SUBMISSION COVER SHEET

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

Registered Entity Identifier Code (optional): 14-392

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): October 2, 2014 Filing Description: New Product Listing for Four (4) Crude Oil Futures Contracts

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: WTI Midland (Argus) vs. WTI Trade Month Futures and WTI Midland (Argus) Trade Month Futures; WTS (Argus) vs. WTI Financial Futures and WTS (Argus) Financial Futures

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:

Rule Numbers:

Christopher Bowen
Managing Director and Chief Regulatory Counsel
Legal Department

October 2, 2014

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 40.2(a) Certification. Notification of New Product Listing for Four (4) Crude Oil Futures Contracts.
NYMEX Submission No. 14-392

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 the listing of four (4) new crude oil futures contracts for WTI Midland (Argus) vs. WTI Trade Month Futures (code WTT) and WTI Midland (Argus) Trade Month Futures (code WTI); as well as WTS (Argus) vs. WTI Financial Futures (code WTA) and WTS (Argus) Financial Futures (code WTS) (collectively the "Contracts") for trading on the NYMEX trading floor, CME Globex and for submission for clearing via CME ClearPort, effective on Sunday, October 19, 2014 for trade date Monday, October 20, 2014.

Pursuant to Commission Regulation 40.6(a), NYMEX is separately self-certifying block trading on these Contracts with a minimum threshold of five (5) contracts in the four (4) new products listed in NYMEX/COMEX Submission No. 14-413.

Contract Name	WTI Midland (Argus) Trade Month Futures
Commodity Code	WTI
Chapter	1141
Settlement Type	Financial
Contract Size	1,000 barrels
Termination of Trading	On the last business day that falls on or before the 25th calendar day of the month prior to the contract month.
Minimum Price Fluctuation	$0.01
Final Settlement Price Tick	$0.01
First Listed Month	December 2014
Listing Convention	Thirty (30) consecutive months

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Contract Name	WTI Midland (Argus) vs. WTI Trade Month Futures
Commodity Code	WTT
Chapter	1142
Settlement Type	Financial
Contract Size	1,000 barrels
Termination of Trading	On the last business day that falls on or before the 25th calendar day of the month prior to the contract month.
Minimum Price Fluctuation	$0.01
Final Settlement Price Tick	$0.01
First Listed Month	December 2014
Listing Convention	Thirty (30) consecutive months

Contract Name	WTS (Argus) Financial Futures
Commodity Code	WTS
Chapter	1140
Settlement Type	Financial
Contract Size	1,000 barrels
Termination of Trading	On the last business day of the contract month.
Minimum Price Fluctuation	$0.01
Final Settlement Price Tick	$0.01
First Listed Month	November 2014
Listing Convention	Thirty (30) consecutive months

Contract Name	WTS (Argus) vs. WTI Financial Futures
Commodity Code	WTA
Chapter	1143
Settlement Type	Financial
Contract Size	1,000 barrels
Termination of Trading	On the last business day of the contract month.
Minimum Price Fluctuation	$0.01

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Final Settlement Price Tick	$0.01
First Listed Month	November 2014
Listing Convention	Thirty (30) consecutive months

Trading and Clearing Hours:

CME Globex and CME ClearPort: Sunday – Friday 6:00 p.m. – 5:15 p.m. (5:00 p.m. – 4:15 p.m. Chicago Time/CT) with a 45-minute break each day beginning at 5:15 p.m. (4:15 p.m. CT).
NYMEX Trading Floor: Monday – Friday 8:10 a.m. – 12:00 p.m. (7:10 a.m. – 11:00 a.m. CT)

Fee Schedule:

Exchange Fees					
		Member	**Cross Division**	**Non-Member**	**IIP**
Pit		$0.85	$1.10	$1.35	
Globex		$0.85	$1.10	$1.35	$1.10
ClearPort		$0.85		$1.35	
Agency Cross		$0.85		$1.35	

Additional Fees and Surcharges	
Facilitation Desk Fee	$.25
Cash Settlement	$.50

The Exchange is also notifying the CFTC that it is self-certifying the insertion of the terms and conditions for the new contracts into the Position Limit, Position Accountability and Reportable Level Table and Header Notes located in the Interpretations and Special Notices Section of Chapter 5 of the NYMEX Rulebook in relation to the listing of the new contracts. These terms and conditions establish the all month/any one month accountability levels, expiration month position limit, reportable level, and aggregation allocation for the new contracts, as presented below in Appendix B (attached under separate cover).

Exchange business staff responsible for the new products and the Exchange legal department collectively reviewed the designated contract market core principles ("Core Principles") as set forth in the Commodity Exchange Act ("Act" or "CEA"). During the review, Exchange staff identified that the new product may have some bearing on the following Core Principles:

- Prevention of Market Disruption: Trading in these contracts will be subject to the NYMEX rules ("Rulebook") Chapters 4 and 7 which include prohibitions on manipulation, price distortion and disruptions of the delivery or cash-settlement process. As with all products listed for trading on one of CME Group's designated contract markets, activity in the new products will be subject to extensive monitoring and surveillance by CME Group's Market Regulation Department.

- Contracts Not Readily Subject to Manipulation: The new contracts are not readily subject to manipulation due to the liquidity and robustness in the underlying cash market, which provides diverse participation and sufficient spot transactions to support the final settlement index as assessed by Argus Media and IHS McCloskey (methodology provided in the attached Cash Market Overview).
- Compliance with Rules: Trading in these contracts will be subject to the rules in Rulebook Chapter 4 which includes prohibitions against fraudulent, noncompetitive, unfair and abusive practices. Additionally, trading in this contract will also be subject to the full panoply of trade practice rules, the majority of which are contained in Chapter 5 and Chapter 8 of the Rulebook. As with all products listed for trading on one of CME Group's designated contract markets, activity in the new products will be subject to extensive monitoring and surveillance by CME Group's Market Regulation Department. The Market Regulation Department has the authority to exercise its investigatory and enforcement power where potential rule violations are identified.
- Position Limitations or Accountability: The spot month position limits for the contracts are set at less than the threshold of 25% of the deliverable supply in the underlying market in accordance with the guidelines included in CFTC Part 151.
- Availability of General Information: The Exchange will publish information on the contracts' specifications on its website, together with daily trading volume, open interest and price information.
- Daily Publication of Trading Information: Trading volume, open interest and price information will be published daily on the Exchange's website and via quote vendors.
- Financial Integrity of Contracts: All contracts traded on the Exchange will be cleared by the Clearing House of the Chicago Mercantile Exchange Inc. which is a registered derivatives clearing organization with the Commission and is subject to all Commission regulations related thereto.
- Execution of Transactions: The new contracts are dually listed for clearing through the CME ClearPort platform and for open outcry trading on the NYMEX trading floor. The CME ClearPort platform provides a competitive, open and efficient mechanism for novating transactions that are competitively executed by brokers. In addition, the NYMEX trading floor is available as a venue to provide for competitive and open execution of transactions.
- Trade Information: All required trade information is included in the audit trail and is sufficient for the Market Regulation Department to monitor for market abuse.
- Protection of Market Participants: Rulebook Chapters 4 and 5 contain multiple prohibitions precluding intermediaries from disadvantaging their customers. These rules apply to trading on all of the Exchange's competitive trading venues and will be applicable to transactions in this product.
- Disciplinary Procedures: Chapter 4 of the Rulebook contains provisions that allow the Exchange to discipline, suspend or expel members or market participants that violate the Rulebook. Trading in these contracts will be subject to Chapter 4, and the Market Regulation Department has the authority to exercise its enforcement power in the event rule violations in these products are identified.
- Dispute Resolution: Disputes with respect to trading in these contracts will be subject to the arbitration provisions set forth in Chapter 6 of the Rulebook. Chapter 6 allows all nonmembers to submit a claim for financial losses resulting from transactions on the Exchange to arbitration. A member named as a respondent in a claim submitted by a nonmember is required to participate in the arbitration pursuant to Chapter 6. Additionally, the Exchange requires that members resolve all disputes concerning transactions on the Exchange via arbitration.

Pursuant to Section 5c(c) of the Act and CFTC Regulation 40.2(a), the Exchange hereby certifies that the new product listings comply with the Act, including regulations under the Act. A description of the cash market for these new products is attached in Appendix D.

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 at Christopher.Bowen@cmegroup.com.

Sincerely,

/s/ Christopher Bowen
Managing Director and Chief Regulatory Counsel

Attachments: Appendix A: Rule Chapters
Appendix B: Position Limit, Position Accountability, and Reportable Level Table in Chapter 5 of the NYMEX Rulebook (attached under separate cover)
Appendix C: Rule 588.H – Non-reviewable Range Table
Appendix D: Cash Market Overview and Analysis of Deliverable Supply

Appendix A

Chapter 1141
WTI Midland (Argus) Trade Month Futures

1141100. SCOPE OF CHAPTER

The provisions of these rules shall apply to all futures contracts bought or sold on the Exchange for cash settlement based on the Floating Price. The procedures for trading, clearing and cash settlement of this contract, and any other matters not specifically covered herein shall be governed by the general rules of the Exchange.

1141101. CONTRACT SPECIFICATIONS

The Floating Price for each contract month is equal to the arithmetic average of the WTI Midland (1st month) weighted average price from Argus Media for the Trade month period beginning with the first business day after the 25th calendar day two months prior to the contract month through the last business day that falls on or before the 25th calendar day of the month prior to the contract month. If the 25th calendar day is a weekend or holiday, the Trade month period shall end on the first business day prior to the 25th calendar day.

1141102. TRADING SPECIFICATIONS

The number of months open for trading at a given time shall be determined by the Exchange.

1141102.A. Trading Schedule

The hours of trading for this contract shall be determined by the Exchange.

114102.B. Trading Unit

The contract size shall be 1,000 U.S. barrels. Each contract shall be valued as the contract quantity (1,000) multiplied by the settlement price.

1141102.C. Price Increments

Prices shall be quoted in U.S. dollars and cents per barrel. The minimum price fluctuation shall be $0.01 per barrel.

1141102.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.

1141102.E. Termination of Trading

Trading shall cease at the close of trading on the last business day that falls on or before the 25th calendar day of the month prior to the contract month. If the 25th calendar day is a weekend or holiday, trading shall cease on the first business day prior to the 25th calendar day.

1141103. FINAL SETTLEMENT

Final settlement under the contract shall be by cash settlement. Final settlement, following termination of trading for a contract month, will be based on the Floating Price. The final settlement price will be the Floating Price calculated for each contract month.

1141104. DISCLAIMER

Argus Media ("Argus") licenses the New York Mercantile Exchange, Inc. ("NYMEX") to use various Argus price assessments in connection with the trading and/or clearing of the contract.

NYMEX, ITS AFFILIATES AND ARGUS MAKE NO WARRANTIES, EXPRESS OR IMPLIED, AS TO THE RESULTS TO BE OBTAINED BY ANY PERSON OR ENTITY FROM USE OF THE PRICE ASSESSMENT, TRADING AND/OR CLEARING BASED ON THE PRICE ASSESSMENT, OR ANY DATA INCLUDED THEREIN IN CONNECTION WITH THE TRADING AND/OR CLEARING OF THE

CONTRACT, OR, FOR ANY OTHER USE. NYMEX, ITS AFFILIATES AND ARGUS MAKE NO WARRANTIES, EXPRESS OR IMPLIED, AND HEREBY DISCLAIM ALL WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE WITH RESPECT TO THE PRICE ASSESSMENT OR ANY DATA INCLUDED THEREIN. WITHOUT LIMITING ANY OF THE FOREGOING, IN NO EVENT SHALL NYMEX, ITS AFFILIATES OR ARGUS HAVE ANY LIABILITY FOR ANY LOST PROFITS OR INDIRECT, PUNITIVE, SPECIAL OR CONSEQUENTIAL DAMAGES (INCLUDING LOST PROFITS), EVEN IF NOTIFIED OF THE POSSIBILITY OF SUCH DAMAGES.

Chapter 1142
WTI Midland (Argus) vs. WTI Trade Month Futures

1142100. SCOPE OF CHAPTER

The provisions of these rules shall apply to all futures contracts bought or sold on the Exchange for cash settlement based on the Floating Price. The procedures for trading, clearing and cash settlement of this contract, and any other matters not specifically covered herein shall be governed by the general rules of the Exchange.

1142101. CONTRACT SPECIFICATIONS

The Floating Price for each contract month is equal to the arithmetic average of the WTI Midland (1st month) differential weighted average (Diff wtd avg) price from Argus Media, which is based on the weighted average floating price of WTI Midland minus the "WTI Formula Basis" price from Argus Media, for the Trade month period beginning with the first business day after the 25th calendar day two months prior to the contract month through the last business day that falls on or before the 25th calendar day of the month prior to the contract month. If the 25th calendar day is a weekend or holiday, the Trade month period shall end on the first business day prior to the 25th calendar day.

1142102. TRADING SPECIFICATIONS

The number of months open for trading at a given time shall be determined by the Exchange.

1142102.A. Trading Schedule

The hours of trading for this contract shall be determined by the Exchange.

1142102.B. Trading Unit

The contract quantity shall be 1,000 U.S. barrels. Each contract shall be valued as the contract quantity (1,000) multiplied by the settlement price.

1142102.C. Price Increments

Prices shall be quoted in U.S. dollars and cents per barrel. The minimum price fluctuation shall be $0.01 per barrel.

1142102.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.

1142102.E. Termination of Trading

Trading shall cease at the close of trading on the last business day that falls on or before the 25th calendar day of the month prior to the contract month. If the 25th calendar day is a weekend or holiday, trading shall cease on the first business day prior to the 25th calendar day.

1142103. FINAL SETTLEMENT

Final settlement under the contract shall be by cash settlement. Final settlement, following termination of trading for a contract month, will be based on the Floating Price. The final settlement price will be the Floating Price calculated for each contract month.

1142104. DISCLAIMER

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Chapter 1140
WTS (Argus) Financial Futures

1140100. SCOPE OF CHAPTER

The provisions of these rules shall apply to all futures contracts bought or sold on the Exchange for cash settlement based on the Floating Price. The procedures for trading, clearing and cash settlement of this contract, and any other matters not specifically covered herein shall be governed by the general rules of the Exchange.

1140101. CONTRACT SPECIFICATIONS

The Floating Price for each contract month is equal to the arithmetic average of the WTS (1st month) weighted average price from Argus Media for each business day that it is determined during the contract month.

1140102. TRADING SPECIFICATIONS

The number of months open for trading at a given time shall be determined by the Exchange.

1140102.A. Trading Schedule

The hours of trading for this contract shall be determined by the Exchange.

1140102.B. Trading Unit

The contract size shall be 1,000 U.S. barrels. Each contract shall be valued as the contract quantity (1,000) multiplied by the settlement price.

1140102.C. Price Increments

Prices shall be quoted in U.S. dollars and cents per barrel. The minimum price fluctuation shall be $0.01 per barrel.

1140102.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.

1140102.E. Termination of Trading

Trading shall cease at the close of trading on the last business day of the contract month.

1140103. FINAL SETTLEMENT

Final settlement under the contract shall be by cash settlement. Final settlement, following termination of trading for a contract month, will be based on the Floating Price. The final settlement price will be the Floating Price calculated for each contract month.

1140104. DISCLAIMER

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Chapter 1143
WTS (Argus) vs. WTI Financial Futures

1143100. SCOPE OF CHAPTER

The provisions of these rules shall apply to all futures contracts bought or sold on the Exchange for cash settlement based on the Floating Price. The procedures for trading, clearing and cash settlement of this contract, and any other matters not specifically covered herein shall be governed by the general rules of the Exchange.

1143101. CONTRACT SPECIFICATIONS

The Floating Price for each contract month is equal to the arithmetic average of the WTS (1st month) differential weighted average (Diff wtd avg) price from Argus Media, which is based on the weighted average floating price of WTS minus the NYMEX Light Sweet Crude Oil Futures first nearby contract month settlement price for each business day that both are determined during the contract month.

1143102. TRADING SPECIFICATIONS

The number of months open for trading at a given time shall be determined by the Exchange.

1143102.A. Trading Schedule

The hours of trading for this contract shall be determined by the Exchange.

1143102.B. Trading Unit

The contract quantity shall be 1,000 U.S. barrels. Each contract shall be valued as the contract quantity (1,000) multiplied by the settlement price.

1143102.C. Price Increments

Prices shall be quoted in U.S. dollars and cents per barrel. The minimum price fluctuation shall be $0.01 per barrel.

1143102.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.

1143102.E. Termination of Trading

Trading shall cease at the close of trading on the last business day of the contract month.

1143103. FINAL SETTLEMENT

Final settlement under the contract shall be by cash settlement. Final settlement, following termination of trading for a contract month, will be based on the Floating Price. The final settlement price will be the Floating Price calculated for each contract month.

1143104. DISCLAIMER

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Appendix B

Position Limit, Position Accountability, and Reportable Level Table in Chapter 5

of the NYMEX Rulebook

(attached under separate cover)

Appendix C

Rule 588.H – Non-reviewable Range Table

Instrument	Non-Reviewable Range (NRR) in Globex format	NRR including Unit of Measure	NRR Ticks
WTI Midland (Argus) vs. WTI Trade Month Futures	100	$1.00 per barrel	100
WTI Midland (Argus) Trade Month Futures	100	$1.00 per barrel	100
WTS (Argus) vs. WTI Financial Futures	100	$1.00 per barrel	100
WTS (Argus) Financial Futures	100	$1.00 per barrel	100

Appendix D

CASH MARKET OVERVIEW

The Exchange is proposing to list four (4) new contracts for WTI Midland (Argus) vs. WTI Trade Month Futures, and WTI Midland (Argus) Trade Month Futures; as well as WTS (Argus) vs. WTI Financial Futures, and WTS (Argus) Financial Futures. There is an active physical crude oil trading center based in Midland, Texas, which is a major hub for storage and pipelines with direct connectivity to the Cushing and the U.S. Gulf Coast markets. There is active trading in light sweet WTI and West Texas Sour (WTS) type crude oil at Midland. Further, there are substantial pipeline flows of WTI and WTS type crude oil from Midland, Texas to Cushing, Oklahoma. Two major pipelines carry crude oil from Midland to Cushing: the Basin Pipeline, and the Centurion Pipeline. In addition, the Magellan pipeline was completed in early 2014 that connects Midland directly to the Gulf Coast market in Houston.

The Argus methodology for the assessment of the WTI Midland crude oil index is the volume weighted-average price of transactions done during the entire trading day and is available at the following link http://d1bs3qurwcoybx.cloudfront.net/~/media/Files/PDFs/Meth/argus_americas_crude.pdf.

In recent years, there has been a sharp increase in production of light sweet WTI type crude oil in West Texas in the region of Midland, Texas. Based on conversations with Argus price reporters, the WTI cash market at Midland is robust, with dozens of transactions per day. The market participation is deep and diverse, and includes many commercial companies, refiners, end users, trading companies, and financial institutions with over 40 participants in the marketplace.

According to data provided by Argus, the liquidity in the WTI Midland cash market has grown significantly in the past two years. During the past 12 months, average daily volume (ADV) traded in the WTI Midland cash market was just over 500,000 barrels per day. The average transaction size is 30,000 barrels, with an average of 15 to 20 transactions per day. For the past three years, from June 2011 through June 2014, the ADV in the WTI Midland cash market was 375,000 barrels per day. Further, according to Argus, the liquidity in the WTS cash market has been robust at around 175,000 barrels per day on average for the three year period of June 2011 through June 2014. The typical transaction size is 30,000 barrels, and the average number of transactions has been in the area of 7 to 10 transactions per day.

I. WTS and WTI Midland: Key Components of Deliverable Supply

In its analysis of deliverable supply for WTS and WTI at Midland, the Exchange has focused on crude oil production in West Texas. The Texas Railroad Commission (TRC) provides detailed data on crude oil production in West Texas. However, the TRC does not provide a breakdown of the crude oil production by type of crude oil, i.e., for light sweet or sour crude oil. In addition, the EIA provides production data for the State of Texas, and also includes a study with a breakdown of the production by crude type.

According to regional data published by the Texas Railroad Commission, the crude oil production in West Texas in the vicinity of Midland, Texas was 27.9 million barrels per month for the period of 2009-2013, which is equivalent to nearly 900,000 barrels per day (see Table 2 below).

Table 1: Texas Railroad Commission Data[1]
Texas Production of Crude Oil in West Texas (by District)
(For Districts 7C, 8, 8A, 9, and 10 located near Midland, Texas)

[1] http://webapps.rrc.state.tx.us/PDQ/home.do

(Barrels per Month)

	7C	8	8A	9	10
Jan-09	2,482,740	10,469,883	9,703,690	1,221,988	671,283
Feb-09	2,201,094	9,456,491	8,690,642	1,110,800	629,583
Mar-09	2,413,236	10,423,780	9,690,138	1,199,258	710,424
Apr-09	2,276,895	10,104,334	9,230,336	1,143,812	697,164
May-09	2,259,476	10,287,422	9,458,857	1,182,736	770,599
Jun-09	2,135,886	9,788,716	9,091,902	1,156,223	771,687
Jul-09	2,157,135	10,079,996	9,317,025	1,194,449	766,385
Aug-09	2,119,125	10,189,736	9,356,309	1,183,534	744,347
Sep-09	2,068,983	10,067,611	9,079,402	1,191,901	753,612
Oct-09	2,180,257	10,439,365	9,359,415	1,158,689	786,369
Nov-09	2,181,046	10,215,457	9,085,227	1,138,757	780,460
Dec-09	2,295,688	10,499,957	9,188,595	1,086,793	791,527
Jan-10	2,321,182	10,548,797	9,291,642	1,097,872	779,846
Feb-10	2,147,590	9,796,280	8,417,428	1,030,820	689,991
Mar-10	2,370,633	10,874,049	9,285,298	1,251,423	779,169
Apr-10	2,310,251	10,520,613	8,957,178	1,245,760	821,336
May-10	2,477,236	11,021,075	9,198,859	1,196,993	892,536
Jun-10	2,363,913	10,662,917	8,817,433	1,153,299	811,790
Jul-10	2,553,035	11,226,164	9,111,791	1,242,148	823,870
Aug-10	2,591,795	11,255,409	9,155,020	1,340,319	897,638
Sep-10	2,549,573	11,110,231	8,899,790	1,353,491	925,798
Oct-10	2,679,174	11,721,761	9,247,544	1,477,544	961,135
Nov-10	2,663,934	11,560,471	8,935,815	1,347,095	917,887
Dec-10	2,858,183	12,194,463	9,196,261	1,488,398	985,394
Jan-11	2,872,051	12,331,398	9,104,115	1,420,239	1,007,036
Feb-11	2,410,815	10,177,367	7,959,726	1,167,933	842,726
Mar-11	2,862,288	12,567,023	9,125,730	1,457,681	1,038,541
Apr-11	2,717,336	12,168,477	8,781,639	1,504,164	998,959
May-11	2,848,329	12,875,840	9,071,113	1,732,118	1,135,153
Jun-11	2,726,751	12,534,385	8,711,366	1,626,842	1,038,833
Jul-11	2,872,039	13,039,080	8,904,478	1,723,349	1,056,591
Aug-11	2,895,530	13,293,233	9,006,478	1,705,165	1,071,070
Sep-11	2,889,700	13,008,275	8,702,833	1,620,957	1,003,961
Oct-11	3,128,650	13,768,049	9,075,151	1,712,924	1,142,053
Nov-11	3,173,765	13,502,240	8,805,886	1,615,873	1,056,052
Dec-11	3,335,028	13,824,651	9,065,039	1,595,246	1,011,746
Jan-12	3,444,439	14,972,946	9,070,412	1,608,619	1,372,185
Feb-12	3,281,906	14,444,766	8,439,986	1,481,475	1,380,448
Mar-12	3,548,532	15,700,699	8,949,863	1,562,139	1,436,712

Apr-12	3,480,984	15,476,792	8,638,838	1,440,233	1,531,875	
May-12	3,625,941	16,174,763	8,947,324	1,503,523	1,642,826	
Jun-12	3,642,046	15,647,876	8,594,642	1,503,429	1,584,195	
Jul-12	3,756,765	16,621,901	8,941,120	1,512,785	1,610,357	
Aug-12	3,987,896	16,638,456	8,908,392	1,482,160	1,716,936	
Sep-12	3,966,825	16,376,109	8,647,226	1,481,798	1,776,982	
Oct-12	4,226,874	17,249,564	8,966,764	1,457,693	1,799,432	
Nov-12	4,226,010	16,961,591	8,747,499	1,382,038	1,688,581	
Dec-12	4,332,158	17,507,505	8,971,052	1,392,470	1,678,905	
Jan-13	4,290,385	17,459,981	8,894,839	1,377,819	1,725,284	
Feb-13	4,048,046	15,931,248	8,151,244	1,260,019	1,524,936	
Mar-13	4,513,098	17,584,261	8,979,562	1,392,872	1,718,584	
Apr-13	4,515,570	17,114,449	8,735,475	1,321,644	1,652,213	
May-13	4,757,632	17,922,815	8,889,356	1,331,141	1,670,996	
Jun-13	4,697,126	17,138,543	8,480,284	1,263,530	1,531,708	
Jul-13	4,972,596	18,040,317	8,820,229	1,290,343	1,505,464	
Aug-13	5,010,583	17,965,172	8,790,475	1,285,302	1,590,537	
Sep-13	5,038,353	17,337,921	8,569,137	1,229,823	1,514,698	
Oct-13	5,282,447	18,169,849	8,813,219	1,263,501	1,435,125	
Nov-13	4,843,289	17,144,106	8,650,936	1,199,348	1,352,585	
Dec-13	5,468,484	17,726,461	8,845,391	1,163,294	1,262,480	**Average Monthly Total**
Average	**3,239,139**	**13,293,657**	**8,942,040**	**1,332,190**	**1,135,518**	**27,942,545**

Further, the EIA provides data on total crude oil production in Texas. In the three-year period of 2010-2012, the average production of crude oil in Texas was approximately 1.8 million barrels per day. According to EIA data, in the period from January 2010 to December 2012, crude oil production has increased in Texas from 1.1 million barrels per day in 2010 to 2.8 million barrels per day in 2013 (see Table 2 below).

Table 2: EIA Data[2]
Texas Field Production of Crude Oil (On-Shore)
(Thousands of Barrels per Day)

Jan-10	1,098
Feb-10	1,120
Mar-10	1,136
Apr-10	1,136
May-10	1,144
Jun-10	1,142

[2] http://www.eia.gov/dnav/pet/pet_crd_crpdn_adc_mbbl_m.htm

Jul-10	1,155
Aug-10	1,169
Sep-10	1,193
Oct-10	1,219
Nov-10	1,251
Dec-10	1,284
Jan-11	1,291
Feb-11	1,235
Mar-11	1,344
Apr-11	1,356
May-11	1,402
Jun-11	1,411
Jul-11	1,447
Aug-11	1,500
Sep-11	1,551
Oct-11	1,612
Nov-11	1,678
Dec-11	1,709
Jan-12	1,737
Feb-12	1,783
Mar-12	1,811
Apr-12	1,882
May-12	1,925
Jun-12	1,960
Jul-12	2,005
Aug-12	2,059
Sep-12	2,096
Oct-12	2,169
Nov-12	2,187
Dec-12	2,220
Jan-13	2,275
Feb-13	2,346
Mar-13	2,390
Apr-13	2,420
May-13	2,492
Jun-13	2,540
Jul-13	2,577
Aug-13	2,625

Sep-13	2,673
Oct-13	2,721
Nov-13	2,769
Dec-13	2,817
Average	**1,793**

The Energy Information Administration (EIA) recently conducted an analysis of the breakdown of types crude oil produced in the US ("types" defined by API and sulfur content), by region. In the resulting report, the EIA organized its findings nationally and by region. One of these regions, denoted as "Southwest", comprises the Permian basin, which encompasses the oil-rich area of West Texas. This EIA study is the most recent and authoritative report on WTS and WTI production in West Texas. According to this EIA report[3], approximately 63% of oil produced in the Permian basin in West Texas is WTI type crude oil, and 35% is WTS type crude oil. The remaining 2% is typically a heavy-sour crude oil.

WTI at Cushing, Oklahoma: Key Components of Deliverable Supply

The NYMEX Crude Oil Last Day Financial Futures Contract (code 26) and the Argus WTI Trade Month Futures Contract (code V7) are cash-settled look-alike contracts of the NYMEX Light Sweet Crude Oil Futures Contract. In estimating deliverable supply for these financially-settled contracts (also referred to as "WTI"), there are two main components that NYMEX considered in updating the deliverable supply estimates of the Domestic Light Sweet Common Stream Crude Oil for the Cushing, Oklahoma delivery location:

(1) Crude Oil Flows to the delivery area;
(2) Crude Oil Storage in the delivery area.

a. Crude Oil Production

For production, NYMEX used information collected by the U.S. Department of Energy ("DOE") Energy Information Administration ("EIA"), which is a definitive source for this information. Other information is, in part, available from other sources as well, particularly at the state level from either energy or tax revenue authorities. We have chosen to rely on the EIA data alone because it constitutes a single source, employing common standards, across each state. The EIA data are highly regarded but they do not provide sufficient breakdown on the quality characteristics of the oil production to determine the subset of total production that would qualify as Domestic Light Sweet under the terms of the futures contract.

b. Crude Oil Flows to the Cushing Delivery Area

To determine the flows of Domestic Light Sweet crude oil into the delivery area, NYMEX consulted with industry executives and professionals from pipeline and storage terminal operators in Cushing as well as other major industry participants. It is noteworthy that the estimates provided here are materially less than the production that can readily access the delivery mechanism and which *could* be delivered due to the fact that the sources we used were specifically knowledgeable about *actual* Cushing deliveries. Thus, the information provided is not what *could be* delivered — the standard which is in accordance with Commission's policy and precedent — but what actually *is* delivered. The Exchange believes that the Cushing delivery mechanism for light sweet crude oil and corresponding commercial secondary market constitutes such a sophisticated and highly-developed commercial market mechanism that, at any time, the actual flows to and stocks in the delivery area represent precisely the deliverable supply sufficient to

[3] http://www.eia.gov/analysis/petroleum/crudetypes/pdf/crudetypes.pdf

support the mechanism. In other words, even though at any time there is additional production that *could* be delivered to the delivery mechanism, we are only including what *actually* flows in our estimate of deliverable supply.[4]

c. Crude Oil Storage in the Cushing Delivery Area

Storage data are provided on a weekly basis by EIA. Details are provided for the U.S., Petroleum Administration for Defense Districts ("PADDs") and Cushing. There are five PADDs and, in some cases, they correspond to broad regions. PADD 2 broadly includes the Midwest; PADD 3 broadly includes U.S. Gulf Coast states and New Mexico; PADD 4 contains the Rocky Mountain States excluding New Mexico. Cushing is the only single location where crude oil official inventory numbers are collected and publicly disseminated on a regular basis anywhere in the world. The actual geographic market that is consistently most applicable to the NYMEX crude oil futures contract would, therefore, include much of PADD 2, not just Cushing.

Nonetheless, NYMEX includes only inventories reported at Cushing, so these underestimate relevant storage. As with production, EIA does not provide details on the quality characteristics of stored crude oil, but the industry experts with whom NYMEX consulted consistently estimated that 60% to 70% of the oil stored at Cushing qualified as Domestic Light Sweet Common Stream, (with a notable leaning towards 70%).

II. The Cushing Physical Delivery Mechanism: Scope of Deliverable Oil

The Cushing physical delivery mechanism is comprised of a network of nearly two dozen pipelines and 10 storage terminals, several with major pipeline manifolds. Two of the storage facilities — Enterprise and Enbridge — and their pipeline manifolds are the core of the Cushing physical delivery mechanism.[5] Physical volumes delivered against the WTI Contract within the Enterprise and Enbridge systems are at par value. Any deliveries made on futures contracts elsewhere in Cushing require the Seller to compensate the Buyer for the lower of the transportation netbacks from these facilities to where the delivery occurs. Detailed information about the inflowing and outflowing pipelines is contained below in Table 2.

Terminating obligations in the WTI Contract are fulfilled by delivering any of six "Domestic Production Streams of crude oil: West Texas Intermediate ("WTI"); Low Sweet Mix ("Scurry Snyder"); New Mexican Sweet; North Texas Sweet; Oklahoma Sweet; and South Texas Sweet. Additionally, a seventh stream, defined as "The Domestic Common Stream" transported by Enterprise Products' (formerly Teppco Pipeline), is also deliverable. Market participants commonly refer to the combination of all of the deliverable streams, including the Domestic Common Stream, as "WTI." Furthermore, the flow of each of

[4] We recognize that not including all production that could reasonably and readily access the delivery point represents a departure from the Commission's stated methodology; but, since the Cushing secondary market is so sophisticated and highly-developed that it regularly supports physical delivery quantities that are more than 10 times greater than the quantity of physical throughout, such departure seems to introduce no material impairment in determining a reasonable deliverable supply that supports the physical delivery needs of the physical market. We are not suggesting that such departure be regularly applied in estimating deliverable supply for commodity markets; in fact, we can think of no other market where we would recommend doing so.

[5] Three of the major sources for the cash-market information we provide in this analysis come from Plains All America, Enterprise and Enbridge. Enterprise oversees the vast majority of deliveries in the Cushing Delivery Market and, as indicated, Enterprise and Enbridge are the core delivery mechanism operators. Plains and Enbridge account for about 60% of the storage available at Cushing.

these sweet crude streams is also commonly referred to as "Domestic Common Stream" within the complex that comprises the Cushing delivery mechanism, as well as in the WTI physical market which calls for delivery in the Cushing delivery mechanism.

a. Data for Crude Oil Production in the U.S. Midcontinent

In the five-year of 2008-2012, the average production of crude oil available to the U.S. Midcontinent[6] was approximately 75.5 million barrels per month. Based on discussions with industry participants, our estimate of the portion of that average production which would qualify as Domestic Light Sweet Common Stream is 50% and higher— i.e., 37.8 million barrels and higher. The 37.8 million barrels converts into 37,800 contracts equivalent of the WTI Contract.

Table 1A in the Appendix provides monthly production data available to the U.S. Midcontinent from January 2008 through 2013. It shows that production has been steadily growing in recent years and this trend is expected to continue. Overall, US domestic crude oil production increased by 790,000 barrels per day between 2011 and 2012 alone, the largest increase in annual output since the beginning of U.S. commercial crude oil production in 1859. The EIA expects U.S. crude oil production to continue rising on increasing drilling in tight rock formations located in North Dakota and Texas[7]. EIA estimates that total U.S. oil production will increase from 6.89 million b/d in November 2012 to 8.15 million b/d in December 2014.

As indicated above, the production data are provided not as direct inputs to deliverable supply, but to: 1) demonstrate that production levels are more than sufficient to support the actual flows of deliverable product to the delivery location; and 2) demonstrate that deliverable supply is likely to be increasing in the near future because of the on-going increases in both production that is currently eligible to deliver and that is qualitatively close to eligible product but not currently eligible to deliver.

b. Data for Crude Oil Flows to the Cushing Delivery Area

Over the last three years, pipeline capacity for delivering crude oil to Cushing increased by about 815,000 b/d according to the EIA[8]. The key development was the construction of the 590,000 b/d TransCanada Keystone pipeline that originates in Hardisty, Alberta, Canada. Phase 1 of the Keystone pipeline, which runs from Hardisty to Steele City, Nebraska, and on to Patoka, Illinois, was completed in June 2010. Phase 2 of the Keystone pipeline, which extended the pipeline from Steele City to Cushing, was completed in February 2011.

Until mid-2012, there was only one pipeline that could deliver crude oil from the Midwest to the Gulf Coast. The 96,000-bbl/d ExxonMobil Pegasus pipeline between Patoka, Illinois and Nederland, Texas originally shipped crude oil northward. The pipeline was reversed in 2006 in order to ship Canadian heavy oil to the Gulf Coast

Currently, there is approximately 1.8 million b/d of inflow pipeline capacity to Cushing and 1.455 million barrels per day of outflow capacity. In addition, 77.8 million barrels of storage capacity exists in the Cushing area which continues to grow steadily. It is anticipated that the outflow capacity will increase by 500,000 to 1 million barrels per day over the next several years with the construction of pipeline additions flowing oil to the U.S. Gulf.

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[6] The production listed here includes: North Dakota, South Dakota, Montana, Wyoming, Colorado, New Mexico, Onshore Texas, Oklahoma, Kansas, Nebraska and Missouri.

[7] http://www.eia.gov/forecasts/steo/special/pdf/2013_sp_02.pdf

[8] http://www.eia.gov/forecasts/steo/special/pdf/2013_sp_02.pdf

Based on information provided by pipeline and storage terminal operators, actual flows of oil to Cushing have ranged from 1.125 to 1.275 million barrels per day in recent years, with Domestic Light Sweet Common Stream Crude Oil averaging between 665,000 and 750,000 barrels per day.[9] On a 30-day monthly basis, this computes into 19.95 to 22.5 million barrels per month which converts into 19,950 to 22,500 of WTI contract equivalents of deliverable supply. Table 2 in the Appendix provides specific details of pipeline flows into and out of Cushing. We note that we asked operators of pipeline terminals in Cushing if they would share specific data on flows of Domestic Light Sweet Common Stream Crude Oil stored at their facilities and they responded that such data were confidential.

The Exchange collects this information periodically but not on either an on-going or scheduled basis. As indicated above, we did collect it when we updated the deliverable supply estimates in 2006 and 2011; and we collected it again in February 2013. Consequently, we are unable to provide a five year average of these data but we believe that an average of the 2006, 2011 and 2013 actual flows data would be very close to an actual five year average (if we were able to calculate it). The average of the 2006, 2011 and 2013 data is 17,850 to 21,800 contract equivalents.

c. Data for Crude Oil Storage in the Cushing Delivery Area

Table 3 in the Appendix provides the weekly Cushing storage calculation starting with January 2008 and continuing through January 2013. During that time period, inventories averaged over 32 million barrels and ranged from about 16 to 48 million barrels. Inventories ended 2012 at a record-high of 48.18 million barrels. Based on the lower end of the estimates, since January 2008, the contract equivalent of the WTI Contract stored in the delivery location was 15,594. NYMEX asked operators of storage in Cushing if they would share specific data on quantities of Domestic Light Sweet Common Stream Crude Oil stored at their facilities and they responded that such data were confidential.

As of September 30, 2012, EIA reports that shell storage capacity at Cushing was 77.8 million barrels and working capacity was 55.008 million barrels.[10] Based on additional information from industry sources, we expect total shell capacity to increase to more than 80 million barrels by year-end 2013.

Currently, there is substantial excess working capacity at Cushing (nearly 18 million barrels) and, based on growth rates in the use of storage since 2009, there would be even more excess working capacity after the additions are completed in 2013. Finally, it should be noted that, at least on a temporary basis that can last several months, storage can exceed working capacity and it is common for an individual tank to reach 85-90% of shell capacity (which exceeds the 83% average underlying the EIA estimates).

The Exchange has estimated the average weekly storage of Domestic Light Sweet crude oil in Cushing for the 5-year period beginning January 1, 2008 and ending December 31, 2012; it is 32,486,000 barrels of oil, which converts into 32,486 contract equivalents of WTI contracts. The Exchange has further evaluated both operational practices at storage facilities as well as commercial practices by customers of storage facilities to determine if some components of inventoried product could rightfully be considered *not* to be readily deliverable.

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[9] The sources were: Plains All America, an aggregator and marketer of crude oil production and pipeline and storage terminal operator at Cushing; Enterprise, an aggregator and marketer of crude oil production and pipeline and storage terminal operator at Cushing; Enbridge, a pipeline and storage terminal operator at Cushing; and JSK Consulting, the principal of which is a seasoned Midcontinent oil market participant and professional with 40 years of experience in trading, operating transportation and storage in Cushing, and refining.

[10] http://www.eia.gov/petroleum/storagecapacity/table2.pdf Shell capacity is defined by EIA as the design capacity of a petroleum storage tank which is always greater than or equal to working storage capacity.

With respect to operational practices, based on discussions with some industry experts, the Exchange conservatively estimates that 6.75% of stored product, on average, is required for operational minimums.[11] This converts into an estimated 2,193,000 barrels of Domestic Light Sweet crude oil based on the 5 year average storage level (2,193 contract equivalents); so we subtract this amount from the estimated average storage from 2008 through 2012. The adjusted estimate due to subtracting operational minimums is 30,293 contract equivalents.

Further, we did hear from one refiner that they keep barrels stored at Cushing for the contingency that there could be some unexpected interruption in their refinery supply; and, rather than refine the barrels stored at Cushing, they use them to trade for other barrels they would refine. We are adjusting for this *contingency storage* in our estimate of deliverable supply by subtracting it. We estimate this quantity to be 2 million barrel (or 2,000 contract equivalents) of Domestic Light Sweet crude oil. Therefore, the corresponding adjustment to the average Domestic Light Sweet crude oil stored from 2008 through 2012 (adjusted for operational minimums and contingency storage) is 28,293 contract equivalents.

Deliverable Supply Estimate for the WTI-Related Futures

The NYMEX Crude Oil Last Day Financial Futures Contract (code 26) and the Argus WTI Trade Month Futures Contract (code V7) are cash-settled look-alike contracts of the NYMEX Light Sweet Crude Oil Futures Contract. Consequently, the spot month position limits for these financially-settled contracts are identical to the position limits for the NYMEX Light Sweet Crude Oil Futures Contract. Combining the average for 2006, 2011 and 2013 of industry-based estimates of physical flow of deliverable oil to the delivery area each month with the average industry-based estimates of deliverable oil stored in the delivery area between 2007 and 2012 (adjusted downwards for operational minimums and *contingency* storage) yields: 17,850 to 21,800 contracts equivalent plus 28,293 which ranges from 46,143 to 50,093 contract equivalents. The mid-point of this range, which is based on estimated 5-year averages for physical flows and storage, is 48,100 contract equivalents, which is our estimated deliverable supply for the NYMEX Light Sweet Crude Oil Futures contract.

Analysis of Spot-Month Position Limits

In its estimate of deliverable supply in West Texas, the Exchange utilized the production data from the Texas Railroad Commission, and then applied the EIA breakdown for WTI and WTS type crude oil, based on the EIA study referenced above in Appendix C. According to this EIA report, approximately 63% of oil produced in the Permian basin in West Texas is WTI type crude oil, and 35% is WTS type crude oil. Consequently, we estimate that WTI production in West Texas is approximately 567,000 barrels per day (63% of 900,000 barrels per day). This converts into approximately 17 million barrels per month, or 17,000 contract equivalents. The proposed spot month position limit for the WTI Midland (Argus) Trade Month Futures Contract of 3,000 contracts is approximately 18% of the estimated monthly supply of 17,000 contract equivalents.

For purposes of calculating compliance with position limits, the WTI Midland (Argus) vs. WTI Trade Month Futures Contract aggregates into the two underlying legs: the WTI Midland (Argus) Trade Month Futures Contract and the Argus WTI Trade Month Futures Contract (code V7). The existing spot month position

[11] We have been advised that, for older tanks, the operational minimum is 9% and, for newer tanks, it is 4.5%. Our assessment is that the majority of tanks at Cushing would qualify as newer. Nonetheless, to be conservative, we have applied the mid-point percentage—6.75%-- for all of Cushing.

limits for the Argus WTI Trade Month Futures Contract (code V7) is based on the deliverable supply of WTI crude oil in Cushing, Oklahoma. The existing spot month position limit for the Argus WTI Trade Month Futures Contract is 3,000 contracts, which is approximately 6% of the estimated monthly supply of WTI in Cushing of 48 million barrels (equivalent to 48,000 contracts).

As for production of WTS, it accounts for 35% of total West Texas crude oil production, according to the EIA report cited above. Therefore, the Exchange estimates WTS production to be 315,000 barrels per day (35% of 900,000 barrels per day). This is equivalent to 9.45 million barrels per month, or 9,450 futures contract equivalents. The proposed spot month position limit for the WTS (Argus) Financial Futures Contract of 1,500 contracts is approximately 16% of the monthly deliverable supply of 9,450 contract equivalents.

For purposes of calculating compliance with position limits, the WTS (Argus) vs. WTI Financial Futures Contract aggregates into the two underlying legs: the WTS (Argus) Financial Futures Contract and the NYMEX Crude Oil Last Day Financial Futures, code 26. The existing spot month position limit for the NYMEX Crude Oil Last Day Financial Futures is 3,000 contracts, which is approximately 6% of the estimated monthly supply of WTI at Cushing of 48 million barrels (equivalent to 48,000 contracts).

Finally, for purposes of position limits and position accountability levels, contracts shall diminish ratably as the contract month progresses toward month end.