaska Project, Says State Failed to Accept Terms

A group led by Berkshire Hathaway's MidAmerican Energy Holdings Co. said Thursday it withdrew its application with the state of Alaska to build a \$6.3 billion Alaska portion of a pipeline to deliver North Slope natural gas to the Lower 48 states. The news was the latest blow to the more than 30-year effort to build a long-line Alaska gas transportation system.

The Alaska Gas Transmission Co. (AGTC) group said it pulled out of the 4.5 Bcf/d pipeline project because of Alaska's failure to agree to terms that would have allowed AGTC and its partners to move forward on an accelerated schedule with an exclusive five-year development period.

When the group filed its application in January, "we requested a business partnership with Alaska that would have aligned us with the state on an exclusive basis in recognition of MidAmerican's willingness to fund development of an independent pipeline and to do so on an accelerated basis," said MidAmerican Chairman David Sokol.

"We are extremely disappointed the state of Alaska rejected this approach, which we had clearly discussed with Gov. [Frank] Murkowski before filing our application. Our inability to obtain an agreement does not diminish our continuing view that the Alaska gas pipeline is extremely important to natural gas markets in the Lower 48, and passage of federal energy legislation supportive of the project is essential," he said.

The withdrawal of the application was supported by AGTC's other partners — CIRC, an Alaska Native corporation; and Pacific Star Energy, a consortium including Alaska Native corporations, said Des Moines, IA-based MidAmerican, the majority partner in the group.

AGTC noted that it officially suspended negotiations with the state of Alaska on Monday after it "became evident a contract resolution would not be reached."

The AGTC application called for the construction of a 745-mile, 48-inch diameter pipeline from the North Slope area near Prudhoe Bay southward to the Alaska Yukon border, placing the line in service by the end of 2010. The Alaska portion of the line would have connected with a new, companion pipeline to be built in Canada either by TransCanada PipeLines or others, which would have provided a gateway for Alaska gas to be delivered to virtually every market center in Canada and the Lower 48 states.

Bingaman Says President Has Power To Cut Energy Prices Now, Without Legislation

Sen. Jeff Bingaman (D-NM) in a letter to the White House Wednesday outlined "13 specific steps" that President Bush could take using his existing authority to cut high-flying prices for natural gas and gasoline.

Bingaman's recommendations led to a fiery exchange on the Senate floor earlier this week with New Mexico's Republican lawmaker, Sen. Pete Domenici, who insisted that lowering energy prices was the responsibility of Congress, not the Bush administration. He sharply criticized Bingaman and other Senate Democrats for complaining about energy prices, but refusing to agree to limit the number of amendments to be offered to the pared-down energy bill (S. 2095), which has prevented the measure from going to the Senate floor this session.

Domenici, whose job is to get an energy bill through the Senate, made clear his frustration with Bingaman and other Senate Democrats to energy reporters in a teleconference Thursday afternoon. "If I sound somewhat upset, I am," he said, referring to what he sees as deliberate attempts by

NYMEX Henry Hub Futures 3/25/04

Expiration dates in parentheses

Contract	High	Low	Settle	Change
Apr (3/29)	\$5.430	\$5.290	\$5.336	-.093
May (4/28)	\$5.480	\$5.340	\$5.416	-.085
June (5/26)	\$5.530	\$5.450	\$5.484	-.083
July (6/28)	\$5.610	\$5.510	\$5.536	-.079
Aug (7/28)	\$5.670	\$5.550	\$5.563	-.078
Sep (8/27)	\$5.580	\$5.530	\$5.540	-.076
Oct (9/28)	\$5.590	\$5.540	\$5.564	-.072
Nov (10/27)	\$5.770	\$5.730	\$5.740	-.070
Dec (11/26)	\$5.950	\$5.890	\$5.915	-.068
January	\$6.070	\$6.030	\$6.050	-.066
February	\$6.030	\$5.990	\$6.000	-.066
March	\$5.840	\$5.800	\$5.800	-.056
April	\$5.250	\$5.200	\$5.200	-.036
May	\$5.125	\$5.080	\$5.085	-.026
June	\$5.140	\$5.105	\$5.105	-.021
July	\$5.145	\$5.145	\$5.145	-.021
August	\$5.180	\$5.150	\$5.150	-.021
September	\$5.130	\$5.125	\$5.125	-.016
October	\$5.155	\$5.140	\$5.155	-.011
November	\$5.342	\$5.342	\$5.342	-.004
December	\$5.522	\$5.520	\$5.522	-.004
January	\$5.642	\$5.642	\$5.642	-.004
February	\$5.602	\$5.602	\$5.602	-.004
March	\$5.402	\$5.402	\$5.402	-.004

Est. Volume, 3/25: 77,541

Open Int, 3/24: N/A

April NYMEX Technical Indicators

Trend Indicator	3/19	3/22	3/23	3/24	3/25
+Dir. Indicator	21.14	20.43	19.33	18.02	16.87
-Dir Indicator	22.31	23.98	25.60	26.57	28.97
18 Day Avg.	5.513	5.531	5.538	5.539	5.527
40 Day Avg.	5.379	5.381	5.387	5.391	5.391

Oscillators

RSI	54.87	53.05	52.22	47.20	43.09
Stochastics(Slow)	86.05	78.26	70.48	60.43	48.10

Notes: The contents of this chart are in no way intended to serve as trading advice on the part of Intelligence Press Inc. For more information on how to interpret these technical indicators, please call Intelligence Press at (703) 318-8848 and ask for the pricing staff.

April NYMEX Options at 3/25 Close

Strike Price	Call Price	BS Value	Implied Volatility	Put Price	BS Value
\$5.20	.144	.137	44.0%	.008	.001
\$5.25	.103	.091	43.7%	.017	.005
\$5.30	.069	.052	44.0%	.033	.016
\$5.35	.042	.025	43.6%	.056	.039
\$5.40	r	.009	--	r	.073
\$5.45	.013	.003	45.2%	.127	.117
\$5.50	.007	.001	47.0%	.171	.165
Total Volume, 3/25:	N/A			Open Interest, 3/24:	N/A

Notes: BS Value represents the theoretical value of the option at the close of the March 25, 2004 trading session derived using the Black-Sholes options valuation model. Inputs for the model are the April futures price of \$5.336, strike price, 20 day annualized volatility of the April contract of 27.8%, and 1 day remaining before the option's expiration.

Democrats to sabotage broad energy legislation this year. Bingaman's letter to Bush is part of the Democratic strategy to block the bill, Domenici contends.

In his memo to the White House, Bingaman, the ranking Democrat on the Senate Energy and Natural Resources Committee, suggested that the president do four things to trim natural gas prices:

- Reprogram additional funds in fiscal 2004 to start reducing the application and permitting backlog at Interior Department's Bureau of Land Management (BLM) to drill for oil and natural gas on federal lands;
- Submit a supplemental request for an additional \$8 million for fiscal 2005 to cut the backlog to zero. The backlog stands at approximately 2,100 applications for the current fiscal year, and would be trimmed by only 200 in fiscal 2005 under the administration's current budget request, Bingaman said;
- Direct the BLM to abandon the notion of a rulemaking that would erect greater fiscal barriers to the exploration and production of oil and natural gas on federal lands; and
- Submit a supplemental request of \$37.1 million for fiscal 2005 for Department of Energy (DOE) oil and natural gas research and development (R&D) programs. The president's budget request for fiscal 2005 cut these programs by nearly half, he noted.

As for relieving pressure on gasoline prices, Bingaman recommended that the Bush administration:

- Temporarily suspend using royalty-in-kind oil to fill the Strategic Petroleum Reserve (SPR), until oil prices return to more normal levels;
- Put pressure on the Organization of Petroleum Exporting Countries (OPEC) to increase world oil supply;
- Give independent importers of gasoline some leeway to meet compliance requirements for low-sulfur gasoline; and
- Issue an emergency rule allowing companies to use their sulfur credits for 2005 in the current year in the event of a significant refinery or pipeline disruption, or if gasoline prices rise to levels that cause significant economic harm.

To ensure energy price relief in the longer term, Bingaman proposed that the Bush administration:

- Set a policy target for itself of the oil savings it would like to achieve economy-wide over the next decade;
- Address the need for further refining capacity in areas, such as the East Coast, that are now importing gasoline to keep pace with demand. Specifically, the White House should issue a



IntercontinentalExchange™

For Natural Gas Delivered on March 26, 2004
(Trade Date of March 25, 2004)

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	High	Low	Weighted Average Index	Change	Volume (mmBtu)	Number Trades	Counter- Parties
EAST							
Algonquin Citygates	\$5.7700	\$5.7000	\$5.7376	-0.14	38,100	7	6
Dominion-South	\$5.5400	\$5.4800	\$5.4987	-0.22	232,100	38	22
Dracut	\$5.6100	\$5.6000	\$5.6025	-0.15	20,000	3	4
Iroquois-Z2	\$5.7300	\$5.6700	\$5.6867	-0.14	80,300	17	12
TCO	\$5.4925	\$5.4275	\$5.4557	-0.13	434,900	62	26
TETCO-M3	\$5.7200	\$5.6400	\$5.6747	-0.16	159,900	36	23
Transco-Z6 (non-NY)	\$5.6500	\$5.5800	\$5.6038	-0.16	63,500	16	14
Transco-Z6 (NY)	\$5.6500	\$5.5800	\$5.5989	-0.18	71,100	18	17
GULF/TEXAS							
ANR SE	\$5.2000	\$5.1550	\$5.1856	-0.13	99,800	16	13
Carthage	\$5.0700	\$5.0200	\$5.0390	-0.15	59,200	12	14
CG-Onshore	\$5.2300	\$5.1500	\$5.1846	-0.13	194,100	29	27
CG-Mainline	\$5.2500	\$5.2400	\$5.2439	-0.13	39,500	6	7
FGT-Z2	\$5.2300	\$5.1800	\$5.2084	-0.15	13,900	3	5
FGT-Z3	\$5.2300	\$5.2300	\$5.2300	-0.14	5,600	1	2
Henry	\$5.2650	\$5.1300	\$5.2173	-0.13	481,700	55	24
Katy	\$5.1700	\$5.0200	\$5.1200	-0.18	15,000	2	4
NGPL LA	\$5.1050	\$5.0900	\$5.0934	n/a	12,900	2	4
NGPL-STX	\$5.0850	\$4.9850	\$5.0708	-0.15	63,000	10	11
Sonat-T1	\$5.2200	\$5.1600	\$5.2059	-0.15	67,900	10	12
TETCO ELA	\$5.2100	\$5.1450	\$5.1745	-0.12	171,600	26	20
TETCO-M1	\$5.3000	\$5.1600	\$5.2368	-0.11	138,100	27	19
TETCO-STX	\$4.9600	\$4.9000	\$4.9536	-0.08	17,500	4	7
TETCO WLA	\$5.1900	\$5.0700	\$5.0952	-0.14	84,000	14	13
TGP-500L	\$5.1500	\$5.0900	\$5.1276	-0.16	131,000	23	20
TGP-800L	\$5.1650	\$5.1000	\$5.1411	-0.14	92,700	15	17
TGP-Z0	\$5.1100	\$5.0700	\$5.0858	-0.15	175,100	25	21
TGT-SL (FT)	\$5.1900	\$5.1300	\$5.1778	-0.13	66,500	16	17
Transco-30	\$5.0800	\$5.0800	\$5.0800	-0.14	5,000	1	2
TGT-Z1 (FT)	\$5.1850	\$5.1500	\$5.1662	-0.14	20,500	4	6
Transco-45	\$5.2000	\$5.1700	\$5.1898	-0.14	9,000	3	4
Transco 65	\$5.2900	\$5.1500	\$5.2460	-0.13	163,300	23	19
Transco-85	\$5.2600	\$5.2600	\$5.2600	-0.14	8,100	1	2
Trunkline ELA	\$5.2400	\$5.1800	\$5.2036	-0.14	33,500	8	7
MIDCONTINENT							
Alliance Delivered	\$5.3400	\$5.2800	\$5.3129	-0.16	160,900	23	15
ANR-SW	\$4.9200	\$4.8800	\$4.9029	-0.05	15,200	5	5
CEGT-East	\$5.0300	\$4.9400	\$4.9944	-0.11	28,200	7	8
Chicago Citygates	\$5.3200	\$5.2700	\$5.3000	-0.14	177,300	34	21
Consumers	\$5.4400	\$5.4200	\$5.4296	-0.12	23,600	6	6
Dawn	\$5.6200	\$5.5800	\$5.5979	-0.12	134,000	16	11
Demarc	\$4.8800	\$4.8200	\$4.8541	-0.13	93,200	14	14
Michcon	\$5.4900	\$5.4400	\$5.4655	-0.12	239,600	32	18
NGPL-Amarillo	\$4.8300	\$4.8300	\$4.8300	-0.09	5,500	1	2
NGPL Midcont	\$4.7600	\$4.7000	\$4.7384	-0.13	113,200	23	17
NGPL-TXOK	\$5.1000	\$5.0150	\$5.0648	-0.14	304,300	51	27
Oneok	\$4.8250	\$4.7200	\$4.7594	-0.12	8,000	3	5
Panhandle	\$4.9450	\$4.8900	\$4.9181	-0.11	102,000	17	14
Ventura	\$4.9325	\$4.7800	\$4.8584	-0.14	87,000	14	13
WEST							
CIG-Mainline	\$4.4300	\$4.3700	\$4.4045	-0.06	35,700	8	8
EP-Permian	\$4.6600	\$4.6000	\$4.6427	-0.12	83,400	13	14
EP-San Juan	\$4.5500	\$4.5000	\$4.5379	-0.15	56,200	13	13
Huntingdon/Sumas	\$4.5400	\$4.4800	\$4.5072	-0.08	128,000	25	17
Malin	\$4.7050	\$4.6800	\$4.6901	-0.10	129,100	16	13
Opal	\$4.6300	\$4.5300	\$4.5791	-0.13	124,300	23	22
PG&E-Citygate	\$5.1200	\$5.0600	\$5.0912	-0.11	342,000	36	22
SoCal Border	\$4.8600	\$4.7800	\$4.8366	-0.13	246,100	32	15
Stanfield	\$4.6450	\$4.5800	\$4.6174	-0.10	162,400	22	17
Waha	\$4.8000	\$4.6800	\$4.7455	-0.11	215,300	29	14

Includes all firm physical fixed price trades done from 7 AM to 11:30 AM Central Prevailing Time on the trade date specified for natural gas delivered on the specified date(s). © 2004 IntercontinentalExchange, Inc.

report to Congress and the public within six months, identifying options for improving regulatory practices or streamlining permitting processes in order to increase U.S. refining capacity;

- Initiate a rulemaking on the proper management of the SPR during times of high energy prices;
- Reduce the proliferation of boutique fuels (110-plus different fuel types in all) in order to increase the ability to provide adequate supply of

gasoline and other fuels in times of disruption or in tight markets; and

- Encourage the International Energy Agency (IEA) to correct its strategic stock modeling methods. “[The IEA’s] monthly oil market report is critically important to the global oil market. The supply, demand and stock figures that IEA projects each month literally turn markets. Energy experts tell us that the method IEA uses to calculate monthly demand and supply figures is flawed, and that it encourages OPEC to ‘undershoot’ the market in terms of the amount of crude it supplies to the world market.”

But Domenici has not given up on his pared-down energy bill as the best way to boost supply and cut high prices for energy, such as natural gas, which he estimated have cost consumers an additional \$130 billion over four years. “This bill will pass with ease if we can get it to the floor and get the Democrats to stop filibustering,” he told reporters. “The issue is how long do they [Senate Democrats] insist this bill remain on the floor for them to fool around with it.”

Senate Majority Leader Bill Frist (R-TN) would take the bill up if Democrats would agree to limit their amendments to 10 or so, according to Domenici. In the meantime, “he doesn’t want to take up a bill when he has no idea how much longer it will take.” Frist “is stuck in the mud of this place which doesn’t give him very much time for anything else,” he said.

Domenici said the bill would “absolutely” happen if amendments were limited to 10 or 15.

However, even with a finite number of amendments, Domenici seemed to dodge questions about whether Republicans have the 60 votes required to bring the energy bill to the floor for consideration.

He said he would not support any amendment that would try to re-insert into the bill a liability waiver for the producers of the gasoline additive, methyl tertiary butyl ether (MTBE). Asked how he then would reconcile the Senate bill with the House energy measure, which has a waiver for MTBE producers, Domenici responded “I believe if this bill passes there will be some negotiations in the House that could [get this] resolved.”

Reacting to MidAmerican Energy Holdings’ withdrawal of its application for an Alaska pipeline Thursday, he noted, “I have no fears that there will be [other] companies under this bill that will bring us natural gas from Alaska.”

He said MidAmerican’s announcement was understandable. “I don’t know how I’d feel if I were a company that had to wait this long when the option is LNG,” but he also indicated it could be a “negotiating tactic” with the state of Alaska (see related story).

Domenici further disputed Bingaman’s estimate for the current backlog of permits and applications at

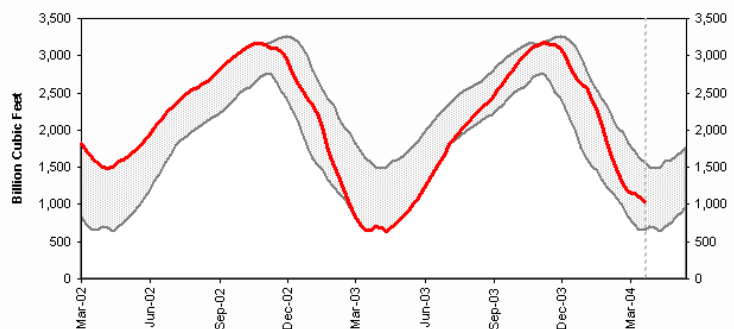
EIA Weekly Gas Storage Report

Data Released March 25, 2004 for the Week Ending March 19, 2004

	This Week (Bcf)	Prior Week (Bcf)	Change (Bcf)	Year Ago (Bcf)
East	507	575	- 68	289
West	153	151	2	167
Producing	372	371	1	204
Total Lower 48	1,032	1,097	- 65	660
	5-Year Average	% Difference from 5 Yr Avg		
East	556	- 8.8%		
West	185	- 17.3%		
Producing	383	- 2.9%		
Total Lower 48	1,124	- 8.2%		

East Region includes Illinois, Indiana, Iowa, Kentucky, Maryland, Michigan, Missouri, Nebraska, New York, Ohio, Pennsylvania, Tennessee, Virginia, and West Virginia. West Region includes California, Colorado, Minnesota, Montana, Oregon, Utah, Washington, and Wyoming. Producing Region includes Alabama, Arkansas, Kansas, Louisiana, Mississippi, New Mexico, Oklahoma, and Texas.

Working Gas in Underground Storage Compared with 5-Year Range



Notes: A weekly record for March 10, 2002, was linearly interpolated between the derived weekly estimates that end March 1 and the initial estimate from the EIA-912 on March 15. The shaded area indicates the range between the historical minimum and maximum values for the weekly series from 1997 through 2001. Graph prepared by EIA.

Source: Weekly storage values from March 15, 2002, to the present are from Form EIA-912, "Weekly Underground Natural Gas Storage Report." Values for earlier weeks are from the Historical Weekly Storage Estimates Database.

Interior’s BLM — 2,100. The BLM on Thursday told the Senate Energy Committee that it wiped out 1,400 permits from the backlog of 2,100, he noted. “That’s a pretty good chunk.”

Ex-Dynergy Tax Exec Sentenced to 24 Years

Jamie Olis, 38, a former tax executive for Dynergy Inc., was sentenced Thursday to 24 years in prison for his role in disguising the company’s finances within a transaction dubbed “Project Alpha,” which hid \$300 million in debt.

In Houston, U.S. District Judge Sim Lake also fined Olis \$25,000. The first-time offender was convicted last year on six counts of criminal conspiracy as well as securities, wire and mail fraud in connection with the 2001 transaction (see *Daily GPI*, Nov. 17, 2003).

Prosecutors had recommended Olis be sentenced from 24 to 30 years, which is five years short of the maximum punishment, based on the huge losses Dynergy shareholders suffered following Project Alpha’s repercussions.

Dynergy had to restate its 2001 earnings and pay a \$3 million fine to

the Securities and Exchange Commission (see *Daily GPI*, Sept. 25, 2002). The scandal also led to the resignation of many of Dynegy's top officials, including CFO Rob Doty and founder and Chairman Chuck Watson (see *Daily GPI*, June 25, 2002; May 29, 2002).

Ironically, Olis never profited directly from Project Alpha; he was awarded two annual bonuses totaling \$195,000 before the dubious transaction was investigated. Olis, who also is a lawyer and accountant, worked in Dynegy's tax department, and was the key engineer of Project Alpha.

Prosecutors had claimed that Olis worked with conspirators to hide a key part of the transaction from former auditor Arthur Andersen, which were two hedges required by the investing banks. According to Andersen witnesses at Olis' trial, the auditors refused to allow the hedges, which would be counted as \$300 million in cash flow.

During Olis' trial, the government's star witness had been Gene Shannon Foster, his former boss. Foster pleaded guilty last year to conspiracy and had cooperated with prosecutors. Another former Dynegy employee, Helen Christine Sharkey, also pleaded guilty last August for her part in the Alpha scheme and also cooperated with investigators.

In court Thursday, sources said Olis showed no reaction to the judge's sentence. The courtroom was filled with Olis' family, supporters and several former Dynegy colleagues.

2003 Natural Gas Sales Volumes Rise; BP Holds Top Spot

In terms of physical natural gas sales in North America, BP plc appears to have no equals, once again topping *NGI's* fourth quarter and year-end 2003 survey. BP reported gas sales of 22.3 Bcf/d in the final quarter of last year, up substantially from 18.1 Bcf/d reported a year earlier. The London-based major also showed a 29% gain year-over-year, reporting 20.2 Bcf/d in sales during 2003, compared with 15.6 Bcf/d in 2002.

BP's nearest competitor, California-based Sempra Energy, reported 12.9 Bcf/d in gas sales in the final quarter, up from 10.5 Bcf/d in 4Q2002. It gained 33% year-over-year in North American gas sales, reporting 13.2 Bcf/d last year, up from 9.9 Bcf/d in 2002. BP's and Sempra's volumes were both up 23% in 4Q2003 sales compared with 4Q2002. Shell's trading arm, Houston-based Coral Energy, was in third place for the fourth quarter, averaging 9.3 Bcf/d in gas sales, while ConocoPhillips was fourth, averaging 8.6 Bcf/d.

After the top four, however, there was much more parity in gas sales for the quarter. Cinergy, up 6% in gas sales from the previous fourth quarter, rounded out the top five, averaging 3.94 Bcf/d in sales, which was less than half that of number four ConocoPhillips. However, Cinergy was up 17% year-over-year, with 4.06 Bcf/d in 2003 sales, compared with 3.46 Bcf/d the previous year.

The rest of the top 10 was dominated by up-and-coming marketers and continued strong showings by producers. Thirteen of the 21 companies listed were producers or producer affiliates.

ChevronTexaco, which began marketing its North American gas for the first time last year after severing its marketing agreement with Dynegy Inc., was in seventh place for the fourth quarter, reporting 3.8 Bcf/d in sales. Tenaska, gaining 23% in sales from a year before, reported 3.7 Bcf/d in the fourth quarter, and it was up 25% in sales for the year, reporting 3.5 Bcf/d in 2003, compared with 2.8 Bcf/d a year before.

Rounding out the top 10 were ExxonMobil Corp., which reported 3.03 Bcf/d in the final quarter, while Nexen reported 2.99 Bcf/d.

It terms of reporting, it was easier to compile a list of top North American marketers for the fourth quarter — unlike a year ago when

Top North American Gas Marketers (Bcf/d)

Company	4Q03	4Q02	% Chng
BP	22.30	18.10	23%
Sempra	12.90	10.50	23%
Coral	9.30	8.80	6%
ConocoPhillips	8.60	7.40	16%
Cinergy	3.94	3.72	6%
ChevronTexaco	3.80	4.48	-15%
Tenaska	3.70	3.00	23%
Nexen	3.20	2.20	45%
EnCana	3.10	3.00	3%
ExxonMobil	3.03	3.25	-7%
Oneok	2.57	2.80	-8%
Devon	2.48	2.01	23%
Williams	2.40	3.40	-29%
Amerada Hess	2.20	1.90	16%
Sequent	1.90	NA	NA
Anadarko	1.80	1.30	38%
Burlington	1.75	1.75	0%
Enserco	1.38	1.98	-30%
Western Gas	1.33	1.66	-20%
Dominion	1.07	1.10	-3%
Apache	1.01	0.83	22%
Total *	91.86	83.18	10%

Source: Physical sales volumes for the fourth quarter of 2003 as reported in quarterly financial reports to the Securities and Exchange Commission or if necessary provided to *NGI* in a statement signed by a company official. * Total excludes Sequent.

Top North American Gas Marketers (Bcf/d)

Company	2003	2002	% Chng
BP	20.20	15.60	29%
Sempra	13.20	9.90	33%
Coral	9.20	NA	NA
ConocoPhillips	8.70	5.74	52%
Cinergy	4.06	3.46	17%
ChevronTexaco	3.87	5.46	-29%
Tenaska	3.50	2.80	25%
ExxonMobil	3.19	3.40	-6%
Nexen	3.03	2.79	9%
Williams	2.70	3.80	-29%
EnCana	2.57	2.38	8%
Oneok	2.53	2.50	1%
Devon	2.34	2.08	13%
Entergy-Koch	2.30	NA	NA
Amerada Hess	2.00	1.80	11%
Sequent	1.75	1.39	26%
Burlington	1.73	1.75	-1%
Anadarko	1.37	1.39	-1%
Western Gas	1.36	1.99	-31%
Enserco	1.21	1.06	14%
Dominion	1.09	1.10	-1%
Apache	0.98	0.83	18%
Total *	81.38	71.22	14%

Source: Physical sales volumes for the full year 2003 as reported in quarterly financial reports to the Securities and Exchange Commission or if necessary provided to *NGI* in a statement signed by a company official. * Total excludes Coral and Entergy-Koch.

many companies declined to detail gas sales following a turbulent period of scandals and investigations.

The increase in reporting late last year appears to support data compiled by the Market Price Reporting Action Committee (MPRAC), which earlier this month cited "evidence of increased transparency in the nation's natural gas markets" (see *Daily GPI*, March 11).

The MPRAC credited index enhancements recommended last year by the Federal Energy Regulatory Commission, which it said had sparked a resurgence in market price reporting. Bob Anderson, a coalition member and executive director of the Committee of Chief Risk Officers, said a year-long drive by FERC had made a difference in the increased transaction data numbers. Companies also are now more willing to release other forms of data, such as gas sales.

Still, many formerly strong energy marketers, including Duke Energy, Dynegy, Mirant, Aquila and American Electric Power, are no longer officially reporting their gas sales. Meanwhile, Williams, which had been one of the gas marketing sales leaders less than two years ago, remained in the top 20 in the latest survey, but its data showed a 29% decrease from a year ago.

Ben Schlesinger, an energy consultant based in Maryland, had been compiling a directory of gas marketing firms for several years, but discontinued the project last year. He cited security issues because of Sept. 11, 2001, credit problems and scandals within the industry as the reason for the directory's demise (see *Daily GPI*, Feb. 20). Still, he believes the market appears to be recovering.

"We're seeing some new faces in the market business," Schlesinger told *NGI*. "Major oil and gas producers are clearly in there now. There are a handful of survivors: Sempra, Coral and a few others. Credit is a real issue."

Texas Gas Well Completion Reaches Highest Monthly Level in 30 Years

Energy companies completed more than 680 natural gas wells in Texas during the month of February, the highest number in 30 years, according to the Railroad Commission of Texas.

The state remains the largest natural gas producer in the country, averaging 5.7 Tcf/year, which represents almost 30% of total U.S. production. In addition, Texas is the largest gas exporter and also is the largest gas consumer, averaging 3.9 Tcf/d, according to the commission. Texas regularly exports about 1.8 Tcf per year, mostly to the Northeast and Midwestern states, and more recently to Mexico.

"As demand increases for clean burning natural gas in generating electricity and heating throughout our country the Texas oil and gas industry has had to increase drilling in order to maintain reasonable prices for consumers," said Charles Matthews, one of the state's commissioners. "The numbers reported today show that the industry has worked hard to increase production of natural gas."

Since 1999, the number of new gas-fired merchant power plants built in Texas has increased by more than 25,000 MW of new generating capacity, the equivalent of about 50 new power plants. Another 5,000 MW is under construction and will be online over the next year and a half. These plants continue to

put demand pressure on the natural gas market.

"Although we have yet to see an increase in the production figures, I am hopeful that these completion numbers are an indicator of increased supply and moderate prices," said Matthews.

Irving Oil Submits EIS for New Brunswick LNG Project

Irving Oil said Thursday that it has submitted an environmental impact statement (EIS) for its previously announced New Brunswick liquefied natural gas (LNG) import terminal. After the government reviews the project and details are released to the public, a final government decision would follow within 60 to 90 days.

The C\$500 million LNG plant would be built at Irving Oil's existing Canaport deepwater terminal about 60 miles from the U.S. border. Canaport covers 1,802 acres, has a water depth of 128 feet at low tide and is connected by pipelines to the Irving Oil Refinery five miles away. The terminal would have a sendout capacity of 750 MMcf/d. It is expected to be in service in 2006.

Gary Bischof, general manager of processing and transportation at Irving Oil, called the EIS a "significant milestone. After close to three years of assessing the environmental impact and the benefits of the project, we have submitted the results to government for their review. This project will build on existing energy infrastructure in the region to enhance the platform for future investment and economic opportunities."

The project was first announced in July 2001. Early and thorough public consultation on the project has included three public meetings in Saint John to address questions from the public and over 50 additional stakeholder sessions. This has ensured the involvement of the community in the environmental assessment process. With the EIS submission, the company's permit application enters the final stages of the environmental impact assessment process.

Founded in 1924, Irving Oil serves customers in Eastern Canada, Quebec and New England with a range of finished energy products, including gasoline, diesel, home heating fuel, jet fuel and complementary products and services. Irving Oil's 250,000 b/d Saint John refinery is Canada's largest.

Lehman Raises Price Forecast, Outlook for Energy Sector

Lehman Brothers on Thursday boosted its outlook on the oil and gas sector, raised its forecast for several individual energy stocks and increased its price predictions for both oil and gas through 2005.

In a research note, analyst Thomas Driscoll attributed the changes to continued increases in demand forecasts, bullish storage numbers, a weak U.S. dollar, adequate OPEC production discipline and rising costs. The 2004 gas forecast was raised 25 cents to \$5.24/MMBtu, and the 2005 forecast was raised by 50 cents to \$4.75. Oil prices were raised to \$32/bbl from \$30 this year and to \$28/bbl from \$23 in 2005.

The Lehman analyst also raised the energy sector rating to

“positive” from “neutral,” and boosted oil and company earnings forecasts across the board. Driscoll’s top sector picks were Burlington Resources Inc., Talisman Energy and XTO Energy. He also upgraded Canadian Natural Resources, Kerr-McGee, Nexen and Unocal to “equal weight” from “underweight.”

“We would be more aggressive on recommending the purchase of exploration & production shares if the companies had a better record of focusing on earning returns for investors,” Driscoll wrote. “Finding and development costs have risen sharply over the past several years and we fear that a large portion of the high cash flows will be used, in part, to fund the drilling of marginal oil and gas prospects.”

Driscoll added that companies that spend cash “wisely” by using excess cash flow to reduce debt or repurchase shares will likely continue to outperform the more aggressive spenders.

Williams, Willbros Complete 350 MMcf/d Expansion at Opal Plant

Williams said that a unit of Willbros Group has completed a 350 MMcf/d expansion project at the Opal, WY, gas processing plant, bringing processing capacity to 1.1 Bcf/d. The expansion accommodates new production by affiliates of Shell Exploration & Production in southwestern Wyoming’s Pinedale Anticline.

“The combined efforts of the teams from Willbros, Shell and Williams delivered an industry solution that provides reliable and efficient service for Shell’s growing production volumes for many years to come,” said Alan Armstrong, senior vice president of Williams’ midstream gas and liquids group. “This is a joint success for our companies and Wyoming’s export capacity.”

The expansion involved the construction of a fourth cryogenic processing train at Williams’ Opal facility, which delivers gas to the Opal Hub where Kern River Gas Transmission connects with Northwest Pipeline, Overthrust Pipeline, Colorado Interstate Gas, Questar and Overland Trail. The new processing unit was built and will be owned by Willbros Mt. West.

Williams operates the new unit and will market the capacity under a long-term agreement with Willbros. The terms of the agreement provide revenue opportunities to both Williams and Willbros Mt. West.

The project boosts Opal’s total inlet capacity, including blending, from approximately 1.15 Bcf/d to 1.5 Bcf/d. The plant also has the ability to recover approximately 56,000 barrels per day of natural gas liquids.

“Our long-term relationship with Williams allowed us to create a unique structure for the expansion of processing capacity at the Opal plant,” said Michael F. Curran, CEO of Willbros. “We have also had a strategic goal of increasing the long-term and predictable components of our total revenue stream and the Opal facility is a step in accomplishing this goal.”

Four Bodies Recovered as Gulf Search Continues

Following hours of searching into the night, the U.S. Coast Guard announced late Wednesday that it had found four bodies in the Gulf of Mexico believed to be passengers from

the Era Aviation helicopter that went missing Tuesday night (see *Daily GPI*, March 25). The bodies were discovered approximately 60 miles south of Galveston, TX.

The Coast Guard reported that heavy sea conditions with 16-knot winds and six-to-eight foot seas made search and recovery efforts more difficult. The Coast Guard cutter *Manta* remained on scene throughout the night, along with several other commercial vessels, to continue searching for possible survivors from the missing helicopter, which contained eight passengers and two crew members.

Located in the same area as the four bodies were miscellaneous pieces of debris, including a life jacket stenciled with the words “Property of Era.”

“The search continues,” said Adam Wine, Coast Guard chief warrant officer. “Search helicopters are spotting a lot of debris of the aircraft out on the water, such as a cargo door and smaller parts of the fuselage and equipment. The four bodies that were spotted yesterday have all been recovered and delivered to the Galveston County, TX Coroner’s office.”

Wine noted that the current temperature of the water surrounding the crash site is approximately 70 degrees. “A person dressed in light clothing with a life jacket on has the possibility of surviving up to 30 hours in the water,” Wine told *NGI*, adding that the helicopter was equipped with life rafts, which if deployed, could take the survival window into a number of days.

Wine noted that a number of ships and helicopters are currently searching the area, including the *Wrangler*, which is a ship equipped with a sightscan sonar for locating the bulk of the fuselage underwater.

The Era Aviation Inc., S-76 Sikorsky helicopter departed Scholes Field in Galveston at 6:45 p.m. Tuesday, bound for the *Discoverer Spirit*, an 835-foot exploratory ship owned by Transocean and anchored 130 miles east of South Padre Island. The ship was in transit to a drill site in Alaminos Canyon Block 859, located 200 miles south of Galveston. The helicopter was last heard from at 7:12 p.m. Tuesday when it was about 90 miles south of Galveston.

Onboard the helicopter were four employees of Halliburton, one from Dril-Quip and two from Offshore Energy Services, all contracted to Unocal; and one Unocal employee. Names are currently being withheld as company officials are currently in the process of contacting next of kin. The helicopter owned by Era Aviation, a unit of Houston-based Rowan Co., is under contract to Unocal.

Interior Back on Internet After Appeals Court Issues Stay

A federal appeals court in Washington, DC, on Wednesday granted an emergency administrative stay of a lower court’s injunction that had forced the Department of Interior to unplug most of its computer system from the Internet in mid-March.

As a result of the temporary stay, the websites of the majority of the affected Interior agencies have been restored, with the exception of the Bureau of Indian Affairs (BIA), pending the outcome of hearing before the U.S. Court of Appeals for the District of Columbia on the injunction, which was issued by U.S. District Judge Royce C. Lamberth on March 15.

"We expect a hearing on it [the injunction] as early as next week," said Interior spokesman Dan DuBray. The BIA was not covered by the stay because it was disconnected from the Internet by prior orders of the district court, he noted.

The latest disconnection from the Internet was ordered after Lamberth concluded that Interior had failed miserably to beef up the security of its computer database containing information on royalties that are held and overseen by the department in the Indian Trust Fund.

This was at least the second occasion in which the agency was ordered to unplug from the Internet its database systems that house or provide access to information on royalties held in individual Indian trusts. The lower court repeatedly has found that Interior's system containing Indian royalty data is an easy target for hackers.

Lamberth's action is part of a lawsuit in which Indian plaintiffs cited a lack of Internet security surrounding the Interior-maintained Indian trust accounts, which hold royalty monies from oil and gas production, and timber and mining activities on their lands. The plaintiffs claimed the Indian trust accounts were easy prey for outside hackers, and that this contributed to an alleged mismanagement of billions of dollars of Indian royalties over the years.

Industry Briefs

El Paso Corp. closed the previously announced sale of **El Paso Oil & Gas Canada Inc.** to **BG Group** for \$352 million in cash. The assets will now be called **BG Canada Exploration and Production Inc.** and include 630,000 acres of net undeveloped oil and gas acres. El Paso will use the proceeds to reduce debt. The company hopes to lower its long-term debt to \$15 billion by year-end 2005 from a 3Q2003 level of \$22.5 billion. To date, El Paso has announced or closed \$2.9 billion of the \$3.3 to \$3.9 billion of assets sales targeted under its debt reduction plan. In addition, El Paso announced that it has now received all subsequent waivers relating to its revolving credit facility and other financing transactions that are required to address potential issues related to its recently announced reserve revisions.

Canadian Superior Energy said Thursday that its Mariner 1-85 well has been abandoned and the Rowan Gorilla V jack-up drilling rig has been towed to Halifax. Mike Coolen, director of Canadian Superior's East Coast operations, said there were "zero lost time injuries and zero environment incidents/spills occurred while drilling this challenging high temperature high pressure 5,408 meter (17,743 feet) well, in the middle of the harsh North Atlantic, this past fall and winter... At the appropriate time, as soon as possible, we will comment further on the 'Mariner' project, including, if possible, partner confidential information.

We are pleased to report that our expenditure tracking indicates that the well costs have met budget expectations, within normal industry tolerances; and we are confident that the overall well cost will be lower than those of comparable high temperature high pressure wells in the area, in part due to the favourable service contracts that were negotiated for the well." The Mariner 1-85 well is one of the deepest wells that will be drilled offshore this year in North America. The exploration well is located 180 miles southeast of Halifax. Three prospects have been identified for drilling on the block (EL 2409), which encompasses a total area of 101,800 acres and directly offsets five significant discoveries near Sable Island including the ExxonMobil Venture natural gas field.

Transportation Notes

Pacific Gas & Electric did not keep a high-inventory OFO in effect beyond Thursday.

Northern Natural Gas declared force majeure following an explosion and fire Thursday morning on its Des Moines Branchline about 1.5 miles east of Woodward, IA. "Although service has been maintained through rerouting of volumes, capacity has been reduced," the pipeline said. It expected to complete repairs by Friday evening, but said it will operate the line at a lowered pressure until an investigation is complete.

Effective with Friday's gas day, **Dominion** will lift what it called the south to north, or "Valley Gate," transportation restriction. A restriction for primary only deliveries at Leidy Hub in Pennsylvania is also being lifted, Dominion said.

NOVA will restrict services on the 20-inch Peace River Mainline to allow an expected two days of integrity work starting April 15. All firm service transfers will be restricted to downstream transfers only, and no transfers into the area will be permitted. See the bulletin board for a list of affected stations in Segment #1 UPRM. To expedite the determination of curtailment levels, the pipeline urged shippers to submit transfer/new firm service requests for the restricted area no later than April 5.

Transwestern will be allocating the P. 3 Compressor Station on its Panhandle Lateral down from 260,000 MMBtu/d to approximately 110,000 MMBtu/d on April 20 for annual unit maintenance and emergency shutdown testing. Capacity will be raised to about 200,000 MMBtu/d April 21-23 as the work continues and then restored to the full 260,000 MMBtu/d April 24.

The estimated duration of an outage that began March 8 at **Panhandle Eastern's** Cashion Unit 2302 in Oklahoma has been extended to March 31. The outage is limiting capacity through the BISO9 segment — which includes the DEFS [**Duke Energy Field Services**] Kingfisher, DEFS Cashion and **Enogex** points — to 90 MMcf/d.

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