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

July 14, 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 #11-274: Notification Regarding the Listing of Short-Term Crude Oil Option Contract for Globex Electronic Trading, Open Outcry Trading, and for Clearing through CME ClearPort®

Dear Mr. Stawick:

The 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 a new Short-Term Crude Oil Option contract (Rule Chapter 1065; Code C01-C31), for Globex electronic trading, open outcry trading and for submission for clearing through CME ClearPort® beginning at 6:00 p.m. on Sunday, July 17, 2011 for trade date Monday, July 18, 2011.

The proposed option contract is a European-style option which can only be exercised at expiration. The listing convention of the Short-Term Crude Oil option contract is such that the contract is listed on the current day and the following four business days within a seven-calendar day period, unless that business day coincides with the expiration of a monthly Crude Oil option in which case it will not be listed. No short-term option shall be listed if its expiration coincides with an Exchange holiday.

The product code of the option will indicate the calendar day on which the option expires. For example, C25 would coincide with a Short-Term Crude Oil option expiration of July 25. Options will be listed initially with five-business day expiration. Thus, with the initial listing, the first expiration will be Friday, July 22, 2011. On each day of the initial listing week, the Exchange will list an additional five-business day option such that by Friday, July 22, 2011, new contracts will be listed for the next five consecutive business days. Thereafter, on each business day as each option expires, a new option will be listed with a five-business day expiration, unless that expiration day coincides with the expiration of an associated monthly Crude Oil option.

The following will be the option contract terms:

Contract Name	Short-Term Crude Oil Option
Rule Chapter	1065
Contract Code	C01 – C31
Minimum Price Increments	$0.01 per barrel
Strike Price Interval	$0.50 per barrel
Underlying Contract	Light Sweet Crude Oil Futures
Contract Size	1,000 barrels

The Exchange fees for this option are:

Exchange Fees					
	Member Day	Member	Cross Division	Non-Member	IIP
Pit	$0.45	$0.70	$0.95	$1.45	
Globex	$0.45	$0.70	$0.95	$1.45	$0.75
ClearPort		$1.75		$2.50	

Processing Fees		
	Member	Non-Member
Cash Settlement	$0.90	$1.15
Futures from E/A	NA	NA
	House Acct	Cust Acct
Options E/A Notice	NA	NA
Delivery Notice	NA	NA

Additional Fees and Surcharges	
EFS Surcharge	NA
Block Surcharge	NA
Facilitation Desk Fee	$0.25

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 contract complies with the Act, including regulations under the Act. There were no substantive opposing views to the proposal. This contract shall become effective on trade date July 18, 2011.

Should you have any questions concerning the above, please contact Bob Biolsi at (212) 299-2610, bob.biolsi@cmegroup.com or the undersigned at (212) 299-2207, (347) 463-5347 or felix.khalatnikov@cmegroup.com.

Very truly yours,

/s/Felix Khalatnikov
Director and Associate General Counsel

Attachments: Contract terms and conditions
Cash market overview and analysis of deliverable supply

Chapter 1065

Short-Term Crude Oil Option

1065.01 EXPIRATION

Expiration shall be in accordance with the following schedule. On the initial listing date, the Short-Term Crude Oil option will be listed with expiration four business days from the listing date. Thereafter, an additional contract will be listed for expiration four days after that business day. In the event that the expiration day of the Short-Term Crude Oil option coincides with the expiration of the associated Crude Oil option, the Short-Term Crude Oil option will not be listed. No Short-Term Crude Oil option shall be listed if its expiration coincides with an Exchange holiday.

1065.02 OPTION TYPE

A Short-Term Crude Oil option is a European-style option.

1065.03 TRADING UNIT

A Short-Term Crude Oil put option contract traded on the Exchange represents the cash difference between the exercise price and the settlement price of the first nearby underlying Light Sweet Crude Oil futures contract multiplied by 1,000, or zero, whichever is greater. In the event that the option is expiring on the last trading day of the first nearby underlying Light Sweet Crude Oil futures contract, the second nearby underlying futures will be used for settlement. A Short-Term Crude Oil call option contract traded on the Exchange represents the cash difference between the settlement price of the first nearby Crude Oil futures contract and the exercise price multiplied by 1,000, or zero, whichever is greater. In the event that the option is expiring on the last trading day of the first nearby Crude Oil futures contract, the second nearby underlying futures will be used for settlement.

1065.04 STRIKE PRICES

Trading shall be conducted for options with strike prices in increments as set forth below.

(A) On the first business day of trading in an option contract day, trading shall be at the following strike prices: (i) the previous day's settlement price for Light Sweet Crude Oil futures contracts in the corresponding delivery month rounded off to the nearest fifty-cent increment strike price unless such settlement price is precisely midway between two fifty-cent increment strike prices in which case it shall be rounded off to the lower fifty cent increment strike price and (ii) the ten fifty-cent increment strike prices which are ten increments higher than the strike price described in (i) of this rule 1065.04(A) and (iii) the ten fifty-cent increment strike prices which are ten increments lower than the strike price described in (i) of this rule 1065.04(A).

(B) Thereafter, on any business day prior to the expiration of the option: (i) new consecutive fifty-cent increment strike prices for both puts and calls will be added such that at all times there will be at least ten fifty-cent increment strike prices above and below the at-the-money strike price available for trading in all option contracts;

(C) Notwithstanding the provisions of subsections (A) and (B) of this rule, if the Exchange determines that trading in Short-Term Crude Oil option will be facilitated thereby, the Exchange may, by resolution, change the increments between strike prices, the number of strike prices which shall be traded on the first day in any new option contract month, the number of new strike prices which will be introduced on each business day or the period preceding the expiration of a Short-Term Crude Oil option in which no new strike prices may be introduced.

1065.05 TRADING MONTHS

Trading in Short-Term Crude Oil option contracts shall be conducted in the days determined by the Exchange.

1065.06 PRICES

Prices shall be quoted in dollars and cents per barrel. The minimum price increment will be $0.01 per barrel, or $10 per contract. A cabinet trade may occur at the price of $0.001 per barrel or $1.00 per contract.

1065.07 ABSENCE OF PRICE FLUCTUATION LIMITATIONS

Trading in Short-Term Crude Oil option contracts shall not be subject to price fluctuation limitations.

CASH MARKET OVERVIEW

Description

Crude oil is a flammable liquid composed mostly of complex hydrocarbons formed from the remains of animals and plants over million years. After oil is removed from the ground, it is sent to the refineries and is further separated into usable petroleum products. According to the Department of Energy's *Energy Information Administration* ("EIA") data as of 2009, a barrel of crude oil can produce roughly 44 gallons of petroleum products, including diesel, distillates, fuel oil, liquefied petroleum gases, heating oil, gasoline and other refined products.

There are different kinds of crude oil being produced in the world. A light sweet crude oil is considered to be more productive due to its low density and low sulfur content, and hence is usually trading at premiums to heavy sour crudes.

Production

Based on EIA's data, the monthly average production of crude oil in Midwest (PADD II) was approximately 16 million barrels in 2008, 18 million barrels in 2009 and 20 million barrels in 2010. Table I below presents data collected by EIA for the Midwest (PADD II) production of crude oil.

Table I. Selected Statistics for Midwest (PADD II) Field Production of Crude Oil (Thousand Barrels)[1]

Date	Midwest (PADD II) Field Production of Crude Oil	Date	Midwest (PADD II) Field Production of Crude Oil	Date	Midwest (PADD II) Field Production of Crude Oil	Date	Midwest (PADD II) Field Production of Crude Oil
Jan-2008	15,943	Jan-2009	17,253	Jan-2010	18,187	Jan-2011	23,096
Feb-2008	14,116	Feb-2009	16,558	Feb-2010	17,090	Feb-2011	20,760
Mar-2008	16,071	Mar-2009	17,623	Mar-2010	19,393	Mar-2011	23,376
Apr-2008	15,210	Apr-2009	16,781	Apr-2010	18,780		
May-2008	16,468	May-2009	18,031	May-2010	19,130		
Jun-2008	16,214	Jun-2009	17,946	Jun-2010	20,591		
Jul-2008	16,803	Jul-2009	18,750	Jul-2010	21,637		
Aug-2008	15,592	Aug-2009	18,606	Aug-2010	21,911		
Sep-2008	17,167	Sep-2009	18,366	Sep-2010	21,779		
Oct-2008	17,882	Oct-2009	18,655	Oct-2010	22,401		
Nov-2008	17,614	Nov-2009	18,544	Nov-2010	22,108		
Dec-2008	17,739	Dec-2009	18,609	Dec-2010	22,749		
2008 Average	**16,402**	**2009 Average**	**17,977**	**2010 Average**	**20,480**		

[1]EIA Midwest (PADD II) Field Production of Crude Oil (Thousand Barrels)
http://www.eia.gov/dnav/pet/hist/LeafHandler.ashx?n=PET&s=MCRFPP21&f=M

Storage

Storage is an important market short term supply/demand indicator. Changes in inventory levels are used to offset imbalances between production and consumption. Table II below shows the end of period total petroleum stocks, excluding strategic petroleum reserve (SPR) for Midwest (PADD II) for the last three years as per EIA. Storage levels fluctuated between 61 million barrels to 106 million barrels in the past three years.

Table II. Selected Statistics for Midwest (PADD II) Ending Stocks excluding SPR of Crude Oil (Thousand Barrels)[2]

Date	Midwest (PADD II) Ending Stocks of Crude Oil	Date	Midwest (PADD II) Ending Stocks of Crude Oil	Date	Midwest (PADD II) Ending Stocks of Crude Oil	Date	Midwest (PADD II) Ending Stocks of Crude Oil
Jan-2008	61,173	Jan-2009	84,664	Jan-2010	84,339	Jan-2011	99,690
Feb-2008	61,459	Feb-2009	87,789	Feb-2010	82,177	Feb-2011	103,766
Mar-2008	64,588	Mar-2009	85,054	Mar-2010	85,958	Mar-2011	106,192
Apr-2008	66,349	Apr-2009	86,692	Apr-2010	92,240		
May-2008	65,325	May-2009	84,292	May-2010	94,491		
Jun-2008	64,779	Jun-2009	81,359	Jun-2010	95,115		
Jul-2008	64,133	Jul-2009	84,585	Jul-2010	96,703		
Aug-2008	62,871	Aug-2009	80,997	Aug-2010	93,127		
Sep-2008	60,784	Sep-2009	77,548	Sep-2010	92,624		
Oct-2008	64,576	Oct-2009	77,750	Oct-2010	90,951		
Nov-2008	70,683	Nov-2009	86,653	Nov-2010	92,451		
Dec-2008	79,699	Dec-2009	89,283	Dec-2010	98,487		
2008 Average	**65,535**	**2009 Average**	**83,889**	**2010 Average**	**91,555**		

Consumption

In 2010, the average amount of crude oil consumed in refinery and blender was about 100 million barrels per month. During the last three years, monthly consumption ranged from a high of 107 million barrels in July 2010 to a low of 88 million barrels in February 2009. Table III, below, contains the monthly Midwest (PADD II) Refinery and Blender Net Input of Crude Oil from 2008 through 2010, as per EIA.

[2]EIA Midwest (PADD II) Ending Stocks excluding SPR of Crude Oil (Thousand Barrels)
http://www.eia.gov/dnav/pet/hist/LeafHandler.ashx?n=PET&s=MCESTP21&f=M

Table III. Selected Statistics for Midwest (PADD II) Refinery and Blender Net Input of Crude Oil (Thousand Barrels)[3]

Date	Midwest (PADD II) Refinery and Blender Net Input of Crude Oil	Date	Midwest (PADD II) Refinery and Blender Net Input of Crude Oil	Date	Midwest (PADD II) Refinery and Blender Net Input of Crude Oil	Date	Midwest (PADD II) Refinery and Blender Net Input of Crude Oil
Jan-2008	99,612	Jan-2009	96,921	Jan-2010	99,184	Jan-2011	102,491
Feb-2008	92,462	Feb-2009	88,608	Feb-2010	91,963	Feb-2011	92,559
Mar-2008	91,248	Mar-2009	91,590	Mar-2010	95,543	Mar-2011	100,459
Apr-2008	97,447	Apr-2009	93,231	Apr-2010	93,994		
May-2008	104,661	May-2009	99,593	May-2010	105,719		
Jun-2008	100,779	Jun-2009	98,952	Jun-2010	103,253		
Jul-2008	101,800	Jul-2009	101,897	Jul-2010	107,177		
Aug-2008	100,781	Aug-2009	98,196	Aug-2010	106,469		
Sep-2008	96,380	Sep-2009	95,238	Sep-2010	99,368		
Oct-2008	98,907	Oct-2009	92,010	Oct-2010	94,946		
Nov-2008	97,769	Nov-2009	90,433	Nov-2010	97,327		
Dec-2008	97,015	Dec-2009	97,720	Dec-2010	102,911		
2008 Average	**98,238**	**2009 Average**	**95,366**	**2010 Average**	**99,821**		

Imports and Exports

Table IV below provides average monthly import and export of Midwest (PADD II) crude oil for the last three years as provided by EIA. During 2010, average monthly imports were approximately 37 million barrels and the average monthly exports were approximately 1 million barrels. Net import in 2010 was 36 million barrels per day.

[3]EIA Midwest (PADD II) Refinery and Blender Net Input of Crude Oil (Thousand Barrels) http://www.eia.gov/dnav/pet/hist/LeafHandler.ashx?n=PET&s=MCRRIP21&f=M

Table IV. Selected Statistics for Midwest (PADD II) Imports and Exports of Crude Oil including Lease Condensate (Thousand Barrels)

Date	Midwest (PADD II) Imports of Crude Oil[4]	Midwest (PADD II) Exports of Crude Oil[5]	Midwest (PADD II) Net Imports of Crude Oil
Jan-2008	38,582	340	38,242
Feb-2008	35,564	260	35,304
Mar-2008	35,405	673	34,732
Apr-2008	36,194	417	35,777
May-2008	34,912	453	34,459
Jun-2008	34,193	397	33,796
Jul-2008	37,622	744	36,878
Aug-2008	34,423	799	33,624
Sep-2008	33,712	1,170	32,542
Oct-2008	38,304	544	37,760
Nov-2008	36,630	673	35,957
Dec-2008	39,348	1,410	37,938
2008 Average	**36,241**	**657**	**35,584**
Jan-2009	39,046	1,029	38,017
Feb-2009	30,372	818	29,554
Mar-2009	35,362	812	34,550
Apr-2009	34,461	687	33,774
May-2009	30,603	937	29,666
Jun-2009	38,443	776	37,667
Jul-2009	40,858	970	39,888
Aug-2009	38,566	1,032	37,534
Sep-2009	36,082	1,202	34,880
Oct-2009	35,321	1,539	33,782
Nov-2009	38,943	1,291	37,652
Dec-2009	41,305	1,811	39,494
2009 Average	**36,614**	**1,075**	**35,538**
Jan-2010	35,545	409	35,136
Feb-2010	31,721	665	31,056
Mar-2010	38,090	1,326	36,764
Apr-2010	34,694	989	33,705
May-2010	38,636	1,120	37,516
Jun-2010	40,839	936	39,903
Jul-2010	40,357	1,123	39,234
Aug-2010	36,937	932	36,005
Sep-2010	33,731	1,838	31,893

[4] EIA Midwest (PADD II) Imports of Crude Oil (Thousand Barrels)
http://www.eia.gov/dnav/pet/hist/LeafHandler.ashx?n=PET&s=MCRIMP21&f=M
[5] EIA Midwest (PADD II) Exports of Crude Oil (Thousand Barrels)
http://www.eia.gov/dnav/pet/hist/LeafHandler.ashx?n=PET&s=MCREXP21&f=M

Date	Midwest (PADD II) Imports of Crude Oil	Midwest (PADD II) Exports of Crude Oil	Midwest (PADD II) Net Imports of Crude Oil
Oct-2010	34,277	681	33,596
Nov-2010	38,169	905	37,264
Dec-2010	40,504	1,072	39,432
2010 Average	**36,958**	**1,000**	**35,959**
Jan-2011	43,046	1,164	41,882
Feb-2011	40,870	847	40,023
Mar-2011	45,659	962	44,697

Prices

Table V below provides end of month prices for the underlying Light Sweet Crude Oil futures front month contract for the last three years. Since 2008, prices ranged from a low of $41.68 per barrel in January 2009 to a high of $140.00 per barrel in June 2008. The wide range of prices and volatility in crude oil prices has increased the cost of purchasing monthly options. Consequently, the purpose of the short-term options is to allow for less expensive option trading for the trading community to hedge crude oil prices.

Table V. Selected Statistics for NYMEX Light Sweet Crude Oil Futures Front Month Contract End of Month Settlement Prices (Dollars per Barrel)

Date	NYMEX Light Sweet Crude Oil Futures Front Month Contract End of Month Settlement Prices	Date	NYMEX Light Sweet Crude Oil Futures Front Month Contract End of Month Settlement Prices	Date	NYMEX Light Sweet Crude Oil Futures Front Month Contract End of Month Settlement Prices	Date	NYMEX Light Sweet Crude Oil Futures Front Month Contract End of Month Settlement Prices
Jan-2008	$ 91.75	Jan-2009	$ 41.68	Jan-2010	$ 72.89	Jan-2011	$ 92.19
Feb-2008	$ 101.84	Feb-2009	$ 44.76	Feb-2010	$ 79.66	Feb-2011	$ 96.97
Mar-2008	$ 101.58	Mar-2009	$ 49.66	Mar-2010	$ 83.76	Mar-2011	$ 106.72
Apr-2008	$ 113.46	Apr-2009	$ 51.12	Apr-2010	$ 86.15	Apr-2011	$ 113.93
May-2008	$ 127.35	May-2009	$ 66.31	May-2010	$ 73.97	May-2011	$ 94.85
Jun-2008	$ 140.00	Jun-2009	$ 69.89	Jun-2010	$ 75.63		
Jul-2008	$ 124.08	Jul-2009	$ 69.45	Jul-2010	$ 78.95		
Aug-2008	$ 115.46	Aug-2009	$ 69.96	Aug-2010	$ 71.92		
Sep-2008	$ 100.64	Sep-2009	$ 70.61	Sep-2010	$ 79.97		
Oct-2008	$ 67.81	Oct-2009	$ 77.00	Oct-2010	$ 81.43		
Nov-2008	$ 54.43	Nov-2009	$ 77.28	Nov-2010	$ 84.11		
Dec-2008	$ 44.60	Dec-2009	$ 79.36	Dec-2010	$ 91.38		
2008 Average	**$ 98.58**	**2009 Average**	**$ 63.92**	**2010 Average**	**$ 79.99**		

Futures Market

The proposed Short-Term Crude Oil options will financially settle against the first nearby NYMEX Light Sweet Crude Oil futures. The NYMEX Light Sweet Crude Oil futures market is an active and liquid market. Table VI below provides the average volume, combined with the best 5 bid/ask order size for the first nearby Crude Oil futures contract, in the closing period for the front month futures contract. As illustrated in Table VI, the market liquidity, represented by the futures trading volume combined with the top 5 order size in the 2-minute closing period, has an average of 11,543 contracts during 2010. As the contract size is equivalent to 1,000 barrels, this is equivalent to approximately 11.5 million barrels of crude oil.

Table VI. NYMEX Light Sweet Crude Oil Futures Trading Volume and 5 Best Bid/Ask Order Size in Closing Period

Date	NYMEX Light Sweet Crude Oil Futures Volume in Closing Period	NYMEX Light Sweet Crude Oil Futures 5 Best Bid/Ask Order Size in Closing Period
Jan-2010	10,126	1,612
Feb-2010	10,734	1,415
Mar-2010	10,364	1,737
Apr-2010	12,769	1,751
May-2010	10,932	962
Jun-2010	13,429	891
Jul-2010	10,016	1,071
Aug-2010	12,168	1,337
Sep-2010	11,602	1,507
Oct-2010	12,237	1,422
Nov-2010	13,240	1,331
Dec-2010	10,903	1,253
Average	**10,186**	**1,357**
Jan-2011	11,944	1,081
Feb-2011	11,353	867
Mar-2011	10,869	902
Apr-2011	13,928	1,001
May-2011	11,998	747

Market Participants

The OTC market participation is deep and diverse, and includes both cash market and OTC market players. The cash markets and OTC market participants include many commercial companies, including, but not limited to, the following participants:

Refiners	Traders/End Users	Brokers	Financial (Swaps)
ConocoPhillips	Hess Energy Trading	GFI Starsupply	Citibank
Valero	Vitol	PVM	Deutsche Bank
Shell	Glencore	Man Financial	Barclays
ExxonMobil	Total	ICAP	BankAmerica
BP	Northville	Aspen Oil	JP Morgan
Total	Cargill	GFI Spectron	
Koch Petroleum	Morgan Stanley	TFS	
Repsol	Goldman Sachs	Amerex	
CEPSA	RWE Trading	Tullet Prebon	
Netherlands Refining	Mabanaft		
OMV	Phibro		
Lukoil (Russia)	Arcadia		
Statoil (Norway)	Mercuria		
MOL Hungary	Sempra		

ANALYSIS OF DELIVERABLE SUPPLY

The estimation of deliverable supply is a function of the production and net receipts. Using data supplied from EIA, Table I is used to estimate the supply of crude oil. According to Table I above, during 2010, production of Midwest (PADD II) Crude Oil averaged 20 million barrels per month. According to Table IV above, during 2010, net imports of Midwest (PADD II) Crude Oil were 36 million barrels per month. Therefore, during 2010, the average deliverable supply amounted to approximately 56 million barrels per month, or 56,000 contract equivalents. The proposed spot month position limits for the Short-Term Crude Oil option are 3,000 contracts, which is approximately 5% of the average monthly deliverable supply.