NYMEX
NEW YORK MERCANTILE EXCHANGE

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December 11, 2007

BY EMAIL AND AIRBORNE EXPRESS

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

Re: Listing of Product for Trading by Certification and Related Rule Certification. NYMEX Submission 07.130: Notification of Nine New Natural Gas Options Contracts

Dear CFTC Commissioners:

The New York Mercantile Exchange, Inc. ("NYMEX" or the "Exchange") is notifying the Commodity Futures Trading Commission ("CFTC" or "Commission") that it will be listing by self-certification nine new financially settled option contracts for trading and submission for clearing. The delivery point ("Pipe") options will be based on the existing NYMEX basis "swap" futures contracts on the following locations: PGE Citygate Option; Alberta Option; Northern Rockies Option; Transco Zone 6 Option; Chicago City Gate Option; Houston Ship Channel Option; San Juan Option; Socal Option; and Panhandle Option. Unlike these basis futures contracts, however, the "Pipe" options will not have an underlying quoted as a differential to the benchmark Natural Gas (NG) futures contract. Rather, similar to the Exchange's listing of other options contracts that rely upon more than one listed Exchange futures contract, the corresponding Exchange Natural Gas futures contract settlement prices will be added to the relevant Basis Swap to form the underlying price

These options constitute new opportunities for hedging for various delivery points already listed by the Exchange. To date, the Natural Gas commercial community has only the Henry Hub location to hedge with Exchange listed options. However, by its nature, Natural Gas prices can diverge substantially from one location to another and subsequently there arises considerable "basis" risk with the existing Natural Gas Options with which this proposed slate seeks to remedy.

These Options will commence listing for trading on **Sunday December 16 for trade date Monday, December 17, 2007**. The first contract months to be listed will be those involving exercise into financial settlement for the **January 2008 contract month**. There will initially be listed 72 consecutive monthly expirations.

The new contracts will be listed for open outcry trading during the hours of 9.00 A.M to 2:30 P.M New York Time and on NYMEX ClearPort® Clearing for submission of EOO transactions pursuant

New York Mercantile Exchange, Inc.
World Financial Center
One North End Avenue
New York, NY 10282-1101
(212) 299-2000

to NYMEX Rule 6.21F. In connection with the launch of the new option contracts, NYMEX is also submitting the following associated terms and conditions for new NYMEX Chapters:

- NYMEX Chapter 516A for Alberta "Pipe" Option,
- NYMEX Chapter 517A for Chicago "Pipe" Option,
- NYMEX Chapter 518A for Houston Ship Channel "Pipe" Option,
- NYMEX Chapter 519A for San Juan "Pipe" Option,
- NYMEX Chapter 520A for Socal "Pipe" Option,
- NYMEX Chapter 521A for Transco Zone 6 "Pipe" Option,
- NYMEX Chapter 624A for PGE Citygate "Pipe" Option,
- NYMEX Chapter 525A for Panhandle "Pipe" Option,
- NYMEX Chapter 524A for Northern Rockies "Pipe" Option

The two-letter commodity symbol to be used by the Exchange will be as follows:

- PGE Citygate Option: CW
- Alberta "Pipe" Option: PI
- Northern Rockies "Pipe" Option: ZR
- Transco Zone 6 "Pipe" Option: TZ
- Chicago City Gate "Pipe" Option: PY
- Houston Ship Channel "Pipe" Option: PK
- San Juan "Pipe" Option: PJ
- SOCAL "Pipe" Option: ZN
- Panhandle "Pipe" Option: PU

The Exchange intends filing a simultaneous submission that will include rule amendments addressing position accountability, position limit, and reportable position matters.

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 listing for trading by certification of these new products and the attached new rules in Chapters all 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, December 17, 2007.

Should you have any questions concerning the above, please contact the undersigned at (212) 299-2394 or Bob Biolsi at 212-299-2610.

Very truly yours,

Robert A. Levin
Senior Vice President - Research

Attachment: NYMEX Chapter 516A, Alberta "Pipe" Option, 517A, Chicago "Pipe" Option, 518A, Houston Ship Channel "Pipe" Option, 519A, San Juan "Pipe" Option, 520A, Socal "Pipe" Option, 521A, Transco Zone 6 "Pipe" Option, 624A, PGE Citygate "Pipe" Option, 525A Panhandle "Pipe" Option, and 524A, Northern Rockies "Pipe" Option.

Supplemental Information

Natural Gas Price Source: Platts Inside FERC's Gas Market Report, NGI's Bidweek Survey and Canadian Gas Price Reporter.

Platts Inside FERC Gas Market Report is used to assess the following 5 natural gas basis swaps: Houston Ship Channel Basis Swap, Northwest Pipeline, Rockies Basis Swap, Panhandle Basis Swap, San Juan Basis Swap and Transco Zone 6 Basis Swap.
NGI's Bidweek Survey is used to evaluate the following 3 natural gas basis swaps: Chicago Basis Swap, Pacific Gas & Electric (PG &E) Citygate Basis Swap and SoCal Basis Swap. *Canadian Gas price reporter* is used to assess Alberta Basis Swap.

The three price reporting services utilize surveys for those monthly price assessment that are used for the final settlement prices for the 9 natural gas basis swaps listed above. These price sources are the major services that are used in the natural gas market for pricing swaps and cash contracts. The three price reporting services surveys dozens of market participants during the trading day, in order to determine the prevailing market price. The three price reporting services have strict policies that prohibit those from releasing those price assessments prior to publication.

Natural Gas Basis Market

Alberta Basis Swap(CGPR)

The AECO-C/Nova Inventory Transfer (NIT) market center is a major connection point to long-distance transmission systems, which take gas to points throughout Canada and the United States. Some of the interstate pipelines that make up the Henry Hub, the delivery point for the New York Mercantile Exchange, Inc., benchmark Natural Gas (NG) futures contract, also connect with midwestern and northeastern markets that are connected to AECO/NIT.

Chicago Basis Swap(NGI)

The Chicago natural gas market hub is a diversified market supplied by multiple pipelines originating on the Gulf Coast and in Canada and dominated by industrial and residential demand. The residential market accounts for approximately 40% of regional demand and can have a significant impact on seasonal swings in consumption, particularly in winter.

Houston Ship Channel Basis Swap(Platts IFERC)

Participants in the natural gas market at the Houston Ship Channel hub in southeast Texas sometimes have the best of two worlds. The market hub is one of the principal gateways for natural gas destined for markets in Texas, the largest gas-consuming state. It serves a highly concentrated area of large-volume consumers – the heavily industrialized region in the Houston vicinity east to Port Arthur that is rife with chemical plants, refineries, and power generating stations. At the same time, the hub is located in the midst of prolific onshore and offshore gas deposits along the Gulf of Mexico. The region's industrial gas demand is fairly steady, although the markets can be affected by shifts in weather and the availability of non gas-fired power generation.

Northwest Pipeline, Rockies Basis Swap(Platts IFERC)

Williams Companies' Northwest Pipeline system draws on natural gas supplies in the Rocky Mountain region and supplies it to consuming markets throughout the Rockies and Pacific Northwest.The southern terminus of the Northwest Pipeline system is the natural gas reserves in southwestern Colorado. The system also draws on other Rocky Mountain gas-producing areas clustered in nearby areas of Colorado, Utah, and Wyoming.

Pacific Gas & Electric (PG &E) Citygate Basis Swap (NGI)

The Pacific Gas & Electric Co. is one of the largest suppliers of natural gas in California, with a pipeline network that traverses the state from Oregon to Arizona. A subsidiary, California Gas Transmission (CGT), connects with British Columbia pipelines at the U.S.-Canadian border. The PG&E Citygate is any point at which the backbone transmission system connects to the local transmission and distribution system with connection points in northern, central, and southern California. The Citygate is not one specific, physical location, but is a "virtual trading point" on CGT system.

Panhandle Basis Swap(Platts IFERC)

The Panhandle Eastern Pipe Line Co. operates a major interstate pipeline system delivering natural gas to the Midwest and East Coast markets. The prolific gas production of the Texas-Oklahoma panhandle region is a major supply source for Panhandle Eastern and other interstate pipelines taking gas to the Mid-Continent region.

San Juan Basis Swap(Platts IFERC)

The San Juan Basin is a major natural gas-producing region in New Mexico near the Four Corners where the borders of New Mexico, Arizona, Utah, and Colorado come together. Most of the gas produced in the basin is shipped to southern California via the El Paso Pipeline, but some of the production serves Arizona and markets in the Rockies. It is the relative strength and volatility of the California natural gas market, however, that drives wellhead pricing in the San Juan Basin.

SoCal Basis Swap(NGI)

The market for natural gas in California accounts for approximately 10% of national consumption and makes California the second largest gas-consuming state after Texas. More than half of this gas requirement enters the state via interstate pipelines crossing the state's southern border from Arizona and Nevada, and much of it supplies the densely populated, highly industrialized corridor between San Diego and Los Angeles.

Transco Zone 6 Basis Swap(Platts IFERC)

As market hubs go, Transco Zone 6 is unique. It is a market center along 300 miles of pipeline, covering a six-state area from Virginia to New York City. By way of contrast, the Henry Hub in Louisiana is a series of pipeline interconnects at a single facility. The market at Zone 6 is characterized by volatility and limited pipeline capacity into New York, often causing a disconnect between transactions for gas bound for New York and gas that is destined elsewhere in Zone 6. Every day within Zone 6, many exchanges of gas take place among market participants whose needs vary, contributing to the overall market volatility. The customer base in Zone 6 is diverse, with substantial industrial load accompanied by a huge segment of residential and commercial demand that reflects seasonal swings, particularly winter peak demand.

Volume in the Underlying Cash Market and and Typical Transaction size

Most physical trading takes place in the spot market with a very small percentage in the forward market.

	Estimated Cash Market Volume
Alberta Basis Swap(CGPR)	109770-219550
Chicago Basis Swap(NGI)	46270-92550
Houston Ship Channel Basis Swap(Platts IFERC)	141370-282740
Northwest Pipeline, Rockies Basis Swap(Platts IFERC)	117350-234710
Pacific Gas & Electric (PG &E) Citygate Basis Swap(NGI)	29730-59470
Panhandle Basis Swap(Platts IFERC)	117040-234090
San Juan Basis Swap(Platts IFERC)	151730-303480
SoCal Basis Swap(NGI)	192580-385170
Transco Zone 6 Basis Swap(Platts IFERC)	26140-52280

All volumes are in NYMEX Equivalents (2500 MMBtu).
Typically, transactions occur in sizes that reflext one NYMEX equivalent for each calendar day of a 30-day month (i.e., 750,000 MMbtus).

Natural Gas Basis Market

The natural gas basis cash market and OTC market participants are diverse and numbers around 60-70 commercial companies. A partial listing is as follow:

Brokers	**Financial (Swaps)**
Prebon Energy	BP Corporation North America, Inc.
Amerex Brokers LLC	ConocoPhillips Company
ICAP Energy LLC	Citigroup Energy Inc.
TFS Energy LLC	Chevron USA, Inc.
GFI Brokers LLC	Credit Suisse Energy LLC

CGS - Blue Flame Brokerage
Choice! Energy L.P.
INFA Energy Brokers LLC
IVG Energy, Ltd.
Coquest Inc.

Deutsche Bank AG, London
Hess Corporation
JP Morgan Chase Bank, Inc.
Merrill Lynch Commodities Inc.
National Trading II
UBS Securities, LLC
Wachovia Bank, NA

516A. Alberta "Pipe" Option

Rule 516A.01 Type Option:

An Alberta "Pipe" Option is a European Style option financially settled against the mathematical sum of the settlement prices for the underlying NYMEX Alberta basis swap and Henry Hub swap.

Rule 516A.02 Strike Prices on Alberta "Pipe" Option Contracts:

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

On the first business day of the trading in an option contract month, trading shall be at the following strike prices;

(B) (i) the previous day's settlement price for the underlying "Pipe" month's natural gas futures contracts plus the settlement price of the AECO NIT Basis swap in the corresponding "Pipe" month rounded off to the nearest one-cent strike price unless such settlement price is precisely midway between two strike prices in which case it shall be rounded off to the lower strike price and (ii) the five one-cent strike prices which are five increments higher than the strike price described in subsection (B)(i) of this Rule and (iii) the five one-cent strike prices which are five increments lower than the strike price described in subsection of this Rule.

(C) Thereafter, on any business day prior to the expiration of the option, new consecutive strike prices for both puts and calls will be added such that there will be five increments above and below the at-the-money option.;

(D) Notwithstanding the provisions of subsections (A) through (C) of this Rule, if the Board determines that trading in natural gas options will be facilitated thereby, the Board may, by resolution, change the increments between strike prices, the number of strike prices which shall be traded in 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 natural gas futures option in which no new strike prices may be introduced.

Rule 516A.03 Trading Unit in Alberta "Pipe" Option Contracts:

On expiration of a call option, the value will be the difference between the mathematical sum of the settlement prices for the underlying NYMEX ALBERTA basis Swap and Henry Hub swap and the strike price multiplied by 2,500 MMBtu, or zero, whichever is greater. On exercise of a put option, the value will be the difference between the strike price and the mathematical sum of the settlement prices for the underlying NYMEX ALBERTA basis Swap and Henry Hub swap multiplied by 2,500 MMBtu, or zero, whichever is greater.

Rule 516A.04 Prices in Alberta "Pipe" Option Contracts:

Prices shall be quoted in dollars and hundredths of cents per MMBtu. A cabinet trade may occur at the price of $1.00 per a contract, however, if it results in the liquidation of positions of both parties to the trade.

Rule 516A.05 Expiration of Alberta "Pipe" Option Contract:

An Alberta "Pipe" Option Contract shall expire on the termination day of the underlying AECO NIT Basis Swap Contract.

Rule 516A.06 Traded Months of Alberta "Pipe" Option Contract:

Trading months will be determined by resolution of the Board of Directors.

517A. Chicago "Pipe" Option

Rule 517A.01 Type Option:

A Chicago "Pipe" Option is a European Style option financially settled the mathematical sum of the settlement prices for the underlying NYMEX Chicago Citygate basis swap and Henry Hub swap.

Rule 517A.02 Strike Prices on Chicago "Pipe" Option Contracts:

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

On the first business day of the trading in an option contract month, trading shall be at the following strike prices;

(B) (i) the previous day's settlement price for the underlying "Pipe" month's natural gas futures contracts plus the settlement price of the Chicago Basis swap in the corresponding "Pipe" month rounded off to the nearest one-cent strike price unless such settlement price is precisely midway between two strike prices in which case it shall be rounded off to the lower strike price and (ii) the five one-cent strike prices which are five increments higher than the strike price described in subsection (B)(i) of this Rule and (iii) the five one-cent strike prices which are five increments lower than the strike price described in subsection of this Rule.

(C) Thereafter, on any business day prior to the expiration of the option, new consecutive strike prices for both puts and calls will be added such that there will be five increments above and below the at-the-money option.;

(D) Notwithstanding the provisions of subsections (A) through (C) of this Rule, if the Board determines that trading in natural gas options will be facilitated thereby, the Board may. by resolution, change the increments between strike prices, the number of strike prices which shall be traded in 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 natural gas futures option in which no new strike prices may be introduced.

Rule 517A.03 Trading Unit in Chicago "Pipe" Option Contracts:

On expiration of a call option, the value will be the difference between the mathematical sum of the settlement prices for the underlying NYMEX CHICAGO CITYGATE basis Swap and Henry Hub swap and the strike price multiplied by 2,500 MMBtu, or zero, whichever is greater. On exercise of a put option, the value will be the difference between the strike price and the mathematical sum of the settlement prices for the underlying NYMEX CHICAGO CITYGATE basis Swap and Henry Hub swap multiplied by 2,500 MMBtu, or zero, whichever is greater

Rule 517A.04 Prices in Chicago "Pipe" Option Contracts:

Prices shall be quoted in dollars and hundredths of cents per MMBtu. A cabinet trade may occur at the price of $1.00 per a contract, however, if it results in the liquidation of positions of both parties to the trade.

Rule 517A.05 Expiration of Chicago "Pipe" Option Contract:

A Chicago "Pipe" Option Contract shall expire on the termination day of the underlying Chicago Basis Swap Contract.

Rule 517A.06 Traded Months of Chicago "Pipe" Option Contract:

Trading months will be determined by resolution of the Board of Directors.

518A. Houston Ship Channel "Pipe" Option

Rule 518A.01 Type Option:

A Houston Ship Channel "Pipe" is a European Style option financially settled against the mathematical sum of the settlement prices for the underlying NYMEX Houston Ship Channel basis swap and Henry Hub swap.

Rule 518A.02 Strike Prices on Houston Ship Channel "Pipe" Option Contracts:

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

On the first business day of the trading in an option contract month, trading shall be at the following strike prices;

(B) (i) the previous day's settlement price for the underlying "Pipe" month's natural gas futures contracts plus the settlement price of the Houston Ship Channel Basis swap in the corresponding "Pipe" month rounded off to the nearest one-cent strike price unless such settlement price is precisely midway between two strike prices in which case it shall be rounded off to the lower strike price and (ii) the five one-cent strike prices which are five increments higher than the strike price described in subsection (B)(i) of this Rule and (iii) the five one-cent strike prices which are five increments lower than the strike price described in subsection of this Rule.

(C) Thereafter, on any business day prior to the expiration of the option, new consecutive strike prices for both puts and calls will be added such that there will be five increments above and below the at-the-money option.:

(D) Notwithstanding the provisions of subsections (A) through (C) of this Rule, if the Board determines that trading in natural gas options will be facilitated thereby, the Board may, by resolution, change the increments between strike prices, the number of strike prices which shall be traded in 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 natural gas futures option in which no new strike prices may be introduced.

Rule 518A.03 Trading Unit in Houston Ship Channel "Pipe" Option Contracts:

On expiration of a call option, the value will be the difference between the mathematical sum of the settlement prices for the underlying NYMEX HOUSTON SHIP CHANNEL basis Swap and Henry Hub swap and the strike price multiplied by 2,500 MMBtu, or zero, whichever is greater. On exercise of a put option, the value will be the difference between the strike price and the mathematical sum of the settlement prices for the underlying NYMEX HOUSTON SHIP CHANNEL basis Swap and Henry Hub swap multiplied by 2,500 MMBtu, or zero, whichever is greater

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Rule 518A.04 Prices in Houston Ship Channel "Pipe" Option Contracts:

Prices shall be quoted in dollars and hundredths of cents per MMBtu. A cabinet trade may occur at the price of $1.00 per contract, however, if it results in the liquidation of positions of both parties to the trade.

Rule 518A.05 Expiration of Houston Ship Channel "Pipe" Option Contract:

A Houston Ship Channel "Pipe" Option Contract shall expire on the termination day of the underlying Houston Ship Channel Basis Swap Contract.

Rule 518A.06 Traded Months of Houston Ship Channel "Pipe" Option Contract:

Trading months will be determined by resolution of the Board of Directors.

519A. San Juan "Pipe" Option

Rule 519A.01 Type Option:

A San Juan "Pipe" Option is a European Style option financially settled against the mathematical sum of the settlement prices for the underlying NYMEX San Juan basis swap and Henry Hub swap.

Rule 519A.02 Strike Prices on San Juan "Pipe" Option Contracts:

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

On the first business day of the trading in an option contract month, trading shall be at the following strike prices;

(B) (i) the previous day's settlement price for the underlying "Pipe" month's natural gas futures contracts plus the settlement price of the San Juan Basis swap in the corresponding "Pipe" month rounded off to the nearest one-cent strike price unless such settlement price is precisely midway between two strike prices in which case it shall be rounded off to the lower strike price and (ii) the five one-cent strike prices which are five increments higher than the strike price described in subsection (B)(i) of this Rule and (iii) the five one-cent strike prices which are five increments lower than the strike price described in subsection of this Rule.

(C) Thereafter, on any business day prior to the expiration of the option, new consecutive strike prices for both puts and calls will be added such that there will be five increments above and below the at-the-money option.;

(D) Notwithstanding the provisions of subsections (A) through (C) of this Rule, if the Board determines that trading in natural gas options will be facilitated thereby, the Board may, by resolution, change the increments between strike prices, the number of strike prices which shall be traded in 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 natural gas futures option in which no new strike prices may be introduced.

Rule 519A.03 Trading Unit in San Juan "Pipe" Option Contracts:

On expiration of a call option, the value will be the difference between the mathematical sum of the settlement prices for the underlying NYMEX SAN JUAN basis Swap and Henry Hub swap and the strike price multiplied by 2,500 MMBtu, or zero, whichever is greater. On exercise of a put option, the value will be the difference between the strike price and the mathematical sum of the settlement prices for the underlying NYMEX SAN JUAN basis Swap and Henry Hub swap multiplied by 2,500 MMBtu, or zero, whichever is greater

Rule 519A.04 Prices in San Juan "Pipe" Option Contracts:

Prices shall be quoted in dollars and hundredths of cents per MMBtu. A cabinet trade may occur at the price $1.00 per contract, however, if it results in the liquidation of positions of both parties to the trade.

Rule 519A.05 Expiration of San Juan "Pipe" Option Contract:

A San Juan "Pipe" Option Contract shall expire on the termination day of the underlying San Juan Basis Swap Contract.

Rule 519A.06 Traded Months of San Juan "Pipe" Option Contract:

Trading months will be determined by resolution of the Board of Directors.

520A. SOCAL "Pipe" Option

Rule 520A.01 Type Option:

A SOCAL "Pipe" Option is a European Style option financially settled against the mathematical sum of the settlement prices for the underlying NYMEX Socal basis swap and Henry Hub swap

Rule 520A.02 Strike Prices on SOCAL "Pipe" Option Contracts:

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

On the first business day of the trading in an option contract month, trading shall be at the following strike prices;

(B) (i) the previous day's settlement price for the underlying "Pipe" month's natural gas swap futures contracts plus the settlement price of the SOCAL Basis swap in the corresponding "Pipe" month rounded off to the nearest one-cent strike price unless such settlement price is precisely midway between two strike prices in which case it shall be rounded off to the lower strike price and (ii) the five one-cent strike prices which are five increments higher than the strike price described in subsection (B)(i) of this Rule and (iii) the five one-cent strike prices which are five increments lower than the strike price described in subsection of this Rule.

(C) Thereafter, on any business day prior to the expiration of the option, new consecutive strike prices for both puts and calls will be added such that there will be five increments above and below the at-the-money option.;

(D) Notwithstanding the provisions of subsections (A) through (C) of this Rule, if the Board determines that trading in natural gas options will be facilitated thereby, the Board may, by resolution, change the increments between strike prices, the number of strike prices which shall be traded in 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 natural gas futures option in which no new strike prices may be introduced.

Rule 520A.03 Trading Unit in SOCAL "Pipe" Option Contracts:

On expiration of a call option, the value will be the difference between the mathematical sum of the settlement prices for the underlying NYMEX SOCAL basis Swap and Henry Hub swap and the strike price multiplied by 2,500 MMBtu, or zero, whichever is greater. On exercise of a put option, the value will be the difference between the strike price and the mathematical sum of the settlement prices for the underlying NYMEX SOCAL basis Swap and Henry Hub swap multiplied by 2,500 MMBtu, or zero, whichever is greater

Rule 520A.04 Prices in SOCAL "Pipe" Option Contracts:

Prices shall be quoted in dollars and hundredths of cents per MMBtu. A cabinet trade may occur at the price $1.00 per a contract, however, if it results in the liquidation of positions of both parties to the trade.

Rule 520A.05 Expiration of SOCAL "Pipe" Option Contract:

A SOCAL "Pipe" Option Contract shall expire on the termination day of the underlying SOCAL Basis Swap Contract.

Rule 520A.06 Traded Months of SOCAL "Pipe" Option Contract:

Trading months will be determined by resolution of the Board of Directors.

521A. TRANSCO ZONE 6 "Pipe" Option

Rule 521A.01 Type Option:

A TRANSCO ZONE 6 "Pipe" Option is a European Style option financially settled against the mathematical sum of the settlement prices for the underlying NYMEX Transco Zone 6 basis swap and Henry Hub swap.

Rule 521A.02 Strike Prices on TRANSCO ZONE 6 "Pipe" Option Contracts:

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

On the first business day of the trading in an option contract month, trading shall be at the following strike prices;

(B) (i) the previous day's settlement price for the underlying "Pipe" month's natural gas swap futures contracts plus the settlement price of the TRANSCO ZONE 6 Basis swap in the corresponding "Pipe" month rounded off to the nearest one-cent strike price unless such settlement price is precisely midway between two strike prices in which case it shall be rounded off to the lower strike price and (ii) the five one-cent strike prices which are five increments higher than the strike price described in subsection (B)(i) of this Rule and (iii) the five one-cent strike prices which are five increments lower than the strike price described in subsection of this Rule.

(C) Thereafter, on any business day prior to the expiration of the option, new consecutive strike prices for both puts and calls will be added such that there will be five increments above and below the at-the-money option.;

(D) Notwithstanding the provisions of subsections (A) through (C) of this Rule, if the Board determines that trading in natural gas options will be facilitated thereby, the Board may, by resolution, change the increments between strike prices, the number of strike prices which shall be traded in 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 natural gas futures option in which no new strike prices may be introduced.

Rule 521A.03 Trading Unit in TRANSCO ZONE 6 "Pipe" Option Contracts:

On expiration of a call option, the value will be the difference between the mathematical sum of the settlement prices for the underlying NYMEX TRANSCO ZONE 6 basis Swap and Henry Hub swap and the strike price multiplied by 2,500 MMBtu, or zero, whichever is greater. On exercise of a put option, the value will be the difference between the strike price and the mathematical sum of the settlement prices for the underlying NYMEX TRANSCO ZONE 6 basis Swap and Henry Hub swap multiplied by 2,500 MMBtu, or zero, whichever is greater

Rule 521A.04 Prices in TRANSCO ZONE 6 "Pipe" Option Contracts:

Prices shall be quoted in dollars and hundredths of cents per MMBtu. A cabinet trade may occur at the price of $1.00 per a contract, However, if it results in the liquidation of positions of both parties to the trade.

Rule 521A.05 Expiration of TRANSCO ZONE 6 "Pipe" Option Contract:

A TRANSCO ZONE 6 "Pipe" Option Contract shall expire on the termination day of the underlying TRANSCO ZONE 6 Basis Swap Contract.

Rule 521A.06 Traded Months of TRANSCO ZONE 6 "Pipe" Option Contract:

Trading months will be determined by resolution of the Board of Directors.

624A. PG&E CITYGATE "Pipe" Option

Rule 624A.01 Type Option:

A PG&E CITYGATE "Pipe" Option is a European Style option financially settled against the mathematical sum of the settlement prices for the underlying NYMEX PG & E Citygate basis swap and Henry Hub swap.

Rule 624A.02 Strike Prices on PG&E CITYGATE "Pipe" Option Contracts:

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

On the first business day of the trading in an option contract month, trading shall be at the following strike prices;

(B) (i) the previous day's settlement price for the underlying "Pipe" month's natural gas futures contracts plus the settlement price of the PG&E CITYGATE Basis swap in the corresponding "Pipe" month rounded off to the nearest one-cent strike price unless such settlement price is precisely midway between two strike prices in which case it shall be rounded off to the lower strike price and (ii) the five one-cent strike prices which are five increments higher than the strike price described in subsection (B)(i) of this Rule and (iii) the five one-cent strike prices which are five increments lower than the strike price described in subsection of this Rule.

(C) Thereafter, on any business day prior to the expiration of the option, new consecutive strike prices for both puts and calls will be added such that there will be five increments above and below the at-the-money option.;

(D) Notwithstanding the provisions of subsections (A) through (C) of this Rule, if the Board determines that trading in natural gas options will be facilitated thereby, the Board may, by resolution, change the increments between strike prices, the number of strike prices which shall be traded in 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 natural gas futures option in which no new strike prices may be introduced.

Rule 624A.03 Trading Unit in PG&E CITYGATE "Pipe" Option Contracts:

On expiration of a call option, the value will be the difference between the mathematical sum of the settlement prices for the underlying NYMEX PG&E CITYGATE basis Swap and Henry Hub swap and the strike price multiplied by 2,500 MMBtu, or zero, whichever is greater. On exercise of a put option, the value will be the difference between the strike price and the mathematical sum of the settlement prices for the underlying NYMEX PG&E CITYGATE basis Swap and Henry Hub swap multiplied by 2,500 MMBtu, or zero, whichever is greater.

Rule 624A.04 Prices in PG&E CITYGATE "Pipe" Option Contracts:

Prices shall be quoted in dollars and hundredths of cents per MMBtu. A cabinet trade may occur at the price of $1.00 per a contract, however, if it results in the liquidation of positions of both parties to the trade.

Rule 624A.05 Expiration of PG&E CITYGATE "Pipe" Option Contract:

A PG&E CITYGATE "Pipe" Option Contract shall expire on the termination day of the underlying PG&E CITYGATE Basis Swap Contract.

Rule 624A.06 Traded Months of PG&E CITYGATE "Pipe" Option Contract:

Trading months will be determined by resolution of the Board of Directors.

525A. PANHANDLE "Pipe" Option

Rule 525A.01 Type Option:

A PANHANDLE "Pipe" Option is a European Style option financially settled against the mathematical sum of the settlement prices for the underlying NYMEX Panhandle basis swap and Henry Hub swap.

Rule 525A.02 Strike Prices on PANHANDLE "Pipe" Option Contracts:

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

On the first business day of the trading in an option contract month, trading shall be at the following strike prices;

(B) (i) the previous day's settlement price for the underlying "Pipe" month's natural gas swap futures contracts plus the settlement price of the PANHANDLE Basis swap in the corresponding "Pipe" month rounded off to the nearest one-cent strike price unless such settlement price is precisely midway between two strike prices in which case it shall be rounded off to the lower strike price and (ii) the five one-cent strike prices which are five increments higher than the strike price described in subsection (B)(i) of this Rule and (iii) the five one-cent strike prices which are five increments lower than the strike price described in subsection of this Rule.

(C) Thereafter, on any business day prior to the expiration of the option, new consecutive strike prices for both puts and calls will be added such that there will be five increments above and below the at-the-money option.;

(D) Notwithstanding the provisions of subsections (A) through (C) of this Rule, if the Board determines that trading in natural gas options will be facilitated thereby, the Board may, by resolution, change the increments between strike prices, the number of strike prices which shall be traded in 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 natural gas futures option in which no new strike prices may be introduced.

Rule 525A.03 Trading Unit in PANHANDLE "Pipe" Option Contracts:

On expiration of a call option, the value will be the difference between the settlement price of the underlying NYMEX PANHANDLE Basis Swap added to the Natural Gas futures settlement price for the same "Pipe" month, and the strike price multiplied by

2,500 MMBtu, or zero, whichever is greater. On exercise of a put option, the value will be the difference between the strike price and the settlement price of the underlying NYMEX PANHANDLE Basis swap added to the Natural Gas futures settlement price for the same "Pipe" month multiplied by 2,500 MMBtu, or zero, whichever is greater.

Rule 525A.04 Prices in PANHANDLE "Pipe" Option Contracts:

Prices shall be quoted in dollars and hundredths of cents per MMBtu. A cabinet trade may occur at the price of $1.00 per a contract, however, if it results in the liquidation of positions of both parties to the trade.

Rule 525A.05 Expiration of PANHANDLE "Pipe" Option Contract:

A PANHANDLE "Pipe" Option Contract shall expire on the termination day of the underlying PANHANDLE Basis Swap Contract.

Rule 525a.06 Traded Months of PANHANDLE "Pipe" Option Contract:

Trading months will be determined by resolution of the Board of Directors.

<u>524A. ROCKIES "Pipe" Option</u>

Rule 524A.01 Type Option:

A ROCKIES "Pipe" Option is a European Style option financially settled against the mathematical sum of the settlement prices for the underlying NYMEX Northwest Rockies basis swap and Henry Hub swap.

Rule 524A.02 Strike Prices on ROCKIES "Pipe" Option Contracts:

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

On the first business day of the trading in an option contract month, trading shall be at the following strike prices;

(B) (i) the previous day's settlement price for the underlying "Pipe" month's natural gas swap futures contracts plus the settlement price of the ROCKIES Basis swap in the corresponding "Pipe" month rounded off to the nearest one-cent strike price unless such settlement price is precisely midway between two strike prices in which case it shall be rounded off to the lower strike price and (ii) the five one-cent strike prices which are five increments higher than the strike price described in subsection (B)(i) of this Rule and (iii) the five one-cent strike prices which are five increments lower than the strike price described in subsection of this Rule.

(C) Thereafter, on any business day prior to the expiration of the option, new consecutive strike prices for both puts and calls will be added such that there will be five increments above and below the at-the-money option.;

(D) Notwithstanding the provisions of subsections (A) through (C) of this Rule, if the Board determines that trading in natural gas options will be facilitated thereby, the Board may, by resolution, change the increments between strike prices, the number of strike prices which shall be traded in 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 natural gas futures option in which no new strike prices may be introduced.

Rule 524A.03 Trading Unit in ROCKIES "Pipe" Option Contracts:

On expiration of a call option, the value will be the difference between the settlement price of the underlying NYMEX ROCKIES Basis Swap added to the Natural Gas futures settlement price for the same "Pipe" month, and the strike price multiplied by 2,500 MMBtu, or zero, whichever is greater. On exercise of a put option, the value will be the difference between the strike price and the settlement price of the underlying NYMEX ROCKIES Basis swap added to the Natural Gas futures settlement price for the same "Pipe" month multiplied by 2,500 MMBtu, or zero, whichever is greater.

Rule 524A.04 Prices in ROCKIES "Pipe" Option Contracts:

Prices shall be quoted in dollars and hundredths of cents per MMBtu. A cabinet trade may occur at the price of $1.00 per a contract, however, if it results in the liquidation of positions of both parties to the trade.

Rule 524A.05 Expiration of ROCKIES "Pipe" Option Contract:

A ROCKIES "Pipe" Option Contract shall expire on the termination day of the underlying ROCKIES Basis Swap Contract.

Rule 524A.06 Traded Months of ROCKIES "Pipe" Option Contract:

Trading months will be determined by resolution of the Board of Directors.