



C.F.T.C.
OFFICE OF THE SECRETARIAT
2010 JUL 27 PM 3 35

July 27, 2010

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 #10-221: Notification Regarding the Listing of Henry Hub Natural Gas Quadultimate Option Contract on the NYMEX Trading Floor and 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 option contract, Henry Hub Natural Gas Quadultimate Option (Chapter 374, Code HHQ), for trading on the NYMEX trading floor and for submission for clearing through CME ClearPort beginning at 6:00 p.m. on Sunday, August 8, 2010 for trade date Monday, August 9, 2010. The new Henry Hub Natural Gas Quadultimate Option will exercise into the Henry Hub Natural Gas Futures contract (Code NG).

For the most part, this contract will mirror one of the existing Natural Gas options contracts – the Henry Hub Natural Gas Option contract (Chapter 370, Code ON). The one significant exception is that the Henry Hub Natural Gas Quadultimate Option contract will expire on the third business day prior to the underlying Henry Hub Natural Gas Futures contract whereas the Exchange's existing Natural Gas Option contract expires on the penultimate business day or one business day prior to the underlying Henry Hub Natural Gas Futures contract. In addition, this proposed option will have a smaller minimum price fluctuation of one hundredth of a cent (\$.0001), reflecting the evolution in industry demand, as opposed to the one-tenth cent of the current Henry Hub Natural Gas Option contract.

The following will be the contract terms:

Contract Name: Henry Hub Natural Gas Quadultimate Option (ticker symbol HHQ)

Rule Chapter: 374

Underlying Futures: Henry Hub Natural Gas Futures (ticker symbol NG)

Minimum Price Increments: One hundredth of a cent (\$.0001)

Strike Price Increments: Five cents (\$.05)

Contract size: 10,000 MMBtu

Type of Option: American style

Monthly Contract Listings: Beginning with the September 2010 contract month, this option contract will be listed for the balance of the current calendar year and for the next twelve full calendar years. Upon expiration of the December 2010 contract month, an entire calendar year will be listed for 2023.

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.

Should you have any questions concerning the above, please contact Bob Biolsi at 212-299-2610 or the undersigned at (212) 299-2207.

Sincerely,

/s/ Brian Regan
Managing Director and Regulatory Counsel

Attachments: Contract terms and conditions
Supplemental Market Information

8379

Chapter 374

Henry Hub Natural Gas Quadultimate Option

374.01 TYPE OPTION

The Henry Hub Natural Gas Quadultimate Option contract is an American-style option contract. A put or call option contract traded on the Exchange represents an option to assume a short or long position in the underlying Henry Hub Natural Gas Futures contract traded on the Exchange.

374.02 EXPIRATION

The option contract shall expire three business days prior to the termination of the underlying Henry Hub Natural Gas Futures contract.

374.03 TRADING UNIT

A Henry Hub Natural Gas Quadultimate Put (Call) Option traded on the Exchange represents an option to assume a short (long) position in the underlying Henry Hub Natural Gas Futures contract traded on the Exchange.

374.04 HOURS OF TRADING

The option contract is available for open outcry trading on the Exchange trading floor between 9:00 a.m. to 2:30 p.m. (New York prevailing time) Monday through Friday, except on Exchange Holidays. The option contract is available for clearing through CME ClearPort[®] from 6:00 p.m. Sundays through 5:15 p.m. Fridays (New York prevailing time), with a 45-minute halt each day between 5:15 p.m. and 6:00 p.m., except on Exchange Holidays.

374.05 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 month, trading shall be at the following strike prices: (i) the difference between the previous day's settlement price for the underlying Henry Hub Natural Gas Futures contract rounded off to the nearest five-cent increment, unless such settlement price is precisely midway between two five-cent increments in which case it shall be rounded off to the lower five-cent increment; and (ii) the ten strike prices which are ten five-cent increments higher than the strike price described in section (i) of this Rule 374.05(A).
- (B) Thereafter, on any business day prior to the expiration of the option, new 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 contract months. The at-the-money strike price will be determined in accordance with the procedures set forth in Subsection (A) of this Rule 374.05.
- (C) Notwithstanding the provisions of subsections (A) and (B) of this Rule, if the Exchange determines that trading in Henry Hub Natural Gas Quadultimate Option contract 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 Henry Hub Natural Gas Quadultimate Option contract in which no new strike prices may be introduced.

374.06 TRADING MONTHS

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

374.07 PRICES

Prices shall be quoted in dollars and cents per MMBtu. The minimum price increment shall be one-hundredth (\$.0001) cent per MMBtu.

374.08 ABSENCE OF PRICE FLUCTUATION LIMITATIONS

Trading in the option contract shall not be subject to price fluctuation limitations.

CASH MARKET OVERVIEW

CASH MARKET

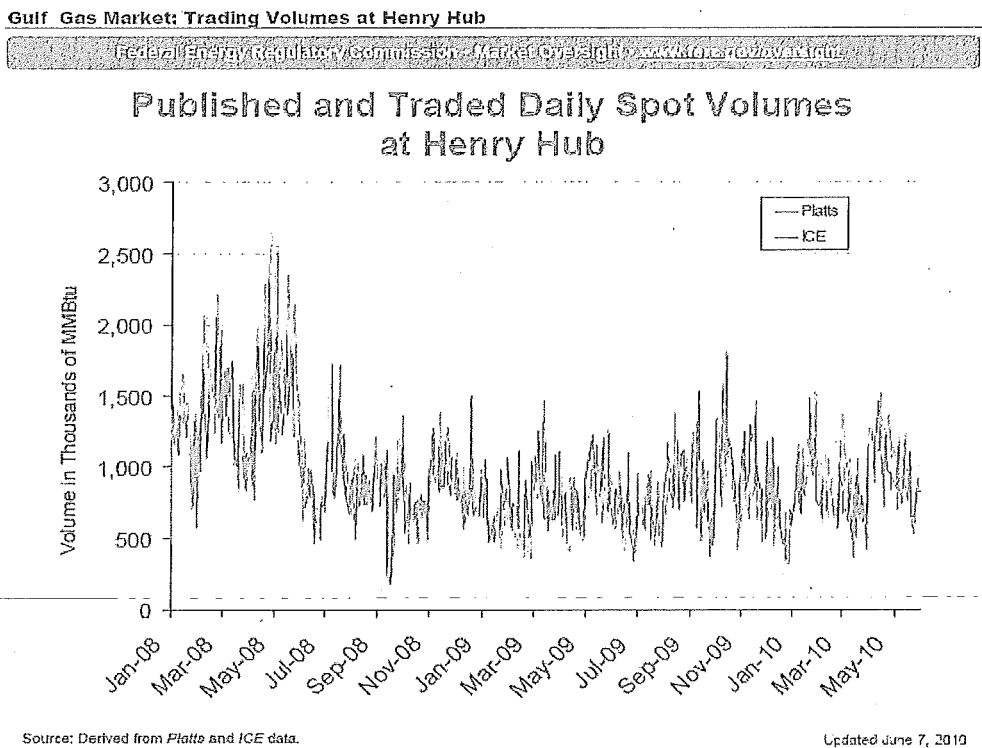
Natural gas is a gaseous fossil fuel which is composed mainly of methane. It is one of the major sources of energy in the United States. Natural gas is broadly used across different industry sectors ranging from residential heating, to power generation. In addition, there are various manufacturing uses 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. Chart 1, below, from Federal Energy Regulatory Commission (FERC)² shows the daily trading volume at Henry Hub. Trading volume ranged from about 500,000 to 1,500,000 MMBtu per day, or 15 billion to 45 billion MMBtu per month since the beginning of 2009.

¹ http://www.eia.gov/energyexplained/index.cfm?page=natural_gas_use

² <http://www.ferc.gov/market-oversight/mkt-gas/gulf/ngas-sc-hubs-vlm-hh.pdf>

Chart 1. Traded Daily Spot Volume at Henry Hub



Based on EIA data, the average monthly natural gas marketed production in Louisiana was around 114 billion cubic feet for 2007 and 115 billion cubic feet for 2008. In 2009, the monthly average production has reached about 128 billion cubic feet with an 11% growth rate compared to the year before. There is clearly a higher trend in production since June 2009. As of March 2010, marketed production has increased 47% in comparison to the same period one year ago. Table I presents data sourced from EIA on natural gas marketed production of Louisiana.

Table I. Selected Statistics for Natural Gas Production (million cubic foot)

Date	Louisiana Marketed Production in MMcf ³	Marketed Production in MMBtu Equivalent ⁴
Jan-07	113,772	116,843,844
Feb-07	101,380	104,117,260
Mar-07	114,695	117,791,765

³ EIA Natural Gas Production Data <http://www.eia.gov/dnav/ng/hist/n90501a2m.htm>
⁴ Numbers are calculated based on the conversion factor of 1,027 Btu per cubic foot provided by EIA. http://www.eia.doe.gov/kids/energy.cfm?page=about_energy_conversion_calculator-basics

Date	Louisiana Marketed Production in MMcf	Marketed Production in MMBtu Equivalent
Apr-07	112,352	115,385,504
May-07	118,341	121,536,207
Jun-07	114,778	117,877,006
Jul-07	118,535	121,735,445
Aug-07	115,133	118,241,591
Sep-07	112,263	115,294,101
Oct-07	115,858	118,986,166
Nov-07	112,067	115,092,809
Dec-07	116,158	119,294,266
2007 Average	113,778	116,849,664
Jan-08	116,765	119,917,655
Feb-08	109,142	112,088,834
Mar-08	117,530	120,703,310
Apr-08	114,666	117,761,982
May-08	121,094	124,363,538
Jun-08	118,357	121,552,639
Jul-08	123,403	126,734,881
Aug-08	119,923	123,160,921
Sep-08	88,145	90,524,915
Oct-08	114,588	117,681,876
Nov-08	116,829	119,983,383
Dec-08	116,954	120,111,758
2008 Average	114,783	117,882,141
Jan-09	113,505	116,569,635
Feb-09	104,732	107,559,764
Mar-09	117,254	120,419,858
Apr-09	116,408	119,551,016
May-09	123,689	127,028,603
Jun-09	120,825	124,087,275
Jul-09	128,787	132,264,249
Aug-09	133,693	137,302,711
Sep-09	133,391	136,992,557
Oct-09	144,409	148,308,043
Nov-09	145,965	149,906,055
Dec-09	149,146	153,172,942
2009 Average	127,650	131,096,892
Jan-10	157,587	161,841,849
Feb-10	150,124	154,177,348
Mar-10	172,442	177,097,934

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 146 billion cubic feet (or 149,942,000 MMBtu) to 326 billion cubic feet (or 334,802,000 MMBtu) during the last three years. In 2009, the monthly average underground storage level of working gas in Louisiana was 127,650 million cubic feet, or 264,349,886 MMBtu, which is equivalent to 26,435 NYMEX Henry Hub Natural Gas Futures contracts.

Table II. Selected Statistics for Natural Gas in Underground Storage (Working Gas) (million cubic foot)

Date	Louisiana Underground Storage Volume ⁵	Underground Storage in MMBtu Equivalent ⁶
Jan-07	221,868	227,858,436
Feb-07	162,055	166,430,485
Mar-07	172,383	177,037,341
Apr-07	176,036	180,788,972
May-07	205,299	210,842,073
Jun-07	227,155	233,288,185
Jul-07	248,294	254,997,938
Aug-07	240,500	246,993,500
Sep-07	258,763	265,749,601
Oct-07	282,976	290,616,352
Nov-07	276,437	283,900,799
Dec-07	249,854	256,600,058
2007 Average	226,802	232,925,312
Jan-08	187,106	192,157,862
Feb-08	155,368	159,562,936
Mar-08	146,540	150,496,580
Apr-08	154,388	158,556,476
May-08	172,558	177,217,066
Jun-08	186,094	191,118,538
Jul-08	202,336	207,799,072
Aug-08	218,968	224,880,136
Sep-08	207,901	213,514,327
Oct-08	240,456	246,948,312

⁵ EIA Natural Gas Underground Storage Data
<http://www.eia.gov/dnav/ng/hist/n50301a2m.htm>

⁶ Numbers are calculated based on the conversion factor of 1,027 Btu per cubic foot provided by EIA.
http://www.eia.doe.gov/kids/energy.cfm?page=about_energy_conversion_calculator-basics

Date	Louisiana Underground Storage Volume	Underground Storage in MMBtu Equivalent
Nov-08	247,182	253,855,914
Dec-08	238,264	244,697,128
2008 Average	196,430	201,733,696
Jan-09	193,974	199,211,298
Feb-09	173,130	177,804,510
Mar-09	186,928	191,975,056
Apr-09	208,847	214,485,869
May-09	250,499	257,262,473
Jun-09	261,820	268,889,140
Jul-09	279,358	286,900,666
Aug-09	291,448	299,317,096
Sep-09	314,611	323,105,497
Oct-09	323,768	332,509,736
Nov-09	325,536	334,325,472
Dec-09	278,882	286,411,814
2009 Average	257,400	264,349,886
Jan-10	213,067	218,819,809
Feb-10	158,247	162,519,669
Mar-10	164,939	169,392,353

In 2009, the monthly U.S. natural gas consumption was around 1,910 billion cubic feet⁷ (or 1,961,570,000 MMBtu). Gas consumption of Louisiana has a monthly average of 86 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 83 billion cubic feet (or 85,241,000 MMBtu) to 109 billion cubic feet (or 111,943,000 MMBtu) during the last three years and has an average of 86,219 million cubic feet (or 88,547,006 MMBtu) in 2009.

⁷ Monthly U.S. Natural Gas Total Consumption
<http://www.eia.gov/dnav/ng/hist/n9140us2m.htm>

Table III. Selected Statistics for Natural Gas Delivered to Consumers in Louisiana (million cubic foot)

Date	Natural Gas Delivered to Customer in Louisiana⁸	Delivered to Customer in MMBtu Equivalent⁹
Jan-07	100,669	103,387,063
Feb-07	93,075	95,588,025
Mar-07	95,251	97,822,777
Apr-07	91,900	94,381,300
May-07	94,668	97,224,036
Jun-07	99,373	102,056,071
Jul-07	92,367	94,860,909
Aug-07	104,606	107,430,362
Sep-07	87,792	90,162,384
Oct-07	91,661	94,135,847
Nov-07	83,575	85,831,525
Dec-07	89,348	91,760,396
2007 Average	93,690	96,220,058
Jan-08	103,499	106,293,473
Feb-08	87,178	89,531,806
Mar-08	92,983	95,493,541
Apr-08	83,987	86,254,649
May-08	93,179	95,694,833
Jun-08	89,397	91,810,719
Jul-08	101,784	104,532,168
Aug-08	95,450	98,027,150
Sep-08	77,869	79,971,463
Oct-08	91,028	93,485,756
Nov-08	89,145	91,551,915
Dec-08	83,836	86,099,572
2008 Average	90,778	93,228,920
Jan-09	88,366	90,751,882
Feb-09	73,956	75,952,812
Mar-09	82,453	84,679,231
Apr-09	80,293	82,460,911
May-09	84,463	86,743,501
Jun-09	89,030	91,433,810
Jul-09	92,418	94,913,286
Aug-09	93,765	96,296,655

⁸ EIA Natural Gas Consumption Data

<http://www.eia.gov/dnav/ng/hist/n3060la2m.htm>

⁹ Numbers are calculated based on the conversion factor of 1,027 Btu per cubic foot provided by EIA.

http://www.eia.doe.gov/kids/energy.cfm?page=about_energy_conversion_calculator-basics

Date	Natural Gas Delivered to Customer in Louisiana	Delivered to Customer in MMBtu Equivalent
Sep-09	87,017	89,366,459
Oct-09	90,017	92,447,459
Nov-09	86,632	88,971,064
Dec-09	NA	NA
2009 Average	86,219	88,547,006
Jan-10	109,380	112,333,260
Feb-10	92,540	95,038,580
Mar-10	99,258	101,937,966

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 144,636 million cubic feet (or 148,541,172 MMBtu) in 2008. It is a combination of net international receipts of 18,110 million cubic feet and net interstate exports of 162,746 million cubic feet. The annual average net receipt for the last three available years is negative 196,007 million cubic feet (or negative 201,299,531 MMBtu), which is equivalent to 20,130 NYMEX Henry Hub Natural Gas Futures contract.

Table IV. Selected Statistics for International and Interstate Movements of Natural Gas of Louisiana (million cubic foot)

Date	Net International Receipts ¹⁰	Net Interstate Receipts	Net International and Interstate Receipts	Net Receipts in MMBtu Equivalent ¹¹
2006	144,060	-362,916	-218,856	-224,765,112
2007	268,714	-493,244	-224,530	-230,592,310
2008	18,110	-162,746	-144,636	-148,541,172
Average	143,628	-339,635	-196,007	-201,299,531

Table V, below, provides monthly natural gas city gate price in Louisiana for the last three years. For the period ranging from January 2007 to March 2009, price shows high volatility swinging from \$3.83 to \$11.84 per thousand cubic feet, or \$3.73 to \$11.53 per MMBtu.

¹⁰ EIA International & Interstate Movements of Natural Gas by State
http://www.eia.gov/dnav/ng/ng_move_ist_a2dcu_SLA_a.htm

¹¹ Numbers are calculated based on the conversion factor of 1,027 Btu per cubic foot provided by EIA.
http://www.eia.doe.gov/kids/energy.cfm?page=about_energy_conversion_calculator-basics

Table V. Selected Statistics for Natural Gas City Gate Price in Louisiana (dollars per thousand cubic foot)

Date	Natural Gas City gate Price in Louisiana ¹²	Price in Dollars per MMBtu ¹³
Jan-07	\$ 7.13	\$ 6.94
Feb-07	\$ 7.84	\$ 7.63
Mar-07	\$ 7.81	\$ 7.60
Apr-07	\$ 7.93	\$ 7.72
May-07	\$ 7.89	\$ 7.68
Jun-07	\$ 6.47	\$ 6.30
Jul-07	\$ 7.27	\$ 7.08
Aug-07	\$ 8.15	\$ 7.94
Sep-07	\$ 5.59	\$ 5.44
Oct-07	\$ 6.19	\$ 6.03
Nov-07	\$ 6.86	\$ 6.68
Dec-07	\$ 7.45	\$ 7.25
2007 Average	\$ 7.22	\$ 7.03
Jan-08	\$ 8.48	\$ 8.26
Feb-08	\$ 9.74	\$ 9.48
Mar-08	\$ 9.09	\$ 8.85
Apr-08	\$ 10.13	\$ 9.86
May-08	\$ 10.77	\$ 10.49
Jun-08	\$ 11.70	\$ 11.39
Jul-08	\$ 11.84	\$ 11.53
Aug-08	\$ 11.74	\$ 11.43
Sep-08	\$ 11.76	\$ 11.45
Oct-08	\$ 8.73	\$ 8.50
Nov-08	\$ 7.51	\$ 7.31
Dec-08	\$ 8.18	\$ 7.96
2008 Average	\$ 9.97	\$ 9.71
Jan-09	\$ 7.95	\$ 7.74
Feb-09	\$ 6.86	\$ 6.68
Mar-09	\$ 6.26	\$ 6.10
Apr-09	\$ 5.32	\$ 5.18
May-09	\$ 4.62	\$ 4.50
Jun-09	\$ 4.81	\$ 4.68
Jul-09	\$ 4.37	\$ 4.26
Aug-09	\$ 4.12	\$ 4.01

¹² EIA Natural Gas City Gate Price by State

http://www.eia.gov/dnav/ng/ng_pri_sum_a_EPG0_PG1_DMcf_m.htm

¹³ Numbers are calculated based on the conversion factor of 1,027 Btu per cubic foot provided by EIA.

http://www.eia.doe.gov/kids/energy.cfm?page=about_energy_conversion_calculator-basics

Date	Natural Gas City gate Price in Louisiana	Price in Dollars per MMBtu
Sep-09	\$ 3.83	\$ 3.73
Oct-09	\$ 4.99	\$ 4.86
Nov-09	\$ 6.54	\$ 6.37
Dec-09	\$ 6.65	\$ 6.48
2009 Average	\$ 5.53	\$ 5.38
Jan-10	\$ 6.88	\$ 6.70
Feb-10	\$ 6.76	\$ 6.58
Mar-10	\$ 6.04	\$ 5.88

OVER THE COUNTER MARKET

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 traded per day that typically uses settlement prices of NYMEX 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	Integrus 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

Commercials	Traders	Financial (Swaps)
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
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

In addition to the groups of participants listed above, there is an extensive network of brokers, including those listed below, that are active participants in the natural gas OTC market.

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

FUTURES MARKET

Henry Hub Natural Gas Futures is one of the most actively traded futures market in North America. As Table VI below illustrates, futures volume has averaged about 119,000 contracts per day since 2007 (about 2,380,000 contracts per month). The Exchange believes that the underlying Natural Gas Futures contract is highly liquid and would be extremely difficult to manipulate. Below are the daily average volumes for the NYMEX Natural Gas Futures contract over the past three years:

Table VI. NYMEX Henry Hub Natural Gas Volume

Date	Average Daily Volume of Henry Hub Natural Gas Futures	Average Daily Volume of Henry Hub Natural Gas in MMBTu Equivalent
Jan-07	124,632	1,246,320,000
Feb-07	127,985	1,279,850,000
Mar-07	88,121	881,210,000
Apr-07	109,053	1,090,530,000

Date	Average Daily Volume of Henry Hub Natural Gas Futures	Average Daily Volume of Henry Hub Natural Gas in MMBTu Equivalent
May-07	103,864	1,038,640,000
Jun-07	128,744	1,287,440,000
Jul-07	111,749	1,117,490,000
Aug-07	133,440	1,334,400,000
Sep-07	130,867	1,308,670,000
Oct-07	137,193	1,371,930,000
Nov-07	117,812	1,178,120,000
Dec-07	119,547	1,195,470,000
2007 Average	119,366	1,193,660,000
Jan-08	130,534	1,305,340,000
Feb-08	166,529	1,665,290,000
Mar-08	149,180	1,491,800,000
Apr-08	153,768	1,537,680,000
May-08	149,617	1,496,170,000
Jun-08	160,908	1,609,080,000
Jul-08	194,271	1,942,710,000
Aug-08	178,863	1,788,630,000
Sep-08	164,689	1,646,890,000
Oct-08	137,029	1,370,290,000
Nov-08	133,677	1,336,770,000
Dec-08	108,375	1,083,750,000
2008 Average	152,268	1,522,680,000
Jan-09	117,186	1,171,860,000
Feb-09	146,345	1,463,450,000
Mar-09	135,905	1,359,050,000
Apr-09	118,719	1,187,190,000
May-09	173,949	1,739,490,000
Jun-09	203,934	2,039,340,000
Jul-09	180,880	1,808,800,000
Aug-09	211,712	2,117,120,000
Sep-09	266,555	2,665,550,000
Oct-09	250,353	2,503,530,000
Nov-09	220,695	2,206,950,000
Dec-09	243,054	2,430,540,000
2009 Average	189,939	1,899,390,000
Jan-10	236,944	2,369,440,000
Feb-10	239,879	2,398,790,000
Mar-10	203,957	2,039,570,000

ANALYSIS OF DELIVERABLE SUPPLY

The estimation of deliverable supply is a function of the production and net receipts. Using data supplied from EIA, Table IV is used to estimate the supply of natural gas in Louisiana. In Table IV, annual international and interstate natural gas movement of Louisiana is presented. The latest gas movement data available are for 2008. Overall production outstrips consumption by approximately 79,000 million cubic feet per month. Production amounts to about 114,000 million cubic feet per month for years 2007 and 2008. Using a conversion factor of 1,027 Btu per cubic foot, this converts to about 117,078,000 MMBtu per month, or 11,707 proposed option contract equivalents (contract size: 10,000 MMBtu). The production/consumption imbalance is offset by net receipts of about negative 15,000 million cubic feet per month, which are about 15,405,000 MMBtu, or 1,540 NYMEX futures contract equivalents (contract size: 10,000 MMBtu).

Based on the analysis above, the deliverable supply can be estimated as follows:

Production:	117,078,000 MMBtu per month (11,707 futures contract equivalents)
Net Receipts:	-15,405,000 MMBtu per month (1,540 futures contract equivalents)
Total:	101,673,000 MMBtu per month (10,167 futures contract equivalents)

The Exchange has determined to set spot month position limits for this option contract at 1,000 contracts, which represents less than one tenth of the total deliverable supply of 10,167 contract equivalents. The Exchange will aggregate positions of the proposed Henry Hub Natural Gas Quadultimate Option into the underlying Henry Hub Natural Gas Futures contract.