

**SUBMISSION COVER SHEET**

**IMPORTANT:** Check box if Confidential Treatment is requested

Registered Entity Identifier Code (optional): 15-007RR

Organization: New York Mercantile Exchange, Inc. ("NYMEX")

Filing as a:  DCM  SEF  DCO  SDR

Please note - only ONE choice allowed.

Filing Date (mm/dd/yy): March 5, 2015 Filing Description: Amendments to the Gulf Coast Sour Crude Oil Futures Contract

**SPECIFY FILING TYPE**

Please note only ONE choice allowed per Submission.

**Organization Rules and Rule Amendments**

- Certification § 40.6(a)
- Approval § 40.5(a)
- Notification § 40.6(d)
- Advance Notice of SIDCO Rule Change § 40.10(a)
- SIDCO Emergency Rule Change § 40.10(h)

**Rule Numbers:**

**New Product**

Please note only ONE product per Submission.

- Certification § 40.2(a)
- Certification Security Futures § 41.23(a)
- Certification Swap Class § 40.2(d)
- Approval § 40.3(a)
- Approval Security Futures § 41.23(b)
- Novel Derivative Product Notification § 40.12(a)
- Swap Submission § 39.5

**Official Product Name:**

**Product Terms and Conditions (product related Rules and Rule Amendments)**

- Certification § 40.6(a)
- Certification Made Available to Trade Determination § 40.6(a)
- Certification Security Futures § 41.24(a)
- Delisting (No Open Interest) § 40.6(a)
- Approval § 40.5(a)
- Approval Made Available to Trade Determination § 40.5(a)
- Approval Security Futures § 41.24(c)
- Approval Amendments to enumerated agricultural products § 40.4(a), § 40.5(a)
- "Non-Material Agricultural Rule Change" § 40.4(b)(5)
- Notification § 40.6(d)

Official Name(s) of Product(s) Affected: Gulf Coast Sour Crude Oil Futures

Rule Numbers: Chapter 506; Position Limit, Position Accountability and Reportable Level Table; Rule 588.H.

March 5, 2015

**VIA ELECTRONIC PORTAL**

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

**Re: CFTC Regulation 40.6(a) Certification. Notification Regarding Amendments to the Gulf Coast Sour Crude Oil Futures Contract.  
NYMEX Submission No. 15-007RR**

Dear Mr. Kirkpatrick:

New York Mercantile Exchange, Inc. ("NYMEX" or "Exchange") is notifying the Commodity Futures Trading Commission ("CFTC" or "Commission") that it is self-certifying rule amendments to the Gulf Coast Sour Crude Oil Futures contract, effective Sunday March 22, 2015 for trade date Monday, March 23, 2015. Specifically, the contract will be re-named "LOOP Gulf Coast Sour Crude Oil Futures" and the rules will be amended such that fungible blends of Poseidon and Mars blend type crude oil streams shall be deliverable under the contract. There is no open interest in the contract. The contract's existing specifications are as follows:

Name	Commodity Code	NYMEX Rulebook Chapter	Venues
Gulf Coast Sour Crude Oil Futures	MB	506	CME Globex, CME ClearPort, NYMEX Trading Floor

Please note that this NYMEX Submission No. 15-007RR is being supplemented at the request of Commission staff. Additional information has been added in blackline format to Appendix D regarding the fungibility of the Mars and Poseidon blend type crude oil streams at the LOOP storage terminal in Clovelly, Louisiana that are deliverable under the contract. No other changes are being made to NYMEX Submission No. 15-007R.

The contract rule chapter and terms and conditions will be amended accordingly in the Exchange rulebook (see Appendix A). Additionally, the terms and conditions of the contract will be amended on the Exchange's website and the Position Limit, Position Accountability and Reportable Level Table located in the Interpretations and Special Notices Section of Chapter 5 of the NYMEX Rulebook will also be amended in the Exchange rulebook (see Appendix B).

The Exchange reviewed the designated contract market core principles ("Core Principles") as set forth in the Commodity Exchange Act ("CEA" or "Act") and identified that the amendment of the contract may have some bearing on the following Core Principles:

- Emergency Authority: There is no open interest in the contract and therefore there will be no market disruption related to the rule amendments.
- Availability of General Information: The Exchange will make publically available the details of the contract's amendments by publishing a notice to the market. Furthermore, the Exchange will update the NYMEX rulebook to reflect the changes to the contract.

Pursuant to Section 5c(c) of the Act and CFTC Regulation 40.6(a), the Exchange hereby certifies that the amendments comply with the Act, including regulations under the Act. There were no substantive opposing views to this proposal.

The Exchange certifies that this submission has been concurrently posted on the Exchange's website at <http://www.cmegroup.com/market-regulation/rule-filings.html>.

Should you have any questions concerning the above, please contact the undersigned at 212-299-2200 or via e-mail [CMEGSubmissionInquiry@cmegroup.com](mailto:CMEGSubmissionInquiry@cmegroup.com).

Sincerely,

/s/Christopher Bowen  
Managing Director and Chief Regulatory Counsel

Attachments: Appendix A – NYMEX Rulebook Amendments (as will be reflected on the NYMEX online rulebook upon filing)  
Appendix B – NYMEX Rulebook Amendments (as will be reflected on the NYMEX online rulebook upon effective)  
Appendix C – Position Limit, Position Accountability, and Reportable Level Table in Chapter 5 of the NYMEX Rulebook (attached under separate cover)  
Appendix D – Cash Market Overview and Analysis of Deliverable Supply

## APPENDIX A

### NYMEX RULEBOOK

(**bold/underline** indicates addition; ~~strike through~~ indicates deletion)

#### Chapter 506

#### LOOP Gulf Coast Sour Crude Oil Futures

##### 506100. SCOPE OF CHAPTER

This chapter is limited in application to LOOP Gulf Coast Sour Crude Oil futures. The procedures for trading, clearing, delivery and settlement not specifically covered herein or in Chapter 7 shall be governed by the general rules of the Exchange. The provisions of these rules shall apply to crude oil bought or sold for future delivery on the Exchange with delivery in Clovelly, Louisiana. The terms "seller" and "buyer" shall mean the seller of the physical product and the buyer of the physical product, respectively. For purposes of these rules, unless otherwise specified, times referred to herein shall refer to and indicate New York time.

##### 506101. CONTRACT SPECIFICATIONS

**(UNTIL FRIDAY, MARCH 20, 2015 AND PENDING RELEVANT CFTC REGULATORY REVIEW PERIOD.)**

The contract grade for delivery on futures contracts shall be "crude oil" which shall meet the following designations and shall be deliverable in satisfaction of futures contract delivery obligations under this rule:

###### 506101.A. Deliverable Domestic Crude Streams

Mars blend type crude oil shall be delivered in accordance with the standard operating procedures used by the Louisiana Offshore Oil Port (LOOP) LLC facility.

###### 506101.B. Deliverable Foreign Crude Streams

1. Foreign crude oil from LOOP LLC's Segregated 17 (Seg 17) stream is deliverable at a discount of 50 cents per barrel below the final settlement price, in accordance with the standard operating procedures used by LOOP LLC;
2. Russian Urals, of normal export quality, is deliverable at a premium of 75 cents per barrel above the final settlement price, in accordance with the standard operation procedures used by LOOP LLC.
3. In the event that a Federal U.S. Superfund tax and/or Oil spill tax is in effect at the time of delivery for foreign crude oil, the buyer shall reimburse seller for all such taxes as had been or will be paid by the seller.

No blends of foreign crude oil streams or foreign and domestic crude oil streams shall be deliverable under this contract.

##### 506101. CONTRACT SPECIFICATIONS

**(BEGINNING SUNDAY, MARCH 22, 2015 FOR TRADE DATE MONDAY, MARCH 23, 2015 AND EFFECTIVE STARTING WITH THE MAY 2015 CONTRACT MONTH AND PENDING RELEVANT CFTC REGULATORY REVIEW PERIOD.)**

The contract grade for delivery on futures contracts shall be ~~"crude oil"~~ **"LOOP Sour" type crude oil** which shall meet the following designations and shall be deliverable in satisfaction of futures contract delivery obligations under this rule:

###### 506101.A. Deliverable Domestic Crude Streams

**Poseidon and Mars** blend type crude oil **streams** shall be delivered in accordance with the standard operating procedures used by the Louisiana Offshore Oil Port (**owned and operated by LOOP LLC, referred herein as LOOP**) LLC facility. **Fungible blends of Poseidon and Mars blend type crude oil streams shall be deliverable under this contract.**

###### 506101.B. Deliverable Foreign Crude Streams

1. Foreign crude oil from LOOP LLC's Segregation~~ed~~ 17 (Seg 17) stream is deliverable ~~at a~~

- ~~discount of 50 cents per barrel below the final settlement price, in accordance with the standard operating procedures used by LOOP LLC;~~
2. ~~Russian Urals, of normal export quality, is deliverable at a premium of 75 cents per barrel above the final settlement price, in accordance with the standard operation procedures used by LOOP LLC.~~
3. In the event that a Federal U.S. Superfund tax and/or Oil spill tax is in effect at the time of delivery for foreign crude oil, the buyer shall reimburse seller for all such taxes as had been or will be paid by the seller.

**Fungible** ~~is~~ blends of foreign crude oil streams or **blends of** foreign and domestic crude oil streams shall be deliverable under this contract.

**506102.**

## **TRADING SPECIFICATIONS**

Trading in **LOOP** Gulf Coast Sour Crude Oil futures is regularly conducted in all calendar months. The number of months open for trading at a given time shall be determined by the Exchange.

### **506102.A. Trading Schedule**

The hours for trading shall be determined by the Exchange.

### **506102.B. Trading 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 Section 104, 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.

### **506102.C. Price Increments**

The minimum price fluctuation shall be \$0.01 (1 cent) per barrel. Prices shall be quoted in dollars and cents per barrel.

### **506102.D. Position Limits, Exemptions, Position Accountability and Reportable Levels**

The applicable position limits and/or accountability levels, in addition to the reportable levels, are set forth in the Position Limit, Position Accountability and Reportable Level Table in the Interpretations & Special Notices Section of Chapter 5. A Person seeking an exemption from position limits for bona fide commercial purposes shall apply to the Market Regulation Department on forms provided by the Exchange, and the Market Regulation Department may grant qualified exemptions in its sole discretion. Refer to Rule 559 for requirements concerning the aggregation of positions and allowable exemptions from the specified position limits.

### **506102.E. Termination of Trading**

No trades in **LOOP** Gulf Coast Sour Crude Oil futures in the expiring contract month shall be made after the third business day prior to the twenty-fifth calendar day of the month preceding the delivery month for such expiring contract. 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 of the month preceding the delivery month. Any contracts remaining open after termination of trading must be either:

- (a) Settled by delivery which shall take place no earlier than the first calendar day of the delivery month and shall be completed no later than the last calendar day of the delivery month; or
- (b) Liquidated by means of a bona fide Exchange for Related Position ("EFRP") pursuant to Rule 538. An EFRP is permitted in an expired futures contract at any time before 2:00 p.m. on the first business day following termination of trading in the expired futures contract. An EFRP which establishes a futures position for either the buyer or the seller in an expired futures contract shall not be permitted following the termination of trading of an expired futures contract.

**506103.**

## **RESERVED**

**506104.**

## **DELIVERY**

**(UNTIL FRIDAY, MARCH 20, 2015 AND PENDING RELEVANT CFTC REGULATORY REVIEW PERIOD.)**

Delivery shall be made free-on-board ("F.O.B.") at any storage facility owned or operated by LOOP LLC at 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 LOOP LLC's facilities and the buyer's outgoing pipeline

or storage facility which is free from all import duties, 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.

At buyer's option, such delivery shall be made by any of the following methods: (1) by intrafacility or interfacility transfer ("pumpover") into a designated storage facility or pipeline; or (2) 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.

#### **506104. DELIVERY**

**(BEGINNING SUNDAY, MARCH 22, 2015 FOR TRADE DATE MONDAY, MARCH 23, 2015 AND EFFECTIVE STARTING WITH THE MAY 2015 CONTRACT MONTH AND PENDING RELEVANT CFTC REGULATORY REVIEW PERIOD.)**

Delivery shall be made free-on-board ("F.O.B.") LOOP LLC's storage cavern designated for LOOP Sour Storage, or any other storage facility designated by LOOP LLC, at any storage facility owned or operated by LOOP LLC at Clovelly, Louisiana. Delivery shall be made in accordance with LOOP's Port Complex Terms and Conditions of Service and/or Clovelly Hub Terminalling Services – Connecting Carrier Receipts Terms and Conditions of Service, as published and revised from time to time and available at [www.loopllc.com](http://www.loopllc.com) or upon request. 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 LOOP LLC's facilities and the buyer's outgoing pipeline or storage facility which is free from all import duties, 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. At buyer's option, such delivery shall be made by any of the following methods: (1) by intrafacility or interfacility transfer ("pumpover") into a designated storage facility or pipeline; or (2) by in-line transfer, in-system transfer, or by in-tank transfer of title to the buyer without physical movement of product, if the facility allows such transfer.

#### **506105. DELIVERY PROCEDURES**

**(UNTIL FRIDAY, MARCH 20, 2015 AND PENDING RELEVANT CFTC REGULATORY REVIEW PERIOD.)**

##### **506105.A. Responsibilities of Clearing Members Having Open Long Positions**

###### **1. Notice of Intention to Accept**

Exchange clearing members having open long positions shall provide the Clearing House with a Notice of Intention to Accept delivery by 3:00 p.m. on the first business day after the final day of trading. The Notice of Intention to Accept must be in the form prescribed by the Exchange, and must be properly completed and indicate the name(s) of the buyer(s), the number of contracts to be accepted, the buyer(s) preference of sour crude oil by origin (foreign or domestic) and any additional information as may be required by the Exchange. The indication of an origin preference does not guarantee that the buyer(s) will receive product from that origin.

###### **2. Delivery Instructions**

On the first business day following Notice Day, the buyer's clearing member shall provide the seller's clearing member and the Exchange with properly completed Delivery Instructions in the form prescribed by the Exchange. Such Delivery Instructions must include the following information:

- a. Name of seller's clearing member;
- b. Tender Number;
- c. Name of the seller(s)' designated crude oil stream (either a specific foreign crude oil stream(s) or domestic crude oil) 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(s) 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. Any additional information as may be required by the Exchange.

**506105.B. Responsibilities of Clearing Members Having Open Short Positions**

1. Notice of Intention to Deliver

Exchange clearing members having open short positions shall provide the Clearing House with a Notice of Intention to Deliver by 3:00 p.m. on the first business day after the final day of trading. The Notice of Intention to Deliver must be in the form prescribed by the Exchange, and must be properly completed, indicate the name(s) of the seller(s), the number of contracts to be delivered and whether the designated crude oil stream shall be domestic or a specific foreign crude oil stream. The seller(s) shall designate qualified pipeline or storage facility, and shall also provide any additional information as may be required by the Exchange.

2. Scheduling Notice

As soon as possible following determination of scheduling, but no later than the last business day of the month preceding the delivery month, the seller's clearing member shall provide the buyer's clearing member and the Exchange with a Scheduling Notice in the form prescribed by the Exchange which must state the delivery time.

**506105.C. Amendment of Delivery Instructions**

Notwithstanding the foregoing, at any time prior to the last business day of the month preceding the delivery month, the buyer(s) and the seller(s) may, by mutual agreement, elect to change the delivery terms with respect to the method of delivery, the timing of delivery, the type and/or quality of crude oil to be delivered and the 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.

**506105.D. Final Settlement Price**

The final settlement price as determined on the last trading day of the expiring contract month shall be the basis for delivery.

**506105.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 sour crude oil by origin to the extent possible. On the morning of the next business day, the Clearing House shall provide copies of the notices to the respective clearing members. The day on which the notices are provided 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.

**506105.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.

**506105. DELIVERY PROCEDURES**

**(BEGINNING SUNDAY, MARCH 22, 2015 FOR TRADE DATE MONDAY, MARCH 23, 2015 AND EFFECTIVE STARTING WITH THE MAY 2015 CONTRACT MONTH AND PENDING RELEVANT CFTC REGULATORY REVIEW PERIOD.)**

**506105.A. Responsibilities of Clearing Members Having Open Long Positions**

1. Notice of Intention to Accept

Exchange clearing members having open long positions shall provide the Clearing House with a Notice of Intention to Accept delivery by 3:00 p.m. on the first business day after the final day of trading. The Notice of Intention to Accept must be in the form prescribed by the Exchange, and must be properly completed and indicate the name(s) of the buyer(s), the number of contracts to be accepted, ~~the buyer(s) preference of sour crude oil by origin (foreign or domestic) and any additional information as may be required by the Exchange. The indication of an origin preference does not guarantee that the buyer(s) will receive product from that origin.~~

2. Delivery Instructions

On the first business day following Notice Day, the buyer's clearing member shall provide the seller's clearing member and the Exchange with properly completed Delivery Instructions in the form prescribed by the Exchange. Such Delivery Instructions must include the following information:

- a. Name of seller's clearing member;
- b. Tender Number;
- c. Name of the seller(s)' designated crude oil stream (either a specific foreign crude oil stream~~(s)~~ or domestic crude oil) 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 **be a ratable delivery and** 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(s) 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. Any additional information as may be required by the Exchange.

**506105.B. Responsibilities of Clearing Members Having Open Short Positions**

1. Notice of Intention to Deliver

Exchange clearing members having open short positions shall provide the Clearing House with a Notice of Intention to Deliver by 3:00 p.m. on the first business day after the final day of trading. The Notice of Intention to Deliver must be in the form prescribed by the Exchange, and must be properly completed, indicate the name(s) of the seller(s), the number of contracts to be delivered and whether the designated crude oil stream shall be domestic or a specific foreign crude oil stream. The seller(s) shall designate qualified pipeline or storage facility, and shall also provide any additional information as may be required by the Exchange.

2. Scheduling Notice

As soon as possible following determination of scheduling, but no later than the last business day of the month preceding the delivery month, the seller's clearing member shall provide the buyer's clearing member and the Exchange with a Scheduling Notice in the form prescribed by the Exchange which must state the delivery time.

**506105.C. Amendment of Delivery Instructions**

Notwithstanding the foregoing, at any time prior to the last business day of the month preceding the delivery month, the buyer(s) and the seller(s) may, by mutual agreement, elect to change the delivery terms with respect to the method of delivery, the timing of delivery, the type and/or quality of crude oil to be delivered and the 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.

**506105.D. Final Settlement Price**

The final settlement price as determined on the last trading day of the expiring contract month shall be the basis for delivery.

**506105.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 sour crude oil by origin to the extent possible. On the morning of the next business day, the Clearing House shall provide copies of the notices to the respective clearing members. The day on which the notices are provided 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.

**506105.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

**506106.**

**TIMING OF DELIVERY**

Delivery shall take place no earlier than the first calendar day of the delivery month and shall be completed no later than the last calendar day of the delivery month. It is the obligation of the seller's clearing member to ensure that the seller's crude oil receipts, including each specific foreign crude oil stream, if applicable, are available to begin flowing ratably, to the extent possible, in Clovelly, Louisiana by the first day of the delivery month, subject to LOOP LLC's or the pipeline's scheduling practices. The timing of delivery shall be determined by either LOOP LLC's or the



pipeline's scheduler. The buyer and seller can mutually agree to the delivery timing, subject to the LOOP LLC's or the pipeline's schedule for delivery.

Transfer of Title — The seller shall provide the buyer with 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 in electronic format or other appropriate form of documentation.

## **506107. DELIVERY MARGIN AND PAYMENT**

### **506107.A. Definitions**

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

### **506107.B. Margin**

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

### **506107.C. Payment**

No later than 12:00 p.m. on the third business day prior to the Payment Date, the seller shall advise its clearing member of the name and address of the bank, and the name of the account to which payment shall be made. The clearing member shall advise the opposite clearing member who shall advise the buyer. On the Payment Date, the buyer shall pay the short contract value by federal funds wire transfer to the account of the seller at the bank nominated by the seller. The term "contract value" shall mean the amount equal to the settlement price on the last day of trading in a futures contract times one thousand (1,000) times the number of contracts to be delivered.

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

Any payment made on the Payment Date shall be based on volume actually delivered, as determined at sixty (60) degrees Fahrenheit. If quantitative results are unavailable prior to the time established in the rules for payment of 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 p.m. on the fifth business day after initial payment.

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

## **506108. VALIDITY OF DOCUMENTS**

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

## **506109. ALTERNATIVE DELIVERY PROCEDURES**

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

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

## **APPENDIX B**

### **NYMEX RULEBOOK**

#### **Chapter 506 LOOP Gulf Coast Sour Crude Oil Futures**

##### **506100. SCOPE OF CHAPTER**

This chapter is limited in application to LOOP Gulf Coast Sour Crude Oil futures. The procedures for trading, clearing, delivery and settlement not specifically covered herein or in Chapter 7 shall be governed by the general rules of the Exchange. The provisions of these rules shall apply to crude oil bought or sold for future delivery on the Exchange with delivery in Clovelly, Louisiana. The terms "seller" and "buyer" shall mean the seller of the physical product and the buyer of the physical product, respectively. For purposes of these rules, unless otherwise specified, times referred to herein shall refer to and indicate New York time.

##### **506101. CONTRACT SPECIFICATIONS**

The contract grade for delivery on futures contracts shall be "LOOP Sour" type crude oil which shall meet the following designations and shall be deliverable in satisfaction of futures contract delivery obligations under this rule:

###### **506101.A. Deliverable Domestic Crude Streams**

Poseidon and Mars blend type crude oil streams shall be delivered in accordance with the standard operating procedures used by the Louisiana Offshore Oil Port (owned and operated by LOOP LLC, referred herein as LOOP). Fungible blends of Poseidon and Mars blend type crude oil streams shall be deliverable under this contract.

###### **506101.B. Deliverable Foreign Crude Streams**

1. Foreign crude oil from LOOP LLC's Segregation 17 (Seg 17) stream is deliverable in accordance with the standard operating procedures used by LOOP LLC;
2. In the event that a Federal U.S. Superfund tax and/or Oil spill tax is in effect at the time of delivery for foreign crude oil, the buyer shall reimburse seller for all such taxes as had been or will be paid by the seller.

Fungible blends of foreign crude oil streams or blends of foreign and domestic crude oil streams shall be deliverable under this contract.

##### **506102. TRADING SPECIFICATIONS**

Trading in LOOP Gulf Coast Sour Crude Oil futures is regularly conducted in all calendar months. The number of months open for trading at a given time shall be determined by the Exchange.

###### **506102.A. Trading Schedule**

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###### **506102.B. Trading 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 Section 104, 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.

###### **506102.C. Price Increments**

The minimum price fluctuation shall be \$0.01 (1 cent) per barrel. Prices shall be quoted in dollars and cents per barrel.

###### **506102.D. Position Limits, Exemptions, Position Accountability and Reportable Levels**

The applicable position limits and/or accountability levels, in addition to the reportable levels, are set forth in the Position Limit, Position Accountability and Reportable Level Table in the Interpretations & Special Notices Section of Chapter 5. A Person seeking an exemption from position limits for bona fide commercial purposes shall apply to the Market Regulation Department on forms provided by the Exchange, and the Market Regulation Department may grant qualified

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

#### **506102.E. Termination of Trading**

No trades in LOOP Gulf Coast Sour Crude Oil futures in the expiring contract month shall be made after the third business day prior to the twenty-fifth calendar day of the month preceding the delivery month for such expiring contract. 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 of the month preceding the delivery month. Any contracts remaining open after termination of trading must be either:

- (c) Settled by delivery which shall take place no earlier than the first calendar day of the delivery month and shall be completed no later than the last calendar day of the delivery month; or
- (d) Liquidated by means of a bona fide Exchange for Related Position (“EFRP”) pursuant to Rule 538. An EFRP is permitted in an expired futures contract at any time before 2:00 p.m. on the first business day following termination of trading in the expired futures contract. An EFRP which establishes a futures position for either the buyer or the seller in an expired futures contract shall not be permitted following the termination of trading of an expired futures contract.

#### **506103. RESERVED**

#### **506104. DELIVERY**

Delivery shall be made free-on-board (“F.O.B.”) LOOP LLC’s storage cavern designated for LOOP Sour Storage, or any other storage facility designated by LOOP LLC, at Clovelly, Louisiana. Delivery shall be made in accordance with LOOP’s Port Complex Terms and Conditions of Service and/or Clovelly Hub Terminalling Services – Connecting Carrier Receipts Terms and Conditions of Service, as published and revised from time to time and available at [www.loopllc.com](http://www.loopllc.com) or upon request. 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 LOOP LLC’s facilities and the buyer’s outgoing pipeline or storage facility which is free from all import duties, 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. At buyer’s option, such delivery shall be made by any of the following methods: (1) by intrafacility or interfacility transfer (“pumpover”) into a designated storage facility or pipeline; or (2) by in-line transfer, in-system transfer, or by in-tank transfer of title to the buyer without physical movement of product, if the facility allows such transfer.

#### **506105. DELIVERY PROCEDURES**

##### **506105.A. Responsibilities of Clearing Members Having Open Long Positions**

###### **1. Notice of Intention to Accept**

Exchange clearing members having open long positions shall provide the Clearing House with a Notice of Intention to Accept delivery by 3:00 p.m. on the first business day after the final day of trading. The Notice of Intention to Accept must be in the form prescribed by the Exchange, and must be properly completed and indicate the name(s) of the buyer(s), the number of contracts to be accepted and any additional information as may be required by the Exchange.

###### **2. Delivery Instructions**

On the first business day following Notice Day, the buyer’s clearing member shall provide the seller’s clearing member and the Exchange with properly completed Delivery Instructions in the form prescribed by the Exchange. Such Delivery Instructions must include the following information:

- a. Name of seller’s clearing member;
- b. Tender Number;
- c. Name of the seller(s)’ designated crude oil stream (either a specific foreign crude oil stream(s) or domestic crude oil) 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 be a ratable delivery and 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(s) 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. Any additional information as may be required by the Exchange.

#### **506105.B. Responsibilities of Clearing Members Having Open Short Positions**

##### **1. Notice of Intention to Deliver**

Exchange clearing members having open short positions shall provide the Clearing House with a Notice of Intention to Deliver by 3:00 p.m. on the first business day after the final day of trading. The Notice of Intention to Deliver must be in the form prescribed by the Exchange, and must be properly completed, indicate the name(s) of the seller(s), the number of contracts to be delivered and whether the designated crude oil stream shall be domestic or a specific foreign crude oil stream. The seller(s) shall designate qualified pipeline or storage facility, and shall also provide any additional information as may be required by the Exchange.

##### **2. Scheduling Notice**

As soon as possible following determination of scheduling, but no later than the last business day of the month preceding the delivery month, the seller's clearing member shall provide the buyer's clearing member and the Exchange with a Scheduling Notice in the form prescribed by the Exchange which must state the delivery time.

#### **506105.C. Amendment of Delivery Instructions**

Notwithstanding the foregoing, at any time prior to the last business day of the month preceding the delivery month, the buyer(s) and the seller(s) may, by mutual agreement, elect to change the delivery terms with respect to the method of delivery, the timing of delivery, the type and/or quality of crude oil to be delivered and the 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.

#### **506105.D. Final Settlement Price**

The final settlement price as determined on the last trading day of the expiring contract month shall be the basis for delivery.

#### **506105.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 sour crude oil by origin to the extent possible. On the morning of the next business day, the Clearing House shall provide copies of the notices to the respective clearing members. The day on which the notices are provided 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.

#### **506105.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

## **506106.**

### **TIMING OF DELIVERY**

Delivery shall take place no earlier than the first calendar day of the delivery month and shall be completed no later than the last calendar day of the delivery month. It is the obligation of the seller's clearing member to ensure that the seller's crude oil receipts, including each specific foreign crude oil stream, if applicable, are available to begin flowing ratably, to the extent possible, in Clovelly, Louisiana by the first day of the delivery month, subject to LOOP LLC's or the pipeline's scheduling practices. The timing of delivery shall be determined by either LOOP LLC's or the pipeline's scheduler. The buyer and seller can mutually agree to the delivery timing, subject to the LOOP LLC's or the pipeline's schedule for delivery.

Transfer of Title — The seller shall provide the buyer with 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 in electronic format or other appropriate form of documentation.

## **506107.**

### **DELIVERY MARGIN AND PAYMENT**

#### **506107.A. Definitions**

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

on a Monday, payment shall be made on the next day which is not an Exchange or New York bank holiday.

#### **506107.B. Margin**

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

#### **506107.C. Payment**

No later than 12:00 p.m. on the third business day prior to the Payment Date, the seller shall advise its clearing member of the name and address of the bank, and the name of the account to which payment shall be made. The clearing member shall advise the opposite clearing member who shall advise the buyer. On the Payment Date, the buyer shall pay the short contract value by federal funds wire transfer to the account of the seller at the bank nominated by the seller. The term "contract value" shall mean the amount equal to the settlement price on the last day of trading in a futures contract times one thousand (1,000) times the number of contracts to be delivered.

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

Any payment made on the Payment Date shall be based on volume actually delivered, as determined at sixty (60) degrees Fahrenheit. If quantitative results are unavailable prior to the time established in the rules for payment of 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 p.m. on the fifth business day after initial payment.

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

### **506108. VALIDITY OF DOCUMENTS**

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

### **506109. ALTERNATIVE DELIVERY PROCEDURES**

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

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

## **APPENDIX C**

### **NYMEX Rulebook Chapter 5 Position Limit Table**

(Attached Under Separate Cover)

## APPENDIX D

### **Cash Market Overview and Analysis of Deliverable Supply**

The LOOP Gulf Coast Sour Crude Oil Futures (“the contract”) is physically delivered at the Louisiana Offshore Oil Port (LOOP) LLC facilities in Clovelly, Louisiana. The contract’s physical delivery is based on Mars and Poseidon blend type crude oil at Clovelly, Louisiana. The Exchange also allows alternate delivery of one foreign crude oil stream: Iraqi Basrah Light (foreign crude oil from LOOP’s Segregation 17 (Seg 17) stream). Delivery of the contract takes place F.O.B. out of the LOOP storage facilities.

LOOP, owned by Marathon Pipe Line LLC, Valero Terminating and Distribution Company and Shell Oil Company, operates the largest storage terminal in the U.S. with 70 million barrels of storage capacity, including large underground caverns and above-ground tanks. The delivery procedures of the contract provide for F.O.B. delivery at the LOOP storage terminal where a 7-million barrel cavern is dedicated to store “LOOP Sour” type crude oil, which is a fungible blend of Mars, Poseidon, and Seg 17 crude oil streams. LOOP typically stores fungible crude streams by blending various crude oil streams of similar quality to maximize the efficiency of their storage system. In developing the “LOOP Sour” type stream, LOOP consulted with its oil industry customers to ensure that the Mars, Poseidon and Seg 17 streams are compatible as a fungible blend. The Mars and Poseidon streams are produced in the deepwater U.S. Gulf, and the quality specifications are closely aligned. Mars flows directly to the LOOP facility from the offshore platform, while Poseidon flows directly to a terminal in Houma, Louisiana where it then connects to the Shell Ho-Ho pipeline with access to the LOOP storage facility. These two streams are fungibly blended at the LOOP facility in their cavern designated for “LOOP Sour” storage, and priced at par. The Exchange collaborated with LOOP to conform its delivery specifications for “LOOP Sour” type crude oil in accordance with the industry standards in effect at the LOOP storage terminal.

In its analysis of deliverable supply, the Exchange focused primarily on Mars crude oil production data in the Mississippi Canyon of the U.S. Gulf of Mexico as well as Iraqi oil imports into Louisiana. The Exchange estimates these components to be 368,281 b/d and 54,290 b/d respectively based on three-year averages. On a monthly basis, the total deliverable supply amounts to approximately 12.7 million barrels, or 12,677 contracts. The spot month position limit of 1,600 contracts is less than 25% guideline, or more precisely 12.6% of the total deliverable supply. This is a conservative estimate based on actual production in a small area of the Louisiana offshore as well as company-level import data. Table 1 below illustrates the components used in the analysis.

**Table 1: Deliverable Supply of LOOP Gulf Coast Sour Crude Oil**

	<b>Production (B/D)</b>	<b>Imports (B/D)</b>	<b>Deliverable Supply (B/D)</b>	<b>Monthly Deliverable Supply (BBL)</b>	<b>Monthly Deliverable Supply (Contracts)</b>
<b>2011</b>	420,108	73,888	493,995	14,819,857	14,820



<b>2012</b>	358,904	45,548	404,452	12,133,563	12,134
<b>2013</b>	332,695	55,227	387,922	11,637,671	11,638
<b>2014 (Jan-Sep)</b>	361,418	42,499	403,917	12,117,507	12,118
<b>Average</b>	<b>368,281</b>	<b>54,290</b>	<b>422,572</b>	<b>12,677,150</b>	<b>12,677</b>

(Sources: Bureau of Safety and Environmental Enforcement and Energy Information Administration)

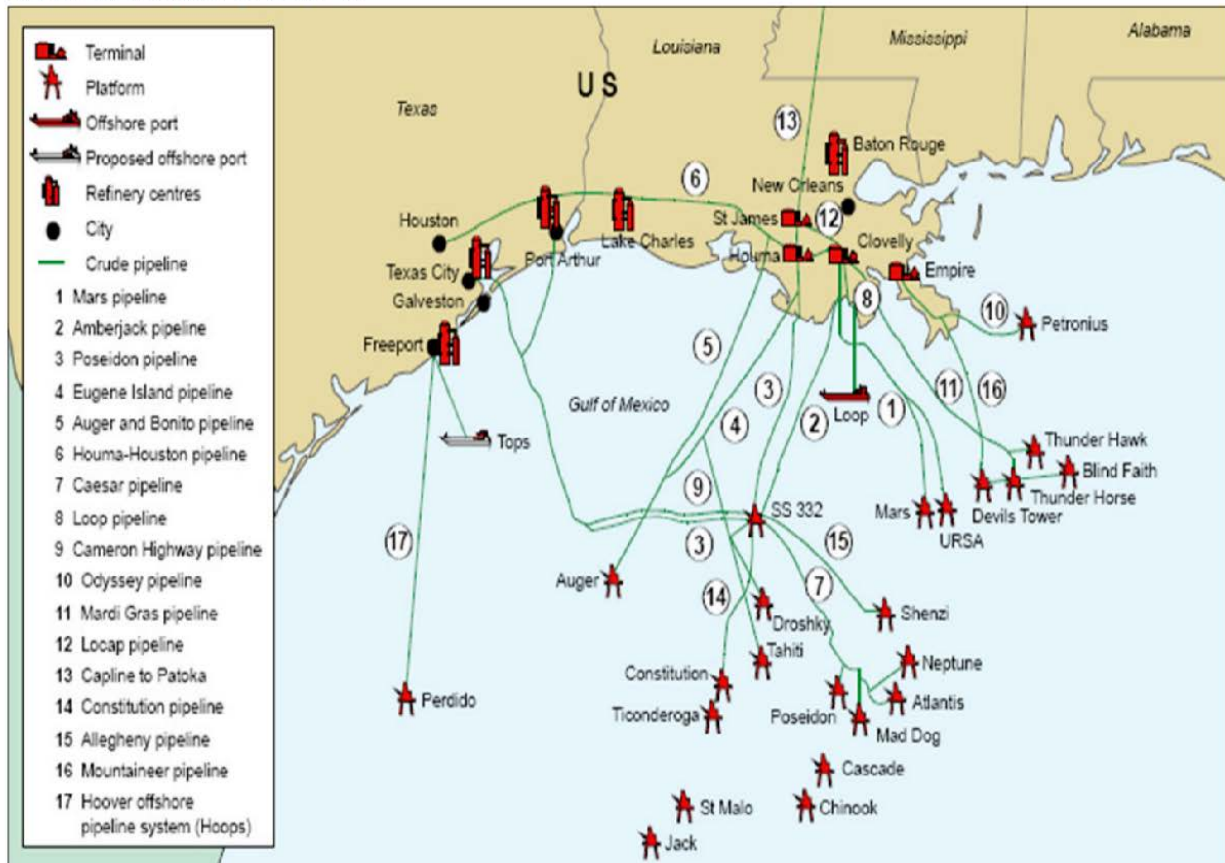
### **Gulf Coast Sour Crude Oil Production**

The majority of U.S. Gulf Coast sour market that feeds into LOOP consists of Mars and Poseidon blend crude oils. These blends are composed of production from several offshore fields in the Mississippi Canyon of the Gulf including Mars-Ursa, Mensa, Deimos and Poseidon. The Mars blend is by far the largest contributor to the LOOP Gulf Coast Sour Crude Oil market.

The Mars blend crude oil accounts for production of about 400,000 barrels per day, according to industry sources as well as data from the Bureau of Safety and Environmental Enforcement. Poseidon represents an additional 200,000 b/d of production according to industry sources. Figure 1 below lays out the relevant crude oil fields and various infrastructure components on the U.S. Gulf Coast.

**Figure 1: U.S. Gulf of Mexico Oil Fields**

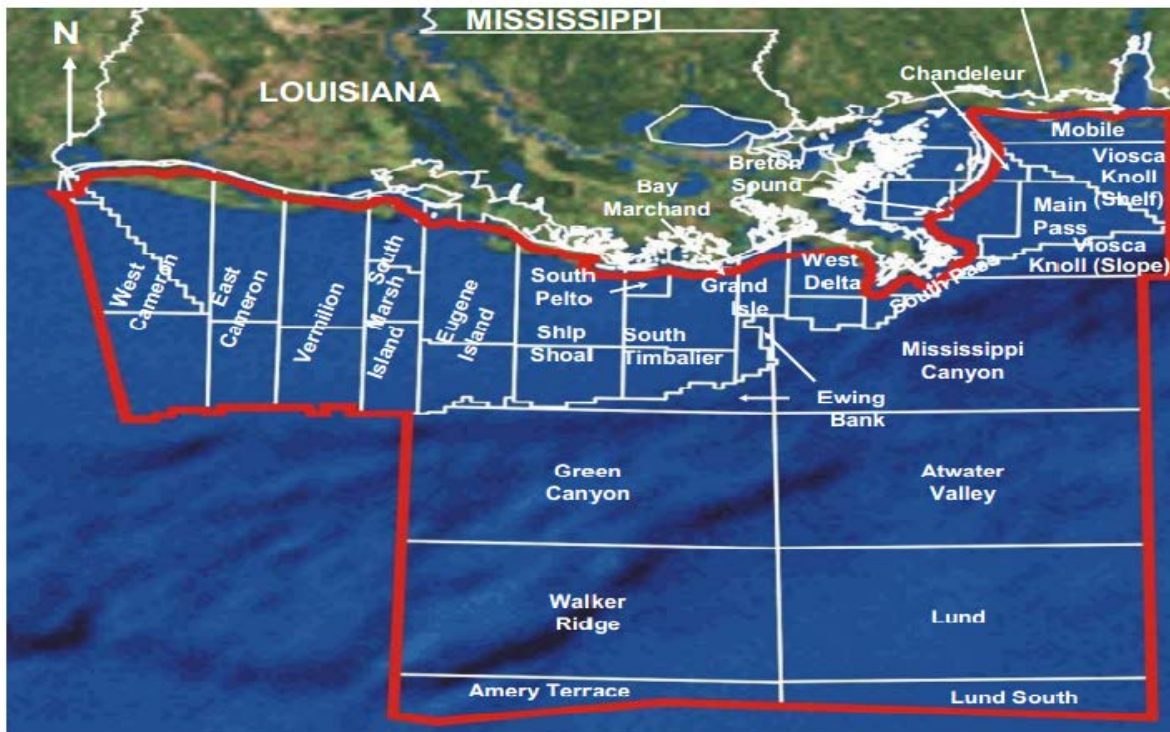
U.S. GULF OF MEXICO INFRASTRUCTURE



Source: Argus Media

The Mars oil platform is situated in the Mars field of the Mississippi Canyon area of the U.S. Gulf Coast, and is one of the many oil producing fields in the region. The platform is a joint venture between Shell Oil Company and BP, with Shell owning the majority share (71.5%) and operating the facility. The Mars field was discovered in 1989 and began production in 1996. In February-2014, Shell began production from the Mars B expansion through the Olympus field – the company’s seventh, and largest, floating deep-water platform in the Gulf of Mexico. It is the first deepwater project in the Gulf to expand an existing oil and gas field with significant new infrastructure, which should extend the life of the greater Mars basin to 2050 or beyond. Figure 2 below illustrates the division of oil-producing regions within the Central Gulf Coast area.

Figure 2: Central Gulf Coast Oil-Producing Regions



In estimating the production of LOOP Gulf Coast Sour Crude Oil blend crude oil, the Exchange relied on the Bureau of Safety and Environmental Enforcement<sup>1</sup> (BSEE) data. BSEE publishes monthly production data<sup>2</sup> per oil field for the U.S. Gulf Coast region. Accordingly, as Table 2 illustrates, the Mississippi Canyon region produced an average of 368,281 b/d of oil in the 2011-2014 period. **Table 2: Oil Production in the Mississippi Canyon Region**

Year	Oil Production (Average Barrels per Day)
2011	420,108
2012	358,904
2013	332,695
2014 (Jan-Sep)	361,418
<b>Average</b>	<b>368,281</b>

### Iraqi Imports

<sup>1</sup> [http://www.data.bsee.gov/homepg/data\\_center/index.asp](http://www.data.bsee.gov/homepg/data_center/index.asp)

<sup>2</sup> [http://www.data.bsee.gov/homepg/data\\_center/production/production/master.asp](http://www.data.bsee.gov/homepg/data_center/production/production/master.asp)

The Iraqi Basrah crude oil is the foreign crude oil that can be delivered against the LOOP Gulf Coast Sour Crude Oil Futures contract. The Energy Information Administration (EIA) publishes monthly data on Iraqi imports into Louisiana on a company level<sup>3</sup>. Accordingly, imports of Iraqi crude oil into Louisiana averaged at 54,290 barrels per day in the period 2011-2014 (through September).

**Table 3: Imports of Iraqi Oil**

<b>Year</b>	<b>Imports of Iraqi Oil (Average Barrels per Day)</b>
<b>2011</b>	73,888
<b>2012</b>	45,548
<b>2013</b>	55,227
<b>2014 (Jan-Sep)</b>	42,499
<b>Average</b>	<b>54,290</b>

### **Logistics: Pipelines and Storage**

The U.S. Gulf Coast crude oil market consists of offshore platforms on oil fields, deepwater and land pipelines for gathering and distribution, and storage facilities. Together, they interconnect crude oil users (refineries) in the Gulf Coast and the Midwest with production. The Mars and Endymion pipeline systems, and connected offshore pipeline systems such as Amberjack, gather production from many fields throughout the central Gulf of Mexico, including Mars, and deliver to the LOOP.

The Mars Pipeline System<sup>4,5</sup> originates approximately 130 miles offshore in the deepwater Mississippi Canyon and terminates in salt dome caverns in Clovelly, Louisiana. The System transports offshore crude oil from the Mississippi Canyon area, including the Olympus platform and the Medusa and Ursa pipelines, and from the Green Canyon and Walker Ridge areas via the Amberjack pipeline connection<sup>6</sup>. It has a capacity of up to 600,000 b/d.

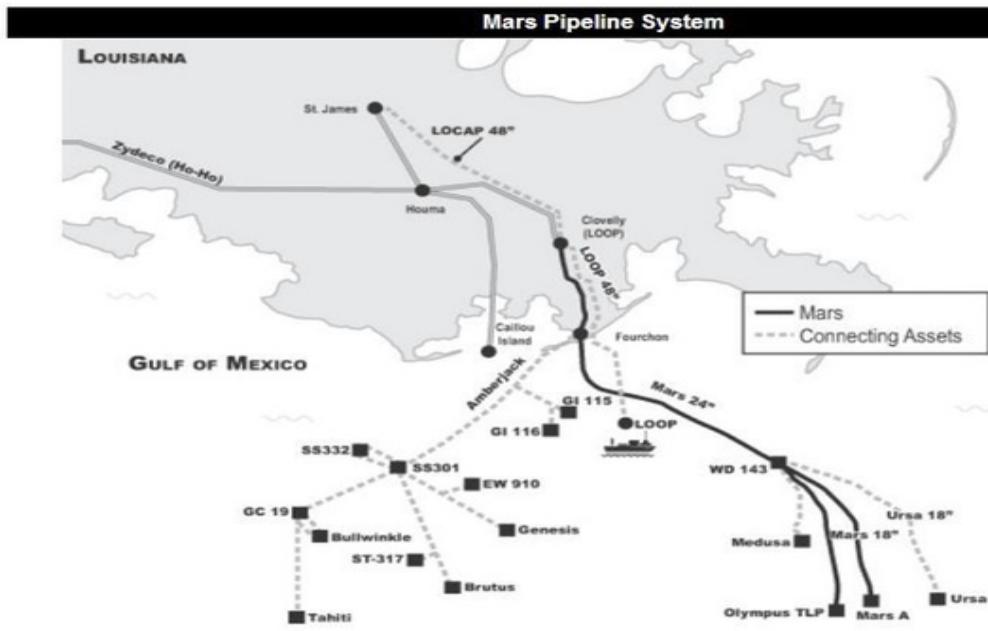
<sup>3</sup> <http://www.eia.gov/petroleum/imports/companylevel/archive/>

<sup>4</sup> <http://s04.static-shell.com/content/dam/shell-new/local/country/usa/downloads/pipeline/shell-pipeline-crude-systems-operations-map-mexico.pdf>

<sup>5</sup> <http://marketrealist.com/2014/06/must-know-the-assets-of-the-shell-midstream-partners/>

<sup>6</sup> <http://marketrealist.com/2014/07/overview-an-introduction-to-mars-pipelines-expansion-program/>

Figure 3: Mars Pipeline System



Market Realist

Source: Shell Midstream Partners' IPO Filing

The Mars Pipeline System:

Gathers from producers in: Mississippi Canyon

Gathers from pipelines: Ursa, Medusa, and Amberjack

Delivers to terminals: Chevron's Fourchon Terminal and LOOP Clovelly Terminal

Delivers to pipelines: Clovelly to Houma, Clovelly to Norco, LOCAP, and Chevron's Fourchon to Empire pipeline

In conjunction with the Mars Pipeline System, the Mars infrastructure network consists of an 8-million-barrel dedicated storage cavern constructed at the LOOP Clovelly Terminal. This cavern and its interconnection to other LOOP facilities provide the most flexible market link in the overall Gulf network. Virtually any significant Louisiana or Midwest crude market can be accessed from the Clovelly Hub.

LOOP Clovelly Terminal started receiving oil from the Mars production system in 1996 and has stored and delivered over 1.2 billion barrels of Mars crude oil since. LOOP LLC<sup>7</sup> operates a total of eight underground caverns and an above-ground tank farm consisting of fifteen 600,000 barrel tanks with a total holding with capacity of 70 million barrels of crude oil. The LOOP facility is also the largest import facility in the country. Figure 4 below illustrates the Clovelly Terminal and its surroundings.

<sup>7</sup> <http://www.loopllc.com/About-Loop/Story.aspx>

**Figure 4: LOOP Facilities on the Gulf Coast**



The LOOP facility at Clovelly receives crude oil supplies from two sources: supertankers carrying foreign crude oil and domestic crude oil produced in the deepwater Gulf of Mexico. Crude oil that is shipped to Clovelly is stored in salt caverns or tanks pending delivery to third party pipelines originating at the LOOP storage, which can feed into the interconnecting pipelines serving the national refining market<sup>8</sup>.

The Clovelly hub distributes crude oil to connected refineries through the CAM pipeline, Clovelly to Norco pipeline, and the LOCAP pipeline. The LOCAP pipeline transports crude oil from the Clovelly Hub to St. James, LA, supplying several Louisiana refineries and making a connection to Capline for distribution to refineries in the Midwest.

The Clovelly hub has direct access to the following refineries in Southeast Louisiana, which represent a refining capacity of over 1.1 million barrels per day: Chalmette Refining, Motiva Norco, Phillips 66 Alliance. From the Clovelly Hub, crude oil can also be transported to the LOCAP terminal in St. James, LA. The LOCAP pipeline and terminal are operated by LOOP. Crude oil arriving at the LOCAP terminal can access over 1.3 million barrels per day of additional refining capacity, including the following large,

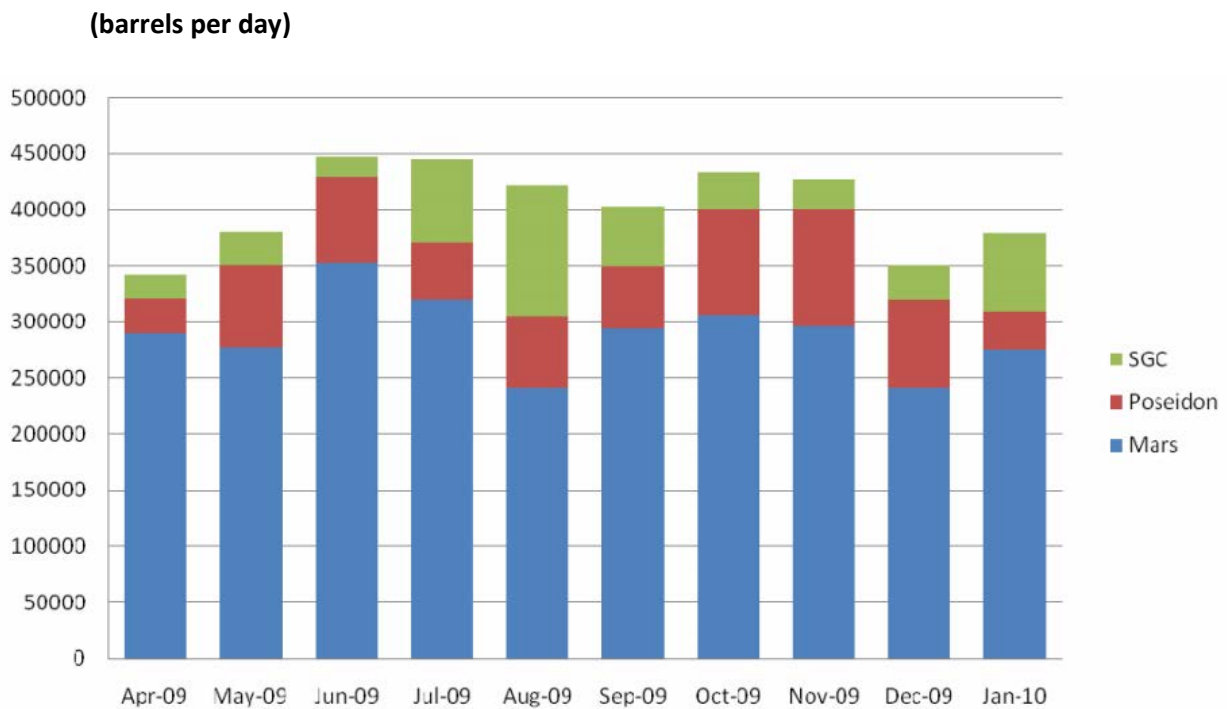
<sup>8</sup> <http://www.loopllc.com/getattachment/About-Loop/Multimedia/Docs/LOOP-Brochure/LOOP-Brochure.pdf.aspx>

complex refineries: ExxonMobil Baton Rouge, Marathon Garyville and Motiva Convent. Crude oil arriving at the LOCAP terminal also has access to neighboring terminals and connecting carrier pipelines located in St. James, LA. These connections provide further market access for LOOP customers.

## Trading

Market participants in the U.S. Gulf Coast sour crude oil cash market include 40 to 50 companies. The estimated trading volume of various sour crude oil streams in the U.S Gulf Coast cash market is approximately 1.5 million barrels per day. The Mars blend crude oil stream trades approximately 250,000 to 300,000 barrels per day in the cash market, according to industry sources. The typical transaction size is 35,000 to 45,000 barrels, with hundreds of separate transactions conducted daily. Figure 5 below illustrates spot market cash transactions of Mars, Poseidon and Southern Green Canyon crude oils according to Argus Media.

**Figure 5: Spot Market Transaction Volumes**



**Table 4: Monthly Mars Production Data**

<b>Year</b>	<b>Month</b>	<b>Lease Oil Production(BBL)</b>	<b>Lease Oil Production (BBL/Day)</b>
<b>2011</b>	January	16,964,111	565,470
	February	13,269,128	442,304
	March	13,658,862	455,295
	April	11,739,422	391,314
	May	13,928,449	464,282
	June	13,132,593	437,753
	July	10,966,158	365,539
	August	11,398,046	379,935
	September	9,837,809	327,927
	October	12,954,288	431,810
	November	12,013,084	400,436
	December	11,376,778	379,226
	<b>AVG</b>	<b>12,603,227</b>	<b>420,108</b>
<b>2012</b>	January	12,593,076	419,769
	February	11,466,391	382,213
	March	12,845,825	428,194
	April	10,540,295	351,343
	May	9,204,213	306,807
	June	8,428,237	280,941
	July	13,063,277	435,443
	August	9,306,805	310,227
	September	7,870,652	262,355
	October	10,340,403	344,680
	November	11,310,113	377,004
	December	12,236,214	407,874
	<b>AVG</b>	<b>10,767,125</b>	<b>358,904</b>
<b>2013</b>	January	11,911,260	397,042
	February	10,225,451	340,848
	March	11,202,293	373,410
	April	11,950,406	398,347
	May	7,385,468	246,182
	June	4,228,300	140,943
	July	9,835,589	327,853
	August	10,868,624	362,287
	September	10,321,281	344,043
	October	9,980,160	332,672
	November	10,613,616	353,787



	<b>December</b>	11,247,736	374,925
	<b>AVG</b>	<b>9,980,849</b>	<b>332,695</b>
<b>2014</b>	<b>January</b>	10,764,042	358,801
	<b>February</b>	10,193,401	339,780
	<b>March</b>	11,502,250	383,408
	<b>April</b>	12,543,150	418,105
	<b>May</b>	12,849,956	428,332
	<b>June</b>	12,707,836	423,595
	<b>July</b>	12,296,962	409,899
	<b>August</b>	9,548,531	318,284
	<b>September</b>	5,176,801	172,560
	<b>AVG</b>	<b>10,842,548</b>	<b>361,418</b>

**Table 5: Monthly Import Data (Thousand Barrels)**

<b>2011</b>	Jan	4,844
	Feb	500
	Mar	3,557
	Apr	2,259
	May	516
	Jun	2,802
	Jul	2,759
	Aug	1,866
	Sep	1,333
	Oct	3,622
	Nov	811
	Dec	2,100
<b>2012</b>	Jan	924
	Feb	1,106
	Mar	18
	Apr	2,514
	May	1,939
	Jun	3,142
	Jul	514
	Aug	3,108
	Sep	695
	Oct	2,194
	Dec	471
<b>2013</b>	Jan	2,096
	Feb	2,791
	Mar	1,516
	Apr	3,105
	May	2,158
	Jun	737

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	Aug	2,092
	Sep	1,575
	Nov	3,014
	Dec	1,074
<b>2014</b>	Jan	1,176
	Feb	500
	Mar	603
	Apr	3,534
	Jun	2,088
	Jul	1,505
	Aug	4,580
	Sep	1,526

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