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RECORDS SECTION

PROPOSED CONTRACT TERMS

NYMEX Light Louisiana Sweet (LLS) Crude Oil Futures Contract

Rule XXX.01. Scope

The provisions of these rules shall apply to Light Louisiana Sweet (LLS) type crude oil of domestic origin bought or sold for future delivery on the Exchange with delivery in St. James, Louisiana.

Rule XXX.02. Crude Oil Defined

For the purpose of this Contract, "Crude Oil" shall mean: A mixture of hydrocarbons that exists in a liquid phase in natural underground reservoirs and remains liquid at atmospheric pressure after passing through surface separating facilities. Crude oil as used herein refers to the direct liquid production from oil wells, or a blend of such, in its natural form, not having been enhanced or altered in any manner or by any process that would result in misrepresentation of its true value for adaptability to refining as whole Crude Petroleum.

Rule XXX.03. Reserved.

Rule XXX.04. Contract Unit

The contract unit shall be 1,000 U.S. barrels (42,000 U.S. gallons). Except for delivery made by book-out, in-tank transfer, or in-line transfer pursuant to rule XXX.14(B), a tolerance of two percent (2%) above or below (1020 U.S. Barrels or 980 U.S. Barrels) the contract unit is permitted. All volumes shall be determined at 60 degrees Fahrenheit.

Rule XXX.05. Delivery Months

Trading shall be conducted in contracts providing for delivery in such months as shall be determined by the Board of Directors.

Rule XXX.06. Prices and Fluctuations

The minimum price fluctuation shall be \$.01 (1 cent) per barrel. There shall be no maximum price fluctuation.

Rule XXX.07. Termination of Trading

Trading in the current delivery month shall cease on the third business day prior to the twenty-fifth calendar day of the month preceding the delivery month.

If the twenty-fifth calendar day of the month is a non-business day, trading shall cease on the third business day prior to the last business day preceding the twenty-fifth calendar day.

Rule XXX.08. Reserved.

Rule XXX.09. Reserved.

Rule XXX.10. Reserved.

Rule XXX.11. Reserved.

Rule XXX.12. Grade and Quality Specifications for LLS

Light Louisiana Sweet type crude oil of domestic origin meeting all of the following specifications and designations shall be deliverable in satisfaction of futures contract delivery obligations under this rule:

- (A) Stream Designation: Light Louisiana Sweet type crude oil meeting the specifications of Capline's designated common stream quality. Capline is operated by Equilon Pipeline Company, LLC;
- (B) Sulfur: Maximum 0.40% or less by weight as determined by the accepted A.S.T.M. Standard;
- (C) Gravity: Not less than 34 degrees API, nor more than 41 degrees API as determined by the accepted A.S.T.M. Standard;
- (D) Metals: Maximum combined content of vanadium and nickel not to exceed 8.0 parts per million, as determined by the accepted A.S.T.M. Standard.
- (E) Microcarbon Residue: Less than 2.5% by weight, as determined by the accepted A.S.T.M. standard.
- (F) Light Ends: Maximum of 6.0% by volume for C₂-nC₅, as determined by the accepted industry testing standard.
- (G) Distillation: the crude oil shall meet the distillation specifications as required by Capline.

All quality specifications and testing procedures shall be in accordance with the standard operating procedures used by the pipeline.

Rule XXX.13. Reserved.

Rule XXX.14. Delivery

(A) Delivery shall be made F.O.B. into the facilities of Capline in St. James, Louisiana, which is operated by Equilon Pipeline Company, LLC. Delivery shall be made in accordance with all applicable Federal executive orders and all applicable Federal, State and local laws and regulations.

For the purposes of this Rule, the term F.O.B. shall mean a delivery in which the seller: (1) provides crude oil to the point of connection between seller's incoming pipeline or storage facility and Capline which is free of all liens, encumbrances, unpaid taxes, fees and other charges; (2) retains title to and bears the risk of loss for the product to the point of connection between the buyer's outgoing and the seller's incoming pipeline or storage facility.

(B) At buyer's option, such delivery shall be made by any of the following methods: by in-line transfer, or by in-tank transfer of title to the buyer without physical movement of product, if the facility allows such transfer.

Rule XXX.15. Delivery Procedures

(A) RESPONSIBILITIES OF CLEARING MEMBERS HAVING OPEN LONG POSITIONS (BUYERS)

(1) Notice of Intention to Accept

Exchange Clearing Members having open long positions shall give the Clearing House a Notice of Intention to Accept delivery by 3:00 PM on the first business day after the final day of trading. The Notice of Intention to Accept in the form prescribed by the Exchange, which shall be properly completed and signed, shall indicate the name(s) of the buyer's customer(s), the number of contracts to be accepted, the buyer's preference of crude oil by origin and such additional information as may be required by the Exchange. The indication of a preference by a buyer does not assure that the buyer actually will receive that preference.

(2) Delivery Instructions

On the first business day following Notice Day, the buyer shall give to the seller, with a copy to the Exchange, properly completed and signed Delivery Instructions in the form prescribed by the Exchange, which shall include the following information:

(a) Name of seller;

(b) Tender Number;

- (c) Name of the seller's designated crude stream specified in the Notice of Intention to Deliver;
- (d) Name of incoming pipeline or storage facility specified in the Notice of Intention to Deliver;
- (e) Number of contracts;
- (f) Method of delivery (which must conform to the normal capabilities of the facility named in the Notice of Intention to Deliver with respect to the manner of delivery and the quantity to be delivered);
- (g) Name of the outgoing pipeline or storage facility with access to the incoming pipeline or storage facility designated in the Notice of Intention to Deliver (buyer must confirm access with the incoming pipeline or storage facility designated in the Notice of Intention to Deliver);
- (h) For inter-facility transfers, name of receiving facility with access to the facility designated in the Notice of Intention to Deliver; and
- (i) Such additional information as may be required by the Exchange.

(B) RESPONSIBILITIES OF CLEARING MEMBERS HAVING OPEN SHORT POSITIONS (SELLERS)

(1) Notice of Intention to Deliver

Exchange Clearing Members having open short positions shall give the Clearing House a Notice of Intention to Deliver by 3:00 PM the first business day after the final day of trading. The Notice of Intention to Deliver in the form prescribed by the Exchange, which shall be properly completed and signed, shall indicate the names of the seller's customers, the number of contracts to be delivered and the designated crude stream. Seller shall designate qualified pipeline or storage facility, and shall also provide such additional information as may be required by the Exchange.

(2) Scheduling Notice

As soon as possible following determination of scheduling, but not later than the last business day of the month preceding the delivery month, seller shall give the buyer a Scheduling Notice in the form prescribed by the Exchange stating delivery time, with a copy to the Exchange.

(C) AMENDMENT OF DELIVERY INSTRUCTIONS

The foregoing notwithstanding, at any time prior to the last business day of the month, the buyer and the seller may, by mutual agreement, elect to change the delivery terms with respect to:

- (1) Method of delivery.
- (2) Timing of delivery.
- (3) Type and/or quality of crude oil to be delivered.
- (4) Designation of buyer's and/or seller's facility

Any such change must be made on the form prescribed by the Exchange. Any changes made with respect to the foregoing must be made in conformance with all contract requirements and specifications.

(D) SETTLEMENT PRICE: The last settlement price shall be the basis for delivery.

(E) NOTICE DAY: The Clearing House shall allocate Delivery Notices and Notices of Intention to Accept by matching size of positions and considering the type of crude oil by origin to the extent possible. The Clearing House shall pass copies of the notices to the respective Clearing Members on the morning of the next business day. The day the notices are passed to the Clearing Members shall be referred to as the Notice Day. The Notice Day shall be the second business day after the final day of trading.

(F) NON-TRANSFERABLE: The Clearing Member who receives a Delivery Notice or a Notice of Intention to Accept from the Clearing House shall be deemed to have agreed to accept or deliver product. Delivery Notices or Notices of Intention to Accept are not transferable.

Rule XXX.16. Timing of Delivery

(A) Delivery shall take place no earlier than the first calendar day of the delivery month and no later than the last calendar day of the delivery month.

(B) It is the short's obligation to ensure that its crude oil receipts are available to begin flowing ratably by the first day of the delivery month, in accord with generally accepted pipeline scheduling practices.

(C) Transfer of title – The seller shall give the buyer a pipeline ticket, any other quantitative certificates, and all appropriate documents upon receipt of payment.

The seller shall provide preliminary confirmation of title transfer at the time of delivery by fax, electronic message, or other appropriate form of documentation.

Rule XXX.17. Delivery Margins and Payment

(A) For purposes of this Rule XXX.17,

(1) "Payment Date" shall mean the twentieth day of the month following the delivery month of 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;

(2) "Long" shall mean the customer of a long clearing member or the long clearing member if such clearing member is acting for its own account.

(3) "Short" shall mean the customer of a short clearing member or the short clearing member if such member is acting for its own account.

(B) On the third business day following the last day of trading, the long clearing member shall obtain from the long, if any, margin equal to the full value of the product to be delivered. Such margin shall consist of cash, securities issued by the United States Treasury Department maturing within ten (10) years from the date of deposit and guaranteed as to principal and interest by the United States Government or a letter of credit. Any Treasury securities so deposited shall be valued at ninety percent (90%) of the par value of such instruments. Any letter of credit so deposited shall be in a form approved by the Exchange, shall be issued or confirmed by an Exchange approved original margin depository, and shall be drawn in favor of the Exchange.

(C) The short clearing member shall obtain from the short, if any, margin in an amount fixed, from time to time, by the Board.

(D) The long clearing member and the short clearing member shall deposit with the Clearing House margins in such amounts and in such form as required by the Exchange. Such margins, which shall not be greater than the margins charged to the longs and the shorts, shall be returned on the business day following notification to the Exchange that delivery and payment have been completed.

(E) Not later than 12:00 o'clock noon on the third business day prior to the payment date, the short shall advise, by fax or electronic message, the short clearing member of the name and address of the bank, and the name of the account to which payment shall be made. The short clearing member shall advise the long clearing member who shall advise the long. On the payment date, the

long shall pay the short contract value, as defined in Rule XXX.21 (A)(4), by federal funds wire transfer to the account of the short at the bank nominated by the short. Not later than 12:00 noon (NY time) the long shall advise, by fax or electronic message, the long clearing member of the federal funds wire transfer number and the name of the sending bank. The long clearing member shall advise, by fax or electronic message, the short clearing member who shall similarly advise the short.

(F) Not later than the business day following the payment date, the short, if any, shall advise the short clearing member of receipt of payment. The short clearing member shall deliver a notice of payment to the long clearing member with a copy to the Clearing House not later than the business day following the payment date. Upon receipt of such notice, the delivery shall be complete.

(G) Any payment made on payment date shall be based on volume actually delivered determined at sixty degrees (60) Fahrenheit. If quantitative results are unavailable prior to the time established in the Rules for payment of the product, a pro-forma payment based on 1,000 U.S. barrels per contract shall be made. Payment adjustments based on the actual quantity transferred shall be completed by 12:00 noon on the fifth business day after initial payment.

(H) In the event that the short clearing member receives notification that payment has not been received, it shall advise the Exchange in writing. On the following business day, unless the long or long clearing member has advised the Exchange in writing that the short failed to deliver, the Exchange shall liquidate the margins held and, when the liquidation is complete, shall pay the short clearing member which shall pay its customer, if any. If the long or the long clearing member has advised the Exchange in writing that the short failed to deliver, the matter shall be referred to the Delivery Committee for resolution.

Rule XXX.18. Validity of Documents

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

Rule XXX.19. Inspection

(A) Inspection of product shall be conducted in accordance with pipeline practices.

(B) A buyer or seller may appoint an inspection company to inspect the quality of product delivered. The buyer or seller who requests inspection shall notify the

seller or buyer that such inspection will take place. The buyer or seller who requests inspection will pay the costs of the inspection.

Rule XXX.20. Alternative Delivery Procedure

A seller or buyer may agree with the buyer or seller with which it has been matched for delivery by the Exchange under Rule XXX.15(E) to 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 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 Exchange contracts.

In executing such Notice, Clearing Members shall indemnify the Exchange against any liability, cost or expense it 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.

Rule XXX.21. Force Majeure, Late Performance and Failure to Perform

(A) Definitions

(1) "Force Majeure" shall mean any circumstance (including but not limited to a strike, lockout, national emergency, governmental action, or act of God) which is beyond the control of the buyer or seller, and which prevents the buyer or seller from making or taking delivery of product or effecting payment when and as provided for in this Chapter.

(2) "Late Performance" shall mean the failure of a long, as defined in Rule XXX.17, to make payment on the payment date as defined in Rule XXX.17(A)(1).

(3) "Failure to Perform" shall mean the failure of the seller to make or the buyer to receive delivery of Crude Oil in accordance with the requirements set forth in Rules XXX.02, XXX.04, XXX.12, XXX.14, XXX.16, and XXX.19.

(4) "Contract Value" means the amount equal to the settlement price on the last day of trading in futures contract times one thousand (1,000) times the number of contracts to be delivered.

(a) "Party" means a buyer or a seller.

(b) "Other party" means the corresponding buyer when a seller has failed to perform and the corresponding seller when a buyer has failed to perform.

(B) Responsibilities of Parties to the Delivery

(1) The parties to a delivery shall make commercially reasonable efforts to perform their respective delivery obligations at all times until a party has failed to perform.

(2) A party which has failed to perform its obligations may no longer perform such obligation.

(3) When a long, as defined in Rule XXX.17, is late in performance, the buyer shall be liable to the seller for any damages awarded pursuant to Section (E) for this Rule and to the Exchange for any assessments made pursuant to Section (D) of this Rule.

(4) When a buyer or a seller has failed to perform, the buyer or the seller, respectively, through which the delivery is effected shall be liable to the other party for any damages awarded pursuant to Section (E) of this Rule and to the Exchange for any assessments made pursuant to Section (D) of this Rule.

(C) Delivery Committee

(1) Force Majeure, Late Performance, and Failure to Perform shall be determined by a Panel of the Delivery Committee as set forth below.

(2) The Chairman of the Delivery Committee shall appoint a panel, which shall consist of three (3) members of the Committee, to review a delivery.

(a) when the Chairman is advised by the President or any person designated by the President that it appears that a party to the delivery has been late, failed, or may fail to perform;

(b) upon the written request of both the buyer and seller;

(c) when the President or any person designated by the President requests such appointment; or

(d) if either party to the delivery notifies the Exchange that circumstances constituting force majeure prevent the performances of delivery obligations at the time, site, and in the manner designated by the parties.

(3) The Chairman shall not appoint to any Panel any person who has a direct or indirect interest in the delivery in question. Each Panel Member shall disclose to the Chairman any such interest which might preclude such Panel Member from rendering a fair and impartial determination. Any Panel so appointed shall retain jurisdiction over the delivery in question until the delivery has been completed or a party has been found to have failed to perform such delivery. Exchange Counsel shall serve as Advisor to the Panel.

(4) The Panel shall meet within one business day, or as soon thereafter as is reasonably practicable, of its notification of the circumstances set forth in Section (2). Unless good cause for delay exists, within one business day the Panel shall determine whether force majeure exists or whether a buyer or a seller has failed to perform its obligations as provided in the Rules, and advise the Compliance Department of such determination and its findings in support thereof immediately. The Panel shall cause its determination to be communicated to the parties to the delivery as expeditiously as possible.

(5) Upon a finding of a failed performance, the Panel shall:

(a) in the case of a failure to perform by a seller: (i) notify the President of its determination, who shall instruct the Exchange's Clearing House to retain all delivery margins deposited by the seller for the delivery until any amounts determined to be due to the Exchange or the buyer pursuant to sections (D) or (E) of this Rule have been paid; and (ii) apprise the buyer of the remedies provided pursuant to Section (E) of this Rule.

(b) in the case of a failure to perform by a buyer: (i) notify the President of its determination, who shall instruct the Exchange's Clearing House to issue a delivery margin call to the buyer in an amount equal to the original margin then in effect for a Crude Oil futures contract carried at the Clearing House on the last day of trading in such contract times the number of contracts to be delivered and to retain such delivery margin until any amounts determined to be due to the Exchange or the seller pursuant to Sections (D) and (E) of this Rule have been paid; and (ii) apprise the seller of the remedies provided pursuant to Section (E) of the Rule.

(6) Upon a finding of force majeure, the Panel may take any one or combination of the following actions as it deems suitable:

(a) grant an extension of time for delivery up to two months from the scheduled time;

(b) change a delivery site provided that the seller has deliverable product at the new site or will have deliverable product at such site in time for

delivery, and provided further, that the site as modified conforms with Rule XXX.14(A) and (B);

- (c) modify the method of delivery provided that the method of delivery modified conforms with Rule XXX.14(B).
- (d) allocate deliveries,
- (e) modify the method or timing of payment, or
- (f) refer the matter to the NYMEX Board for consideration of emergency action pursuant to Article 7.

(D) EXCHANGE ACTION

(1) Whenever a buyer or a seller is found by the Panel to have late performance, or to have failed to perform a delivery, the Exchange, represented by the Compliance Department, shall issue a Notice of Assessment specifying the findings of the Panel with respect to the failed delivery and assessing a penalty of twenty percent of the contract value against such party to be paid to the Exchange.

(2) Whenever a long is late in performance, the Compliance Department shall issue a Notice of Assessment assessing a penalty to the buyer of \$1,000.

(3) (a) A party may appeal a Notice of Assessment by filing a Notice of Appeal with the Hearing Registrar of the Exchange and by serving a copy of the same on the Exchange's Compliance Counsel, within two business days of receipt of Notice of Assessment from the Compliance Department. The party filing the appeal ("Appellant") shall file, within twenty (20) days after filing the Notice of Appeal, a Memorandum of Appeal setting forth the factual and legal basis for the appeal. The Memorandum of Appeal must be filed with the Hearing Registrar and a copy of the same served upon the Exchange's Compliance Counsel.

(b) The Compliance Department may file with the Appellant and the Hearing Registrar an Answering Memorandum to the Memorandum of Appeal within ten (10) days of receipt of that memorandum.

(c) Failure by the party to file a Notice of Appeal or Memorandum of Appeal within the time specified in subsection (D)(3)(a) of this Rule shall constitute a waiver, and the penalties shall be paid within five days to the Exchange. Failure to pay such penalties in accordance with this Rule shall subject the party to the sanctions set forth in Exchange By-Law 106. In the event a party fails to appeal, or waives the opportunity to appeal a Notice of

Assessment, the Assessment and findings of the Petroleum Delivery Committee shall constitute a final disciplinary action of the Exchange.

(4) Within ten (10) days after receipt of the Compliance Department's reply, the Appellant shall be entitled to examine all books, documents and other tangible evidence in possession or under the control of the Exchange that are to be relied on by the Compliance Department or are otherwise relevant to the matter.

(5) In the event of an appeal by a party, the Chairman of the Exchange, or his designee, shall appoint an Assessment Appeal Panel to hear and decide the appeal. The Panel shall be composed of three members of the Exchange, at least one of whom shall be a member of the Board of Directors. No member of the Panel may have a direct or indirect interest in the matter under appeal. Each Panel Member shall disclose to the Chairman any such interest which might preclude such Panel Member from rendering a fair and impartial determination.

The formal rules of evidence shall not apply to such appeal, and the Panel shall be the sole judge with respect to the evidence presented to it. Exchange outside counsel shall advise the Panel.

(6) The procedures for the hearing of the appeal before the Assessment Appeal Panel shall be as follows:

(a) At a date to be set by order of the Panel, and prior to such hearing, the Appellant and the Compliance Department shall furnish each other with a list of witnesses expected to be called at the hearing, and a list of documents and copies thereof expected to be introduced at the hearing.

(b) At such hearing the Appellant may appear personally and may be represented by counsel or other representative of his choice at the appeal.

(c) The Compliance Department shall be entitled to offer evidence relating to the delivery and shall be entitled to call witnesses and introduce documents in support thereof. It shall be the burden of the Compliance Department to demonstrate, by the weight of the evidence, the appropriateness of the sanction set forth in the Notice of Assessment.

(d) The Appellant shall be entitled to rebut the Compliance Department's evidence and shall be entitled to call witnesses and introduce documents in support thereof.

(e) The Compliance Department and the Appellant shall be entitled to cross-examine any witness called by the opposing party at the hearing.

(f) The Notice of Assessment, the Notice of Appeal, the Memorandum of Appeal, any Answering Memorandum, the stenographic transcript of the appeal, any documentary evidence or other material presented to and accepted by the Panel shall constitute the record of the hearing. The decision of the Panel shall be based upon the record of the hearing.

(g) The Panel shall have the power to impose a penalty against any person who is within the jurisdiction of the Exchange and whose actions impede the progress of a hearing.

(h) The Assessment Appeal Panel shall issue a written decision in which it may affirm, reduce, or waive the charges assessed against the Appellant and shall state the reasons therefor.

(i) The decision of the Assessment Appeal Panel shall be a final decision of the Exchange, and shall constitute a final disciplinary action of the Exchange. The fine is payable on the effective date of the decision or as specified. The effective date shall be fifteen (15) days after a copy of the written decision has been delivered to the Appellant and to the Commission.

(7) The Assessment Appeal Panel shall consider and make recommendations to the Board concerning acceptance or rejection of, any offer of settlement submitted by Appellant. In the case of an offer of settlement, acceptance by the Board shall constitute the final disciplinary action of the Exchange.

(E) ARBITRATION PROCEDURE

(1) Any claim for damages arising between a buyer and a seller as a result of a delivery pursuant to this contract shall be settled by arbitration in accordance with these Rules.

(2) Notice of Intent to Arbitrate must be submitted to the Secretary of the Exchange within three business days of the occurrence upon which the claim is based or the decision of the Petroleum Delivery Committee with respect to a failed performance. Unless good cause for delay exists, failure to submit a Notice of Intent to Arbitrate within the prescribed period will be deemed a waiver of a party's rights to arbitrate such a delivery dispute.

(3) The Arbitration will be governed by the Exchange Arbitration Rules except that the Chairman of the Exchange or his designee shall appoint an Arbitration Panel composed of three Members of the Exchange, at least one of whom shall be a member of the Board of Directors.

Rule XXX.23. References to Seller and Buyer

(A) Except with respect to Rule XXX.20, the terms “seller” and “buyer” shall mean the short Clearing Member and the long Clearing Member respectively.

(B) In Rule XXX.20, the terms “seller” and “buyer” shall mean the seller and buyer of the physical product.

APPENDIX A to Part 5--Guideline No. 1; Interpretative Statement Regarding Economic and Public Interest Requirements for Contract Market Designation

(a) APPLICATION FOR DESIGNATION OF PHYSICAL DELIVERY FUTURES CONTRACTS

CONTRACT TERMS AND CONDITIONS

TERM OR CONDITION	EXCHANGE PROPOSAL	RULE NUMBER OF IDENTICAL APPROVED PROVISION, IF ANY	EXPLANATION AS TO CONSISTENCY WITH, OR REASON FOR VARIANCE FROM CASH MARKET PRACTICE
1. Commodity characteristics (e.g., grade, quality).	Light Louisiana Sweet (LLS) quality as defined by Capline pipeline. See proposed Rule XXX.12 Grade and Quality Specifications.		Contract will conform to standard industry practice for the trade of Light Louisiana Sweet (LLS) crude oil.
2. Any quality differentials for nonpar deliveries.	None		
3. Delivery Points/Region.	Delivery shall be made FOB into the facilities of Capline pipeline in St. James, Louisiana. See proposed Rule XXX.14 Delivery.		Delivery follows standard industry practice for LLS at the facilities of Capline in St. James, Louisiana.
4. Any locational differentials for nonpar deliveries.	None.		
5. Delivery facilities (type, number, capacity, ownership).	Delivery shall be made FOB into the facilities owned by Capline in St. James, Louisiana. Capline throughput capacity is 1.1 million barrels per day, with access to 10 million barrels of storage capacity.		Delivery follows standard industry practices for LLS at the facilities of Capline in St. James, Louisiana.
6. Contract size and/or trading unit.	1,000 barrels (42,000 gallons).	See Rule 200.04 Contract Unit.	Follows standard industry practices.

TERM OR CONDITION	EXCHANGE PROPOSAL	RULE NUMBER OF IDENTICAL APPROVED PROVISION, IF ANY	EXPLANATION AS TO CONSISTENCY WITH, OR REASON FOR VARIANCE FROM CASH MARKET PRACTICE
7. Composition of units.	N/A		
8. Delivery instrument.	Physical barrels delivered according to terms identical to the NYMEX Light Sweet Crude Oil Contract.	Delivery terms under Rule 200.15 Delivery Procedures.	Delivery follows standard industry practices.
9. Transportation terms.	FOB St. James, Louisiana. Please see proposed Rule XXX.14 Delivery.		Transportation terms follow standard industry practices.
10. Delivery procedures.	Delivery procedures are identical to NYMEX Light Sweet Crude Oil Contract.	See Rule 200.15 Delivery Procedures.	Delivery follows standard industry practices.
11. Delivery months.	To be determined by the NYMEX Board of Directors.	See Rule 200.05 Delivery Months.	
12. Delivery period and last trading day.	Identical to rule 200.16 of the NYMEX Light Sweet Crude Oil Contract for delivery period and last trading day.	See Rule 200.16 Timing of Delivery.	Delivery period follows standard industry practices.
13. Inspection/certification procedures.	Inspections are performed by Capline in accordance with standard pipeline practices.	See Rule 200.19 Inspection.	Inspection procedures follow standard industry practices.
14. Minimum price change (tick) equal to or less than cash market minimum price increment.	\$0.01 per barrel.	\$0.01 per barrel or \$10 per contract. See Rule 200.06.	
15. Daily price limit provisions.	None.	Similar to Rule 200.06.	

DELIVERABLE SUPPLIES

ESTIMATE OF DELIVERABLE SUPPLIES FOR TRADING MONTH(S) WITH LOWEST SUPPLIES	
ESTIMATION	Deliverable supply of LLS is approximately 350,000 to 400,000 barrels per day.
METHODOLOGY:	Estimates are from energy consultants Purvin & Gertz, as well as industry participants.

TERMS AND CONDITIONS RELATED TO SPECULATIVE LIMITS

SPECULATIVE LIMIT	STANDARD	LEVEL (EXCHANGE RULE)
1. Spot month.	2,000 contracts.	2,000 contracts.
2. Nonspot individual month or all months combined (financial and energy contracts).	Position Accountability.	Position Accountability.
3. Reporting level.	Equal to or less than levels specified in CFTC Rule 15.03.	Equal to levels specified in CFTC Rule 15.03.
4. Aggregation rule.	Same as CFTC Rule 150.5(g).	

PROPOSED CONTRACT TERMS

NYMEX West Texas Sour Crude Oil Futures Contract

Rule XXX.01. Scope

The provisions of these rules shall apply to West Texas and New Mexico Sour crude oil bought or sold for future delivery on the Exchange with delivery in Midland, Texas.

Rule XXX.02. Crude Oil Defined

For the purpose of this Contract, "Crude Oil" shall mean: A mixture of hydrocarbons that exists in a liquid phase in natural underground reservoirs and remains liquid at atmospheric pressure after passing through surface separating facilities. Sour crude oil as used herein refers to the direct liquid production from oil wells, or a blend of such, in its natural form, not having been enhanced or altered in any manner or by any process that would result in misrepresentation of its true value for adaptability to refining as whole Crude Petroleum.

Rule XXX.03. Reserved.

Rule XXX.04. Contract Unit

The contract unit shall be 1,000 U.S. barrels (42,000 U.S. gallons). Except for delivery made by book-out, in-tank transfer, or in-line transfer pursuant to rule XXX.14(B), a tolerance of two percent (2%) above or below (1020 U.S. Barrels or 980 U.S. Barrels) the contract unit is permitted. All volumes shall be determined at 60 degrees Fahrenheit.

Rule XXX.05. Delivery Months

Trading shall be conducted in contracts providing for delivery in such months as shall be determined by the Board of Directors.

Rule XXX.06. Prices and Fluctuations

The minimum price fluctuation shall be \$.01 (1 cent) per barrel. There shall be no maximum price fluctuation.

Rule XXX.07. Termination of Trading

Trading in the current delivery month shall cease on the third business day prior to the twenty-fifth calendar day of the month preceding the delivery month. If the twenty-fifth calendar day of the month is a non-business day, trading shall cease on the third business day prior to the last business day preceding the twenty-fifth calendar day.

Rule XXX.08. Reserved.

Rule XXX.09. Reserved.

Rule XXX.10. Reserved.

Rule XXX.11. Reserved.

Rule XXX.12. Grade and Quality Specifications (WTS)

Sour crude oil meeting all of the following specifications and designations shall be deliverable in satisfaction of futures contract delivery obligations under this rule:

- (A) Stream Designation: Sour crude oil meeting the TEPPCO Crude Pipeline specifications for West Texas and New Mexico Sour Crude Oil;
- (B) Sulfur: less than 2.5% by weight as determined by the accepted A.S.T.M. Standard;
- (C) Gravity: Not less than 30 degrees API, nor more than 37 degrees API as determined by the accepted A.S.T.M. Standard;
- (D) Viscosity: Maximum 100 Saybolt Universal Seconds at 100 degrees Fahrenheit as measured by the accepted A.S.T.M. Standard;
- (E) Reid Vapor Pressure: Less than 8.6 pounds per square inch at 100 degrees Fahrenheit from April through September, and not to exceed 9.6 pounds per square inch at any time, as determined by the accepted A.S.T.M. Standard;
- (F) Sediment, water and other impurities: Less than 1% as determined by the accepted A.S.T.M. Standard;
- (G) Pour Point: Not to exceed 35 degrees Fahrenheit from October through March, and not to exceed 55 degrees Fahrenheit at any time, as determined by the accepted A.S.T.M. Standard;

All quality specifications and testing procedures shall be in accordance with the standard operating procedures used by the pipeline.

Rule XXX.13. Reserved.

Rule XXX.14. Delivery

(A) Delivery shall be made F.O.B. at any pipeline or storage facility in Midland, Texas with pipeline access to TEPPCO Crude Pipeline L.P. storage. Delivery shall be made in accordance with all applicable Federal executive orders and all applicable Federal, State and local laws and regulations.

For the purposes of this Rule, the term F.O.B. shall mean a delivery in which the seller: (1) provides sour crude oil to the point of connection between seller's incoming and buyer's outgoing pipeline or storage facility which is free of all liens, encumbrances, unpaid taxes, fees and other charges; and (2) retains title to and bears the risk of loss for the product to the point of connection between the buyer's outgoing and the seller's incoming pipeline or storage facility.

(B) At buyer's option, such delivery shall be made by any of the following methods:

(1) By interfacility transfer ("pumpover") into a designated pipeline or storage facility with access to seller's incoming pipeline or storage facility. In the event of the buyer's election to take delivery by pumpover to TEPPCO from seller's delivery facility, seller bears the pumpover charges applicable from seller's delivery facility to TEPPCO;

(2) By in-line transfer, or by in-tank transfer of title to the buyer without physical movement of product, if the facility used by the seller allows such transfer.

Rule XXX.15. Delivery Procedures

(A) RESPONSIBILITIES OF CLEARING MEMBERS HAVING OPEN LONG POSITIONS (BUYERS)

(1) Notice of Intention to Accept

Exchange Clearing Members having open long positions shall give the Clearing House a Notice of Intention to Accept delivery by 3:00 PM on the first business day after the final day of trading. The Notice of Intention to Accept in the form prescribed by the Exchange, which shall be properly completed and signed, shall indicate the name(s) of the buyer's customer(s), the number of contracts to be accepted, the buyer's preference of crude oil by origin and such additional

information as may be required by the Exchange. The indication of a preference by a buyer does not assure that the buyer actually will receive that preference.

(2) Delivery Instructions

On the first business day following Notice Day, the buyer shall give to the seller, with a copy to the Exchange, properly completed and signed Delivery Instructions in the form prescribed by the Exchange, which shall include the following information:

- (a) Name of seller;
- (b) Tender Number;
- (c) Name of the seller's designated crude stream specified in the Notice of Intention to Deliver;
- (d) Name of incoming pipeline or storage facility specified in the Notice of Intention to Deliver;
- (e) Number of contracts;
- (f) Method of delivery (which must conform to the normal capabilities of the facility named in the Notice of Intention to Deliver with respect to the manner of delivery and the quantity to be delivered);
- (g) Name of the outgoing pipeline or storage facility with access to the incoming pipeline or storage facility designated in the Notice of Intention to Deliver (buyer must confirm access with the incoming pipeline or storage facility designated in the Notice of Intention to Deliver);
- (h) For inter-facility transfers, name of receiving facility with access to the facility designated in the Notice of Intention to Deliver; and
- (i) Such additional information as may be required by the Exchange.

(B) RESPONSIBILITIES OF CLEARING MEMBERS HAVING OPEN SHORT POSITIONS (SELLERS)

(1) Notice of Intention to Deliver

Exchange Clearing Members having open short positions shall give the Clearing House a Notice of Intention to Deliver by 3:00 PM the first business day

after the final day of trading. The Notice of Intention to Deliver in the form prescribed by the Exchange, which shall be properly completed and signed, shall indicate the names of the seller's customers, the number of contracts to be delivered and the designated crude stream. Seller shall designate qualified pipeline or storage facility, and shall also provide such additional information as may be required by the Exchange.

(2) Scheduling Notice

As soon as possible following determination of scheduling, but not later than the last business day of the month preceding the delivery month, seller shall give the buyer a Scheduling Notice in the form prescribed by the Exchange stating delivery time, with a copy to the Exchange.

(C) AMENDMENT OF DELIVERY INSTRUCTIONS

The foregoing notwithstanding, at any time prior to the last business day of the month, the buyer and the seller may, by mutual agreement, elect to change the delivery terms with respect to:

- (1) Method of delivery.
- (2) Timing of delivery.
- (3) Type and/or quality of crude oil to be delivered.
- (4) Designation of buyer's and/or seller's facility

Any such change must be made on the form prescribed by the Exchange. Any changes made with respect to the foregoing must be made in conformance with all contract requirements and specifications.

(D) SETTLEMENT PRICE: The last settlement price shall be the basis for delivery.

(E) NOTICE DAY: The Clearing House shall allocate Delivery Notices and Notices of Intention to Accept by matching size of positions and considering the type of crude oil by origin to the extent possible. The Clearing House shall pass copies of the notices to the respective Clearing Members on the morning of the next business day. The day the notices are passed to the Clearing Members shall be referred to as the Notice Day. The Notice Day shall be the second business day after the final day of trading.

(F) NON-TRANSFERABLE: The Clearing Member who receives a Delivery Notice or a Notice of Intention to Accept from the Clearing House shall be

deemed to have agreed to accept or deliver product. Delivery Notices or Notices of Intention to Accept are not transferable.

Rule XXX.16. Timing of Delivery

(A) Delivery shall take place no earlier than the first calendar day of the delivery month and no later than the last calendar day of the delivery month.

(B) It is the short's obligation to ensure that its crude oil receipts are available to begin flowing ratably by the first day of the delivery month, in accord with generally accepted pipeline scheduling practices.

(C) Transfer of title – The seller shall give the buyer a pipeline ticket, any other quantitative certificates, and all appropriate documents upon receipt of payment. The seller shall provide preliminary confirmation of title transfer at the time of delivery by fax, electronic message, or other appropriate form of documentation.

Rule XXX.17. Delivery Margins and Payment

(A) For purposes of this Rule XXX.17,

(1) "Payment Date" shall mean the twentieth day of the month following the delivery month of 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;

(2) "Long" shall mean the customer of a long clearing member or the long clearing member if such clearing member is acting for its own account.

(3) "Short" shall mean the customer of a short clearing member or the short clearing member if such member is acting for its own account.

(B) On the third business day following the last day of trading, the long clearing member shall obtain from the long, if any, margin equal to the full value of the product to be delivered. Such margin shall consist of cash, securities issued by the United States Treasury Department maturing within ten (10) years from the date of deposit and guaranteed as to principal and interest by the United States Government or a letter of credit. Any Treasury securities so deposited shall be valued at ninety percent (90%) of the par value of such instruments. Any letter of credit so deposited shall be in a form approved by the Exchange, shall be issued or confirmed by an Exchange approved original margin depository, and shall be drawn in favor of the Exchange.

(C) The short clearing member shall obtain from the short, if any, margin in an amount fixed, from time to time, by the Board.

(D) The long clearing member and the short clearing member shall deposit with the Clearing House margins in such amounts and in such form as required by the Exchange. Such margins, which shall not be greater than the margins charged to the longs and the shorts, shall be returned on the business day following notification to the Exchange that delivery and payment have been completed.

(E) Not later than 12:00 o'clock noon on the third business day prior to the payment date, the short shall advise, by fax or electronic message, the short clearing member of the name and address of the bank, and the name of the account to which payment shall be made. The short clearing member shall advise the long clearing member who shall advise the long. On the payment date, the long shall pay the short contract value, as defined in Rule XXX.21 (A)(4), by federal funds wire transfer to the account of the short at the bank nominated by the short. Not later than 12:00 noon (NY time) the long shall advise, by fax or electronic message, the long clearing member of the federal funds wire transfer number and the name of the sending bank. The long clearing member shall advise, by fax or electronic message, the short clearing member who shall similarly advise the short.

(F) Not later than the business day following the payment date, the short, if any, shall advise the short clearing member of receipt of payment. The short clearing member shall deliver a notice of payment to the long clearing member with a copy to the Clearing House not later than the business day following the payment date. Upon receipt of such notice, the delivery shall be complete.

(G) Any payment made on payment date shall be based on volume actually delivered determined at sixty degrees (60) Fahrenheit. If quantitative results are unavailable prior to the time established in the Rules for payment of the product, a pro-forma payment based on 1,000 U.S. barrels per contract shall be made. Payment adjustments based on the actual quantity transferred shall be completed by 12:00 noon on the fifth business day after initial payment.

(H) In the event that the short clearing member receives notification that payment has not been received, it shall advise the Exchange in writing. On the following business day, unless the long or long clearing member has advised the Exchange in writing that the short failed to deliver, the Exchange shall liquidate the margins held and, when the liquidation is complete, shall pay the short clearing member which shall pay its customer, if any. If the long or the long clearing member has advised the Exchange in writing that the short failed to deliver, the matter shall be referred to the Delivery Committee for resolution.

Rule XXX.18. Validity of Documents

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

Rule XXX.19. Inspection

(A) Inspection of product shall be conducted in accordance with pipeline practices.

(B) A buyer or seller may appoint an inspection company to inspect the quality of product delivered. The buyer or seller who requests inspection shall notify the seller or buyer that such inspection will take place. The buyer or seller who requests inspection will pay the costs of the inspection.

Rule XXX.20. Alternative Delivery Procedure

A seller or buyer may agree with the buyer or seller with which it has been matched for delivery by the Exchange under Rule XXX.15(E) to 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 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 Exchange contracts.

In executing such Notice, Clearing Members shall indemnify the Exchange against any liability, cost or expense it 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.

Rule XXX.21. Force Majeure, Late Performance and Failure to Perform

(A) Definitions

(1) "Force Majeure" shall mean any circumstance (including but not limited to a strike, lockout, national emergency, governmental action, or act of God) which is beyond the control of the buyer or seller, and which prevents the buyer or seller

from making or taking delivery of product or effecting payment when and as provided for in this Chapter.

(2) "Late Performance" shall mean the failure of a long, as defined in Rule XXX.17, to make payment on the payment date as defined in Rule XXX.17(A)(1).

(3) "Failure to Perform" shall mean the failure of the seller to make or the buyer to receive delivery of Crude Oil in accordance with the requirements set forth in Rules XXX.02, XXX.04, XXX.12, XXX.14, XXX.16, and XXX.19.

(4) "Contract Value" means the amount equal to the settlement price on the last day of trading in futures contract times one thousand (1,000) times the number of contracts to be delivered.

(a) "Party" means a buyer or a seller.

(b) "Other party" means the corresponding buyer when a seller has failed to perform and the corresponding seller when a buyer has failed to perform.

(B) Responsibilities of Parties to the Delivery

(1) The parties to a delivery shall make commercially reasonable efforts to perform their respective delivery obligations at all times until a party has failed to perform.

(2) A party which has failed to perform its obligations may no longer perform such obligation.

(3) When a long, as defined in Rule XXX.17, is late in performance, the buyer shall be liable to the seller for any damages awarded pursuant to Section (E) for this Rule and to the Exchange for any assessments made pursuant to Section (D) of this Rule.

(4) When a buyer or a seller has failed to perform, the buyer or the seller, respectively, through which the delivery is effected shall be liable to the other party for any damages awarded pursuant to Section (E) of this Rule and to the Exchange for any assessments made pursuant to Section (D) of this Rule.

(C) Delivery Committee

(1) Force Majeure, Late Performance, and Failure to Perform shall be determined by a Panel of the Delivery Committee as set forth below.

(2) The Chairman of the Delivery Committee shall appoint a panel, which shall consist of three (3) members of the Committee, to review a delivery.

(a) when the Chairman is advised by the President or any person designated by the President that it appears that a party to the delivery has been late, failed, or may fail to perform;

(b) upon the written request of both the buyer and seller;

(c) when the President or any person designated by the President requests such appointment; or

(d) if either party to the delivery notifies the Exchange that circumstances constituting force majeure prevent the performances of delivery obligations at the time, site, and in the manner designated by the parties.

(3) The Chairman shall not appoint to any Panel any person who has a direct or indirect interest in the delivery in question. Each Panel Member shall disclose to the Chairman any such interest which might preclude such Panel Member from rendering a fair and impartial determination. Any Panel so appointed shall retain jurisdiction over the delivery in question until the delivery has been completed or a party has been found to have failed to perform such delivery. Exchange Counsel shall serve as Advisor to the Panel.

(4) The Panel shall meet within one business day, or as soon thereafter as is reasonably practicable, of its notification of the circumstances set forth in Section (2). Unless good cause for delay exists, within one business day the Panel shall determine whether force majeure exists or whether a buyer or a seller has failed to perform its obligations as provided in the Rules, and advise the Compliance Department of such determination and its findings in support thereof immediately. The Panel shall cause its determination to be communicated to the parties to the delivery as expeditiously as possible.

(5) Upon a finding of a failed performance, the Panel shall:

(a) in the case of a failure to perform by a seller: (i) notify the President of its determination, who shall instruct the Exchange's Clearing House to retain all delivery margins deposited by the seller for the delivery until any amounts determined to be due to the Exchange or the buyer pursuant to sections (D) or (E) of this Rule have been paid; and (ii) apprise the buyer of the remedies provided pursuant to Section (E) of this Rule.

(b) in the case of a failure to perform by a buyer: (i) notify the President of its determination, who shall instruct the Exchange's Clearing House to issue a delivery margin call to the buyer in an amount equal to the original margin

then in effect for a Crude Oil futures contract carried at the Clearing House on the last day of trading in such contract times the number of contracts to be delivered and to retain such delivery margin until any amounts determined to be due to the Exchange or the seller pursuant to Sections (D) and (E) of this Rule have been paid; and (ii) apprise the seller of the remedies provided pursuant to Section (E) of the Rule.

(6) Upon a finding of force majeure, the Panel may take any one or combination of the following actions as it deems suitable:

(a) grant an extension of time for delivery up to two months from the scheduled time;

(b) change a delivery site provided that the seller has deliverable product at the new site or will have deliverable product at such site in time for delivery, and provided further, that the site as modified conforms with Rule XXX.14(A) and (B);

(c) modify the method of delivery provided that the method of delivery modified conforms with Rule XXX.14(B).

(d) allocate deliveries,

(e) modify the method or timing of payment, or

(f) refer the matter to the NYMEX Board for consideration of emergency action pursuant to Article 7.

(D) EXCHANGE ACTION

(1) Whenever a buyer or a seller is found by the Panel to have late performance, or to have failed to perform a delivery, the Exchange, represented by the Compliance Department, shall issue a Notice of Assessment specifying the findings of the Panel with respect to the failed delivery and assessing a penalty of twenty percent of the contract value against such party to be paid to the Exchange.

(2) Whenever a long is late in performance, the Compliance Department shall issue a Notice of Assessment assessing a penalty to the buyer of \$1,000.

(3) (a) A party may appeal a Notice of Assessment by filing a Notice of Appeal with the Hearing Registrar of the Exchange and by serving a copy of the same on the Exchange's Compliance Counsel, within two business days of receipt of Notice of Assessment from the Compliance Department. The party filing the appeal ("Appellant") shall file, within twenty (20) days after filing the

Notice of Appeal, a Memorandum of Appeal setting forth the factual and legal basis for the appeal. The Memorandum of Appeal must be filed with the Hearing Registrar and a copy of the same served upon the Exchange's Compliance Counsel.

(b) The Compliance Department may file with the Appellant and the Hearing Registrar an Answering Memorandum to the Memorandum of Appeal within ten (10) days of receipt of that memorandum.

(c) Failure by the party to file a Notice of Appeal or Memorandum of Appeal within the time specified in subsection (D)(3)(a) of this Rule shall constitute a waiver, and the penalties shall be paid within five days to the Exchange. Failure to pay such penalties in accordance with this Rule shall subject the party to the sanctions set forth in Exchange By-Law 106. In the event a party fails to appeal, or waives the opportunity to appeal a Notice of Assessment, the Assessment and findings of the Petroleum Delivery Committee shall constitute a final disciplinary action of the Exchange.

(4) Within ten (10) days after receipt of the Compliance Department's reply, the Appellant shall be entitled to examine all books, documents and other tangible evidence in possession or under the control of the Exchange that are to be relied on by the Compliance Department or are otherwise relevant to the matter.

(5) In the event of an appeal by a party, the Chairman of the Exchange, or his designee, shall appoint an Assessment Appeal Panel to hear and decide the appeal. The Panel shall be composed of three members of the Exchange, at least one of whom shall be a member of the Board of Directors. No member of the Panel may have a direct or indirect interest in the matter under appeal. Each Panel Member shall disclose to the Chairman any such interest which might preclude such Panel Member from rendering a fair and impartial determination.

The formal rules of evidence shall not apply to such appeal, and the Panel shall be the sole judge with respect to the evidence presented to it. Exchange outside counsel shall advise the Panel.

(6) The procedures for the hearing of the appeal before the Assessment Appeal Panel shall be as follows:

(a) At a date to be set by order of the Panel, and prior to such hearing, the Appellant and the Compliance Department shall furnish each other with a list of witnesses expected to be called at the hearing, and a list of documents and copies thereof expected to be introduced at the hearing.

(b) At such hearing the Appellant may appear personally and may be represented by counsel or other representative of his choice at the appeal.

(c) The Compliance Department shall be entitled to offer evidence relating to the delivery and shall be entitled to call witnesses and introduce documents in support thereof. It shall be the burden of the Compliance Department to demonstrate, by the weight of the evidence, the appropriateness of the sanction set forth in the Notice of Assessment.

(d) The Appellant shall be entitled to rebut the Compliance Department's evidence and shall be entitled to call witnesses and introduce documents in support thereof.

(e) The Compliance Department and the Appellant shall be entitled to cross-examine any witness called by the opposing party at the hearing.

(f) The Notice of Assessment, the Notice of Appeal, the Memorandum of Appeal, any Answering Memorandum, the stenographic transcript of the appeal, any documentary evidence or other material presented to and accepted by the Panel shall constitute the record of the hearing. The decision of the Panel shall be based upon the record of the hearing.

(g) The Panel shall have the power to impose a penalty against any person who is within the jurisdiction of the Exchange and whose actions impede the progress of a hearing.

(h) The Assessment Appeal Panel shall issue a written decision in which it may affirm, reduce, or waive the charges assessed against the Appellant and shall state the reasons therefor.

(i) The decision of the Assessment Appeal Panel shall be a final decision of the Exchange, and shall constitute a final disciplinary action of the Exchange. The fine is payable on the effective date of the decision or as specified. The effective date shall be fifteen (15) days after a copy of the written decision has been delivered to the Appellant and to the Commission.

(7) The Assessment Appeal Panel shall consider and make recommendations to the Board concerning acceptance or rejection of, any offer of settlement submitted by Appellant. In the case of an offer of settlement, acceptance by the Board shall constitute the final disciplinary action of the Exchange.

(E) ARBITRATION PROCEDURE

(1) Any claim for damages arising between a buyer and a seller as a result of a delivery pursuant to this contract shall be settled by arbitration in accordance with these Rules.

(2) Notice of Intent to Arbitrate must be submitted to the Secretary of the Exchange within three business days of the occurrence upon which the claim is based or the decision of the Petroleum Delivery Committee with respect to a failed performance. Unless good cause for delay exists, failure to submit a Notice of Intent to Arbitrate within the prescribed period will be deemed a waiver of a party's rights to arbitrate such a delivery dispute.

(3) The Arbitration will be governed by the Exchange Arbitration Rules except that the Chairman of the Exchange or his designee shall appoint an Arbitration Panel composed of three Members of the Exchange, at least one of whom shall be a member of the Board of Directors.

Rule XXX.22. Reserved.

Rule XXX.23. References to Seller and Buyer

(A) Except with respect to Rule XXX.20, the terms "seller" and "buyer" shall mean the short Clearing Member and the long Clearing Member respectively.

(B) In Rule XXX.20, the terms "seller" and "buyer" shall mean the seller and buyer of the physical product.

APPENDIX A to Part 5--Guideline No. 1; Interpretative Statement Regarding Economic and Public Interest Requirements for Contract Market Designation

(a) APPLICATION FOR DESIGNATION OF PHYSICAL DELIVERY FUTURES CONTRACTS

CONTRACT TERMS AND CONDITIONS

TERM OR CONDITION	EXCHANGE PROPOSAL	RULE NUMBER OF IDENTICAL APPROVED PROVISION, IF ANY	EXPLANATION AS TO CONSISTENCY WITH, OR REASON FOR VARIANCE FROM CASH MARKET PRACTICE
1. Commodity characteristics.	West Texas and New Mexico Sour crude oil as defined by TEPPCO. See proposed Rule XXX.12 Grade and Quality Specifications.		Quality specifications conform to standard industry practices for the trade of West Texas and New Mexico sour (WTS) crude oil.
2. Any quality differentials for nonpar deliveries, or lack thereof.	None.		
3. Delivery Points/Region.	Delivery shall be made FOB into any facility or pipeline in Midland, Texas with access to the facilities of TEPPCO Pipeline, LP. See proposed Rule XXX.14 Delivery.		Delivery follows standard industry practices for WTS at the facilities of TEPPCO in Midland, Texas.
4. Any locational differentials for nonpar deliveries, or lack thereof.	None.		
5. Delivery facilities (type, number, capacity, ownership).	Delivery shall be made FOB into any facility or pipeline in Midland, Texas with access to the facilities owned by TEPPCO Pipeline. TEPPCO owns 1.0 million barrels of storage in Midland, Texas, and is connected to other facilities with a total of 12 million barrels of storage in Midland, Texas. See proposed Rule XXX.14 Delivery.		Delivery follows standard industry practices for WTS at the facilities of TEPPCO in Midland, Texas.
6. Contract size and/or trading unit.	1,000 barrels.	Rule 200.04 Contract Unit.	Follows standard industry practices.
7. Delivery pack or composition of delivery units.	N/A		

TERM OR CONDITION	EXCHANGE PROPOSAL	RULE NUMBER OF IDENTICAL APPROVED PROVISION, IF ANY	EXPLANATION AS TO CONSISTENCY WITH, OR REASON FOR VARIANCE FROM CASH MARKET PRACTICE
8. Delivery instrument.	Physical barrels according to delivery terms identical to the NYMEX Light Sweet Crude Oil Contract.	Delivery terms under Rule 200.15 Delivery Procedures.	Delivery follows standard industry practices.
9. Transportation terms.	FOB delivery into facilities with access to TEPPCO storage in Midland, Texas. Please see proposed Rule XXX.14 Delivery.	FOB delivery terms are similar to Rule 200.14.	Transportation terms follow standard industry practices.
10. Delivery procedures.	Delivery procedures are identical to NYMEX Light, Sweet crude oil contract.	See Rule 200.15 Delivery Procedures.	Delivery procedures follow standard industry practices.
11. Delivery months.	To be determined by the NYMEX Board of Directors.	See Rule 200.05 Delivery Months.	
12. Delivery period and last trading day.	Identical to Rule 200.16 of the NYMEX Light Sweet Crude Oil Contract for delivery period and last trading day.	See Rule 200.16 Timing of Delivery.	Delivery period follows standard industry practices.
13. Inspection/certification procedures.	Inspections performed by TEPPCO in accordance with standard pipeline practices.	See Rule 200.19 Inspection.	Inspection/certification procedures follow standard industry practices.
14. Minimum price change (tick) equal to or less than cash market minimum price increment.	\$0.01 per barrel	\$0.01 per barrel or \$10 per contract. See Rule 200.06.	
15. Daily price limit provisions.	None	Similar to Rule 200.06.	

DELIVERABLE SUPPLIES

ESTIMATE OF DELIVERABLE SUPPLIES FOR TRADING MONTH(S) WITH LOWEST SUPPLIES	
ESTIMATION METHODOLOGY:	Deliverable supply of WTS is approximately 700,000 barrels per day. Estimates are from energy consultants Purvin & Gertz.

TERMS AND CONDITIONS RELATED TO SPECULATIVE LIMITS

SPECULATIVE LIMIT	STANDARD	LEVEL (EXCHANGE RULE)
1. Spot month.	2,000 contracts.	2,000 contracts.
2. Nonspot individual month or all months combined (financial and energy contracts).	Position Accountability.	Position Accountability.
3. Reporting level.	Equal to or less than levels specified in CFTC Rule 15.03.	Equal to levels specified in CFTC Rule 15.03.
4. Aggregation rule.	Same as CFTC Rule 150.5(g) or previously approved language.	

PROPOSED CONTRACT TERMS

NYMEX West Texas Intermediate (WTI) Midland Crude Oil Futures Contract

Rule XXX.01. Scope

The provisions of these rules shall apply to West Texas Intermediate domestic sweet crude oil as defined by TEPPCO's domestic sweet common stream designation for crude oil bought or sold for future delivery in Midland, Texas.

Rule XXX.02. Crude Oil Defined

For the purpose of this Contract, "Crude Oil" shall mean: A mixture of hydrocarbons that exists in a liquid phase in natural underground reservoirs and remains liquid at atmospheric pressure after passing through surface separating facilities. Crude oil as used herein refers to the direct liquid production from oil wells, or a blend of such, in its natural form, not having been enhanced or altered in any manner or by any process that would result in misrepresentation of its true value for adaptability to refining as whole Crude Petroleum.

Rule XXX.03. Reserved.

Rule XXX.04. Contract Unit

The contract unit shall be 1,000 U.S. barrels (42,000 U.S. gallons). Except for delivery made by book-out, in-tank transfer, or in-line transfer pursuant to rule XXX.14(B), a tolerance of two percent (2%) above or below (1020 U.S. Barrels or 980 U.S. Barrels) the contract unit is permitted. All volumes shall be determined at 60 degrees Fahrenheit.

Rule XXX.05. Delivery Months

Trading shall be conducted in contracts providing for delivery in such months as shall be determined by the Board of Directors.

Rule XXX.06. Prices and Fluctuations

The minimum price fluctuation shall be \$.01 (1 cent) per barrel. There shall be no maximum price fluctuation.

Rule XXX.07. Termination of Trading

Trading in the current delivery month shall cease on the third business day prior to the twenty-fifth calendar day of the month preceding the delivery month. If the twenty-fifth calendar day of the month is a non-business day, trading shall cease on the third business day prior to the last business day preceding the twenty-fifth calendar day.

Rule XXX.08. Reserved.

Rule XXX.09. Reserved.

Rule XXX.10. Reserved.

Rule XXX.11. Reserved.

Rule XXX.12. Grade and Quality Specifications (WTI Midland)

Crude oil meeting all of the following specifications and designations shall be deliverable in satisfaction of futures contract delivery obligations under this rule:

- (A) Stream Designation: Light Sweet crude oil must conform to the quality specifications of TEPPCO's Domestic Sweet Common Stream designation;
- (B) Sulfur: 0.40% or less by weight as determined by the accepted A.S.T.M. Standard;
- (C) Gravity: Not less than 37 degrees API, nor more than 42 degrees API as determined by the accepted A.S.T.M. Standard;
- (D) Viscosity: Maximum 100 Saybolt Universal Seconds at 100 degrees Fahrenheit as measured by the accepted A.S.T.M. Standard;
- (E) Reid Vapor Pressure: Less than 8.6 pounds per square inch at 100 degrees Fahrenheit from April through September, and not to exceed 9.6 pounds per square inch at any time, as determined by the accepted A.S.T.M. Standard;
- (F) Sediment, water and other impurities: Less than 1% as determined by the accepted A.S.T.M. Standard;
- (G) Pour Point: Not to exceed 35 degrees Fahrenheit from October through March, and not to exceed 55 degrees Fahrenheit at any time, as determined by the accepted A.S.T.M. Standard;

All quality specifications and testing procedures shall be in accordance with the standard operating procedures used by the pipeline.

Rule XXX.14. Delivery

(A) Delivery shall be made F.O.B. at any pipeline or storage facility in Midland, Texas with pipeline access to TEPPCO Crude Pipeline L.P. storage. Delivery shall be made in accordance with all applicable Federal executive orders and all applicable Federal, State and local laws and regulations.

For the purposes of this Rule, the term F.O.B. shall mean a delivery in which the seller: (1) provides crude oil to the point of connection between seller's incoming and buyer's outgoing pipeline or storage facility which is free of all liens, encumbrances, unpaid taxes, fees and other charges; and (2) retains title to and bears the risk of loss for the product to the point of connection between the buyer's outgoing and the seller's incoming pipeline or storage facility.

(B) At buyer's option, such delivery shall be made by any of the following methods:

(1) By interfacility transfer ("pumpover") into a designated pipeline or storage facility with access to seller's incoming pipeline or storage facility. In the event of the buyer's election to take delivery by pumpover to TEPPCO from seller's delivery facility, seller bears the pumpover charges applicable from seller's delivery facility to TEPPCO;

(2) By in-line transfer, or by in-tank transfer of title to the buyer without physical movement of product, if the facility used by the seller allows such transfer.

Rule XXX.15. Delivery Procedures

(A) RESPONSIBILITIES OF CLEARING MEMBERS HAVING OPEN LONG POSITIONS (BUYERS)

(1) Notice of Intention to Accept

Exchange Clearing Members having open long positions shall give the Clearing House a Notice of Intention to Accept delivery by 3:00 PM on the first business day after the final day of trading. The Notice of Intention to Accept in the form prescribed by the Exchange, which shall be properly completed and signed, shall indicate the name(s) of the buyer's customer(s), the number of contracts to be accepted, the buyer's preference of crude oil by origin and such additional information as may be required by the Exchange. The indication of a preference by a buyer does not assure that the buyer actually will receive that preference.

(2) Delivery Instructions

On the first business day following Notice Day, the buyer shall give to the seller, with a copy to the Exchange, properly completed and signed Delivery Instructions in the form prescribed by the Exchange, which shall include the following information:

- (a) Name of seller;
- (b) Tender Number;
- (c) Name of the seller's designated crude stream specified in the Notice of Intention to Deliver;
- (d) Name of incoming pipeline or storage facility specified in the Notice of Intention to Deliver;
- (e) Number of contracts;
- (f) Method of delivery (which must conform to the normal capabilities of the facility named in the Notice of Intention to Deliver with respect to the manner of delivery and the quantity to be delivered);
- (g) Name of the outgoing pipeline or storage facility with access to the incoming pipeline or storage facility designated in the Notice of Intention to Deliver (buyer must confirm access with the incoming pipeline or storage facility designated in the Notice of Intention to Deliver);
- (h) For inter-facility transfers, name of receiving facility with access to the facility designated in the Notice of Intention to Deliver; and
- (i) Such additional information as may be required by the Exchange.

(B) RESPONSIBILITIES OF CLEARING MEMBERS HAVING OPEN SHORT POSITIONS (SELLERS)

(1) Notice of Intention to Deliver

Exchange Clearing Members having open short positions shall give the Clearing House a Notice of Intention to Deliver by 3:00 PM the first business day after the final day of trading. The Notice of Intention to Deliver in the form prescribed by the Exchange, which shall be properly completed and signed, shall indicate the names of the seller's customers, the number of contracts to be

delivered and the designated crude stream. Seller shall designate qualified pipeline or storage facility, and shall also provide such additional information as may be required by the Exchange.

(2) Scheduling Notice

As soon as possible following determination of scheduling, but not later than the last business day of the month preceding the delivery month, seller shall give the buyer a Scheduling Notice in the form prescribed by the Exchange stating delivery time, with a copy to the Exchange.

(C) AMENDMENT OF DELIVERY INSTRUCTIONS

The foregoing notwithstanding, at any time prior to the last business day of the month, the buyer and the seller may, by mutual agreement, elect to change the delivery terms with respect to:

- (1) Method of delivery.
- (2) Timing of delivery.
- (3) Type and/or quality of crude oil to be delivered.
- (4) Designation of buyer's and/or seller's facility

Any such change must be made on the form prescribed by the Exchange. Any changes made with respect to the foregoing must be made in conformance with all contract requirements and specifications.

(D) SETTLEMENT PRICE: The last settlement price shall be the basis for delivery.

(E) NOTICE DAY: The Clearing House shall allocate Delivery Notices and Notices of Intention to Accept by matching size of positions and considering the type of crude oil by origin to the extent possible. The Clearing House shall pass copies of the notices to the respective Clearing Members on the morning of the next business day. The day the notices are passed to the Clearing Members shall be referred to as the Notice Day. The Notice Day shall be the second business day after the final day of trading.

(F) NON-TRANSFERABLE: The Clearing Member who receives a Delivery Notice or a Notice of Intention to Accept from the Clearing House shall be deemed to have agreed to accept or deliver product. Delivery Notices or Notices of Intention to Accept are not transferable.

Rule XXX.16. Timing of Delivery

(A) Delivery shall take place no earlier than the first calendar day of the delivery month and no later than the last calendar day of the delivery month.

(B) It is the short's obligation to ensure that its crude oil receipts are available to begin flowing ratably by the first day of the delivery month, in accord with generally accepted pipeline scheduling practices.

(C) Transfer of title – The seller shall give the buyer a pipeline ticket, any other quantitative certificates and all appropriate documents upon receipt of payment. The seller shall provide preliminary confirmation of title transfer at the time of delivery by fax, electronic message, or other appropriate form of documentation.

Rule XXX.17. Delivery Margins and Payment

(A) For purposes of this Rule XXX.17,

(1) "Payment Date" shall mean the twentieth day of the month following the delivery month of 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;

(2) "Long" shall mean the customer of a long clearing member or the long clearing member if such clearing member is acting for its own account.

(3) "Short" shall mean the customer of a short clearing member or the short clearing member if such member is acting for its own account.

(B) On the third business day following the last day of trading, the long clearing member shall obtain from the long, if any, margin equal to the full value of the product to be delivered. Such margin shall consist of cash, securities issued by the United States Treasury Department maturing within ten (10) years from the date of deposit and guaranteed as to principal and interest by the United States Government or a letter of credit. Any Treasury securities so deposited shall be valued at ninety percent (90%) of the par value of such instruments. Any letter of credit so deposited shall be in a form approved by the Exchange, shall be issued or confirmed by an Exchange approved original margin depository, and shall be drawn in favor of the Exchange.

(C) The short clearing member shall obtain from the short, if any, margin in an amount fixed, from time to time, by the Board.

(D) The long clearing member and the short clearing member shall deposit with the Clearing House margins in such amounts and in such form as required by the Exchange. Such margins, which shall not be greater than the margins charged to the longs and the shorts, shall be returned on the business day following notification to the Exchange that delivery and payment have been completed.

(E) Not later than 12:00 o'clock noon on the third business day prior to the payment date, the short shall advise, by fax or electronic message, the short clearing member of the name and address of the bank, and the name of the account to which payment shall be made. The short clearing member shall advise the long clearing member who shall advise the long. On the payment date, the long shall pay the short contract value, as defined in Rule XXX.21 (A)(4), by federal funds wire transfer to the account of the short at the bank nominated by the short. Not later than 12:00 noon (NY time) the long shall advise, by fax or electronic message, the long clearing member of the federal funds wire transfer number and the name of the sending bank. The long clearing member shall advise, by fax or electronic message, the short clearing member who shall similarly advise the short.

(F) Not later than the business day following the payment date, the short, if any, shall advise the short clearing member of receipt of payment. The short clearing member shall deliver a notice of payment to the long clearing member with a copy to the Clearing House not later than the business day following the payment date. Upon receipt of such notice, the delivery shall be complete.

(G) Any payment made on payment date shall be based on volume actually delivered determined at sixty degrees (60) Fahrenheit. If quantitative results are unavailable prior to the time established in the Rules for payment of the product, a pro-forma payment based on 1,000 U.S. barrels per contract shall be made. Payment adjustments based on the actual quantity transferred shall be completed by 12:00 noon on the fifth business day after initial payment.

(H) In the event that the short clearing member receives notification that payment has not been received, it shall advise the Exchange in writing. On the following business day, unless the long or long clearing member has advised the Exchange in writing that the short failed to deliver, the Exchange shall liquidate the margins held and, when the liquidation is complete, shall pay the short clearing member which shall pay its customer, if any. If the long or the long clearing member has advised the Exchange in writing that the short failed to deliver, the matter shall be referred to the Delivery Committee for resolution.

Rule XXX.18. Validity of Documents

The Exchange makes no representation respecting the authenticity, validity or accuracy of any inspection certificate, Notice of Intention to Deliver, Notice of

Intention to Accept, check or any document or instrument delivered pursuant to these rules.

Rule XXX.19. Inspection

(A) Inspection of product shall be conducted in accordance with pipeline practices.

(B) A buyer or seller may appoint an inspection company to inspect the quality of product delivered. The buyer or seller who requests inspection shall notify the seller or buyer that such inspection will take place. The buyer or seller who requests inspection will pay the costs of the inspection.

Rule XXX.20. Alternative Delivery Procedure

A seller or buyer may agree with the buyer or seller with which it has been matched for delivery by the Exchange under Rule XXX.15(E) to 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 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 Exchange contracts.

In executing such Notice, Clearing Members shall indemnify the Exchange against any liability, cost or expense it 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.

Rule XXX.21. Force Majeure, Late Performance and Failure to Perform

(A) Definitions

(1) "Force Majeure" shall mean any circumstance (including but not limited to a strike, lockout, national emergency, governmental action, or act of God) which is beyond the control of the buyer or seller, and which prevents the buyer or seller from making or taking delivery of product or effecting payment when and as provided for in this Chapter:

(2) "Late Performance" shall mean the failure of a long, as defined in Rule XXX.17, to make payment on the payment date as defined in Rule XXX.17(A)(1).

(3) "Failure to Perform" shall mean the failure of the seller to make or the buyer to receive delivery of Crude Oil in accordance with the requirements set forth in Rules XXX.02, XXX.04, XXX.12, XXX.14, XXX.16, and XXX.19.

(4) "Contract Value" means the amount equal to the settlement price on the last day of trading in futures contract times one thousand (1,000) times the number of contracts to be delivered.

(a) "Party" means a buyer or a seller.

(b) "Other party" means the corresponding buyer when a seller has failed to perform and the corresponding seller when a buyer has failed to perform.

(B) Responsibilities of Parties to the Delivery

(1) The parties to a delivery shall make commercially reasonable efforts to perform their respective delivery obligations at all times until a party has failed to perform.

(2) A party which has failed to perform its obligations may no longer perform such obligation.

(3) When a long, as defined in Rule XXX.17, is late in performance, the buyer shall be liable to the seller for any damages awarded pursuant to Section (E) for this Rule and to the Exchange for any assessments made pursuant to Section (D) of this Rule.

(4) When a buyer or a seller has failed to perform, the buyer or the seller, respectively, through which the delivery is effected shall be liable to the other party for any damages awarded pursuant to Section (E) of this Rule and to the Exchange for any assessments made pursuant to Section (D) of this Rule.

(C) Delivery Committee

(1) Force Majeure, Late Performance, and Failure to Perform shall be determined by a Panel of the Delivery Committee as set forth below.

(2) The Chairman of the Delivery Committee shall appoint a panel, which shall consist of three (3) members of the Committee, to review a delivery.

(a) when the Chairman is advised by the President or any person designated by the President that it appears that a party to the delivery has been late, failed, or may fail to perform;

(b) upon the written request of both the buyer and seller;

(c) when the President or any person designated by the President requests such appointment; or

(d) if either party to the delivery notifies the Exchange that circumstances constituting force majeure prevent the performances of delivery obligations at the time, site, and in the manner designated by the parties.

(3) The Chairman shall not appoint to any Panel any person who has a direct or indirect interest in the delivery in question. Each Panel Member shall disclose to the Chairman any such interest which might preclude such Panel Member from rendering a fair and impartial determination. Any Panel so appointed shall retain jurisdiction over the delivery in question until the delivery has been completed or a party has been found to have failed to perform such delivery. Exchange Counsel shall serve as Advisor to the Panel.

(4) The Panel shall meet within one business day, or as soon thereafter as is reasonably practicable, of its notification of the circumstances set forth in Section (2). Unless good cause for delay exists, within one business day the Panel shall determine whether force majeure exists or whether a buyer or a seller has failed to perform its obligations as provided in the Rules, and advise the Compliance Department of such determination and its findings in support thereof immediately. The Panel shall cause its determination to be communicated to the parties to the delivery as expeditiously as possible.

(5) Upon a finding of a failed performance, the Panel shall:

(a) in the case of a failure to perform by a seller: (i) notify the President of its determination, who shall instruct the Exchange's Clearing House to retain all delivery margins deposited by the seller for the delivery until any amounts determined to be due to the Exchange or the buyer pursuant to sections (D) or (E) of this Rule have been paid; and (ii) apprise the buyer of the remedies provided pursuant to Section (E) of this Rule.

(b) in the case of a failure to perform by a buyer: (i) notify the President of its determination, who shall instruct the Exchange's Clearing House to issue a delivery margin call to the buyer in an amount equal to the original margin then in effect for a Crude Oil futures contract carried at the Clearing House on the last day of trading in such contract times the number of contracts to be delivered and to retain such delivery margin until any amounts determined to

be due to the Exchange or the seller pursuant to Sections (D) and (E) of this Rule have been paid; and (ii) apprise the seller of the remedies provided pursuant to Section (E) of the Rule.

(6) Upon a finding of force majeure, the Panel may take any one or combination of the following actions as it deems suitable:

(a) grant an extension of time for delivery up to two months from the scheduled time;

(b) change a delivery site provided that the seller has deliverable product at the new site or will have deliverable product at such site in time for delivery, and provided further, that the site as modified conforms with Rule XXX.14(A) and (B);

(c) modify the method of delivery provided that the method of delivery modified conforms with Rule XXX.14(B).

(d) allocate deliveries,

(e) modify the method or timing of payment, or

(f) refer the matter to the NYMEX Board for consideration of emergency action pursuant to Article 7.

(D) EXCHANGE ACTION

(1) Whenever a buyer or a seller is found by the Panel to have late performance, or to have failed to perform a delivery, the Exchange, represented by the Compliance Department, shall issue a Notice of Assessment specifying the findings of the Panel with respect to the failed delivery and assessing a penalty of twenty percent of the contract value against such party to be paid to the Exchange.

(2) Whenever a long is late in performance, the Compliance Department shall issue a Notice of Assessment assessing a penalty to the buyer of \$1,000.

(3) (a) A party may appeal a Notice of Assessment by filing a Notice of Appeal with the Hearing Registrar of the Exchange and by serving a copy of the same on the Exchange's Compliance Counsel, within two business days of receipt of Notice of Assessment from the Compliance Department. The party filing the appeal ("Appellant") shall file, within twenty (20) days after filing the Notice of Appeal, a Memorandum of Appeal setting forth the factual and legal basis for the appeal. The Memorandum of Appeal must be filed with the Hearing Registrar and a copy of the same served upon the Exchange's Compliance Counsel.

(b) The Compliance Department may file with the Appellant and the Hearing Registrar an Answering Memorandum to the Memorandum of Appeal within ten (10) days of receipt of that memorandum.

(c) Failure by the party to file a Notice of Appeal or Memorandum of Appeal within the time specified in subsection (D)(3)(a) of this Rule shall constitute a waiver, and the penalties shall be paid within five days to the Exchange. Failure to pay such penalties in accordance with this Rule shall subject the party to the sanctions set forth in Exchange By-Law 106. In the event a party fails to appeal, or waives the opportunity to appeal a Notice of Assessment, the Assessment and findings of the Petroleum Delivery Committee shall constitute a final disciplinary action of the Exchange.

(4) Within ten (10) days after receipt of the Compliance Department's reply, the Appellant shall be entitled to examine all books, documents and other tangible evidence in possession or under the control of the Exchange that are to be relied on by the Compliance Department or are otherwise relevant to the matter.

(5) In the event of an appeal by a party, the Chairman of the Exchange, or his designee, shall appoint an Assessment Appeal Panel to hear and decide the appeal. The Panel shall be composed of three members of the Exchange, at least one of whom shall be a member of the Board of Directors. No member of the Panel may have a direct or indirect interest in the matter under appeal. Each Panel Member shall disclose to the Chairman any such interest which might preclude such Panel Member from rendering a fair and impartial determination.

The formal rules of evidence shall not apply to such appeal, and the Panel shall be the sole judge with respect to the evidence presented to it. Exchange outside counsel shall advise the Panel.

(6) The procedures for the hearing of the appeal before the Assessment Appeal Panel shall be as follows:

(a) At a date to be set by order of the Panel, and prior to such hearing, the Appellant and the Compliance Department shall furnish each other with a list of witnesses expected to be called at the hearing, and a list of documents and copies thereof expected to be introduced at the hearing.

(b) At such hearing the Appellant may appear personally and may be represented by counsel of other representative of his choice at the appeal.

(c) The Compliance Department shall be entitled to offer evidence relating to the delivery and shall be entitled to call witnesses and introduce documents

in support thereof. It shall be the burden of the Compliance Department to demonstrate, by the weight of the evidence, the appropriateness of the sanction set forth in the Notice of Assessment.

(d) The Appellant shall be entitled to rebut the Compliance Department's evidence and shall be entitled to call witnesses and introduce documents in support thereof.

(e) The Compliance Department and the Appellant shall be entitled to cross-examine any witness called by the opposing party at the hearing.

(f) The Notice of Assessment, the Notice of Appeal, the Memorandum of Appeal, any Answering Memorandum, the stenographic transcript of the appeal, any documentary evidence or other material presented to and accepted by the Panel shall constitute the record of the hearing. The decision of the Panel shall be based upon the record of the hearing.

(g) The Panel shall have the power to impose a penalty against any person who is within the jurisdiction of the Exchange and whose actions impede the progress of a hearing.

(h) The Assessment Appeal Panel shall issue a written decision in which it may affirm, reduce, or waive the charges assessed against the Appellant and shall state the reasons therefor.

(i) The decision of the Assessment Appeal Panel shall be a final decision of the Exchange, and shall constitute a final disciplinary action of the Exchange. The fine is payable on the effective date of the decision or as specified. The effective date shall be fifteen (15) days after a copy of the written decision has been delivered to the Appellant and to the Commission.

(7) The Assessment Appeal Panel shall consider and make recommendations to the Board concerning acceptance or rejection of, any offer of settlement submitted by Appellant. In the case of an offer of settlement, acceptance by the Board shall constitute the final disciplinary action of the Exchange.

(E) ARBITRATION PROCEDURE

(1) Any claim for damages arising between a buyer and a seller as a result of a delivery pursuant to this contract shall be settled by arbitration in accordance with these Rules.

(2) Notice of Intent to Arbitrate must be submitted to the Secretary of the Exchange within three business days of the occurrence upon which the claim is based or the decision of the Petroleum Delivery Committee with respect to a

failed performance. Unless good cause for delay exists, failure to submit a Notice of Intent to Arbitrate within the prescribed period will be deemed a waiver of a party's rights to arbitrate such a delivery dispute.

(3) The Arbitration will be governed by the Exchange Arbitration Rules except that the Chairman of the Exchange or his designee shall appoint an Arbitration Panel composed of three Members of the Exchange, at least one of whom shall be a member of the Board of Directors.

Rule XXX.22 Reserved.

Rule XXX.23. References to Seller and Buyer

(A) Except with respect to Rule XXX.20, the terms "seller" and "buyer" shall mean the short Clearing Member and the long Clearing Member respectively.

(B) In Rule XXX.20, the terms "seller" and "buyer" shall mean the seller and buyer of the physical product.

APPENDIX A to Part 5--Guideline No. 1; Interpretative Statement Regarding Economic and Public Interest Requirements for Contract Market Designation

(a) APPLICATION FOR DESIGNATION OF PHYSICAL DELIVERY FUTURES CONTRACTS

CONTRACT TERMS AND CONDITIONS

TERM OR CONDITION	EXCHANGE PROPOSAL	RULE NUMBER OF IDENTICAL APPROVED PROVISION, IF ANY	EXPLANATION AS TO CONSISTENCY WITH, OR REASON FOR VARIANCE FROM CASH MARKET PRACTICE
1. Commodity characteristics.	TEPPCO Pipeline, LP's designation for West Texas Intermediate domestic common stream bought or sold for future delivery in Midland Texas. See proposed Rule XXX.12 Grade and Quality Specifications.	See Rule 200.12 Grade and Quality Specifications	Quality specifications conform to standard industry practices for the trade of West Texas Intermediate (WTI) crude oil.
2. Any quality differentials for nonpar deliveries, or lack thereof.	None		
3. Delivery Points/Region.	Delivery shall be made FOB at any pipeline or storage facility in Midland, Texas with pipeline access to TEPPCO Crude Pipeline LP. See proposed Rule XXX.14 Delivery.		Delivery follows standard industry practice for the trade of WTI at the facilities of TEPPCO Crude Pipeline LP in Midland, Texas.
4. Any locational differentials for nonpar deliveries, or lack thereof.	None.		
5. Delivery facilities (type, number, capacity, ownership).	Delivery shall be made FOB at any pipeline or storage facility in Midland, Texas with pipeline access to facilities owned by TEPPCO Crude Pipeline LP. TEPPCO owns 1.0 million barrels of storage in Midland, Texas, and is connected to other facilities with a total of 12 million barrels of storage in Midland, Texas.		Delivery follows standard industry practices for WTI at the facilities of TEPPCO Crude Pipeline LP in Midland, Texas.
6. Contract size and/or trading unit.	1,000 barrels	See Rule 200.04 Contract Unit.	Follows standard industry practices.

TERM OR CONDITION	EXCHANGE PROPOSAL	RULE NUMBER OF IDENTICAL APPROVED PROVISION, IF ANY	EXPLANATION AS TO CONSISTENCY WITH, OR REASON FOR VARIANCE FROM CASH MARKET PRACTICE
7. Composition of delivery units.	N/A		
8. Delivery instrument.	Physical barrels according to delivery terms identical to the NYMEX Light Sweet Crude Oil Contract.	Delivery terms under rule 200.15 Delivery Procedures.	Delivery follows standard industry practices.
9. Transportation terms.	FOB delivery into facilities with access to TEPPCO storage in Midland, Texas. Please see Rule XXX.14 Delivery.	FOB delivery terms are similar to Rule 200.14.	Transportation terms follow standard industry practices.
10. Delivery procedures.	Delivery procedures are identical to those of the NYMEX Light Sweet Crude Oil Contract.	See Rule 200.15 Delivery Procedures.	Delivery procedures follow standard industry practices.
11. Delivery months.	To be determined by the NYMEX Board of Directors.	See Rule 200.05 Delivery Months.	
12. Delivery period and last trading day.	Identical to Rule 200.16 of the NYMEX Light Sweet Crude Oil Contract for delivery period and last day.	See Rule 200.16 Timing of Delivery.	Delivery period follows standard industry practices.
13. Inspection/certification procedures.	Inspections are performed by TEPPCO in accordance with standard pipeline practices.	See Rule 200.19 Inspection.	Inspection/certification procedures follow standard industry practices.
14. Minimum price change (tick) equal to or less than cash market minimum price increment.	\$0.01 per barrel.	\$0.01 per barrel or \$10 per contract. See Rule 200.06.	
15. Daily price limit provisions.	None.	Similar to Rule 200.06.	

DELIVERABLE SUPPLIES

ESTIMATE OF DELIVERABLE SUPPLIES FOR TRADING MONTH(S) WITH LOWEST SUPPLIES	
ESTIMATION METHODOLOGY:	Deliverable supply of WTI is approximately 375,000 to 400,000 barrels per day. This crude oil stream is identical to the West Texas Intermediate common domestic stream specified in the NYMEX Light, Sweet Crude Oil Contract. Estimates are from energy consultants Purvin & Gertz, as well as industry participants.

TERMS AND CONDITIONS RELATED TO SPECULATIVE LIMITS

SPECULATIVE LIMIT	STANDARD	LEVEL (EXCHANGE RULE)
1. Spot month.	2,000 contracts.	2,000 contracts.
2. Nonspot individual month or all months combined (financial and energy contracts).	Position Accountability.	Position Accountability.
3. Reporting level.	Equal to or less than levels specified in CFTC Rule 15.03.	Equal to levels specified in CFTC Rule 15.03.
4. Aggregation rule.	Same as CFTC Rule 150.5(g).	

PROPOSED CONTRACT TERMS

NYMEX Mars Blend Crude Oil Futures Contract

Rule XXX.01. Scope

The provisions of these rules shall apply to Mars Blend type crude oil bought or sold for future delivery in Clovelly, Louisiana.

Rule XXX.02. Crude Oil Defined

For the purpose of this Contract, "Crude Oil" shall mean: A mixture of hydrocarbons that exists in a liquid phase in natural underground reservoirs and remains liquid at atmospheric pressure after passing through surface separating facilities. Crude oil as used herein refers to the direct liquid production from oil wells, or a blend of such, in its natural form, not having been enhanced or altered in any manner or by any process that would result in misrepresentation of its true value for adaptability to refining as whole Crude Petroleum.

Rule XXX.03. Reserved.

Rule XXX.04. Contract Unit

The contract unit shall be 1,000 U.S. barrels (42,000 U.S. gallons). Except for delivery made by book-out, in-tank transfer, or in-line transfer pursuant to rule XXX.14(B), a tolerance of two percent (2%) above or below (1020 U.S. Barrels or 980 U.S. Barrels) the contract unit is permitted. All volumes shall be determined at 60 degrees Fahrenheit.

Rule XXX.05. Delivery Months

Trading shall be conducted in contracts providing for delivery in such months as shall be determined by the Board of Directors.

Rule XXX.06. Prices and Fluctuations

The minimum price fluctuation shall be \$.01 (1 cent) per barrel. There shall be no maximum price fluctuation.

Rule XXX.07. Termination of Trading

Trading in the current delivery month shall cease on the third business day prior to the twenty-fifth calendar day of the month preceding the delivery month. If the twenty-fifth calendar day of the month is a non-business day, trading shall

cease on the third business day prior to the last business day preceding the twenty-fifth calendar day.

Rule XXX.08. Reserved.

Rule XXX.09. Reserved.

Rule XXX.10. Reserved.

Rule XXX.11. Reserved.

Rule XXX.12. Grade and Quality Specifications

Mars blend crude oil meeting all of the following specifications and designations shall be deliverable in satisfaction of futures contract delivery obligations under this rule:

- (A) Stream Designation: Mars blend type crude oil meeting accepted quality specifications;
- (B) Sulfur: less than 2.5% by weight as determined by the accepted A.S.T.M. Standard;
- (C) Gravity: Not less than 26 degrees API, nor more than 37 degrees API as determined by the accepted A.S.T.M. Standard;
- (D) Viscosity: Maximum 100 Saybolt Universal Seconds at 100 degrees Fahrenheit as measured by the accepted A.S.T.M. Standard;
- (E) Reid Vapor Pressure: Less than 8.6 pounds per square inch at 100 degrees Fahrenheit from April through September, and not to exceed 9.5 pounds per square inch at any time, as determined by the accepted A.S.T.M. Standard;
- (F) Sediment, water and other impurities: Less than 1% as determined by the accepted A.S.T.M. Standard;
- (G) Pour Point: Not to exceed 35 degrees Fahrenheit from October through March, and not to exceed 50 degrees Fahrenheit at any time, as determined by the accepted A.S.T.M. Standard;

All quality specifications and testing procedures shall be in accordance with the standard operating procedures used by the pipeline.

Rule XXX.13. Reserved.

Rule XXX.14. Delivery

(A) Delivery shall be made F.O.B. into the facilities of LOOP in Clovelly, Louisiana. Delivery shall be made in accordance with all applicable Federal executive orders and all applicable Federal, State and local laws and regulations.

For the purposes of this Rule, the term F.O.B. shall mean a delivery in which the seller: (1) provides crude oil to the point of connection between seller's incoming and buyer's outgoing pipeline or storage facility which is free of all liens, encumbrances, unpaid taxes, fees and other charges; (2) retains title to and bears the risk of loss for the product to the point of connection between the buyer's outgoing and the seller's incoming pipeline or storage facility.

(B) At buyer's option, such delivery shall be made by any of the following methods: by in-line transfer, or by in-tank transfer of title to the buyer without physical movement of product, if the facility allows such transfer.

Rule XXX.15. Delivery Procedures

(A) RESPONSIBILITIES OF CLEARING MEMBERS HAVING OPEN LONG POSITIONS (BUYERS)

(1) Notice of Intention to Accept

Exchange Clearing Members having open long positions shall give the Clearing House a Notice of Intention to Accept delivery by 3:00 PM on the first business day after the final day of trading. The Notice of Intention to Accept in the form prescribed by the Exchange, which shall be properly completed and signed, shall indicate the name(s) of the buyer's customer(s), the number of contracts to be accepted, the buyer's preference of crude oil by origin and such additional information as may be required by the Exchange. The indication of a preference by a buyer does not assure that the buyer actually will receive that preference.

(2) Delivery Instructions

On the first business day following Notice Day, the buyer shall give to the seller, with a copy to the Exchange, properly completed and signed Delivery Instructions in the form prescribed by the Exchange, which shall include the following information:

(a) Name of seller;

(b) Tender Number;

- (c) Name of the seller's designated crude stream specified in the Notice of Intention to Deliver;
- (d) Name of incoming pipeline or storage facility specified in the Notice of Intention to Deliver;
- (e) Number of contracts;
- (f) Method of delivery (which must conform to the normal capabilities of the facility named in the Notice of Intention to Deliver with respect to the manner of delivery and the quantity to be delivered);
- (g) Name of the outgoing pipeline or storage facility with access to the incoming pipeline or storage facility designated in the Notice of Intention to Deliver (buyer must confirm access with the incoming pipeline or storage facility designated in the Notice of Intention to Deliver);
- (h) For inter-facility transfers, name of receiving facility with access to the facility designated in the Notice of Intention to Deliver; and
- (i) Such additional information as may be required by the Exchange.

(B) RESPONSIBILITIES OF CLEARING MEMBERS HAVING OPEN SHORT POSITIONS (SELLERS)

(1) Notice of Intention to Deliver

Exchange Clearing Members having open short positions shall give the Clearing House a Notice of Intention to Deliver by 3:00 PM the first business day after the final day of trading. The Notice of Intention to Deliver in the form prescribed by the Exchange, which shall be properly completed and signed, shall indicate the names of the seller's customers, the number of contracts to be delivered and the designated crude stream. Seller shall designate qualified pipeline or storage facility, and shall also provide such additional information as may be required by the Exchange.

(2) Scheduling Notice

As soon as possible following determination of scheduling, but not later than the last business day of the month preceding the delivery month, seller shall give the buyer a Scheduling Notice in the form prescribed by the Exchange stating delivery time, with a copy to the Exchange.

(C) AMENDMENT OF DELIVERY INSTRUCTIONS

The foregoing notwithstanding, at any time prior to the last business day of the month, the buyer and the seller may, by mutual agreement, elect to change the delivery terms with respect to:

- (1) Method of delivery.
- (2) Timing of delivery.
- (3) Type and/or quality of crude oil to be delivered.
- (4) Designation of buyer's and/or seller's facility

Any such change must be made on the form prescribed by the Exchange. Any changes made with respect to the foregoing must be made in conformance with all contract requirements and specifications.

(D) SETTLEMENT PRICE: The last settlement price shall be the basis for delivery.

(E) NOTICE DAY: The Clearing House shall allocate Delivery Notices and Notices of Intention to Accept by matching size of positions and considering the type of crude oil by origin to the extent possible. The Clearing House shall pass copies of the notices to the respective Clearing Members on the morning of the next business day. The day the notices are passed to the Clearing Members shall be referred to as the Notice Day. The Notice Day shall be the second business day after the final day of trading.

(F) NON-TRANSFERABLE: The Clearing Member who receives a Delivery Notice or a Notice of Intention to Accept from the Clearing House shall be deemed to have agreed to accept or deliver product. Delivery Notices or Notices of Intention to Accept are not transferable.

Rule XXX.16. Timing of Delivery

(A) Delivery shall take place no earlier than the first calendar day of the delivery month and no later than the last calendar day of the delivery month.

(B) It is the short's obligation to ensure that its crude oil receipts are available to begin flowing ratably by the first day of the delivery month, in accord with generally accepted pipeline scheduling practices.

(C) Transfer of title – The seller shall give the buyer a pipeline ticket, any other quantitative certificates, and all appropriate documents upon receipt of payment.

The seller shall provide preliminary confirmation of title transfer at the time of delivery by fax, electronic message, or other appropriate form of documentation.

Rule XXX.17. Delivery Margins and Payment

(A) For purposes of this Rule XXX.17,

(1) "Payment Date" shall mean the twentieth day of the month following the delivery month of 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;

(2) "Long" shall mean the customer of a long clearing member or the long clearing member if such clearing member is acting for its own account.

(3) "Short" shall mean the customer of a short clearing member or the short clearing member if such member is acting for its own account.

(B) On the third business day following the last day of trading, the long clearing member shall obtain from the long, if any, margin equal to the full value of the product to be delivered. Such margin shall consist of cash, securities issued by the United States Treasury Department maturing within ten (10) years from the date of deposit and guaranteed as to principal and interest by the United States Government or a letter of credit. Any Treasury securities so deposited shall be valued at ninety percent (90%) of the par value of such instruments. Any letter of credit so deposited shall be in a form approved by the Exchange, shall be issued or confirmed by an Exchange approved original margin depository, and shall be drawn in favor of the Exchange.

(C) The short clearing member shall obtain from the short, if any, margin in an amount fixed, from time to time, by the Board.

(D) The long clearing member and the short clearing member shall deposit with the Clearing House margins in such amounts and in such form as required by the Exchange. Such margins, which shall not be greater than the margins charged to the longs and the shorts, shall be returned on the business day following notification to the Exchange that delivery and payment have been completed.

(E) Not later than 12:00 o'clock noon on the third business day prior to the payment date, the short shall advise, by fax or electronic message, the short clearing member of the name and address of the bank, and the name of the account to which payment shall be made. The short clearing member shall advise the long clearing member who shall advise the long. On the payment date, the

long shall pay the short contract value, as defined in Rule XXX.21 (A)(4), by federal funds wire transfer to the account of the short at the bank nominated by the short. Not later than 12:00 noon (NY time) the long shall advise, by fax or electronic message, the long clearing member of the federal funds wire transfer number and the name of the sending bank. The long clearing member shall advise, by fax or electronic message, the short clearing member who shall similarly advise the short.

(F) Not later than the business day following the payment date, the short, if any, shall advise the short clearing member of receipt of payment. The short clearing member shall deliver a notice of payment to the long clearing member with a copy to the Clearing House not later than the business day following the payment date. Upon receipt of such notice, the delivery shall be complete.

(G) Any payment made on payment date shall be based on volume actually delivered determined at sixty degrees (60) Fahrenheit. If quantitative results are unavailable prior to the time established in the Rules for payment of the product, a pro-forma payment based on 1,000 U.S. barrels per contract shall be made. Payment adjustments based on the actual quantity transferred shall be completed by 12:00 noon on the fifth business day after initial payment.

(H) In the event that the short clearing member receives notification that payment has not been received, it shall advise the Exchange in writing. On the following business day, unless the long or long clearing member has advised the Exchange in writing that the short failed to deliver, the Exchange shall liquidate the margins held and, when the liquidation is complete, shall pay the short clearing member which shall pay its customer, if any. If the long or the long clearing member has advised the Exchange in writing that the short failed to deliver, the matter shall be referred to the Delivery Committee for resolution.

Rule XXX.18. Validity of Documents

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

Rule XXX.19. Inspection

(A) Inspection of product shall be conducted in accordance with pipeline practices.

(B) A buyer or seller may appoint an inspection company to inspect the quality of product delivered. The buyer or seller who requests inspection shall notify the

seller or buyer that such inspection will take place. The buyer or seller who requests inspection will pay the costs of the inspection.

Rule XXX.20. Alternative Delivery Procedure

A seller or buyer may agree with the buyer or seller with which it has been matched for delivery by the Exchange under Rule XXX.15(E) to 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 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 Exchange contracts.

In executing such Notice, Clearing Members shall indemnify the Exchange against any liability, cost or expense it 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.

Rule XXX.21. Force Majeure, Late Performance and Failure to Perform

(A) Definitions

(1) "Force Majeure" shall mean any circumstance (including but not limited to a strike, lockout, national emergency, governmental action, or act of God) which is beyond the control of the buyer or seller, and which prevents the buyer or seller from making or taking delivery of product or effecting payment when and as provided for in this Chapter.

(2) "Late Performance" shall mean the failure of a long, as defined in Rule XXX.17, to make payment on the payment date as defined in Rule XXX.17(A)(1).

(3) "Failure to Perform" shall mean the failure of the seller to make or the buyer to receive delivery of Crude Oil in accordance with the requirements set forth in Rules XXX.02, XXX.04, XXX.12, XXX.14, XXX.16, and XXX.19.

(4) "Contract Value" means the amount equal to the settlement price on the last day of trading in futures contract times one thousand (1,000) times the number of contracts to be delivered.

(a) "Party" means a buyer or a seller.

(b) "Other party" means the corresponding buyer when a seller has failed to perform and the corresponding seller when a buyer has failed to perform.

(B) Responsibilities of Parties to the Delivery

(1) The parties to a delivery shall make commercially reasonable efforts to perform their respective delivery obligations at all times until a party has failed to perform.

(2) A party which has failed to perform its obligations may no longer perform such obligation.

(3) When a long, as defined in Rule XXX.17, is late in performance, the buyer shall be liable to the seller for any damages awarded pursuant to Section (E) for this Rule and to the Exchange for any assessments made pursuant to Section (D) of this Rule.

(4) When a buyer or a seller has failed to perform, the buyer or the seller, respectively, through which the delivery is effected shall be liable to the other party for any damages awarded pursuant to Section (E) of this Rule and to the Exchange for any assessments made pursuant to Section (D) of this Rule.

(C) Delivery Committee

(1) Force Majeure, Late Performance, and Failure to Perform shall be determined by a Panel of the Delivery Committee as set forth below.

(2) The Chairman of the Delivery Committee shall appoint a panel, which shall consist of three (3) members of the Committee, to review a delivery.

(a) when the Chairman is advised by the President or any person designated by the President that it appears that a party to the delivery has been late, failed, or may fail to perform;

(b) upon the written request of both the buyer and seller;

(c) when the President or any person designated by the President requests such appointment; or

(d) if either party to the delivery notifies the Exchange that circumstances constituting force majeure prevent the performances of delivery obligations at the time, site, and in the manner designated by the parties.

(3) The Chairman shall not appoint to any Panel any person who has a direct or indirect interest in the delivery in question. Each Panel Member shall disclose to the Chairman any such interest which might preclude such Panel Member from rendering a fair and impartial determination. Any Panel so appointed shall retain jurisdiction over the delivery in question until the delivery has been completed or a party has been found to have failed to perform such delivery. Exchange Counsel shall serve as Advisor to the Panel.

(4) The Panel shall meet within one business day, or as soon thereafter as is reasonably practicable, of its notification of the circumstances set forth in Section (2). Unless good cause for delay exists, within one business day the Panel shall determine whether force majeure exists or whether a buyer or a seller has failed to perform its obligations as provided in the Rules, and advise the Compliance Department of such determination and its findings in support thereof immediately. The Panel shall cause its determination to be communicated to the parties to the delivery as expeditiously as possible.

(5) Upon a finding of a failed performance, the Panel shall:

(a) in the case of a failure to perform by a seller: (i) notify the President of its determination, who shall instruct the Exchange's Clearing House to retain all delivery margins deposited by the seller for the delivery until any amounts determined to be due to the Exchange or the buyer pursuant to sections (D) or (E) of this Rule have been paid; and (ii) apprise the buyer of the remedies provided pursuant to Section (E) of this Rule.

(b) in the case of a failure to perform by a buyer: (i) notify the President of its determination, who shall instruct the Exchange's Clearing House to issue a delivery margin call to the buyer in an amount equal to the original margin then in effect for a Crude Oil futures contract carried at the Clearing House on the last day of trading in such contract times the number of contracts to be delivered and to retain such delivery margin until any amounts determined to be due to the Exchange or the seller pursuant to Sections (D) and (E) of this Rule have been paid; and (ii) apprise the seller of the remedies provided pursuant to Section (E) of the Rule.

(6) Upon a finding of force majeure, the Panel may take any one or combination of the following actions as it deems suitable:

(a) grant an extension of time for delivery up to two months from the scheduled time;

(b) change a delivery site provided that the seller has deliverable product at the new site or will have deliverable product at such site in time for delivery, and provided further, that the site as modified conforms with Rule XXX.14(A) and (B);

(c) modify the method of delivery provided that the method of delivery modified conforms with Rule XXX.14(B).

(d) allocate deliveries,

(e) modify the method or timing of payment, or

(f) refer the matter to the NYMEX Board for consideration of emergency action pursuant to Article 7.

(D) EXCHANGE ACTION

(1) Whenever a buyer or a seller is found by the Panel to have late performance, or to have failed to perform a delivery, the Exchange, represented by the Compliance Department, shall issue a Notice of Assessment specifying the findings of the Panel with respect to the failed delivery and assessing a penalty of twenty percent of the contract value against such party to be paid to the Exchange.

(2) Whenever a long is late in performance, the Compliance Department shall issue a Notice of Assessment assessing a penalty to the buyer of \$1,000.

(3) (a) A party may appeal a Notice of Assessment by filing a Notice of Appeal with the Hearing Registrar of the Exchange and by serving a copy of the same on the Exchange's Compliance Counsel, within two business days of receipt of Notice of Assessment from the Compliance Department. The party filing the appeal ("Appellant") shall file, within twenty (20) days after filing the Notice of Appeal, a Memorandum of Appeal setting forth the factual and legal basis for the appeal. The Memorandum of Appeal must be filed with the Hearing Registrar and a copy of the same served upon the Exchange's Compliance Counsel.

(b) The Compliance Department may file with the Appellant and the Hearing Registrar an Answering Memorandum to the Memorandum of Appeal within ten (10) days of receipt of that memorandum.

(c) Failure by the party to file a Notice of Appeal or Memorandum of Appeal within the time specified in subsection (D)(3)(a) of this Rule shall constitute a waiver, and the penalties shall be paid within five days to the Exchange. Failure to pay such penalties in accordance with this Rule shall

subject the party to the sanctions set forth in Exchange By-Law 106. In the event a party fails to appeal, or waives the opportunity to appeal a Notice of Assessment, the Assessment and findings of the Petroleum Delivery Committee shall constitute a final disciplinary action of the Exchange.

(4) Within ten (10) days after receipt of the Compliance Department's reply, the Appellant shall be entitled to examine all books, documents and other tangible evidence in possession or under the control of the Exchange that are to be relied on by the Compliance Department or are otherwise relevant to the matter.

(5) In the event of an appeal by a party, the Chairman of the Exchange, or his designee, shall appoint an Assessment Appeal Panel to hear and decide the appeal. The Panel shall be composed of three members of the Exchange, at least one of whom shall be a member of the Board of Directors. No member of the Panel may have a direct or indirect interest in the matter under appeal. Each Panel Member shall disclose to the Chairman any such interest which might preclude such Panel Member from rendering a fair and impartial determination.

The formal rules of evidence shall not apply to such appeal, and the Panel shall be the sole judge with respect to the evidence presented to it. Exchange outside counsel shall advise the Panel.

(6) The procedures for the hearing of the appeal before the Assessment Appeal Panel shall be as follows:

(a) At a date to be set by order of the Panel, and prior to such hearing, the Appellant and the Compliance Department shall furnish each other with a list of witnesses expected to be called at the hearing, and a list of documents and copies thereof expected to be introduced at the hearing.

(b) At such hearing the Appellant may appear personally and may be represented by counsel or other representative of his choice at the appeal.

(c) The Compliance Department shall be entitled to offer evidence relating to the delivery and shall be entitled to call witnesses and introduce documents in support thereof. It shall be the burden of the Compliance Department to demonstrate, by the weight of the evidence, the appropriateness of the sanction set forth in the Notice of Assessment.

(d) The Appellant shall be entitled to rebut the Compliance Department's evidence and shall be entitled to call witnesses and introduce documents in support thereof.

(e) The Compliance Department and the Appellant shall be entitled to cross-examine any witness called by the opposing party at the hearing.

(f) The Notice of Assessment, the Notice of Appeal, the Memorandum of Appeal, any Answering Memorandum, the stenographic transcript of the appeal, any documentary evidence or other material presented to and accepted by the Panel shall constitute the record of the hearing. The decision of the Panel shall be based upon the record of the hearing.

(g) The Panel shall have the power to impose a penalty against any person who is within the jurisdiction of the Exchange and whose actions impede the progress of a hearing.

(h) The Assessment Appeal Panel shall issue a written decision in which it may affirm, reduce, or waive the charges assessed against the Appellant and shall state the reasons therefor.

(i) The decision of the Assessment Appeal Panel shall be a final decision of the Exchange, and shall constitute a final disciplinary action of the Exchange. The fine is payable on the effective date of the decision or as specified. The effective date shall be fifteen (15) days after a copy of the written decision has been delivered to the Appellant and to the Commission.

(7) The Assessment Appeal Panel shall consider and make recommendations to the Board concerning acceptance or rejection of, any offer of settlement submitted by Appellant. In the case of an offer of settlement, acceptance by the Board shall constitute the final disciplinary action of the Exchange.

(E) ARBITRATION PROCEDURE

(1) Any claim for damages arising between a buyer and a seller as a result of a delivery pursuant to this contract shall be settled by arbitration in accordance with these Rules.

(2) Notice of Intent to Arbitrate must be submitted to the Secretary of the Exchange within three business days of the occurrence upon which the claim is based or the decision of the Petroleum Delivery Committee with respect to a failed performance. Unless good cause for delay exists, failure to submit a Notice of Intent to Arbitrate within the prescribed period will be deemed a waiver of a party's rights to arbitrate such a delivery dispute.

(3) The Arbitration will be governed by the Exchange Arbitration Rules except that the Chairman of the Exchange or his designee shall appoint an Arbitration Panel composed of three Members of the Exchange; at least one of whom shall be a member of the Board of Directors.

Rule XXX.23. References to Seller and Buyer

(A) Except with respect to Rule XXX.20, the terms “seller” and “buyer” shall mean the short Clearing Member and the long Clearing Member respectively.

(B) In Rule XXX.20, the terms “seller” and “buyer” shall mean the seller and buyer of the physical product.

APPENDIX A to Part 5--Guideline No. 1; Interpretative Statement Regarding Economic and Public Interest Requirements for Contract Market Designation

(a) APPLICATION FOR DESIGNATION OF PHYSICAL DELIVERY FUTURES CONTRACTS

CONTRACT TERMS AND CONDITIONS

TERM OR CONDITION	EXCHANGE PROPOSAL	RULE NUMBER OF IDENTICAL APPROVED PROVISION, IF ANY	EXPLANATION AS TO CONSISTENCY WITH, OR REASON FOR VARIANCE FROM CASH MARKET PRACTICE
1. Commodity characteristics.	Mars Blend type crude oil bought or sold at Clovelly, Louisiana. See proposed Rule XXX.12 for details on Grade and Quality Specifications.		Quality specifications conform to standard industry practices for the trade of Mars Blend crude oil.
2. Any quality differentials for nonpar deliveries, or lack thereof.	None.		
3. Delivery Points/Region.	Delivery shall be made FOB into the facilities of LOOP in Clovelly, Louisiana. See proposed Rule XXX.14 Delivery.		Delivery follows standard industry practices for Mars at the facilities of LOOP in Clovelly, Louisiana.
4. Any locational differentials for nonpar deliveries, or lack thereof.	None.		
5. Delivery facilities (type, number, capacity, ownership).	Delivery shall be made FOB into the facilities owned by LOOP in Clovelly, Louisiana. Crude oil storage capacity is 40 million barrels, with pipeline access to refineries in Louisiana, as well as major pipelines.		Delivery follows standard industry practices for Mars at the facilities of LOOP in Clovelly, Louisiana.
6. Contract size and/or trading unit.	1,000 barrels	See Rule 200.04 Contract Unit.	Follows standard industry practices.

TERM OR CONDITION	EXCHANGE PROPOSAL	RULE NUMBER OF IDENTICAL APPROVED PROVISION, IF ANY	EXPLANATION AS TO CONSISTENCY WITH, OR REASON FOR VARIANCE FROM CASH MARKET PRACTICE
7. Composition of delivery units.	N/A		
8. Delivery instrument.	Physical barrels according to delivery terms identical to the NYMEX Light Sweet Crude Oil Contract.	Delivery terms under Rule 200.15 Delivery Procedures.	Delivery follows standard industry practices.
9. Transportation terms.	FOB delivery into the facilities of LOOP in Clovelly, Louisiana. See Rule XXX.14.	FOB delivery terms are similar to Rule 200.14.	Transportation terms follow standard industry practices.
10. Delivery procedures.	Delivery procedures are identical to the Light Sweet Crude Oil Contract.	See Rule 200.15 Delivery Procedures.	Delivery procedures follow standard industry practices.
11. Delivery months.	To be determined by the NYMEX Board of Directors.	See Rule 200.05 Delivery Months.	
12. Delivery period and last trading day.	Identical to rule 200.16 of the Light Sweet Crude Oil Contract for delivery period and last trading day.	See Rule 200.16 Timing of Delivery.	Delivery period follows standard industry practices.
13. Inspection/certification procedures.	Inspections are performed by LOOP in accordance with standard pipeline practices.	See Rule 200.19 Inspection.	Inspection/certification procedures follow standard industry practices.
14. Minimum price change (tick) equal to or less than cash market minimum price increment.	\$0.01 per barrel.	See Rule 200.06.	
15. Daily price limit provisions (note relationship to cash market price movements).	None.	Similar to Rule 200.06.	

DELIVERABLE SUPPLIES

ESTIMATE OF DELIVERABLE SUPPLIES FOR TRADING MONTH(S) WITH LOWEST SUPPLIES	
ESTIMATION METHODOLOGY:	Current production of Mars is approximately 400,000 barrels per day and is expected to increase to more than 500,000 barrels per day over the next two years. Estimates are from energy consultants Purvin & Gertz as well as industry sources.

TERMS AND CONDITIONS RELATED TO SPECULATIVE LIMITS

SPECULATIVE LIMIT	STANDARD	LEVEL (EXCHANGE RULE)
1. Spot month.	2,000 contracts.	2,000 contracts.
2. Nonspot individual month or all months combined (financial and energy contracts).	Position Accountability.	Position Accountability.
3. Reporting level.	Equal to or less than levels specified in CFTC Rule 15.03.	Equal to levels specified in CFTC Rule 15.03.
4. Aggregation rule.	Same as CFTC Rule 150.5(g).	