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

July 21, 2010

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 #10-209: Notification Regarding the Listing of One (1) Crude Oil Futures Contract for Trading on the NYMEX Trading Floor and 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 one (1) new crude oil futures for trading on the NYMEX trading floor and for submission for clearing through CME ClearPort beginning at 6:00 p.m. on Sunday, July 25, 2010 for trade date Monday, July 26, 2010.

The crude contract, commodity code, rule chapter and listing schedule are as follows:

| Contracts | Code | Rule Chapter | Listing Period |
|---|---|---|---|
| Canadian Heavy Crude Oil (Net Energy) Index Futures | WCC | 263 | 36 consecutive months |

This new crude oil futures contract will be available during normal trading hours on the NYMEX trading floor and through CME ClearPort. Open outcry trading is conducted Monday through Friday from 9:00 a.m. until 2:30 p.m. (New York prevailing time), except on Exchange holidays. CME ClearPort is available from 6:00 p.m. Sunday until 5:15 p.m. Friday (New York prevailing time). There is a 45-minute halt each day between 5:15 p.m. (current trade date) and 6:00 p.m. (next trade date).

In addition, the Exchange will allow 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.

Although the analysis of deliverable supply attached herewith includes the recommended position limits for this contract, a separate filing will be submitted to the Commission to self-certify those position limits.

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. This submission will be made effective on trade date July 26, 2010.

Should you have any questions concerning the above, please contact Daniel Brusstar at (212) 299-2604 or the undersigned at (312) 648-5422.

Sincerely,

/s/ Stephen M. Szarmack
Regulatory Counsel

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

8367

# Chapter 263
# Canadian Heavy Crude Oil (Net Energy) Index Futures

## 263.01. SCOPE

The provisions of these Rules shall apply to all contracts bought or sold on the Exchange for cash settlement based on the Net Energy Canadian Daily Index (CDI) for Western Canadian Select (WCS) basis delivery at Hardisty, Alberta.

## 263.02. INDEX PRICE

The Index Price for each contract month is equal to the simple arithmetic average of the Net Energy Canadian Daily Index (CDI) for Canadian Heavy Crude Oil during the Index Pricing Period for the contract month. The Index Pricing Period shall extend from the first Canadian business day of the month through the last Canadian business day prior to Notice of Shipments (NOS) date on the Enbridge Pipeline. The Index is expressed as a differential versus the Calendar Month Average (CMA) of the NYMEX Light Sweet Crude Oil futures settlement price.

## 263.03. CONTRACT QUANTITY AND VALUE

The contract quantity shall be 1,000 U.S. barrels. Each contract shall be valued as the contract quantity (1000) multiplied by the settlement price.

## 263.04. CONTRACT MONTHS

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

## 263.05. PRICES AND FLUCTUATIONS

Prices shall be quoted in U.S. dollars and cents per barrel. The minimum price fluctuation shall be $0.001 per barrel. There shall be no maximum price fluctuation.

## 263.06. TERMINATION OF TRADING

Trading shall cease one Canadian business day prior to the Notice of Shipments (NOS) date on the Enbridge Pipeline. The NOS date occurs on or about the 20$^{th}$ calendar day of the month, subject to confirmation by Enbridge Pipeline. The official schedule for the NOS dates will be made publicly available by Enbridge Pipeline prior to the start of each year, and will be posted on the Exchange website as part of the termination schedule.

## 263.07. 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 Net Energy CDI price for the contract month.

## 263.08. EXCHANGE FOR RELATED POSITION TRANSACTIONS

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

## 263.09. DISCLAIMER

Net Energy licenses the New York Mercantile Exchange, Inc. ("NYMEX") to use various Net Energy price assessments in connection with the trading of the contracts.

NEITHER NYMEX AND ITS AFFILIATES NOR NET ENERGY GUARANTEES THE ACCURACY AND/OR COMPLETENESS OF THE ASSESSMENT OR ANY OF THE DATA INCLUDED THEREIN. NYMEX AND ITS AFFILIATES AND NET ENERGY MAKE NO WARRANTIES, EXPRESS OR IMPLIED, AS TO THE RESULTS TO BE OBTAINED BY ANY PERSON OR ENTITY FROM USE OF THE ASSESSMENT, TRADING BASED ON THE ASSESSMENT, OR ANY DATA INCLUDED THEREIN IN CONNECTION WITH THE TRADING OF THE CONTRACT, OR, FOR ANY OTHER USE. NYMEX AND ITS AFFILIATES AND NET ENERGY 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 ASSESSMENT OR ANY DATA INCLUDED THEREIN. WITHOUT LIMITING ANY OF THE FOREGOING, IN NO EVENT SHALL NYMEX AND ITS AFFILIATES OR NET ENERGY 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.

## CONTRACT OVERVIEW

The New York Mercantile Exchange, Inc. (NYMEX or Exchange) is self-certifying the listing of financially settled Canadian Heavy Crude Oil (Net Energy) Index Futures contract. The contract will settle based on the monthly average of the daily price assessment published by Net Energy for their Canadian Daily Index (CDI) which is the reference price for Western Canadian Select (WCS) crude oil. The Net Energy CDI price is traded as a differential to the NYMEX Light Sweet Crude Oil Contract settlement price in U.S. dollars per barrel.

### Index Provider

The Exchange has entered into a licensing agreement with Net Energy to utilize their price index. The pricing methodology for the CDI involves the daily weighted-average of actual deals done in the WCS cash market. Net Energy is one of the major pricing services that is used in the Canadian cash market. Net Energy has strong reputation in the industry in publishing price benchmarks that are fair and not manipulated. The pricing methodology[1] for Net Energy is derived from actual deals done as reported via telephone or electronic media by multiple market participants to determine the daily CDI. The Alberta provincial government currently utilizes the Net Energy indices in their monthly calculation of the value of Royalty barrels. This is the pricing mechanism that places a value on the barrels of oil they receive as part of the provincial taxation on oil extraction.

## CASH MARKET OVERVIEW

Western Canadian Select (WCS) is a heavy crude oil stream that is a blend of heavy oil sands production (called bitumen – a heavy tar-like type of crude oil), blended with Canadian heavy conventional crude oil and condensate diluents. It has a gravity of 20.5 degrees API, and sulfur of 3.33%. It is produced and traded at Hardisty, Alberta, which is the main crude oil hub in Canada with approximately 20 million barrels of storage. The main producers of WCS type crude oil are: Cenovus, Petro-Canada, Canadian Natural Resources, Suncor, Shell Canada, Exxon (Imperial), and Talisman

[1] Net Energy methodology, http://www.ne2.ca/nex/login/aboutneindices.htm and http://www.ne2.ca/nex/login/cdi.htm.

Energy. The primary target market for WCS is refiners in the US Midwest and the Rocky Mountain regions.[2]

**Production Methods**

In Canada, crude oil is produced mainly in the western provinces, Northwest Territories and Atlantic Canada. There are two kinds of oil production: conventional oil production and oil sands production. As conventional crude oil fields continue to mature and decline in Canada, oil sands production has surpassed conventional oil production. U.S. Energy Information Administration (EIA)[3] estimates oil sands production at more than 50% of total crude oil production in Canada for 2008.

There are two methods in which oil can be recovered from the oil sands: mining and "in-situ" ("in place"). Mining is comprised of an open pit mining operation which is effective in extracting oil sands deposits near the surface; the oil sands are then loaded into trucks and transported to a cleaning facility where the oil and sand is mixed with hot water to separate the bitumen. According to the EIA[4], the bulk (80%) of Canada's estimated oil sands deposits are too deep below the surface to use open pit mining. The second method, "in-situ," can reach the deeper sand deposits, which involves the use of steam to heat and separate bitumen from the surrounding sands, causing it to pool closer to the surface. The bitumen is then pumped from these pools using horizontal drain wells. Once extracted, oil sands producers must add lighter hydrocarbons, such as natural gasoline or condensate, to the bitumen to allow it to flow through pipelines. According to the Government of Alberta, roughly 20% of oil is recovered by mining and the remaining 80% is recovered through in-situ production.[5] In 2008, oil sands production represented approximately half of Canada's total crude oil production.

According to the Canadian Association of Petroleum Producers (CAPP), the oil sands deposits are concentrated in three regions within the province of Alberta: Athasbasca, Cold Lake, and Peace River. Oil sands are composed of bitumen, clay, sand, water and other minerals. Crude oil is produced

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[2] Western Canadian Select description, *Energy Intelligence Research (2008)* The International Crude Oil Handbook 2008.

[3] http://www.eia.doe.gov/cabs/canada/Oil.html

[4] http://www.eia.doe.gov/cabs/canada/Oil.html

[5] Production, http://www.oilsands.alberta.ca/1.cfm.

as a result of the extraction of bitumen[6], a heavy viscous oil that must be processed extensively to convert it into a crude oil before it can be used by refineries to produce gasoline and other petroleum products. In order for it to become usable for consumption, it must be upgraded to a synthetic light sweet crude oil or diluted with lighter hydrocarbons. It can then be utilized by refineries to produce fuels such as gasoline and diesel. According to *The Oil and Gas Journal*, Canada's oil reserves amount to over 175 billion barrels, the second largest in the world.

According to the EIA[7], the Athabasca oil sands deposit in northern Alberta is one of largest oil sands deposits in the world, and utilizes open-pit mining. There are several active oil sands projects in Alberta where heavy WCS type crude oil is produced. These oil sands projects are connected via pipelines to the Hardisty, Alberta hub where the crude oil is stored and distributed.

Canadian crude oil is priced in U.S. dollars and cents per barrel. The U.S market is the biggest consumer of Canadian crude oil. Canadian crude oil is typically traded at a discount to the NYMEX Light Sweet Crude Oil contract. The main refinery demand area for Western Canadian Select crude oil is primarily based in the U.S. Midwest markets (Petroleum Administration for Defense District (PADD) II region). Price differentials of heavy crude oil are determined by various factors that include: capacity, supply and demand fundamentals, seasonality and the grade of crude oil.

Approximately 2.6 million barrels of crude oil flow per day through Canada's pipeline system. The two major systems from Canada to the U.S. are the Enbridge and Kinder Morgan pipelines. The Enbridge system is the largest crude oil pipeline in the world and the main transporter of crude oil from western Canada to the U.S. Midwest markets. It is also connected to U.S. pipelines that deliver oil to Cushing, Oklahoma and the U.S. Gulf Coast. In 2008, 1.6 million barrels per day of crude oil, products, and Natural Gas Liquids flowed through the Enbridge system.[8] Kinder Morgan operates the Express Pipeline, which originates in Hardisty, Alberta carrying crude oil to Colorado, Montana, Utah, and Wyoming. It then

[6] Definition bitumen, http://www.capp.ca/getdoc.aspx?DocId=173003&DT=NTV.
[7] http://www.eia.doe.gov/cabs/canada/Oil.html
[8] Pipeline description, http://www.neb-one.gc.ca/clf-nsi/rnrgynfmtn/nrgyrprt/trnsprttn/trnsprttnssssmnt2009/trnsprttnssssmnt2009-eng.pdf

connects with the Platte pipeline in Casper, Wyoming supplying markets in Wood River, Illinois, with an operating capacity of 120,000 barrels per day.[9]

With the increased Canadian oil sands production, companies have proposed new pipeline projects that would better link Alberta with the U.S. Gulf Coast, as follows:

- The Keystone system will link Hardisty with Patoka, Illinois and Cushing, Oklahoma. The system will have an initial capacity of 435,000 bbl/d, later expanded to 590,000 bbl/d. The project also includes plans to later expand the system to 1.1 million bbl/d and extend it to Port Arthur, Texas. The Keystone project is a joint venture of TransCanada and ConocoPhillips[10].
- The 450,000-bbl/d Texas Access pipeline would link Patoka, Illinois with Nederland, Texas. The project, a joint venture between Enbridge and ExxonMobil, could be online as early as 2012.
- Enbridge and BP proposed building a new system to connect the Chicago area with Houston, using a combination of new, existing, and reversed pipelines. The system would have a capacity of 250,000 bbl/d and is also targeted for start-up in 2012.

**Production, Consumption and Exports**

Based on data provided by the EIA (Table 1 below), Canadian crude oil production averaged 3.35 million barrels per day during the 2006 – 2008 period. In addition, Canadian domestic consumption of crude oil averaged 2.27 million barrels per day for the 2006 – 2008 period.

**Table 1.** Selected EIA Statistics for Crude Oil: Canada and U.S.[11]

[9] Platte pipeline capacity, http://www.eia.doe.gov/cabs/canada/Oil.html.
[10] http://www.eia.doe.gov/cabs/canada/Oil.html
[11] The source for the data in Table 1 can be found in the Energy Information Administration, U.S. Department of Energy.
Crude oil production data were obtained at:
http://tonto.eia.doe.gov/cfapps/ipdbproject/iedindex3.cfm?tid=5&pid=53&aid=1&cid=CA,&syid=2006&eyid=2008&unit=TBPD.
Crude oil consumption data were obtained at:
http://tonto.eia.doe.gov/cfapps/ipdbproject/iedindex3.cfm?tid=5&pid=54&aid=2&cid=CA,&syid=2007&eyid=2009&unit=TBPD.
Crude oil import data were obtained at:
http://www.eia.gov/dnav/pet/pet_move_impcus_a2_nus_epc0_im0_mbblpd_a.htm.

(Thousand Barrels per Day)

| Item and Region | 2006 | 2007 | 2008 | Average 2006-2008 |
|---|---|---|---|---|
| | | | | |
| Annual Production, Crude Oil, Canada | 3,287 | 3,433 | 3,332 | 3,351 |
| Annual Consumption, Crude Oil, Canada | 2,253 | 2,306 | 2,254 | 2,271 |
| U.S. Annual Imports of Crude Oil from Canada | 1,802 | 1,888 | 1,956 | 1,882 |

Further, U.S. crude oil imports from Canada averaged 1.9 million barrels per day from 2006 – 2008 according to the EIA. Canada is the largest exporter of crude oil to the United States. Demand is concentrated within the PADD II region which is the main market for western Canadian crude oil.

There are 16 refineries in Canada: three located in each of the provinces of Alberta, Quebec, and the Atlantic Provinces; two in British Columbia; four in Ontario; and one in Saskatchewan.

The Canadian Association of Petroleum Producers (CAPP) provides data on crude oil production. According to data provided by CAPP in Table 2 below, total oil sands production averaged approximately 1.2 million barrels per day or approximately 45% of the total Canadian oil production for the 2006 – 2009 period. In addition, in 2009, more than 2.4 million barrels per day of crude oil were produced in Western Canada, in the vicinity of the Hardisty hub, and 1.3 million barrels of this volume (or 54%) was derived from oil sands production.

**Table 2.** Canadian Crude Oil Production (Canadian Association of Petroleum Producers)[12]

(Thousand Barrels per Day)

| Item and Region | 2006 | 2007 | 2008 | 2009 | Average 2006-2009 |
|---|---|---|---|---|---|
| **Total Oil Sands Production in Alberta** | 1,117 | 1,183 | 1,193 | 1,348 | 1,210 |
| | | | | | |
| Total Production, Western Canada | 2,319 | 2,373 | 2,366 | 2,454 | 2,378 |
| Total Production, Atlantic Canada | 304 | 369 | 342 | 268 | 321 |
| **Total Canadian Oil production** | 2,623 | 2,742 | 2,709 | 2,722 | 2,699 |
| | | | | | |
| **Share, oil sands vs. Total Canadian production** | 43% | 43% | 44% | 50% | 45% |

Table 3 below provides monthly Canadian crude oil production statistics provided by the EIA for the period beginning January 2007 through April 2010.

[12]CAPP Production Data, http://www.capp.ca/library/publications/crudeOilAndOilSands/pages/pubInfo.aspx?DocId=173004#C76r45HR9Or9.

**Table 3.** EIA Statistics for Total Canadian Crude Oil Production: Monthly[13]

(Thousands of Barrels per Day)

| | 2007 | 2008 | 2009 | 2010 |
|---|---|---|---|---|
| **January** | 3,390 | 3,332 | 3,354 | 3,231 |
| **February** | 3,451 | 3,339 | 3,463 | 3,417 |
| **March** | 3,532 | 3,426 | 3,337 | 3,387 |
| **April** | 3,440 | 3,281 | 3,090 | 3,356 |
| **May** | 3,412 | 3,161 | 3,042 | NA |
| **June** | 3,281 | 3,183 | 3,199 | NA |
| **July** | 3,396 | 3,406 | 3,398 | NA |
| **August** | 3,632 | 3,417 | 3,308 | NA |
| **September** | 3,444 | 3,287 | 3,199 | NA |
| **October** | 3,451 | 3,330 | 3,233 | NA |
| **November** | 3,459 | 3,438 | 3,447 | NA |
| **December** | 3,310 | 3,376 | 3,404 | NA |
| **Total** | **41,196** | **39,975** | **39,473** | **13,391** |

**Stocks**

Table 4 below provides monthly inventories of Canadian crude oil, Liquefied Petroleum Gases (LPG) and refined products in cubic meters and in U.S. barrel equivalents for the period beginning January 2006 through February 2010. The conversion factor utilized to convert inventory data from cubic meters to barrels is 6.28981. This data is provided by Statistics Canada, a Canadian government entity which compiles data relating to commercial, industrial, and financial information for Canada.

The majority of the LPG stocks consist of pentanes plus (also called natural gasoline) which is used as diluents to enhance crude oil flow rates in pipelines. Over the 2006 – 2009 period, the minimum level for inventories was 48 million barrels whereas the maximum level reached 58 million barrels. According to the most recent available data from Statistics Canada, inventories were at 57 million barrels in February 2010.

[13] EIA Production Data, http://tonto.eia.doe.gov/cfapps/ipdbproject/iedindex3.cfm?tid=50&pid=53&aid=1&cid=CA,&syid=2006&eyid=2010&freq=M&unit=TBPD

**Table 4.** Canadian Crude Oil Stocks, from Statistics Canada (Government source)[14]

| | Inventories of Canadian Crude Oil, Liquefied Petroleum Gases (LPG) and Refined Products (cubic meters) | Inventories of Canadian Crude Oil, Liquefied Petroleum Gases (LPG), and Refined Products (barrels) |
|---|---|---|
| **Jan-2006** | 8,161,271 | 51,332,844 |
| **Feb-2006** | 7,946,879 | 49,984,359 |
| **Mar-2006** | 7,633,056 | 48,010,472 |
| **Apr-2006** | 8,210,635 | 51,643,334 |
| **May-2006** | 8,121,362 | 51,081,824 |
| **Jun-2006** | 7,936,590 | 49,919,643 |
| **Jul-2006** | 7,906,655 | 49,731,358 |
| **Aug-2006** | 8,176,952 | 51,431,474 |
| **Sep-2006** | 7,859,863 | 49,437,045 |
| **Oct-2006** | 7,991,344 | 50,264,035 |
| **Nov-2006** | 7,756,610 | 48,787,603 |
| **Dec-2006** | 7,849,967 | 49,374,801 |
| **Jan-2007** | 7,676,558 | 48,284,091 |
| **Feb-2007** | 7,872,215 | 49,514,737 |
| **Mar-2007** | 8,101,830 | 50,958,971 |
| **Apr-2007** | 8,168,078 | 51,375,659 |
| **May-2007** | 8,305,471 | 52,239,835 |
| **Jun-2007** | 8,048,413 | 50,622,989 |
| **Jul-2007** | 7,737,960 | 48,670,298 |
| **Aug-2007** | 8,178,507 | 51,441,255 |
| **Sep-2007** | 8,222,149 | 51,715,755 |
| **Oct-2007** | 8,434,400 | 53,050,773 |
| **Nov-2007** | 8,245,760 | 51,864,264 |
| **Dec-2007** | 8,189,257 | 51,508,871 |
| **Jan-2008** | 8,190,118 | 51,514,286 |
| **Feb-2008** | 7,908,330 | 49,741,893 |
| **Mar-2008** | 8,537,807 | 53,701,184 |
| **Apr-2008** | 8,267,569 | 52,001,438 |
| **May-2008** | 7,971,990 | 50,142,302 |
| **Jun-2008** | 8,050,528 | 50,636,292 |
| **Jul-2008** | 8,495,457 | 53,434,810 |
| **Aug-2008** | 8,805,976 | 55,387,916 |

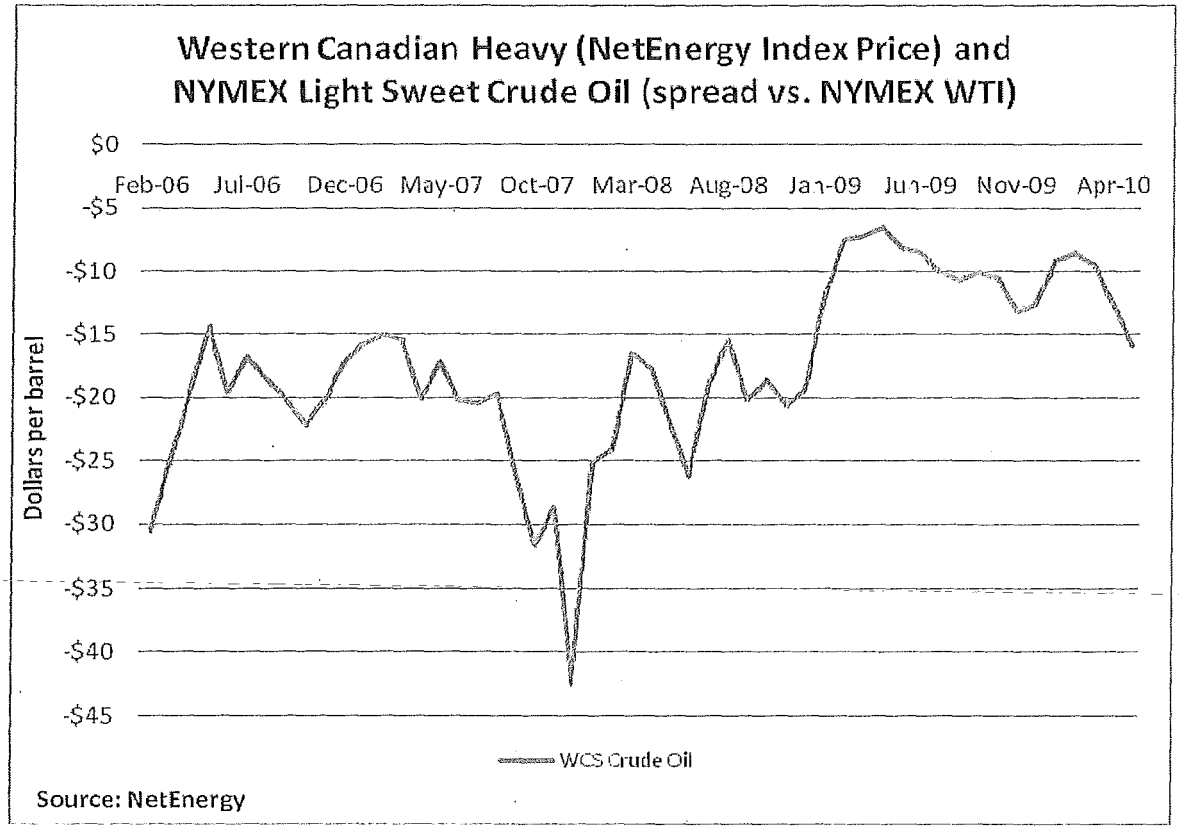
[14] Statistics Canada Stock Data, Chart 133-0001. http://cansim2.statcan.gc.ca/cgi-win/CNSMCGI.PGM?Lang=E&CANSIM2=1&RootDir=CII/&C2DB=PRD&ChunkSize=&SrchVer=&ResultTemplate=CII/CII_FLST&CIITables=2026.

| | Inventories of Canadian Crude Oil, Liquefied Petroleum Gases (LPG) and Refined Products (cubic meters) | Inventories of Canadian Crude Oil, Liquefied Petroleum Gases (LPG), and Refined Products (barrels) |
|---|---|---|
| **Sep-2008** | 8,712,080 | 54,797,328 |
| **Oct-2008** | 8,918,615 | 56,096,394 |
| **Nov-2008** | 8,670,530 | 54,535,986 |
| **Dec-2008** | 8,327,124 | 52,376,028 |
| **Jan-2009** | 8,503,916 | 53,488,016 |
| **Feb-2009** | 8,945,308 | 56,264,288 |
| **Mar-2009** | 8,931,314 | 56,176,268 |
| **Apr-2009** | 9,256,331 | 58,220,563 |
| **May-2009** | 9,251,254 | 58,188,630 |
| **Jun-2009** | 9,220,245 | 57,993,589 |
| **Jul-2009** | 9,022,255 | 56,748,270 |
| **Aug-2009** | 9,005,926 | 56,645,563 |
| **Sep-2009** | 8,726,812 | 54,889,989 |
| **Oct-2009** | 8,930,241 | 56,169,519 |
| **Nov-2009** | 8,884,106 | 55,879,339 |
| **Dec-2009** | 8,804,153 | 55,376,450 |
| **Jan-2010** | 8,848,699 | 55,656,635 |
| **Feb-2010** | 9,115,757 | 57,336,380 |

**Prices**

Figure 1 below reflects the monthly price provided by Net Energy for Western Canadian Select type crude oil. The contract is traded as a differential to the NYMEX Light Sweet Crude Oil Futures contact in U.S. dollars per barrel. On average annually over the 2006 – 2009 period, the average spread for Western Canadian Select crude oil was -6.969.

**Figure 1.** Western Canadian Select (WCS) Crude Oil and NYMEX Light Sweet Crude Oil Spread.




The crude oil market has an actively traded cash market at Hardisty, Alberta and has an active forward market. There are dozens of crude oil wholesalers and retailers that participate in the cash and OTC markets. Based on conversations with industry participants, the average daily trading volume for Western Canadian Select (WCS) type crude oil at Hardisty, Alberta is approximately 400,000 to 500,000 barrels per day. Further, the typical transaction size in the cash market is 25,000 barrels and there are 40 to 50 transactions occurring daily.

**Market Participants**

The Canadian crude oil cash market and OTC market participants are diverse and include around 40 to 50 commercial companies. A partial listing is as follows:

| Refiners/Producers | Traders/Importers | Brokers | Financial |
|---|---|---|---|
| ConocoPhillips | Sempra | United | Citibank |
| Valero | Vitol | GFI Starsupply | Deutsche Bank |
| Shell | Glencore | Net Energy | Barclays |
| Imperial (Exxon) | Plains | PVM | BankAmerica |
| BP | Koch | Shorcan | Wachovia Bank |
| Sunoco | Goldman Sachs | ARC Oil | JPMorgan |
| Husky Oil | Morgan Stanley | | Credit Suisse |
| Marathon | Hess Energy Trading | | |
| Murphy Oil | Noble Energy | | |
| Chevron | | | |
| Total | | | |
| PetroCanada | | | |
| Talisman | | | |
| Nexen | | | |
| Encana | | | |
| Canadian Natural Resources Ltd. | | | |

## ANALYSIS OF DELIVERABLE SUPPLY

In its analysis of deliverable supply, the Exchange concentrated on data for the oil sands production in Canada, which is the best estimate of Western Canadian Select (WCS) type crude oil in Western Canada in the proximity to the Hardisty hub.

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 prefer to 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 crude oil 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 new Canadian Heavy Crude Oil (Net Energy) Index Futures Contract, the Exchange set the spot position limits at 3,000 contract units. To be conservative, we have focused on the oil sands production data from the Canadian Association of Petroleum Producers (CAPP) from Table 2 above, which represents heavy WCS type oil production in Alberta, which is located in the vicinity of the Hardisty hub with pipeline connectivity. The total oil sands production in the Hardisty area averaged approximately 1.2 million barrels per day for the period 2006-2008, which is equivalent to 36 million barrels per month (or 36,000 contract equivalents). Thus, the spot month position limit of 3,000 contracts is 8.5% of the 36,000 contract equivalents of monthly supply.