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OFFICE OF THE SECRETARIAT



February 18, 2009

**VIA E-MAIL**

Mr. David Stawick  
Office of the Secretariat  
Commodity Futures Trading Commission  
Three Lafayette Centre  
1155 21st Street, N.W.  
Washington, D.C. 20581

**Re: Rule Certification. New York Mercantile Exchange, Inc. Submission #09.14: Notification Regarding the Listing of Ten (10) New Natural Gas Basis Swap Futures Contracts on CME ClearPort® electronic clearing and trading systems**

Dear Mr. Stawick:

The New York Mercantile Exchange, Inc. ("NYMEX" or "Exchange") is notifying the Commodity Futures Trading Commission ("CFTC" or "Commission") that it is self-certifying the listing of ten (10) new natural gas basis swap futures contracts for trading on CME ClearPort® trading system and for submission for clearing on CME ClearPort® electronic clearing system. The delivery point for the natural gas swap will be based on the ten new Natural Gas Basis Swaps at the following locations: Columbia Gulf Mainline; Florida Gas Zone 2; OneOk, Oklahoma; Southern Star Texas, Oklahoma, Kansas; Tennessee, Louisiana 800 Leg; Texas Eastern, West Louisiana; Texas Gas Zone 1; Transco Zone 1; Transco Zone 2; and SoCal City-Gate. The ten new contracts, commodity codes and chapter numbers are listed below.

<u>Contract</u>	<u>Code</u>	<u>Rule Chapter</u>
Columbia Gulf Mainline <i>Basis Swap</i>	5Z	428.01-428.09
Florida Zone 2 <i>Basis Swap</i>	8A	429.01-429.09
OneOk, Oklahoma <i>Basis Swap</i>	8X	430.01-430.09
Southern Star Texas, Oklahoma, Kansas <i>Basis Swap</i>	8Z	431.01-431.09
Tennessee 800 Leg <i>Basis Swap</i>	6Z	432.01-432.09
Texas Eastern, West Louisiana <i>Basis Swap</i>	8B	433.01-433.09
Texas Gas Zone 1 <i>Basis Swap</i>	9F	434.01-434.09
Transco Zone 1 <i>Basis Swap</i>	8E	435.01-435.09
Transco Zone 2 <i>Basis Swap</i>	8F	436.01-436.09
SoCal City-Gate <i>Basis Swap</i>	9A	437.01-437.09

The ten basis swap contracts will be cash-settled. Beginning on Sunday, February 22, 2009 for trade date Monday, February 23, 2009, the ten basis swap contracts will be listed for trading and clearing on CME ClearPort® electronic clearing and trading systems and will be available during normal hours on CME ClearPort®. Electronic trading and clearing is conducted from 6:00 p.m. Sunday until 5:15 p.m. Friday (New York Prevailing time) via the CME ClearPort® electronic clearing and trading systems. There is a 45-minute break each day between 5:15 p.m. (current trade date) and 6:00 p.m. (next trade date).

The ten basis swap contracts will initially be listed current year plus the next five years consecutively beginning with the April 2009 contract month. In addition, the Exchange will allow exchange of futures for physical ("EFP") and exchange of futures for swap ("EFS") transactions to be submitted through CME ClearPort<sup>®</sup> electronic clearing system. The EFP and EFS transactions in these futures contracts will be governed by the provisions of Exchange Rules 6.21 and 6.21A, respectively.

The supplemental market information attached herewith includes the recommended position limits for the ten (10) new natural gas basis swap futures contracts. A separate submission, however, will be submitted to the Commission to self-certify those position limits.

Pursuant to Section 5c(c) of the Commodity Exchange Act ("Act") and CFTC Rule 40.2 and Rule 40.6, the Exchange hereby certifies that the attached contracts comply with the Act, including regulations under the Act. These new rules will become effective upon the launch of these contracts, which, as noted above will occur on Monday, February 23, 2009.

Should you have any questions concerning the above, please contact at Robert Levin at (212) 299-2390, Bradford Leach at (212) 299-2609 or the undersigned at (202) 638-3838.

Sincerely,



De'Ana H. Dow  
Managing Director  
Government Relations

Attachment: Contract terms and conditions  
Supplemental Market Information

## **Columbia Gulf Mainline Basis Swap Contract**

### **428.01 Scope**

The provisions of these rules shall apply to all futures contracts bought or sold on the Exchange for cash settlement based on the Floating Price.

### **428.02 Floating Price**

The Floating Price for each contract month will be equal to the Platts Inside FERC's Gas Market Report ("Platts IFERC") Columbia Gulf Transmission Co. Mainline Index ("Index") published in the table titled "Prices of Spot Gas Delivered to Pipelines" in the first regular issue of the contract month minus the NYMEX (Henry Hub) Natural Gas Futures contract final settlement price for the corresponding contract month.

### **428.03 Contract Quantity and Value**

The contract quantity shall be 2,500 MMBtu (million British thermal units).

Transaction sizes for trading in any delivery month shall be restricted to whole number multiples of the number of calendar days in that contract month, provided however this restriction on transaction size does not apply to either exchange of futures for, or in connection with, product (EFP) or exchange of futures for, or in connection with, swap transactions (EFS).

Each contract based on the Columbia Gulf Mainline Basis Swap Contract shall be valued as the contract quantity (2,500 MMBtu) multiplied by the settlement price.

### **428.04 Contract Months**

Trading shall be conducted in contracts in such months as shall be determined by the Exchange.

### **428.05 Prices and Fluctuations**

Prices shall be quoted in U.S. dollars and cents per MMBtu. The minimum price fluctuation shall be \$0.0025 per MMBtu. There shall be no maximum price fluctuation.

### **428.06 Termination of Trading**

Trading shall cease on the last business day of the month prior to the contract month.

### **428.07 Final Settlement**

Delivery under the Columbia Gulf Mainline Basis Swap Contract shall be by cash settlement. Final settlement, following termination of trading for a contract month, will be based on the Floating Price. The final settlement price will be the Floating Price calculated for each contract month, provided, however, that in the event that the Floating Price is not available to the Exchange for any reason, the Exchange, based on the best information available to it at the time, will determine a final settlement price, which in the judgment of staff, is intended to serve as the best substitute for the Floating Price.

**428.08 Exchange of Futures for, or in Connection with, Product and Exchange of Futures for, or in Connection with, Swap Transactions**

Any exchange of futures for, or in connection with product (EFP) or exchange of futures for, or in connection with, swap transactions (EFS) shall be governed by the provisions of Rules 6.21 and 6.21A, respectively.

**428.09 Disclaimer**

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## **Florida Zone 2 Basis Swap Contract**

### **429.01 Scope**

The provisions of these rules shall apply to all futures contracts bought or sold on the Exchange for cash settlement based on the Floating Price.

### **429.02 Floating Price**

The Floating Price for each contract month will be equal to the Platts Inside FERC's Gas Market Report ("Platts IFERC") Florida Gas Transmission Co. Zone 2 Index ("Index") published in the table titled "Prices of Spot Gas Delivered to Pipelines" in the first regular issue of the contract month minus the NYMEX (Henry Hub) Natural Gas Futures contract final settlement price for the corresponding contract month.

### **429.03 Contract Quantity and Value**

The contract quantity shall be 2,500 MMBtu (million British thermal units).

Transaction sizes for trading in any delivery month shall be restricted to whole number multiples of the number of calendar days in that contract month, provided however this restriction on transaction size does not apply to either exchange of futures for, or in connection with, product (EFP) or exchange of futures for, or in connection with, swap transactions (EFS).

Each contract based on the Florida Zone 2 Basis Swap Contract shall be valued as the contract quantity (2,500 MMBtu) multiplied by the settlement price.

### **429.04 Contract Months**

Trading shall be conducted in contracts in such months as shall be determined by the Exchange.

### **429.05 Prices and Fluctuations**

Prices shall be quoted in U.S. dollars and cents per MMBtu. The minimum price fluctuation shall be \$0.0025 per MMBtu. There shall be no maximum price fluctuation.

### **429.06 Termination of Trading**

Trading shall cease on the last business day of the month prior to the contract month.

### **429.07 Final Settlement**

Delivery under the Florida Zone 2 Basis Swap Contract shall be by cash settlement. Final settlement, following termination of trading for a contract month, will be based on the Floating Price. The final settlement price will be the Floating Price calculated for each contract month, provided, however, that in the event that the Floating Price is not available to the Exchange for any reason, the Exchange, based on the best information available to it at the time, will determine a final settlement price, which in the judgment of staff, is intended to serve as the best substitute for the Floating Price.

**429.08 Exchange of Futures for, or in Connection with, Product and Exchange of Futures for, or in Connection with, Swap Transactions**

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## **OneOk, Oklahoma Basis Swap Contract**

### **430.01 Scope**

The provisions of these rules shall apply to all futures contracts bought or sold on the Exchange for cash settlement based on the Floating Price.

### **430.02 Floating Price**

The Floating Price for each contract month will be equal to the Platts Inside FERC's Gas Market Report ("Platts IFERC") OneOk Gas Transportation LLC, Oklahoma Index ("Index") published in the table titled "Prices of Spot Gas Delivered to Pipelines" in the first regular issue of the contract month minus the NYMEX (Henry Hub) Natural Gas Futures contract final settlement price for the corresponding contract month.

### **430.03 Contract Quantity and Value**

The contract quantity shall be 2,500 MMBtu (million British thermal units).

Transaction sizes for trading in any delivery month shall be restricted to whole number multiples of the number of calendar days in that contract month, provided however this restriction on transaction size does not apply to either exchange of futures for, or in connection with, product (EFP) or exchange of futures for, or in connection with, swap transactions (EFS).

Each contract based on the OneOk, Oklahoma Basis Swap Contract shall be valued as the contract quantity (2,500 MMBtu) multiplied by the settlement price.

### **430.04 Contract Months**

Trading shall be conducted in contracts in such months as shall be determined by the Exchange.

### **430.05 Prices and Fluctuations**

Prices shall be quoted in U.S. dollars and cents per MMBtu. The minimum price fluctuation shall be \$0.0025 per MMBtu. There shall be no maximum price fluctuation.

### **430.06 Termination of Trading**

Trading shall cease on the last business day of the month prior to the contract month.

### **430.07 Final Settlement**

Delivery under the OneOk, Oklahoma Basis Swap Contract shall be by cash settlement. Final settlement, following termination of trading for a contract month, will be based on the Floating Price. The final settlement price will be the Floating Price calculated for each contract month, provided, however, that in the event that the Floating Price is not available to the Exchange for any reason, the Exchange, based on the best information available to it at the time, will determine a final settlement price, which in the judgment of staff, is intended to serve as the best substitute for the Floating Price.

**430.08 Exchange of Futures for, or in Connection with, Product and Exchange of Futures for, or in Connection with, Swap Transactions**

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## **Southern Star Texas, Oklahoma, Kansas Basis Swap Contract**

### **431.01 Scope**

The provisions of these rules shall apply to all futures contracts bought or sold on the Exchange for cash settlement based on the Floating Price.

### **431.02 Floating Price**

The Floating Price for each contract month will be equal to the Platts Inside FERC's Gas Market Report ("Platts IFERC") Southern Star Central Gas Pipeline Inc. Texas, Oklahoma, Kansas Index ("Index") published in the table titled "Prices of Spot Gas Delivered to Pipelines" in the first regular issue of the contract month minus the NYMEX (Henry Hub) Natural Gas Futures contract final settlement price for the corresponding contract month.

### **431.03 Contract Quantity and Value**

The contract quantity shall be 2,500 MMBtu (million British thermal units).

Transaction sizes for trading in any delivery month shall be restricted to whole number multiples of the number of calendar days in that contract month, provided however this restriction on transaction size does not apply to either exchange of futures for, or in connection with, product (EFP) or exchange of futures for, or in connection with, swap transactions (EFS).

Each contract based on the Southern Star Texas, Oklahoma, Kansas Basis Swap Contract shall be valued as the contract quantity (2,500 MMBtu) multiplied by the settlement price.

### **431.04 Contract Months**

Trading shall be conducted in contracts in such months as shall be determined by the Exchange.

### **431.05 Prices and Fluctuations**

Prices shall be quoted in U.S. dollars and cents per MMBtu. The minimum price fluctuation shall be \$0.0025 per MMBtu. There shall be no maximum price fluctuation.

### **431.06 Termination of Trading**

Trading shall cease on the last business day of the month prior to the contract month.

### **431.07 Final Settlement**

Delivery under the Southern Star Texas, Oklahoma, Kansas Basis Swap Contract shall be by cash settlement. Final settlement, following termination of trading for a contract month, will be based on the Floating Price. The final settlement price will be the Floating Price calculated for each contract month, provided, however, that in the event that the Floating Price is not available to the Exchange for any reason, the Exchange, based on the best information available to it at the time, will determine a final settlement price, which in the judgment of staff, is intended to serve as the best substitute for the Floating Price.

**431.08 Exchange of Futures for, or in Connection with, Product and Exchange of Futures for, or in Connection with, Swap Transactions**

Any exchange of futures for, or in connection with product (EFP) or exchange of futures for, or in connection with, swap transactions (EFS) shall be governed by the provisions of Rules 6.21 and 6.21A, respectively.

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## **Tennessee 800 Leg Basis Swap Contract**

### **432.01 Scope**

The provisions of these rules shall apply to all futures contracts bought or sold on the Exchange for cash settlement based on the Floating Price.

### **432.02 Floating Price**

The Floating Price for each contract month will be equal to the Platts Inside FERC's Gas Market Report ("Platts IFERC") Tennessee Gas Pipeline Co. Louisiana, 800 leg Index ("Index") published in the table titled "Prices of Spot Gas Delivered to Pipelines" in the first regular issue of the contract month minus the NYMEX (Henry Hub) Natural Gas Futures contract final settlement price for the corresponding contract month.

### **432.03 Contract Quantity and Value**

The contract quantity shall be 2,500 MMBtu (million British thermal units).

Transaction sizes for trading in any delivery month shall be restricted to whole number multiples of the number of calendar days in that contract month, provided however this restriction on transaction size does not apply to either exchange of futures for, or in connection with, product (EFP) or exchange of futures for, or in connection with, swap transactions (EFS).

Each contract based on the Tennessee 800 Leg Basis Swap Contract shall be valued as the contract quantity (2,500 MMBtu) multiplied by the settlement price.

### **432.04 Contract Months**

Trading shall be conducted in contracts in such months as shall be determined by the Exchange.

### **432.05 Prices and Fluctuations**

Prices shall be quoted in U.S. dollars and cents per MMBtu. The minimum price fluctuation shall be \$0.0025 per MMBtu. There shall be no maximum price fluctuation.

### **432.06 Termination of Trading**

Trading shall cease on the last business day of the month prior to the contract month.

### **432.07 Final Settlement**

Delivery under the Tennessee 800 Leg Basis Swap Contract shall be by cash settlement. Final settlement, following termination of trading for a contract month, will be based on the Floating Price. The final settlement price will be the Floating Price calculated for each contract month, provided, however, that in the event that the Floating Price is not available to the Exchange for any reason, the Exchange, based on the best information available to it at the time, will determine a final settlement price, which in the judgment of staff, is intended to serve as the best substitute for the Floating Price.

**432.08 Exchange of Futures for, or in Connection with, Product and Exchange of Futures for, or in Connection with, Swap Transactions**

Any exchange of futures for, or in connection with product (EFP) or exchange of futures for, or in connection with, swap transactions (EFS) shall be governed by the provisions of Rules 6.21 and 6.21A, respectively.

**432.09 Disclaimer**

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## **Texas Eastern, West Louisiana Basis Swap Contract**

### **433.01 Scope**

The provisions of these rules shall apply to all futures contracts bought or sold on the Exchange for cash settlement based on the Floating Price.

### **433.02 Floating Price**

The Floating Price for each contract month will be equal to the Platts Inside FERC's Gas Market Report ("Platts IFERC") Texas Eastern Transmission Corp. West Louisiana Zone Index ("Index") published in the table titled "Prices of Spot Gas Delivered to Pipelines" in the first regular issue of the contract month minus the NYMEX (Henry Hub) Natural Gas Futures contract final settlement price for the corresponding contract month.

### **433.03 Contract Quantity and Value**

The contract quantity shall be 2,500 MMBtu (million British thermal units).

Transaction sizes for trading in any delivery month shall be restricted to whole number multiples of the number of calendar days in that contract month, provided however this restriction on transaction size does not apply to either exchange of futures for, or in connection with, product (EFP) or exchange of futures for, or in connection with, swap transactions (EFS).

Each contract based on the Texas Eastern, West Louisiana Basis Swap Contract shall be valued as the contract quantity (2,500 MMBtu) multiplied by the settlement price.

### **433.04 Contract Months**

Trading shall be conducted in contracts in such months as shall be determined by the Exchange.

### **433.05 Prices and Fluctuations**

Prices shall be quoted in U.S. dollars and cents per MMBtu. The minimum price fluctuation shall be \$0.0025 per MMBtu. There shall be no maximum price fluctuation.

### **433.06 Termination of Trading**

Trading shall cease on the last business day of the month prior to the contract month.

### **433.07 Final Settlement**

Delivery under the Texas Eastern, West Louisiana Basis Swap Contract shall be by cash settlement. Final settlement, following termination of trading for a contract month, will be based on the Floating Price. The final settlement price will be the Floating Price calculated for each contract month, provided, however, that in the event that the Floating Price is not available to the Exchange for any reason, the Exchange, based on the best information available to it at the time, will determine a final settlement price, which in the judgment of staff, is intended to serve as the best substitute for the Floating Price.

**433.08 Exchange of Futures for, or in Connection with, Product and Exchange of Futures for, or in Connection with, Swap Transactions**

Any exchange of futures for, or in connection with product (EFP) or exchange of futures for, or in connection with, swap transactions (EFS) shall be governed by the provisions of Rules 6.21 and 6.21A, respectively.

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## **Texas Gas Zone 1 Basis Swap Contract**

### **434.01 Scope**

The provisions of these rules shall apply to all futures contracts bought or sold on the Exchange for cash settlement based on the Floating Price.

### **434.02 Floating Price**

The Floating Price for each contract month will be equal to the Platts Inside FERC's Gas Market Report ("Platts IFERC") Texas Gas Transmission Corp. Zone 1 Index ("Index") published in the table titled "Prices of Spot Gas Delivered to Pipelines" in the first regular issue of the contract month minus the NYMEX (Henry Hub) Natural Gas Futures contract final settlement price for the corresponding contract month.

### **434.03 Contract Quantity and Value**

The contract quantity shall be 2,500 MMBtu (million British thermal units).

Transaction sizes for trading in any delivery month shall be restricted to whole number multiples of the number of calendar days in that contract month, provided however this restriction on transaction size does not apply to either exchange of futures for, or in connection with, product (EFP) or exchange of futures for, or in connection with, swap transactions (EFS).

Each contract based on the Texas Gas Zone 1 Basis Swap Contract shall be valued as the contract quantity (2,500 MMBtu) multiplied by the settlement price.

### **434.04 Contract Months**

Trading shall be conducted in contracts in such months as shall be determined by the Exchange.

### **434.05 Prices and Fluctuations**

Prices shall be quoted in U.S. dollars and cents per MMBtu. The minimum price fluctuation shall be \$0.0025 per MMBtu. There shall be no maximum price fluctuation.

### **434.06 Termination of Trading**

Trading shall cease on the last business day of the month prior to the contract month.

### **434.07 Final Settlement**

Delivery under the Texas Gas Zone 1 Basis Swap Contract shall be by cash settlement. Final settlement, following termination of trading for a contract month, will be based on the Floating Price. The final settlement price will be the Floating Price calculated for each contract month, provided, however, that in the event that the Floating Price is not available to the Exchange for any reason, the Exchange, based on the best information available to it at the time, will determine a final settlement price, which in the judgment of staff, is intended to serve as the best substitute for the Floating Price.

**434.08 Exchange of Futures for, or in Connection with, Product and Exchange of Futures for, or in Connection with, Swap Transactions**

Any exchange of futures for, or in connection with product (EFP) or exchange of futures for, or in connection with, swap transactions (EFS) shall be governed by the provisions of Rules 6.21 and 6.21A, respectively.

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## **Transco Zone 1 Basis Swap Contract**

### **435.01 Scope**

The provisions of these rules shall apply to all futures contracts bought or sold on the Exchange for cash settlement based on the Floating Price.

### **435.02 Floating Price**

The Floating Price for each contract month will be equal to the Platts Inside FERC's Gas Market Report ("Platts IFERC") Transcontinental Gas Pipe Line Corp. Zone 1 Index ("Index") published in the table titled "Prices of Spot Gas Delivered to Pipelines" in the first regular issue of the contract month minus the NYMEX (Henry Hub) Natural Gas Futures contract final settlement price for the corresponding contract month.

### **435.03 Contract Quantity and Value**

The contract quantity shall be 2,500 MMBtu (million British thermal units).

Transaction sizes for trading in any delivery month shall be restricted to whole number multiples of the number of calendar days in that contract month, provided however this restriction on transaction size does not apply to either exchange of futures for, or in connection with, product (EFP) or exchange of futures for, or in connection with, swap transactions (EFS).

Each contract based on the Transco Zone 1 Basis Swap Contract shall be valued as the contract quantity (2,500 MMBtu) multiplied by the settlement price.

### **435.04 Contract Months**

Trading shall be conducted in contracts in such months as shall be determined by the Exchange.

### **435.05 Prices and Fluctuations**

Prices shall be quoted in U.S. dollars and cents per MMBtu. The minimum price fluctuation shall be \$0.0025 per MMBtu. There shall be no maximum price fluctuation.

### **435.06 Termination of Trading**

Trading shall cease on the last business day of the month prior to the contract month.

### **435.07 Final Settlement**

Delivery under the Transco Zone 1 Basis Swap Contract shall be by cash settlement. Final settlement, following termination of trading for a contract month, will be based on the Floating Price. The final settlement price will be the Floating Price calculated for each contract month, provided, however, that in the event that the Floating Price is not available to the Exchange for any reason, the Exchange, based on the best information available to it at the time, will determine a final settlement price, which in the judgment of staff, is intended to serve as the best substitute for the Floating Price.

**435.08 Exchange of Futures for, or in Connection with, Product and Exchange of Futures for, or in Connection with, Swap Transactions**

Any exchange of futures for, or in connection with product (EFP) or exchange of futures for, or in connection with, swap transactions (EFS) shall be governed by the provisions of Rules 6.21 and 6.21A, respectively.

**435.09 Disclaimer**

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## **Transco Zone 2 Basis Swap Contract**

### **436.01 Scope**

The provisions of these rules shall apply to all futures contracts bought or sold on the Exchange for cash settlement based on the Floating Price.

### **436.02 Floating Price**

The Floating Price for each contract month will be equal to the Platts Inside FERC's Gas Market Report ("Platts IFERC") Transcontinental Gas Pipe Line Corp. Zone 2 Index ("Index") published in the table titled "Prices of Spot Gas Delivered to Pipelines" in the first regular issue of the contract month minus the NYMEX (Henry Hub) Natural Gas Futures contract final settlement price for the corresponding contract month.

### **436.03 Contract Quantity and Value**

The contract quantity shall be 2,500 MMBtu (million British thermal units).

Transaction sizes for trading in any delivery month shall be restricted to whole number multiples of the number of calendar days in that contract month, provided however this restriction on transaction size does not apply to either exchange of futures for, or in connection with, product (EFP) or exchange of futures for, or in connection with, swap transactions (EFS).

Each contract based on the Transco Zone 2 Basis Swap Contract shall be valued as the contract quantity (2,500 MMBtu) multiplied by the settlement price.

### **436.04 Contract Months**

Trading shall be conducted in contracts in such months as shall be determined by the Exchange.

### **436.05 Prices and Fluctuations**

Prices shall be quoted in U.S. dollars and cents per MMBtu. The minimum price fluctuation shall be \$0.0025 per MMBtu. There shall be no maximum price fluctuation.

### **436.06 Termination of Trading**

Trading shall cease on the last business day of the month prior to the contract month.

### **436.07 Final Settlement**

Delivery under the Transco Zone 2 Basis Swap Contract shall be by cash settlement. Final settlement, following termination of trading for a contract month, will be based on the Floating Price. The final settlement price will be the Floating Price calculated for each contract month, provided, however, that in the event that the Floating Price is not available to the Exchange for any reason, the Exchange, based on the best information available to it at the time, will determine a final settlement price, which in the judgment of staff, is intended to serve as the best substitute for the Floating Price.

**436.08 Exchange of Futures for, or in Connection with, Product and Exchange of Futures for, or in Connection with, Swap Transactions**

Any exchange of futures for, or in connection with product (EFP) or exchange of futures for, or in connection with, swap transactions (EFS) shall be governed by the provisions of Rules 6.21 and 6.21A, respectively.

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## **SoCal City-Gate Basis Swap Contract**

### **437.01 Scope**

The provisions of these rules shall apply to all futures contracts bought or sold on the Exchange for cash settlement based on the Floating Price.

### **437.02 Floating Price**

The Floating Price for each contract month will be equal to the Platts Inside FERC's Gas Market Report ("Platts IFERC") SoCal Gas city-gate Index ("Index") published in the table titled "Market Center Spot Gas Prices" in the first regular issue of the contract month minus the NYMEX (Henry Hub) Natural Gas Futures contract final settlement price for the corresponding contract month.

### **437.03 Contract Quantity and Value**

The contract quantity shall be 2,500 MMBtu (million British thermal units).

Transaction sizes for trading in any delivery month shall be restricted to whole number multiples of the number of calendar days in that contract month, provided however this restriction on transaction size does not apply to either exchange of futures for, or in connection with, product (EFP) or exchange of futures for, or in connection with, swap transactions (EFS).

Each contract based on the SoCal City-Gate Basis Swap Contract shall be valued as the contract quantity (2,500 MMBtu) multiplied by the settlement price.

### **437.04 Contract Months**

Trading shall be conducted in contracts in such months as shall be determined by the Exchange.

### **437.05 Prices and Fluctuations**

Prices shall be quoted in U.S. dollars and cents per MMBtu. The minimum price fluctuation shall be \$0.0025 per MMBtu. There shall be no maximum price fluctuation.

### **437.06 Termination of Trading**

Trading shall cease on the last business day of the month prior to the contract month.

### **437.07 Final Settlement**

Delivery under the SoCal City-Gate Basis Swap Contract shall be by cash settlement. Final settlement, following termination of trading for a contract month, will be based on the Floating Price. The final settlement price will be the Floating Price calculated for each contract month, provided, however, that in the event that the Floating Price is not available to the Exchange for any reason, the Exchange, based on the best information available to it at the time, will determine a final settlement price, which in the judgment of staff, is intended to serve as the best substitute for the Floating Price.

**437.08 Exchange of Futures for, or in Connection with, Product and Exchange of Futures for, or in Connection with, Swap Transactions**

Any exchange of futures for, or in connection with product (EFP) or exchange of futures for, or in connection with, swap transactions (EFS) shall be governed by the provisions of Rules 6.21 and 6.21A, respectively.

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## SUPPLEMENTAL MARKET INFORMATION

The New York Mercantile Exchange, Inc. (“NYMEX” or the “Exchange”) is introducing 10 new natural gas cash-settled *Basis* Swap contracts for trading on CME ClearPort<sup>®</sup> electronic trading system and for submission for clearing on CME ClearPort<sup>®</sup> electronic clearing system. These contracts are as follows:

- Columbia Gulf Mainline *Basis* Swap Contract: (Symbol 5Z, NYMEX Rules 428.01-428.09)
- Florida Zone 2 *Basis* Swap Contract: (Symbol 8A, NYMEX Rules 429.01-429.09)
- OneOk, Oklahoma *Basis* Swap Contract: (Symbol 8X, NYMEX Rules 430.01-430.09)
- Southern Star Texas, Oklahoma, Kansas *Basis* Swap Contract: (Symbol 8Z, NYMEX Rules 431.01-431.09)
- Tennessee 800 Leg *Basis* Swap Contract: (Symbol 6Z, NYMEX Rules 432.01-432.09)
- Texas Eastern, West Louisiana *Basis* Swap Contract: (Symbol 8B, NYMEX Rules 433.01-433.09)
- Texas Gas Zone 1 *Basis* Swap Contract: (Symbol 9F, NYMEX Rules 434.01-434.09)
- Transco Zone 1 *Basis* Swap Contract: (Symbol 8E, NYMEX Rules 435.01-435.09)
- Transco Zone 2 *Basis* Swap Contract: (Symbol 8F, NYMEX Rules 436.01-436.09)
- SoCal City-Gate *Basis* Swap Contract: (Symbol 9A, NYMEX Rules 437.01-437.09)

### Natural Gas Price Source

The Exchange will use *Platts Inside F.E.R.C.* (“*Platts* IFERC”) as the third-party reference in connection with its determination of final settlement for the ten cash-settled basis swap contracts. Specifically, the reference that will be used to cash settle these contracts is the monthly bid-week market survey of physical market transactions at the respective geographic locations for each of these new contracts. This bid-week survey is contained in the *Platts* IFERC Gas Market Report. *Platts* defines “bid-week” as the last five business days of the month. During that period, *Platts* surveys numerous market participants regarding their transactions for the next-month ratable delivery for each respective location.

*Platts* is thoroughly familiar with the Federal Energy Regulatory Commission’s (FERC’s) policy statement on price indices for natural gas and its methodology is organized to reflect the content of the policy statement. *Platts* also employs compliance staff who are independent of the staff who conduct the survey. In addition, *Platts* IFERC editorial staff is recognized throughout the natural gas industry for its integrity, professional expertise, and reliability; *Platts* IFERC has been an industry standard-bearer with respect to price reporting since the early days of wellhead price deregulation in natural gas during the late 1980s.

As such, *Platts* subjects its collected data to a series of statistical tests to ensure the quality and completeness of the survey sample for each pricing point or geographical location. These tests include: (i) the identification and consideration of anomalous or outlying transactions; (ii) a comparison of volume-weighted average prices for each data submitter; and (iii) the calculation of a number of overall measures of central tendency, including the volume-weighted average, the median, the simple average, the mode and the midpoint. These procedures safeguard the price series against manipulation.

In order to derive the indices used for these NYMEX products, *Platts'* editors use volume-weighted averages. At pricing points, or geographical locations, with robust transaction volume and a generally normal distribution curve, the index is derived from the simple volume-weighted average. Specifically, with regard to these ten basis swap contracts, the bid-week indices used are derived from the simple volume-weighted average.

### **Natural Gas Basis Market**

Below, we provide a brief description of the geographic locations for each contract.

#### ***Columbia Gulf Mainline (Platts IFERC)***

This refers to natural gas that is delivered into Columbia Gulf Transmission along its mainline system zone in Louisiana and Mississippi. The mainline system extends northeast from Rayne, Louisiana to Leach, Kentucky. This geographical location was added to the *Platts* monthly survey in August 2007.

#### ***Florida Gas Zone 2 (Platts IFERC)***

This refers to natural gas that is delivered into Florida Gas Transmission beginning at compressor station 2 in Nueces County in south Texas to station 7 in Acadia Parish, Louisiana.

#### ***OneOk, Oklahoma (Platts IFERC)***

This refers to natural gas that is delivered into Oneok Gas Transportation's mainline systems from several gathering systems, all of which are located in Oklahoma. One of the two largest gathering systems is located near the east-central part of the state in Pittsburg and Haskell counties. The second largest, located in the west-central part of the state, extends from Blaine and Canadian counties southeast to Grady County. OneOk operates a single price pool for all gas entering into the system. OneOk was formerly known as ONG Transmission.

#### ***Southern Star Texas, Oklahoma, Kansas (Platts IFERC)***

This refers to natural gas that is delivered into Southern Star Central Gas Pipeline's system from Hemphill County in the Texas Panhandle eastward, from Carter County in south central Oklahoma northward and from Grant County in southwestern Kansas eastward. The system was formerly known as Williams Natural Gas and, prior to August 1, 2004, Williams Gas Pipelines Central.

#### ***Tennessee, Louisiana, 800 Leg (Platts IFERC)***

This refers to natural gas that is delivered into Tennessee Gas Pipeline's 800 Leg in zone L in southeastern Louisiana, including deliveries from the offshore Blue Water Header system. The leg meets the boundary of the market area at station 834 at Winnsboro in central Louisiana.

#### ***Texas Eastern, West Louisiana (Platts IFERC)***

This refers to natural gas that is delivered into Texas Eastern Transmission on the 30-inch line from the Vidor, Louisiana compressor station to just upstream of the Opelousas, Louisiana compressor station. Included are deliveries from Texas Eastern's offshore Cameron Line at the Gillis, Louisiana compressor station.



### ***Texas Gas Zone 1 (Platts IFERC)***

This refers to natural gas that is delivered into Texas Gas Transmission starting just south of the Pineville, Louisiana to compressor station in Rapides Parish north to Crockett County, Tennessee.

### ***Transco Zone 1 (Platts IFERC)***

This refers to natural gas that is delivered into Transcontinental Gas Pipe Line on two 24-inch lines running from south Texas to compressor station 30 in Wharton County, Texas, which is Transco's pooling point for gas gathered on the Gulf Central Texas Lateral and for onshore coastal south Texas production.

### ***Transco Zone 2 (Platts IFERC)***

This refers to natural gas that is delivered into Transcontinental Gas Pipe Line on the 30-inch line downstream of station 30 in Wharton County, Texas, to compressor station 45 in Beauregard Parish, Louisiana, the only pooling point in the zone.

### ***SoCal Gas (Platts IFERC)***

This refers to natural gas that is delivered into Southern California Gas from El Paso Natural Gas at Topock, California, Blythe, California, and Ehrenberg, Arizona; from Transwestern Pipeline at Topock/Needles, California; from Kern River Gas Transmission at Wheeler Ridge and Kramer Junction, California; and from Questar Southern Trails Pipeline at Needles, California. This geographical location also includes deliveries out of SoCal Gas' storage facilities, deliveries from Pacific Gas and Electric at several points, including Kern River station and Pisgah/Daggett, as well as in-state production.

### **Cash Market**

Tables 1 and 2 below provide the volume (reflected in NYMEX contract-equivalents) and number of transactions collected by *Platts IFERC* in its bid-week surveys for each month for the past 13 months. As illustrated in Table 1, please note the average volume captured by the *Platts IFERC* bid-week surveys for each of the ten geographical locations. For Columbia Gulf Mainline, Transco Zone 2, and SoCal City-Gate, the monthly volume included in the bid-week survey always exceeded 1,000 NYMEX contract equivalents. Note that data for SoCal City-Gate is only provided for the last four months. This is addressed further below. Except for one month volume being at 905 contract equivalents with regard to the Texas Gas Zone 1, and one month volume being at 843 contract equivalents for Transco Zone 1, both locations experienced a monthly volume of over 1,000 NYMEX contract equivalents. With regard to OneOk, Oklahoma, except for two months (with one month volume being at 992 contract equivalents) monthly volume was greater than 1,000 contract equivalents. The volume for Southern Star TX, OK, KS was usually over 1,000 contract equivalents with a monthly average of 927 contract equivalents, and, with the exception of one month, always above 500 contract equivalents. Similarly for Texas Eastern, West Louisiana which averaged a monthly volume of 1,085 contract equivalents, volume was frequently above 1,000 contract equivalents and, with three exceptions (one of which being at 484) always above 500 contract equivalents. Florida Zone 2 had lower volumes than the other locations. It averaged a monthly volume of 493 contract equivalents with a low of 24 and a high of 1,080 contract equivalents.

Tennessee 800 warrants a special explanation for the month of January 2009 when the number NYMEX contract equivalents was 25. In all other months the range was from 868 to 1,910

contract equivalents. *Platts* assigns three tier levels for its trading locations to illustrate different levels of liquidity. Although *Platts* stands by the quality of all of its survey prices, its top two tier levels are Tier 1 (being the most liquid) and Tier 2. During January 2009, Tennessee 800 was in Tier 3. Prior to January 2009, the preceding time this location had been in Tier 3 was during the month of January 2006. This statistic illustrates the infrequency of having the Tennessee 800 location placed in Tier 3.

During the past 13 months the following locations fell below Tier 1 classification as follows:

- (i) *Florida Zone 2*: Fell below Tier 3 classification once when the one-month volume of contract equivalents traded was 24 (also referenced above); Fell below Tier 2 classification on three occasions when monthly volumes of 298, 288 and 236 contract equivalents traded short of Tier 2 classification by 12, 22 and 74 NYMEX contract equivalents, respectively);
- (ii) *Texas Eastern, West Louisiana*: Fell below Tier 2 classification twice when monthly volumes of 298 and 198 NYMEX contract equivalents traded short of Tier 2 classification by 12 and 112 contract equivalents, respectively); and
- (iii) *Southern Star, Texas, Oklahoma, Kansas*: Fell below Tier 2 classification once when the one-month volume traded at 156 NYMEX contract equivalents short of Tier 2 classification by 144 contract equivalents.

Please note that a change in the transportation access policy for the Southern California (SoCal) system occurred four months ago whereby it increased the number of shippers on that system and, consequently, increased the number of market participants and transactions for this location. As such, the SoCal City-Gate geographical location was added to the *Platts* IFERC bid-week survey four months ago and the only data available for this location is for the four most recent months. Prior to such change, only end-users were able to access the SoCal system.

Additionally, Table 2 illustrates the number of transactions conducted at each of the ten geographical locations.

The physical market does include transactions which may not be captured by the *Platts* IFERC bid-week surveys. However, as evidenced by the data generated by the *Platts* IFERC bid-week surveys and by the stringent policies and price index methodology implemented by *Platts*, we firmly believe that the *Platts* IFERC bid-week surveys for each of the ten locations are reflective of competitive, liquid, and active physical markets. In addition, we have not collected information on over-the-counter ("OTC") derivative transactions conducted. We believe that the physical market information is not only sufficient but, in this case, much more relevant because the final settlement indices are based on the physical market rather than the OTC market. Moreover, our recommendations for position limits, reporting and accountability levels are based on the bid-week survey data of the cash market.

**TABLE 1.** Volumes from *Platts* IFERC's Gas Market Report in 2008  
(All Volumes are in NYMEX Equivalents (2,500 MMBtu))

	Columbia Gulf Mainline	Florida Zone 2	OneOk, Oklahoma	Southern Star TX, OK, KS	Tennessee 800	Texas Eastern West LA	Texas Gas Zone 1	Transco Zone 1	Transco Zone 2	SoCal City-Gate
Jan 08	2,877	459	2,195	1,141	1,600	484	1,166	843	1,104	
Feb 08	4,072	766	3,990	708	1,160	534	905	1,241	1,589	
Mar 08	5,344	632	1,984	1,042	1,910	2,319	1,252	1,624	1,215	
April 08	4,776	648	648	528	924	1,656	2,112	1,356	1,908	
May 08	6,622	298	1,091	508	1,265	298	2,430	2,133	1,624	
Jun 08	7,248	1,080	1,008	156	1,092	924	2,160	1,620	1,260	
July 08	8,655	583	1,513	1,190	1,624	856	2,988	2,282	2,988	
Aug 08	8,333	372	992	918	1,116	2,554	2,096	2,393	1,265	
Sep 08	7,212	288	1,380	1,692	1,008	816	2,172	1,296	2,976	
Oct 08	6,436	236	1,897	1,004	980	198	4,414	2,058	2,381	1,575
Nov 08	3,660	24	2,304	1,212	1,824	780	1,476	2,388	2,352	1,728
Dec 08	3,881	459	1,128	1,228	868	967	3,323	2,579	2,480	2,629
Jan 09	1,451	570	1,736	719	25	1,724	1,314	2,009	2,319	1,575
<b>Min</b>	<b>1,451</b>	<b>24</b>	<b>648</b>	<b>156</b>	<b>25</b>	<b>198</b>	<b>905</b>	<b>843</b>	<b>1,104</b>	<b>1,575</b>
<b>Max</b>	<b>8,655</b>	<b>1,080</b>	<b>3,990</b>	<b>1,692</b>	<b>1,910</b>	<b>2,554</b>	<b>4,414</b>	<b>2,579</b>	<b>2,988</b>	<b>2,629</b>
<b>Average</b>	<b>5,428</b>	<b>493</b>	<b>1,682</b>	<b>927</b>	<b>1,184</b>	<b>1,085</b>	<b>2,139</b>	<b>1,833</b>	<b>1,959</b>	<b>1,877</b>

**TABLE 2.** Number of Transactions from *Platts* IFERC's Gas Market Report in 2008

	Columbia Gulf Mainline	Florida Zone 2	OneOk, Oklahoma	Southern Star TX, OK, KS	Tennessee 800	Texas Eastern West LA	Texas Gas Zone 1	Transco Zone 1	Transco Zone 2	SoCal City-Gate
Jan 08	35	13	11	16	31	8	13	11	22	
Feb 08	61	16	45	14	23	14	16	31	32	
Mar 08	58	12	26	17	29	34	11	21	25	
April 08	68	7	14	12	15	24	31	32	37	
May 08	76	7	13	10	19	6	27	41	29	
Jun 08	86	17	16	4	23	15	27	31	29	
July 08	100	15	27	18	15	13	37	29	52	
Aug 08	101	7	19	21	21	26	30	31	27	
Sep 08	103	7	20	34	21	13	26	27	44	
Oct 08	57	8	28	21	13	7	28	45	49	26
Nov 08	50	3	42	24	24	11	18	36	42	28
Dec 08	44	8	18	21	17	25	31	39	44	36
Jan 09	27	7	34	13	3	27	18	21	44	24

### Position Limits

The recommended position limits, accountability levels, and reporting levels are as follows. We have based these figures on the transactions levels included in *Platts* IFERC's bid-week surveys listed above.

<b>Contract</b>	<b>All Month Accountability</b>	<b>One Month Accountability</b>	<b>Spot Position</b>	<b>Reporting Levels</b>
Columbia Gulf Mainline Basis Swap	7,000/12,000	5,000/12,000	500	25
Florida Zone 2 Basis Swap	3,000/12,000	2,000/12,000	150	25
OneOk, Oklahoma Basis Swap	3,500/12,000	2,500/12,000	250	25
Southern Star TX, OK, KS Basis Swap	3,500/12,000	2,500/12,000	250	25
Tennessee 800 leg Basis Swap	3,000/12,000	2,000/12,000	150	25
Texas Eastern West LA Basis Swap	3,500/12,000	2,500/12,000	250	25
Texas Gas Zone 1 Basis Swap	7,000/12,000	5,000/12,000	500	25
Transco Zone 1 Basis Swap	7,000/12,000	5,000/12,000	500	25
Transco Zone 2 Basis Swap	7,000/12,000	5,000/12,000	500	25
SoCal City-Gate Basis Swap	7,000/12,000	5,000/12,000	500	25

### Natural Gas Basis Market Participants

The natural gas basis market participants are diverse and include 60 to 70 commercial companies. A partial listing is as follow:

#### BROKERS

Prebon Energy  
Amerex Brokers LLC  
ICAP Energy LLC  
TFS Energy LLC  
GFI Brokers LLC  
CGS - Blue Flame Brokerage  
Choice! Energy L.P.  
INFA Energy Brokers LLC  
IVG Energy, Ltd.  
Coquest Inc.  
Elite Brokers Inc.  
SCS OTC Corp  
Power Merchants Group  
Black Barrel Energy L.P.  
DRW Execution Services LLC  
GA Global Markets LLC  
UBS-ABNN

#### MARKET PARTICIPANTS

BP Corporation North America, Inc.  
ConocoPhillips Company  
Citigroup Energy Inc.  
Chevron USA, Inc.  
Credit Suisse Energy LLC  
Deutsche Bank AG, London  
Hess Corporation  
JP Morgan Chase Bank, Inc.  
Merrill Lynch Commodities Inc.  
National Trading II  
UBS Securities, LLC  
Wachovia Bank, NA  
AGR Power LLC  
Louis Dreyfus Energy Services L.P  
Coral Structuring, L.L.C.  
Eagle Energy Partners I, LP  
Constellation Energy Commodities Group Inc  
Alpha Energy Master Ltd.  
Northwind Resources LLC  
SIG Energy LLLP