CME Group
A CME/Chicago Board of Trade/NYMEX Company

June 15, 2011

VIA E-MAIL
Mr. David Stawick
Office of the Secretariat
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street, N.W.
Washington, D.C. 20581

Re: Rule Certification. New York Mercantile Exchange, Inc. Submission # 11-224: Notification Regarding the Listing of Three (3) Petroleum Futures Contracts for Trading on the NYMEX Trading Floor and for Clearing through CME ClearPort®

Dear Mr. Stawick:

The New York Mercantile Exchange, Inc. ("NYMEX" or the "Exchange") is notifying the Commodity Futures Trading Commission ("CFTC" or "Commission") that it is self-certifying the listing of three (3) financially settled petroleum futures contracts for trading on the NYMEX trading floor and for submission for clearing through CME ClearPort beginning at 6:00 p.m. on Sunday, June 19, 2011, for trade date Monday, June 20, 2011.

The Exchange will allow the exchange for related position (EFRP) transactions to be submitted through CME ClearPort. EFRP transactions in these futures contracts will be governed by the provisions of Exchange Rule 538.

The specifications for the contracts are provided below for your convenience.

New Contracts	Code	Rulebook Chapter	First Listed Month	Listing Period
Gulf Coast Unl 87 Gasoline M2 (Platts) vs. RBOB BALMO Swap Futures	GBB	1089	Jun-11	One month and the following month listed 10 business days prior to the start of the contract month.
Gulf Coast Unl 87 Gasoline M2 (Argus) vs. RBOB Spread Swap Futures	RBG	1101	Jul-11	36 consecutive months
Gulf Coast Unl 87 Gasoline M2 (Argus) Swap Futures	UGG	1102	Jul-11	36 consecutive months

- **Contract Size:** 42,000 Gallons
- **Termination of Trading:** Trading shall cease on the last business day of the contract month.
- **Minimum Price Tick:** $0.0001
- **Value per Tick:** $4.20
- **Final Settlement Price:** Minimum settlement tick = $0.0001
- **Trading and Clearing Hours:**

  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).

  Open Outcry: Monday – Friday 9:00 a.m. – 2:30 p.m. (8:00 a.m. – 1:30 p.m. CT).

- **Trading and Clearing Fees:**

Contract	CME ClearPort Rates		NY Trading Floor Rates		Cash Settlement Fee	
Gulf Coast Unl 87 Gasoline M2 (Platts) vs. RBOB BALMO Swap Futures	Member	$0.85	Member	$0.85	Member	$0.10
	Non-Member	$1.35	Non-Member	$1.35	Non-Member	$0.10
			Blended Floor	$1.10		
Gulf Coast Unl 87 Gasoline M2 (Argus) vs. RBOB Spread Swap Futures	Member	$0.85	Member	$0.85	Member	$0.85
	Non-Member	$1.35	Non-Member	$1.35	Non-Member	$1.35
			Blended Floor	$1.10		
Gulf Coast Unl 87 Gasoline M2 (Argus) Swap Futures	Member	$0.85	Member	$0.85	Member	$0.85
	Non-Member	$1.35	Non-Member	$1.35	Non-Member	$1.35
			Blended Floor	$1.10		

Pursuant to Section 5c(c) of the Commodity Exchange Act ("Act") and CFTC Rules 40.2 and 40.6, the Exchange hereby certifies that the attached contracts comply with the Act, including regulations under the Act. There were no substantive opposing views to this proposal. This submission will be made effective on trade date June 20, 2011.

Should you have any questions concerning the above, please contact Daniel Brusstar at (212) 299-2604, (917) 319-4119 or Daniel.brusstar@cmegroup.com or the undersigned at (212) 299-2207, (347) 463-5347 or Felix.Khalatnikov@cmegroup.com.

Sincerely,

/s/Felix Khalatnikov
Dir & Assoc General Counsel

Attachments: Contract terms and conditions
Cash Market Overview and Analysis of Deliverable Supply

1266

Chapter 1101
Gulf Coast Unl 87 Gasoline M2 (Argus) vs. RBOB Spread Swap Futures

1101.01. SCOPE

The provisions of these rules shall apply to all contracts bought or sold on the Exchange for cash settlement based on the Floating Price.

1101.02. FLOATING PRICE

The Floating Price for each contract month is equal to the arithmetic average of the mid-point of the high and low quotations from Argus Media for U.S. Gulf Coast Unl 87 gasoline (Colonial M grade: lowest RVP posted except M1 and MO) pipeline using the Supplemental 9.0 RVP Summer assessment minus the RBOB Gasoline Futures first nearby contract month settlement price for each business day that both are determined during the contract month.

1101.03. CONTRACT QUANTITY AND VALUE

The contract quantity shall be 42,000 gallons. Each contract shall be valued as the contract quantity (42,000) multiplied by the settlement price.

1101.04. CONTRACT MONTHS

Trading shall be conducted in contracts in such months as shall be determined by the Exchange.

1101.05. PRICES AND FLUCTUATIONS

Prices shall be quoted in U.S. dollars and cents per gallon. The minimum price fluctuation shall be $0.0001 per gallon. There shall be no maximum price fluctuation.

1101.06. TERMINATION OF TRADING

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

1101.07. FINAL SETTLEMENT

Delivery 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.

1101.08. EXCHANGE FOR RELATED POSITIONS

Any Exchange for Related Position (EFRP) transaction shall be governed by the provisions of Exchange Rule 538.

1101.09. DISCLAIMER

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Chapter 1102
Gulf Coast Unl 87 Gasoline M2 (Argus) Swap Futures

1102.01. SCOPE

The provisions of these rules shall apply to all contracts bought or sold on the Exchange for cash settlement based on the Floating Price.

1102.02. FLOATING PRICE

The Floating Price for each contract month is equal to the arithmetic average of the mid-point of the high and low quotations from Argus Media for U.S. Gulf Coast Unl 87 gasoline (Colonial M grade: lowest RVP posted except M1 and MO) pipeline using the Supplemental 9.0 RVP Summer assessment each business day that it is determined during the contract month.

1102.03. CONTRACT QUANTITY AND VALUE

The contract quantity shall be 42,000 gallons. Each contract shall be valued as the contract quantity (42,000) multiplied by the settlement price.

1102.04. CONTRACT MONTHS

Trading shall be conducted in contracts in such months as shall be determined by the Exchange.

1102.05. PRICES AND FLUCTUATIONS

Prices shall be quoted in U.S. dollars and cents per gallon. The minimum price fluctuation shall be $0.0001 per gallon. There shall be no maximum price fluctuation.

1102.06. TERMINATION OF TRADING

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

1102.07. FINAL SETTLEMENT

Delivery 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.

1102.08. EXCHANGE FOR RELATED POSITIONS

Any Exchange for Related Position (EFRP) transaction shall be governed by the provisions of Exchange Rule 538.

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Chapter 1089
Gulf Coast Unl 87 Gasoline M2 (Platts) vs. RBOB BALMO Swap Futures

1089.01. SCOPE

The provisions of these Rules shall apply to all contracts bought or sold on the Exchange for cash settlement based on the Floating Price.

1089.02. FLOATING PRICE

The Floating Price for each contract month is equal to the balance-of-month arithmetic average of the mid-point of the high and low quotations from Platts Oilgram Price Report for U.S. Gulf Coast Unl 87 gasoline (Colonial M grade: lowest RVP posted except M1 and M0) pipeline using the Supplemental 9.0 RVP Summer assessment minus the RBOB Gasoline Futures first nearby contract month settlement price starting from the selected start date through the end of the contract month, inclusively.

1089.03. CONTRACT QUANTITY AND VALUE

The contract quantity shall be 42,000 gallons. Each contract shall be valued as the contract quantity (42,000) multiplied by the settlement price.

1089.04. CONTRACT MONTHS

Trading shall be conducted in contracts in such months as shall be determined by the Exchange.

1089.05. PRICES AND FLUCTUATIONS

Prices shall be quoted in U.S. dollars and cents per gallon. The minimum price fluctuation shall be $0.0001 per gallon. There shall be no maximum price fluctuation.

1089.06. TERMINATION OF TRADING

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

1089.07. FINAL SETTLEMENT

Delivery 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.

1089.08. EXCHANGE FOR RELATED POSITION

Any Exchange for Related Position (EFRP) transaction shall be governed by the provisions of Exchange Rule 538.

1089.09. DISCLAIMER

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CASH MARKET OVERVIEW

The New York Mercantile Exchange, Inc. ("NYMEX" or "Exchange") is self-certifying the listing of the following three (3) financially settled residual fuel oil futures contracts for trading on the NYMEX trading floor and for clearing through CME ClearPort.

1. Gulf Coast Unl 87 Gasoline M2 (Platts) vs. RBOB BALMO Swap Futures
2. Gulf Coast Unl 87 Gasoline M2 (Argus) vs. RBOB Spread Swap Futures
3. Gulf Coast Unl 87 Gasoline M2 (Argus) Swap Futures

The new Gulf Coast Unl 87 Gasoline M2 (Platts) vs. RBOB BALMO Swap Futures spread futures contract is a balance-of-month contract based on the existing NYMEX Gulf Coast Unl 87 Gasoline M2 (Platts) vs. RBOB Spread Swap futures contracts. The second leg of the Gulf Coast Unl 87 Gasoline M2 (Argus) vs. RBOB Spread Swap Futures contract is based on the existing RBOB Gasoline Futures contract.

PRICE SOURCES

Argus: Argus Media ("Argus") is the price reporting service utilized for the final settlement of the Gulf Coast Unl 87 Gasoline M2 (Argus) Swap Futures and the first leg of Gulf Coast Unl 87 Gasoline M2 (Argus) vs. RBOB Spread Swap Futures contracts. Argus is one of the major pricing services that are used in the over-the-counter (OTC) market for pricing swap contracts, and the methodology utilized by Argus is well-known in the oil industry. Their pricing methodology[1] is derived from telephone surveys and electronic data collected from multiple market participants to determine market value. CME Group, parent company of NYMEX, ("CME Group") is a party to a license agreement with Argus to utilize their pricing data.

Platts, a division of The McGraw-Hill Companies, Inc. ("Platts") is the price reporting service used for the final settlement of the first leg of the Gulf Coast Unl 87 Gasoline M2 (Platts) vs. RBOB BALMO Swap Futures contract. Platts is one of the major pricing services used in the over-the-counter (OTC) market for the pricing of swap contracts, and the methodology utilized by Platts is well-known in the oil

[1] http://web04.us.argusmedia.com/ArgusStaticContent//Meth/IntLPG_meth_latest.pdf

industry. Their pricing methodology[2] is derived from telephone surveys and electronic data collected from multiple market participants to determine market value. Platts has a long-standing reputation in the industry for price benchmarks that are fair and not manipulated. NYMEX is a party to license agreements with Platts to utilize their pricing data.

BALANCE-OF-MONTH CONTRACT

The final settlement for a Balance-of-Month ("BALMO") swap futures contract is equal to the balance-of-month arithmetic average of the mid-point between the high and low quotations from the specified index, starting from the selected start date through the end of the contract month, inclusively.

BALMO swap futures are used by market participants in the over-the-counter ("OTC") market for pricing transactions in periods that are less than a full calendar month. BALMO swap futures contracts are cash settled, and are settled similarly to the settlement of a calendar month swap futures using a specified index price, such as the Platts price assessment, starting from the day of execution until the last day of the contract month. The user has the flexibility to select the start date (or first day) of the BALMO averaging period. The last day of the period is the last business day of the contract month. In the OTC petroleum market, the BALMO swap futures model is a useful hedging tool that allows the market participants and hedgers to customize the averaging period of the transaction to allow for partial-month average prices. As stated above, the structure of the BALMO swap futures contract is similar to that of a calendar month swap futures, except for the averaging period of the transaction.

U.S. GASOLINE MARKET

The U.S. gasoline market represents a large physical market, with total U.S. refinery capacity to produce 9.0 million to 9.5 million barrels per day of gasoline[3]. The market participation is diverse and includes many of the same commercial entities that are active in the Gulf Coast market and the New York Harbor market – the delivery point for the RBOB Gasoline futures contract.

Each grade of gasoline is categorized according to its octane rating: regular, midgrade, and premium. Regular gasoline has an octane rating of greater than, or equal to, 85 and less than 88;

[2] http://www.platts.com/IM.Platts.Content/methodologyreferences/methodologyspecs/usoilproductspecs.pdf
[3] http://www.eia.gov/dnav/pet/pet_pnp_wprodrb_dcu_nus_w.htm.

midgrade gasoline, greater than, or equal to, 88 and, less than, or equal to, 90; and premium gasoline, greater than 90. Each of these grades' octane requirements may vary in altitude and also in various regions in the United States.

In addition, there are two main formulations for gasoline: Reformulated gasoline and Conventional gasoline, as required by a complex regulatory network of Federal and State regulations. The U.S. Environmental Protection Agency (EPA) administers the Clean Air Act (CAA) requirements, and various State agencies regulate their own specific air rules. Under the CAA, the urban areas with the highest levels of smog pollution are required to use clean-burning "Reformulated Gasoline" with 10% ethanol. These urban areas include the entire Northeastern United States, as well as California, Chicago, Atlanta, and Houston. These areas account for approximately 40% of U.S. gasoline demand. Further, there is a 10% ethanol blending requirement in Reformulated Gasoline, and the ethanol must be segregated from the gasoline at the wholesale level in the pipeline distribution system. In the wholesale market, the gasoline is shipped unfinished except for the 10% addition of ethanol, and is called Reformulated Blendstock for Oxygen Blending (RBOB). The 10% ethanol blending occurs at the last stage of the delivery process when the gasoline is loaded into the tanker truck for retail delivery.

Similarly, for the majority of the U.S., the EPA requires a "Conventional" gasoline, which accounts for 60% of U.S. gasoline demand, in areas that have less smog pollution. There are two types of conventional gasoline: regular gasoline blended with 10% ethanol, and regular gasoline without ethanol (also called "clear" gasoline). In the wholesale market, the ethanol-blended conventional gasoline is shipped unfinished, and is called Conventional Blendstock for Oxygen Blending (CBOB).

In the summertime, there is an additional EPA regulation for "Northern" and "Southern" grades of gasoline, because Southern states have higher temperatures that cause higher levels of smog pollution than in Northern states. Hence, the Northern half of the U.S. has a less-stringent Reid Vapor Pressure (RVP) requirement equivalent to 9.0 pounds per square inch (psi) maximum RVP for gasoline, while the Southern states have a maximum RVP level of 7.8 psi.

The new Gulf Coast gasoline contracts reference the most actively traded grades of gasoline in the Gulf Coast gasoline market. Specifically, the new gasoline contracts reference three different grades of gasoline using the Colonial Pipeline designations for gasoline. The Colonial Pipeline is the main

pipeline that connects the Houston refineries to the Eastern U.S. market and serves as the benchmark for physical gasoline and refined products. The Gulf Coast gasoline is priced at a differential to the NYMEX RBOB Gasoline Futures contract. Further specifications for the Colonial Pipeline are available at the following website:

http://www.colpipe.com/pdfs/Sect%203%20Prod%20Spec%20June%201%202010%20update.pdf

The new gasoline contracts specify the following three grades of gasoline, using the Colonial Pipeline terminology:

Colonial Pipeline "M2" grade refers to regular Conventional Gasoline without ethanol used in the Northern half of the U.S. with a summertime RVP level of maximum 9.0 psi. The Exchange will list three types of swap futures that utilize the "M2" grade of gasoline, given that gasoline swaps are priced in three ways. The Exchange will list (i) a gasoline BALMO spread swap futures that is priced as a differential to the NYMEX RBOB Gasoline Futures contract, (ii) an outright gasoline swap, and (iii) a gasoline spread swap futures that is priced as a differential to the NYMEX RBOB Gasoline Futures contract. The three new Gulf Coast Gasoline M2 swap futures are:

- **Gulf Coast Unl 87 Gasoline M2 (Platts) vs. RBOB BALMO Swap Futures**
- **Gulf Coast Unl 87 Gasoline M2 (Argus) Swap Futures**
- **Gulf Coast Unl 87 Gasoline M2 (Argus) vs. RBOB Spread Swap Futures**

The Colonial Pipeline is the world's largest refined petroleum products pipeline system by volume. It consists of a 5,519-mile pipeline system that transports petroleum products mainly from the Gulf Coast region (Petroleum Administration for Defense District III or PADD III): Alabama, Mississippi, Louisiana, and Texas to marketing terminals in the Eastern and Southern U.S.[4] There are currently 38 different grades of gasoline, including Reformulated Gasoline (RFG) and Conventional gasoline, with different seasonal vapor pressures for each grade.[5] The batch sizes for product flowing through the pipeline vary from 75,000 to 3,000,000 barrels. The Colonial Pipeline is also connected directly with other pipeline systems in the Gulf Coast which transport petroleum products to the Mid-Continent and PADD II region.

[4]Colonial Pipeline, http://www.colpipe.com/sv_main.asp
[5] Colonial Pipeline, http://www.colpipe.com/ab_faq.asp

In 2007, the Colonial pipeline delivered over 868 million barrels of fuel which translates to roughly 36.5 billion gallons during the year or approximately 2.4 million barrels per day.[6] Ownership of the pipeline is comprised of five companies: Koch Capital Investments LLC, Chevron Midstream Investments, ConocoPhillips Pipe Line Company, Shell Pipeline Company LP, and IFM (US) Colonial Pipeline 2.[7]

In addition, ethanol-blended conventional gasoline (CBOB) is transported from the Gulf Coast to the Midwest markets through the Explorer pipeline. The Explorer pipeline is another major pipeline connecting Houston to Chicago. The Explorer pipeline transports petroleum products including gasoline, diesel fuel and jet fuel from the Gulf Coast refineries into the Dallas/Fort Worth, Tulsa, St. Louis and Chicago markets. The southern part of the system has a current capacity of 660,000 barrels per day, and the northern system north of Tulsa has a current capacity of 450,000 barrels per day (see recent press release at the link below).

http://www.expl.com/Portals/0/pdfs/LDH%20Energy%20&%20Explorer%20PressRelease.pdf

Consumption, Production, Import/Export

The U.S. Department of Energy's Energy Information Administration (EIA), provides detailed consumption, production, stocks, and trade statistics for Gulf Coast gasoline. The data contained in Table 1, below, reflects the key statistics for the EIA categories of "finished motor gasoline" and "motor gasoline blending components", which includes finished gasoline and the key gasoline components. Finished motor gasoline[8] is defined by the EIA as a complex mixture of relatively volatile hydrocarbons with or without small quantities of additives, blended to form a fuel suitable for use in spark-ignition engines. Motor Gasoline includes conventional gasoline; all types of oxygenated gasoline, including gasohol; and reformulated gasoline, however, it excludes aviation gasoline. Finished motor gasoline includes all ethanol blended gasoline. Motor gasoline blending components[9] are defined as naphthas (e.g., straight-run gasoline, alkylate, reformate, benzene, toluene, xylene) used for blending or

[6] Colonial Pipeline, http://www.colpipe.com/ab_main.asp
[7] Colonial Pipeline, http://www.colpipe.com/ab_oc.asp
[8] Motor Gasoline, http://www.eia.gov/dnav/pet/TblDefs/pet_cons_psup_tbldef2.asp
[9] Motor Gasoline Blending Components, http://www.eia.gov/dnav/pet/TblDefs/pet_cons_psup_tbldef2.asp

compounding into finished motor gasoline. These components include reformulated gasoline blendstock for oxygenate blending (RBOB) but exclude oxygenates (alcohols, ethers), butane, and pentanes plus.

Table 1, below, provides annual data for the U.S. Gulf Coast (PADD III) region for consumption, production, and imports/exports. This region is the main refinery production center for the U.S. gasoline and refined products market.

According to the EIA, during the 2008 – 2010 period, Gulf Coast consumption averaged 1.4 million barrels per day, with approximately 75% of Gulf Coast gasoline demand consisting of conventional gasoline.

Further, the EIA reported that during the annual period of 2008 – 2010 exports of motor gasoline were approximately 191,000 barrels per day, while imports were almost 96,000 barrels per day, with the majority originating from Canada, France, and the Netherlands. Over the 2008 – 2010 period, Gulf Coast production of motor gasoline was 2.7 million barrels per day which is equivalent to 81 million barrels per month.

Table 1. Selected Statistics for Gasoline: United States Gulf Coast (PADD III)[10]

(Thousand Barrels per Day)

Item and Region	2008	2009	2010	Average 2008-2010
Annual Consumption, Finished Motor Gasoline and Motor Gasoline Blending Components	1,359	1,407	1,419	1,395
Annual Consumption, Conventional Finished Motor Gasoline	1,027	1,038	1,064	1,043
Share, Conventional gasoline of total Finished Motor Gasoline and Motor Gasoline Blending Components	75.6%	73.8%	75.0%	74.8%
Annual Exports, Finished Motor Gasoline and Motor Gasoline Blending Components	119	174	281	191
Annual Imports, Finished Motor Gasoline and Motor Gasoline Blending Components	116	87	85	96
Weekly Refiner and Blender Net Production, Finished Motor Gasoline	2,951	2,703	2,425	2,693

[10] EIA Consumption Data, http://www.eia.gov/dnav/pet/pet_cons_psup_dc_r30_mbblpd_a.htm (Please note that the header "Product Supplied" is a measure of Consumption and Sales in the particular region)
EIA Export Data, http://www.eia.gov/dnav/pet/pet_move_exp_dc_R30-Z00_mbblpd_a.htm
EIA Import Data, http://www.eia.gov/dnav/pet/pet_move_imp_dc_R30-Z00_mbblpd_a.htm
EIA Production Data, http://www.eia.gov/dnav/pet/pet_pnp_wprodrb_dcu_r30_4.htm

The Gulf Coast gasoline market is linked directly to the New York Harbor market via the Colonial Pipeline, and the Eastern part of the U.S. is a key demand area for gasoline produced in the Gulf Coast region. Further, Gulf Coast gasoline is priced at a differential to the NYMEX RBOB Gasoline Futures contract. The New York Harbor gasoline market is a vibrant hub for gasoline pricing, with sources of supply that include local refineries, imports, and the Colonial Pipeline flows from Houston.

Table 2, below, reflects the consumption, production, import and export data within the PADD I region, which encompasses the U.S. Eastern seaboard. Over the annual period from 2008-2010, gasoline consumption averaged 3.2 million barrels per day, with approximately 39% of PADD I gasoline demand in Reformulated gasoline. Gasoline imports (including gasoline blending components) averaged more than 836,000 barrels per day from 2008-2010, mainly originating from Canada, France and The Netherlands.

Over the 2008-2010 period, PADD I refinery production of motor gasoline was 2.0 million barrels per day, which is equivalent to 69 million barrels per month.

Table 2. Key Statistics for Gasoline: United States East Coast (PADD I)[11]

(Thousand Barrels per Day)

Item and Region	2008	2009	2010	Average 2008-2010
Annual Consumption, Finished Motor Gasoline and Motor Gasoline Blend. Comp. PADD I	3,223	3,227	3,248	3,233
Annual Consumption, Reformulated Finished Motor Gasoline	1,289	1,245	1,262	1,265
Share, Conventional gasoline of total Finished Motor Gasoline and Motor Gasoline Blending Components	40.0%	38.6%	38.9%	39.1%
Annual Exports, Finished Motor Gasoline and Motor Gasoline Blending Components	20	6	7	11
Annual Imports, Finished Motor Gasoline and Motor Gasoline Blending Components	933	808	766	836
Weekly Refiner and Blender Net Production, Finished Motor Gasoline	1,959	2,330	2,637	2,309

[11] EIA Consumption Data, http://www.eia.gov/dnav/pet/pet_cons_psup_dc_r10_mbblpd_a.htm (Please note that the header "Product Supplied" is a measure of Consumption and Sales in the particular region)
EIA Export Data, http://www.eia.gov/dnav/pet/pet_move_exp_dc_R10-Z00_mbblpd_a.htm
EIA Import Data, http://www.eia.gov/dnav/pet/pet_move_imp_dc_R10-Z00_mbblpd_a.htm
EIA Production Data, http://www.eia.gov/dnav/pet/pet_pnp_wprodrb_dcu_r10_4.htm

Inventories

Table 3, below, provides monthly EIA data for PADD III inventories for Finished Motor Gasoline. Over the annual period of 2008 through March 2011, PADD III stocks varied from a high of over 80 million barrels in January 2011 to a low of approximately 59 million barrels in August 2008. According to the most recent EIA data, gasoline inventory levels were at 70 million barrels in March 2011.

Table 3. Gasoline: PADD III Inventories, Finished Motor Gasoline[12]

(Thousand Barrels)

	2008	2009	2010	2011
January	71,983	68,965	73,343	80,163
February	71,347	69,387	71,601	73,279
March	72,103	72,541	74,199	70,316
April	68,616	72,629	72,394	-
May	67,368	68,722	70,677	-
June	65,799	71,249	72,456	-
July	65,761	68,490	76,036	-
August	59,756	68,222	71,551	-
September	62,539	67,908	73,868	-
October	66,676	66,789	72,470	-
November	65,588	71,222	74,260	-
December	68,709	71,481	78,351	-
Total	**806,245**	**837,605**	**881,206**	**223,758**

Table 4 below provides monthly EIA data for PADD I inventories for "Total Motor Gasoline". Over the annual period of 2008 to March 2011, PADD I stocks varied from a high of over 64 million barrels in February 2008 to a low of approximately 45 million barrels in September 2008. According to the most recent EIA data, gasoline inventory levels were at approximately 55 million barrels in March 2011.

[12] EIA Inventory Data, http://www.eia.gov/dnav/pet/hist/LeafHandler.ashx?n=PET&s=MGTSTP31&f=M

Table 4. Gasoline: PADD I Inventories, Total Motor Gasoline[13]

(Thousand Barrels)

	2008	2009	2010	2011
January	61,817	61,943	59,920	60,646
February	64,395	56,716	61,561	63,352
March	59,434	58,069	56,641	54,966
April	57,300	56,545	58,413	-
May	55,341	55,842	61,339	-
June	58,903	57,150	59,879	-
July	56,839	57,511	61,151	-
August	52,787	55,928	63,140	-
September	45,368	59,524	55,332	-
October	47,467	58,115	52,380	-
November	53,940	60,051	52,859	-
December	62,625	61,681	52,739	-
Total	**676,216**	**699,075**	**695,354**	**178,964**

Cash Market

The estimated trading volume of gasoline in the U.S. cash market is approximately 3 million to 5 million barrels per day. The typical transaction size is 25,000 barrels, with hundreds of separate transactions occurring per day. The volume of spot transactions is more than half of all cash transactions, and the balance of trades are longer-term contracts. There is active trading in forward cash deals on the Colonial Pipeline (which links Houston with the New York Harbor market) and in the New York Harbor cash market. The bid/ask spreads are typically in increments of one-quarter cent, although this can tighten to one-tenth cent spreads when the cash market is active. There are approximately 50 to 60 participants in the Gulf Coast gasoline cash market. The Gulf Coast gasoline cash market is competitively traded. The cash market is actively quoted by dozens of cash brokers.

Over-the-Counter (OTC) Market

There is an active OTC gasoline swaps market, with daily trading volume of approximately 600,000 to 800,000 barrels per day. The typical OTC transaction size consists of 25,000 barrels, with 25 to 30 transactions traded daily in the OTC swaps market. The bid/ask spreads are typically in increments of 10 cents per barrel, which reflects robust liquidity in the OTC market.

[13] EIA Inventory Data, http://www.eia.gov/dnav/pet/hist/LeafHandler.ashx?n=PET&s=MGTSTP11&f=M

Prices

Table 5 below provides the monthly average settlement prices in U.S. dollars and cents per gallon for the NYMEX RBOB Gasoline Futures contract for the period beginning January 2008 through May 2011. Over the annual period of 2008 to May 2011, RBOB gasoline prices varied from a high of over $3.4252 per gallon in in June 2008 to a low of $0.9667 per gallon in December 2008. According to the most recent data, gasoline prices were at $3.0957 per gallon in May 2011.

Table 5. Monthly Prices for NYMEX RBOB Gasoline Futures

Year	Date	RBOB Gasoline Futures (U.S. dollars and cents per gallon)	Year	Date	RBOB Gasoline Futures (U.S. dollars and cents per gallon)
2008	Jan	2.3620	2010	Jan	2.0452
	Feb	2.4335		Feb	1.9993
	Mar	2.6588		Mar	2.2540
	Apr	2.8823		Apr	2.3185
	May	3.2239		May	2.1061
	Jun	3.4252		Jun	2.0806
	Jul	3.2837		Jul	2.0614
	Aug	2.9404		Aug	1.9944
	Sep	2.6264		Sep	1.9447
	Oct	1.7876		Oct	2.1097
	Nov	1.2380		Nov	2.1874
	Dec	0.9667		Dec	2.3581
2009	Jan	1.1505	2011	Jan	2.4418
	Feb	1.1848		Feb	2.5524
	Mar	1.3886		Mar	2.9972
	Apr	1.4429		Apr	3.2679
	May	1.7361		May	3.0957
	Jun	1.9548		Jun	
	Jul	1.7979		Jul	
	Aug	2.0181		Aug	
	Sep	1.7587		Sep	
	Oct	1.9035		Oct	
	Nov	1.9760		Nov	
	Dec	1.9332		Dec	

Gasoline Market Participants

The market participation in the gasoline market is diverse and includes many of the same commercial entities that are active in the New York Harbor and Gulf Coast cash market. The gasoline cash and OTC market's consist of at least 50 to 60 commercial companies, including the following:

Refiners	Traders/End Users	Brokers	Financial (Swaps)
ConocoPhillips	Hess Energy Trading	GFI Starsupply	Citibank
Valero	Vitol	PVM	Deutsche Bank
Shell	Glencore Ltd	Man Financial	Barclays
ExxonMobil	Arcadia	ICAP United Inc.	Bank of America
BP Corporation	Northville	Echo Energy	JP Morgan
Total	Cargill	MOAB Oil Inc.	Credit Suisse
Marathon	Morgan Stanley	TFS Energy	
Chevron	Goldman Sachs	OceanConnect Inc.	
Sunoco	Koch	Sage Refined Products	
	Trafigura	Falcon Products Inc.	
	Musket Energy	TCT Oil Brokers	
	Noble Energy	First National Oil Brokers	
	Lukoil		
	Pilot Travel Centers		
	LDH Energy		
	Musket Energy		
	Colonial Oil		

ANALYSIS OF DELIVERABLE SUPPLY

In its analysis of deliverable supply, the Exchange concentrated on data for the Gulf Coast (PADD III) refinery production for gasoline, which is the main production and trading center for the U.S. and data for New York Harbor (PADD I), the delivery point of the RBOB Gasoline futures. At this time, the Exchange is not including stocks data in its analysis of deliverable supply. Stocks data tend to vary and, at least upon launch of products, we would rather not condition recommended position limits based on stock data. Further, the Exchange has determined not to adjust the deliverable supply estimate based on the spot availability of the gasoline because spot market liquidity is not restrictive and tends to vary depending on the market fundamentals of demand and supply. The typical term agreement in the cash market allows flexibility for re-trading of the contracted quantity in the spot market, so the term agreements do not restrict the potential deliverable supply. Also, the spot trading is not restricted in that it could increase if the market demand increases. Therefore, we believe that it is not necessary to adjust the deliverable supply estimate on the basis of the spot trading, because this does not restrict the deliverable supply, and spot trading volume can expand to allow for more supply to flow if needed in the spot market.

For the three new Gulf Coast Gasoline M2 spread swap futures contracts, the Exchange has set the position limits at 2,000 contracts for the Gulf Coast M2 leg, with aggregation into the underlying swap contract. To be conservative, we have focused on the Gulf Coast gasoline production capacity in PADD III using the EIA data in Table 1 above. Based on the refinery production data, we have estimated the total gasoline supply in the Gulf Coast area in the period 2008-2010 at approximately 2.7 million barrels per day, which is equivalent to 81 million barrels per month or 81,000 contract equivalents (contract size: 42,000 gallons which is equivalent to 1,000 barrels). Thus, the spot month position limit of 2,000 contract units, which is equivalent to two million barrels, is approximately 2.5% of the 81,000 contract equivalents of monthly supply.

With regards to the RBOB gasoline leg of the two spread contracts, the Exchange has set the position limits at 1,000 contracts, with aggregation into the underlying swap contract. Based on the refinery production data for PADD I, we have estimated the total gasoline supply in the New York Harbor region during the period 2008-2010 at approximately 2.3 million barrels per day, which is equivalent to 69

million barrels per month or 69,000 contract equivalents (contract size: 1,000 barrels). Thus, the spot month position limit of 1,000 contract units, which is equivalent to two million barrels, is approximately 1.4% of the 69,000 contract equivalents of monthly supply.