Chapter 220
Henry Hub Natural Gas Futures

220100. SCOPE OF CHAPTER
This chapter is limited in application to Henry Hub Natural Gas futures. The procedures for trading, clearing, delivery and settlement not specifically covered herein or in Chapter 7 shall be governed by the general rules of the Exchange.

The provisions of these rules shall apply to all natural gas bought or sold for future delivery on the Exchange with delivery at the Henry Hub.

The terms “seller” and “buyer” shall mean the seller of the physical product and the buyer of the physical product, respectively.

For purposes of these rules, unless otherwise specified, times referred to herein shall refer to and indicate New York time.

220101. CONTRACT SPECIFICATIONS
The contract grade for delivery on futures contracts shall be “natural gas” which shall mean any mixture of hydrocarbons, or hydrocarbons and noncombustible gases, in a gaseous state, consisting essentially of methane, meeting the specifications set forth in the FERC-approved tariff of Sabine Pipe Line LLC as then in effect at the time of delivery and shall be deliverable in satisfaction of futures contract delivery obligations.

The futures contract delivery point shall be the Henry Hub which refers to piping and related facilities owned and/or leased by Sabine Pipe Line LLC near Erath, Louisiana.

220102. TRADING SPECIFICATIONS
Trading in Henry Hub Natural Gas futures is regularly conducted in all calendar months. The number of months open for trading at a given time shall be determined by the Exchange.

220102.A. Trading Schedule
The hours for trading shall be determined by the Exchange.

220102.B. Trading Unit
The unit of trading shall be 10,000 MMBtu. A delivery tolerance of two percent (2%) above or below the unit of trading is permitted.

The term Btu (British thermal unit) shall mean the amount of heat required to raise the temperature of one (1) pound of avoirdupois pure water from fifty-eight and five tenths degrees (58.5) Fahrenheit to fifty-nine and five tenths degrees (59.5) Fahrenheit at a constant pressure of 14.73 pounds per square inch absolute. MMBtu shall mean one million (1,000,000) Btu.

220102.C. Price Increments
The minimum fluctuation shall be $0.001 (one tenth of one cent) per MMBtu. Prices shall be quoted in dollars and cents per MMBtu.

Trades may also occur in multiples of $ 0.00025 per MMBtu for Henry Hub Natural Gas Futures inter-commodity spreads executed as simultaneous transactions on GLOBEX® pursuant to Rule 542.F.

220102.D. Special Price Fluctuation Limits
At the commencement of each trading day, the contract shall be subject to special fluctuation limits as set forth in Rule 589 and in the Special Price Fluctuation Limits Table in the Interpretations & Special Notices Section of Chapter 5.

220102.E. Position Limits, Exemptions, Position Accountability and Reportable Levels
The applicable position limits and/or accountability levels, in addition to the reportable levels, are set forth in the Position Limit, Position Accountability and Reportable Level Table in the Interpretations & Special Notices Section of Chapter 5.

A Person seeking an exemption from position limits for bona fide commercial purposes shall apply to the Market Regulation Department on forms provided by the Exchange, and the Market Regulation Department may grant qualified exemptions in its sole discretion.

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Refer to Rule 559 for requirements concerning the aggregation of positions and allowable exemptions from the specified position limits.

220102.F. Termination of Trading

No trades in Henry Hub Natural Gas futures in the expiring contract month shall be made after the third business day prior to the first day of the delivery month for such expiring contract. In the event that the official Exchange holiday schedule changes subsequent to the listing of a Henry Hub Natural Gas futures, the originally listed expiration date shall remain in effect. In the event that the originally listed expiration day is declared a holiday, expiration will move to the business day immediately prior. Any contracts remaining open after the last day of trading must be either:
(a) Settled by delivery which shall take place no earlier than the first calendar day of the delivery month and shall be completed no later than the last calendar day of the delivery month; or
(b) Liquidated by means of a bona fide Exchange for Related Position (“EFRP”) pursuant to Rule 538. An EFRP is permitted in an expired futures contract until 5:00 p.m. on the last day of trading of the expiring futures contract. An EFRP which establishes a futures position for either the buyer or the seller in an expired futures contract shall not be permitted following the termination of trading of an expired futures contract.

220103. MEASUREMENT

The natural gas delivered hereunder shall be measured at the buyer’s point of interconnection at the Henry Hub in accordance with transporting pipeline practices.

220104. DELIVERY

Delivery shall be made free-on-board (“F.O.B.”) at the buyer’s interconnection point at the Henry Hub. Delivery shall be made in accordance with all applicable Federal executive orders and all applicable Federal, State and Local laws and regulations. Delivery shall have occurred when product passes through the buyer’s interconnection point via physical flow or displacement, at which time the buyer shall bear the risk of loss. For purposes of this Rule, Intra Hub Transfer (“IHT”) service at the Henry Hub is recognized as an acceptable buyer interconnection point.

The seller shall provide natural gas which is free from all liens, encumbrances, unpaid taxes, fees and other charges.

220105. DELIVERY PROCEDURES

220105.A. Notices of Intention to Deliver and Notices of Intention to Accept

By 11:30 a.m. on the first business day after the final day of trading:
1. Exchange Clearing Members having open short positions shall provide the Clearing House with a Notice of Intention to Deliver. The Notice of Intention to Delivery must be in the form prescribed by the Exchange and must include: the name of the seller(s), the pipeline(s) through which the seller(s) will transport the product to the Henry Hub, the number of contracts to be delivered, and shall also provide any additional information as may be required by the Exchange.
2. Exchange Clearing Members having open long positions shall provide the Clearing House with a Notice of Intention to Accept. The Notice of Intention to Accept must be in the form prescribed by the Exchange and must include: the name of the buyer(s), the pipeline(s) through which the buyer(s) will receive the product at the Henry Hub, the number of contracts to be accepted, and shall also provide any additional information as may be required by the Exchange.

220105.B. Notice Day

The Clearing House shall allocate Notices of Intention to Deliver and Notices of Intention to Accept by matching size of positions, and the designated delivery and receiving pipelines to the extent possible. The Clearing House shall provide copies of the notices to the respective clearing members by 2:00 p.m. on the first business day after the final day of trading. The day on which the notices are provided to the clearing members shall be referred to as the Notice Day. Thereafter, a buyer’s clearing member or seller’s clearing member may amend the name(s) of the pipeline(s) for
their respective buyer(s) or seller(s) in a form prescribed by the Exchange to the counterparty and
the Exchange no later than 4:30 p.m. on the Notice Day.

220105.C. Clearance and Non-Clearance

1. Notice of Scheduled Clearance. No later than 3:00 p.m. on the last business day prior to the
delivery month, the seller's clearing member shall give the buyer's clearing member and the
Exchange a properly completed Notice of Scheduled Clearance. The Notice of Scheduled
Clearance must be in the form prescribed by the Exchange, indicate that the product and
transportation are in place to enable the delivery to occur in accordance with the provisions of
the Notice of Intention to Deliver and Notice of Intention to Accept.

2. Non-Clearance. In the event that either the seller or the buyer is unable to make or take
delivery in accordance with the Notice of Intention to Deliver and Notice of Intention to Accept
because of a good faith inability to receive clearance from the Henry Hub facility, the seller's
clearing member or the buyer's clearing member, as applicable, shall, no later than 3:00 p.m.
on the last business day prior to the delivery month, notify the opposite clearing member and
the Exchange, in a form prescribed by the Exchange, of the reasons for inability to make or
take, as applicable, delivery in accordance with the Notice of Intention to Deliver and Notice of
Intention to Accept. Such notification shall contain an alternate or preferred delivery site and
set forth a revised designation of the pipeline(s) at the Henry Hub through which delivery will
be completed.

220105.D. Final Settlement Price
The final settlement price shall be the basis for delivery.

220106. TIMING OF DELIVERY

Delivery shall take place no earlier than the first calendar day of the delivery month and shall be
completed no later than the last calendar day of the delivery month.
All deliveries shall be at as uniform an hourly and daily rate of flow over the course of the delivery
month as is possible under the operating procedures and conditions of the transporting pipelines.
Deliveries shall be subject to the transporting pipelines' variation in daily flow rate and balancing of
receipts and deliveries of the transporting pipelines.
The seller shall give the buyer, upon request, within one business day, copies of Henry Hub
transportation confirmations and invoices issued by Sabine Pipe Line LLC related to a standard
delivery involving both parties.
The seller shall give the buyer all appropriate documents to transfer title of product upon receipt of
payment.

220107. DELIVERY MARGIN AND PAYMENTS

220107.A. Definitions
For the purposes of this Section 107,
"Payment Date" shall mean the twentieth day of the month following the delivery month or if such
date is a Saturday or an Exchange or New York bank holiday other than Monday, payment shall be
made on the preceding day which is not an Exchange or New York bank holiday. If such day is a
Sunday or an Exchange or New York bank holiday which occurs on a Monday, payment shall be
made on the next day which is not an Exchange or New York bank holiday.

220107.B. Margin
On the third business day following the last day of trading, the clearing member shall obtain from
any buyer margin equal to the full value of the product to be delivered and the clearing member
shall obtain from any seller margin in an amount fixed, from time to time, by the Exchange.
The buyer's clearing member and the seller's clearing member shall deposit with the Clearing
House margins in such amounts and in such form as required by the Exchange. Such margins
shall be returned on the business day following notification to the Exchange that delivery and
payment have been completed.

220107.C. Payment
No later than 12:00 p.m. on the third business day prior to the Payment Date, the seller shall advise
its clearing member of the name and address of the bank, and the name of the account to which
payment shall be made. The clearing member shall advise the opposite clearing member who shall
advise the buyer. On the Payment Date, the buyer shall pay the short contract value by federal
funds wire transfer to the account of the seller at the bank nominated by the seller. The term “contract value” shall mean the amount equal to the settlement price on the last day of trading in a futures contract times ten thousand (10,000) times the number of contracts to be delivered.

No later than 12:00 p.m. on the Payment Date, the buyer shall advise its clearing member of the federal funds wire transfer number and the name of the sending bank. The clearing member representing the buyer shall advise the opposite clearing member who shall similarly advise the seller.

No later than the business day following the Payment Date, the seller shall advise its clearing member of receipt of payment, who shall deliver a notice of payment to the clearing member representing the buyer and the Clearing House. Upon receipt of such notice, the delivery shall be complete.

Any payment made on the required Payment Date shall be based on British thermal units actually delivered. If quantitative results are unavailable prior to the time established in the rules for payment, a pro-forma payment based on 10,000 MMBtu per contract shall be made. Payment adjustments based on the actual quantity delivered shall be completed by 12:00 p.m. on the tenth business day after initial payment.

In the event that the seller’s clearing member receives notification that payment has not been received, the seller’s clearing member shall advise the Exchange and the buyer’s clearing member in writing. On the following business day, unless the buyer or the buyer’s clearing member has advised the Exchange in writing that the seller failed to deliver, the Exchange shall liquidate the margins held and, when the liquidation is complete, shall pay the seller’s clearing member which shall pay its seller. If the buyer or the buyer’s clearing member has advised the Exchange in writing that the seller failed to deliver, the matter shall be deemed a failure to deliver pursuant to Rule 714.

220108. VALIDITY OF DOCUMENTS

The Exchange makes no representation respecting the authenticity, validity, or accuracy of any Notice of Intention to Deliver, Notice of Intention to Accept, check or any document or instrument delivered pursuant to these rules.

220109. ALTERNATIVE DELIVERY PROCEDURES

A seller and buyer matched by the Exchange under Section 105.B may agree to make and take delivery under terms or conditions which differ from the terms and conditions prescribed by this Chapter. In such a case, clearing members shall execute an Alternative Notice of Intention to Deliver on the form prescribed by the Exchange and shall deliver a completed and executed copy of such notice to the Exchange. The delivery of an executed Alternative Notice of Intention to Deliver to the Exchange shall release the clearing members and the Exchange from their respective obligations under the rules of this Chapter and any other rules regarding physical delivery.

In executing such notice, clearing members shall indemnify the Exchange against any liability, cost or expense the Exchange may incur for any reason as a result of the execution, delivery or performance of such contracts or such agreement, or any breach thereof or default thereunder. Upon receipt of an executed Alternative Notice of Intention to Deliver, the Exchange will return to the clearing members all margin monies held for the account of each with respect to the contracts involved.