CME Group
A CME/Chicago Board of Trade/NYMEX Company

July 14, 2011

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 #11-275: Notification Regarding the Listing of Short-Term Natural Gas Option Contract for Globex Electronic Trading, Open Outcry Trading, and for Clearing through CME ClearPort®

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 a new Short-Term Natural Gas Option contract (Rule Chapter 1066; Code U01-U31), for Globex electronic trading, open outcry trading and for submission for clearing through CME ClearPort® beginning at 6:00 p.m. on Sunday, July 17, 2011 for trade date Monday, July 18, 2011.

The proposed option contract is a European-style option which can only be exercised at expiration. The listing convention of the Short Term Natural Gas option contract is such that the contract is listed on the current day and the following four business days within a seven-calendar day period, unless that business day coincides with the expiration of a monthly Natural Gas option in which case it will not be listed. No Short-Term option shall be listed if its expiration coincides with an Exchange holiday.

The product code of the option will indicate the calendar day on which the option expires. For example, U25 would coincide with a Short-Term Natural Gas option expiration of July 25. Options will be listed initially with five-business day expiration. Thus with the initial listing, the first expiration will be Friday, July 22, 2011. On each day of the initial listing week, the Exchange will list an additional five-business day option such that by Friday, July 22, 2011, options will be listed for five consecutive business days. Thereafter, on each business day as each option expires, a new option will be listed with five-business day expiration, unless that expiration day coincides with that of an associated monthly Natural Gas option.

The following will be the option contract terms:

Contract Name	Short-Term Natural Gas Option
Rule Chapter	1066
Contract Code	U01 – U31
Minimum Price Increments	$0.0001 per MMBtu
Strike Price Interval	$0.05 per MMBtu
Underlying Contract	Henry Hub Natural Gas Futures
Contract Size	10,000 MMBtu

The Exchange fees for this option are:

Exchange Fees					
	Member Day	Member	Cross Division	Non-Member	IIP
Pit	$0.45	$0.70	$0.95	$1.45	
Globex	$0.45	$0.70	$0.95	$1.45	$0.75
ClearPort		$1.75		$2.50	

Processing Fees		
	Member	Non-Member
Cash Settlement	$0.90	$1.15
Futures from E/A	NA	NA
	House Acct	Cust Acct
Options E/A Notice	NA	NA
Delivery Notice	NA	NA

Additional Fees and Surcharges	
EFS Surcharge	NA
Block Surcharge	NA
Facilitation Desk Fee	$0.25

Pursuant to Section 5c(c) of the Commodity Exchange Act ("Act") and CFTC Rules 40.2 and 40.6, the Exchange hereby certifies that the attached contract complies with the Act, including regulations under the Act. There were no substantive opposing views to the proposal. This contract shall become effective on trade date July 18, 2011.

Should you have any questions concerning the above, please contact Bob Biolsi at (212) 299-2610, bob.biolsi@cmegroup.com or the undersigned at (212) 299-2207, (347) 463-5347 or felix.khalatnikov@cmegroup.com.

Very truly yours,

/s/Felix Khalatnikov
Director and Associate General Counsel

Attachments: Contract terms and conditions
Cash market overview and analysis of deliverable supply

Chapter 1066

Short-Term Natural Gas Option

1066.01 EXPIRATION

Expiration shall be in accordance with the following schedule. On the initial listing date, the Short-Term Natural Gas option will be listed with expiration four business days from the listing date. Thereafter, an additional contract will be listed for expiration four days after that business day. In the event that the expiration day of the Short-Term Natural Gas option coincides with the expiration of the associated Natural Gas option, the Short-Term Natural Gas option will not be listed. No Short-Term Natural Gas option shall be listed if its expiration coincides with an Exchange holiday.

1066.02 OPTION TYPE

A Short-Term Natural Gas option is a European-style option.

1066.03 TRADING UNIT

A Short-Term Natural Gas put option contract traded on the Exchange represents the cash difference between the exercise price and the settlement price of the first nearby underlying Henry Hub Natural Gas futures contract multiplied by 10,000, or zero, whichever is greater. In the event that the option is expiring on the last trading day of the first nearby Henry Hub Natural Gas Futures contract, the second nearby underlying futures will be used for settlement.

A Short-Term Natural Gas call option contract traded on the Exchange represents the cash difference between the settlement price of the first nearby Henry Hub Natural Gas futures contract and the exercise price multiplied by 10,000, or zero, whichever is greater. In the event that the option is expiring on the last trading day of the first nearby Henry Hub Natural Gas futures contract, the second nearby underlying futures will be used for settlement.

1066.04 STRIKE PRICES

Trading shall be conducted for options with strike prices in increments as set forth below.

(A) On the first business day of trading in an option contract day, trading shall be at the following strike prices: (i) the previous day's settlement price for Henry Hub Natural Gas futures contracts in the corresponding delivery month rounded off to the nearest five-cent increment strike price unless such settlement price is precisely midway between two five-cent increment strike prices in which case it shall be rounded off to the lower five-cent increment strike price and (ii) the ten five-cent increment strike prices which are ten increments higher than the strike price described in (i) of this rule 1066.04(A) and (iii) the ten five-cent increment strike prices which are ten increments lower than the strike price described in (i) of this rule 1066.04(A).

(B) Thereafter, on any business day prior to the expiration of the option: (i) new consecutive five-cent increment strike prices for both puts and calls will be added such that at all times there will be at least ten five-cent increment strike prices above and below the at-the-money strike price available for trading in all option contracts;

(C) Notwithstanding the provisions of subsections (A) and (B) of this rule, if the Exchange determines that trading in Short-Term Natural Gas option will be facilitated thereby, the Exchange may, by resolution, change the increments between strike prices, the number of strike prices which shall be traded on the first day in any new option contract month, the number of new strike prices which will be introduced on each business day or the period preceding the expiration of a Short-Term Natural Gas option in which no new strike prices may be introduced.

1066.05 TRADING MONTHS

Trading in Short-Term Natural Gas option contracts shall be conducted in the days determined by the Exchange.

1066.06 PRICES

Prices shall be quoted in dollars and cents per MMBtu. The minimum price increment will be $0.0001 per MMBtu, or $1 per contract.

1066.07 ABSENCE OF PRICE FLUCTUATION LIMITATIONS

Trading in Short-Term Natural Gas option contracts shall not be subject to price fluctuation limitations.

CASH MARKET OVERVIEW

Description

Natural gas is a gaseous fossil fuel which is composed mainly of methane. It is one of the major sources of energy in the United States. Natural gas is broadly used across different industry sectors ranging from residential heating, to power generation. In addition, there are various manufacturing uses for the commodity. According to the Energy Information Administration (EIA)[1], in 2009, overall about 25% of energy used in the U.S. came from natural gas.

Henry Hub, located in Erath, Louisiana, is a natural gas pipeline system connecting 16 inter- and intra-state pipelines. Although natural gas tends to be a regional commodity due to its need to be transported by pipeline, the Henry Hub is at a nexus of pipelines that serve large swaths of the United States. Consequently, it has become a major reference point for the natural gas market. It is also the designated delivery point of NYMEX's Henry Hub Natural Gas futures, which has become the benchmark for the North American natural gas market.

[1] http://www.eia.gov/energyexplained/index.cfm?page=natural_gas_u

Production

Based on EIA data, the average monthly natural gas marketed production in Louisiana was around 115 billion cubic feet for 2008 and 129 billion cubic feet for 2009. In 2010, the monthly average production has reached about 187 billion cubic feet with a 45% growth rate compared to the year before. There is clearly a higher trend in production since 2009. As of April 2011, marketed production has doubled in comparison to the same period in 2009. Table I presents data sourced from EIA on natural gas marketed production of Louisiana.

Table I. Selected Statistics for Louisiana Natural Gas Marketed Production (Million Cubic Feet)[2]

Date	Louisiana Natural Gas Marketed Production	Date	Louisiana Natural Gas Marketed Production	Date	Louisiana Natural Gas Marketed Production	Date	Louisiana Natural Gas Marketed Production
Jan-2008	116,750	Jan-2009	117,724	Jan-2010	157,587	Jan-2011	226,144
Feb-2008	109,119	Feb-2009	109,038	Feb-2010	150,124	Feb-2011	209,577
Mar-2008	117,523	Mar-2009	121,175	Mar-2010	173,696	Mar-2011	246,748
Apr-2008	114,700	Apr-2009	120,190	Apr-2010	171,716		
May-2008	121,073	May-2009	126,861	May-2010	184,138		
Jun-2008	118,955	Jun-2009	123,191	Jun-2010	182,879		
Jul-2008	123,401	Jul-2009	130,019	Jul-2010	191,654		
Aug-2008	119,936	Aug-2009	135,035	Aug-2010	200,096		
Sep-2008	88,164	Sep-2009	132,683	Sep-2010	198,496		
Oct-2008	114,570	Oct-2009	142,318	Oct-2010	204,545		
Nov-2008	116,842	Nov-2009	143,288	Nov-2010	209,053		
Dec-2008	116,935	Dec-2009	147,086	Dec-2010	222,391		
2008 Average	**114,831**	**2009 Average**	**129,051**	**2010 Average**	**187,198**		

[2]EIA Louisiana Natural Gas Marketed Production (Million Cubic Feet)
http://www.eia.gov/dnav/ng/hist/n9050la2m.htm

Storage

Storage is an important market short term supply/demand indicator. Changes in inventory level are used to offset imbalances between production and consumption. Natural gas is most commonly stored in underground facilities. Table II below shows the underground storage level of working gas in Louisiana. Storage swings from about 401 billion cubic feet to 619 billion cubic feet during the last three years. In 2010, the monthly average underground storage level of working gas in Louisiana was 514 billion cubic feet.

Table II. Selected Statistics for Louisiana Natural Gas Underground Storage Volume (Million Cubic Feet)[3]

Date	Louisiana Natural Gas Underground Storage Volume	Date	Louisiana Natural Gas Underground Storage Volume	Date	Louisiana Natural Gas Undergroun d Storage Volume	Date	Louisiana Natural Gas Underground Storage Volume
Jan-2008	441,485	Jan-2009	452,507	Jan-2010	478,745	Jan-2011	532,098
Feb-2008	409,647	Feb-2009	431,435	Feb-2010	424,400	Feb-2011	480,824
Mar-2008	400,748	Mar-2009	446,092	Mar-2010	431,861	Mar-2011	495,672
Apr-2008	408,237	Apr-2009	468,629	Apr-2010	456,821	Apr-2011	508,687
May-2008	426,746	May-2009	512,236	May-2010	477,745		
Jun-2008	443,089	Jun-2009	525,006	Jun-2010	499,720		
Jul-2008	459,331	Jul-2009	546,002	Jul-2010	514,261		
Aug-2008	475,946	Aug-2009	559,792	Aug-2010	522,673		
Sep-2008	464,882	Sep-2009	584,165	Sep-2010	554,156		
Oct-2008	497,794	Oct-2009	592,970	Oct-2010	604,482		
Nov-2008	506,816	Nov-2009	597,335	Nov-2010	618,728		
Dec-2008	497,737	Dec-2009	544,794	Dec-2010	585,028		
2008 Average	**452,705**	**2009 Average**	**521,747**	**2010 Average**	**514,052**		

[3]EIA Louisiana Natural Gas Underground Storage Volume (Million Cubic Feet)
http://www.eia.gov/dnav/ng/hist/n5030la2m.htm

Consumption

In 2010, the monthly U.S. natural gas consumption was around 2,011 billion cubic feet[4]. Gas consumption of Louisiana has a monthly average of 102 billion cubic feet, which is about 5% of the total national consumption. Table III, below, contains the monthly natural gas consumption data for Louisiana. Consumption for Louisiana ranged from 73 billion cubic feet to 114 billion cubic feet during the last three years and has an average of 102 billion cubic feet in 2010.

Table III. Selected Statistics for Natural Gas Delivered to Consumers in Louisiana (Million Cubic Feet)[5]

Date	Natural Gas Delivered to Consumers in Louisiana	Date	Natural Gas Delivered to Consumers in Louisiana	Date	Natural Gas Delivered to Consumers in Louisiana	Date	Natural Gas Delivered to Consumers in Louisiana
Jan-2008	103,499	Jan-2009	88,393	Jan-2010	108,313	Jan-2011	112,552
Feb-2008	87,178	Feb-2009	73,594	Feb-2010	91,688	Feb-2011	103,580
Mar-2008	92,983	Mar-2009	82,385	Mar-2010	99,322	Mar-2011	101,321
Apr-2008	83,987	Apr-2009	80,043	Apr-2010	92,654		
May-2008	93,179	May-2009	84,201	May-2010	101,038		
Jun-2008	89,397	Jun-2009	88,742	Jun-2010	106,343		
Jul-2008	101,784	Jul-2009	92,298	Jul-2010	109,515		
Aug-2008	95,450	Aug-2009	93,483	Aug-2010	114,065		
Sep-2008	77,869	Sep-2009	86,783	Sep-2010	101,963		
Oct-2008	91,028	Oct-2009	89,901	Oct-2010	96,153		
Nov-2008	89,145	Nov-2009	86,479	Nov-2010	92,194		
Dec-2008	83,836	Dec-2009	97,830	Dec-2010	110,751		
2008 Average	**90,778**	**2009 Average**	**87,011**	**2010 Average**	**102,000**		

[4] Monthly U.S. Natural Gas Total Consumption
http://www.eia.gov/dnav/ng/hist/n9140us2m.htm
[5] EIA Natural Gas Delivered to Consumers in Louisiana (Million Cubic Feet)
http://www.eia.gov/dnav/ng/hist/n3060la2m.htm

Imports and Exports

Louisiana has been a net exporter of natural gas to other regions of the U.S. for decades. Table IV, below, is the most updated selected natural gas movement data available from EIA. According to the data, Louisiana has a net export of 348 billion cubic feet in 2009. The annual average net export for the last three available years is 252 billion cubic feet.

Table IV. Selected Statistics for Louisiana Natural Gas Net International & Interstate Receipts (Million Cubic Feet)

Date	Louisiana Natural Gas Net International & Interstate Receipts[6]
2007	-224,530
2008	-185,240
2009	-348,193
Average	**-252,654**

Prices

Table V below provides end of month prices for the underlying Henry Hub Natural Gas futures front month contract for the last three years. Since 2008, prices ranged from a low of $2.977 per MMBtu in August 2009 to a high of $13.353 per MMBtu in June 2008. The wide range of prices and volatility in natural gas prices has increased the cost of purchasing monthly options. Consequently, the purpose of the short-term options is to allow for less expensive option trading for the trading community to hedge natural gas prices.

[6] EIA International & Interstate Movements of Natural Gas by State
http://www.eia.gov/dnav/ng/hist/na2902_sla_2a.htm

Table V. Selected Statistics for NYMEX Henry Hub Natural Gas Futures Front Month Contract End of Month Settlement Prices (Dollars per MMBtu)

Date	NYMEX Henry hub Natural Gas Futures Front Month Contract End of Month Settlement Prices
Jan-2008	$ 8.074
Feb-2008	$ 9.366
Mar-2008	$ 10.101
Apr-2008	$ 10.843
May-2008	$ 11.703
Jun-2008	$ 13.353
Jul-2008	$ 9.119
Aug-2008	$ 7.943
Sep-2008	$ 7.438
Oct-2008	$ 6.783
Nov-2008	$ 6.510
Dec-2008	$ 5.622
2008 Average	**$ 8.905**
Jan-2009	$ 4.417
Feb-2009	$ 4.198
Mar-2009	$ 3.776
Apr-2009	$ 3.373
May-2009	$ 3.835
Jun-2009	$ 3.835
Jul-2009	$ 3.653
Aug-2009	$ 2.977
Sep-2009	$ 4.841
Oct-2009	$ 5.045
Nov-2009	$ 4.848
Dec-2009	$ 5.572
2009 Average	**$ 4.198**
Jan-2010	$ 5.131
Feb-2010	$ 4.813
Mar-2010	$ 3.869
Apr-2010	$ 3.920
May-2010	$ 4.341
Jun-2010	$ 4.616
Jul-2010	$ 4.923
Aug-2010	$ 3.816
Sep-2010	$ 3.872
Oct-2010	$ 4.038
Nov-2010	$ 4.180
Dec-2010	$ 4.405
2010 Average	**$ 4.327**
Jan-2011	$ 4.420
Feb-2011	$ 4.037
Mar-2011	$ 4.389
Apr-2011	$ 4.698
May-2011	$ 4.666

Futures Market

The proposed Short-Term Natural Gas options will financially settle against the first nearby Henry Hub Natural Gas futures. The Henry Hub Natural Gas futures market is an active and liquid market. Table VI below provides the average volume, combined with the best 5 bid/ask order size for the first nearby natural gas futures contract, in the closing period for the front month futures contract. As illustrated in Table VI, the market liquidity, represented by the futures trading volume combined with the top 5 order size in the 2-minute closing period, has average 5,637 contracts during 2010. As the contract size is equivalent to 10,000 MMBtu, this is equivalent to approximately 56.3 million MMBtu of natural gas.

Table VI. NYMEX Henry Hub Natural Gas Futures Trading Volume and 5 Best Bid/Ask Order Size in Closing Period

Date	NYMEX Henry Hub Natural Gas Futures Volume in Closing Period	NYMEX Henry Hub Natural Gas Futures 5 Best Bid/Ask Order Size in Closing Period
Jan-2010	3,982	889
Feb-2010	4,513	1,010
Mar-2010	3,439	1,102
Apr-2010	5,268	1,170
May-2010	3,601	1,310
Jun-2010	5,807	855
Jul-2010	3,924	807
Aug-2010	4,657	924
Sep-2010	3,542	1,159
Oct-2010	5,488	1,240
Nov-2010	4,508	1,297
Dec-2010	5,926	1,233
Average	**4,554**	**1,083**
Jan-2011	4,707	1,334
Feb-2011	6,696	2,096
Mar-2011	4,184	2,080
Apr-2011	7,065	2,202
May-2011	4,439	2,200

Market Participants

There is an active over-the-counter forward market in natural gas. In the OTC market, the typical trade size of a natural gas contract is 2,500 MMBtu per day for a calendar year. The liquidity in the OTC

swaps market is robust as it has been estimated to trade at an average daily volume of 500-600 million MMBtu that typically uses settlement prices of NYMEX Henry Hub Natural Gas futures contract to financially settle these over-the-counter contracts. There are numerous participants in the natural gas OTC market including, but not limited to, commercial participants, trading firms and financial intermediaries. A select group representing the aforementioned categories of participants is listed below:

Commercials	**Traders**	**Financial (Swaps)**
Concord Energy LLC	Cargill Nat Gas	Citibank N.A.
ConocoPhillips Company	SIG Energy LLLP.	Bank Of Montreal
Hess Energy Trading Company LLC	Chevron USA, Inc.	Bank Of Oklahoma
ONEOK Energy Services Company, LP	Campbell & Company	Barclays Bank PLC
BP Corporation North America, Inc.	ConocoPhillips Company	Saracen Energy LP
Natural Gas Pipeline Company of America	Exelon Generation Co., LLC	Bank of America NA
Chevron USA, Inc.	NJR Energy Services Company	MBF Clearing Corp.
Bromley Energy LLC	Integrys Energy Services, Inc.	Bank of Nova Scotia
Concord Energy LLC	ONEOK Energy Services Company, LP	National Trading II
Laclede Gas Company	BP Corporation North America, Inc.	BNP Paribas CIT Group
Anadarko Petroleum Corp.	Enterprise Products Operating L.P.	Calyon Global Trading
Exelon Generation Co., LLC	JP Morgan Ventures Energy Corporation	Koch Supply& Trading L.P.
Masefield Natural Gas Inc.	Total Gas & Power North America, INC.	Louis Dreyfus Corporation
New Jersey Natural Gas Co.	Natural Gas Pipeline Company of America	Sempra Energy Trading LLC
Calpine Energy Services, LP	Constellation Energy Commodities Group Inc.	JP Morgan Chase Bank, Inc.
NJR Energy Services Company	Nicor Gas	Merrill Lynch Commodities Inc.
PowerSouth Energy Cooperative	Cargill Nat Gas	Morgan Stanley Capital Group Inc.
ONEOK Energy Services Company, LP	SIG Energy LLLP.	Black River Energy Commodity Fund LLC
BP Corporation North America, Inc.	Chevron USA, Inc.	Citibank N.A.
Enterprise Products Operating L.P.	Campbell & Company	Bank Of Montreal
Louis Dreyfus Energy Services L.P.	Nestle Food Company	Bank Of Oklahoma
Municipal Gas Authority of Georgia	ConocoPhillips Company	Barclays Bank PLC

Commercials	Traders	Financial (Swaps)
CenterPoint Energy Gas Services, Inc.	Anadarko Petroleum Corp.	Saracen Energy LP
Total Gas & Power North America, INC.	EnergySouth Services Inc.	Bank of America NA
Northern Indiana Public Service Company	Exelon Generation Co., LLC	National Trading II
	New Jersey Natural Gas Co.	BNP Paribas CIT Group
	NJR Energy Services Company	Calyon Global Trading
	Conectiv Energy Supply, Inc.	Koch Supply& Trading L.P.
	South Jersey Resources Group	Louis Dreyfus Corporation
	ONEOK Energy Services Company, LP	Sempra Energy Trading LLC
	BP Corporation North America, Inc.	JP Morgan Chase Bank, Inc.
	Enterprise Products Operating L.P.	Merrill Lynch Commodities Inc.
	Municipal Gas Authority of Georgia	Citadel Energy Investments, Ltd
	CenterPoint Energy Gas Services, Inc.	Morgan Stanley Capital Group Inc.
	JP Morgan Ventures Energy Corporation	Black River Energy Commodity Fund LLC

ANALYSIS OF DELIVERABLE SUPPLY

The estimation of deliverable supply is a function of the production and net receipts. Using data supplied from EIA, Table I is used to estimate the supply of natural gas. According to Table I above, during 2010, production of Louisiana natural gas averaged 187 billion cubic feet per month. According to Table IV above, the average net exports of Louisiana natural gas were 21 billion cubic feet per month during the last three available years. Therefore, during 2010, the average deliverable supply amounted to approximately 156 billion cubic feet per month. Using a conversion factor of 1,027 Btu per cubic foot, this converts to about 160,212,000 MMBtu per month, or 16,021 proposed option contact equivalents (contract size: 10,000 MMBtu). The proposed spot-month position limits for the Short-Term Natural Gas option are 1,000 contracts, which is approximately 6% of the average monthly deliverable supply.