

Chapter 519A

San Juan "Pipe" (Platts IFERC) Option

519A.01 TYPE OPTION

A San Juan "Pipe" (Platts IFERC) 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.

519A.02 STRIKE PRICES

(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.

519A.03 TRADING UNIT

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

519A.04 PRICES

Prices shall be quoted in dollars and hundredths of cents per MMBtu. A cabinet trade may occur at the price \$1.00 per contract.

519A.05 EXPIRATION

A San Juan "Pipe" (Platts IFERC) Option contract shall expire on the termination day of the underlying San Juan Basis Swap Contract.

519A.06

TRADED MONTHS

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