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July 22, 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: REVISED Rule Certification. New York Mercantile Exchange, Inc.
Submission # 10-153R: Revised Notification Regarding Cash Market
Overview and Analysis of Deliverable supply for the Listing of Six (6)
Natural Gas Liquids Futures Contracts for Trading and Clearing**

Dear Mr. Stawick:

Previously, by letter dated June 2, 2010, the New York Mercantile Exchange, Inc. ("NYMEX" or the "Exchange") notified the Commodity Futures Trading Commission ("CFTC" or "Commission") under Submission #10-153 that it was self-certifying the listing of six (6) new natural gas liquids 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 6, 2010 for trade date Monday, June 7, 2010. For your convenience, the six (6) natural gas liquids contracts, commodity codes and rule chapters are provided in the table below.

CONTRACT	CODE	RULE CHAPTER
Conway Propane (OPIS) BALMO Swap Futures	CPB	133
Conway Natural Gasoline (OPIS) BALMO Swap Futures	CGB	134
Conway Normal Butane (OPIS) BALMO Swap Futures	CBB	135
Daily Mont Belvieu LDH Propane (OPIS) Swap Futures	C3D	136
Daily Mont Belvieu Normal Butane (Non-LDH) (OPIS) Swap Futures	C4D	137
Daily Mont Belvieu Natural Gasoline (Non-LDH) (OPIS) Swap Futures	C5D	138

In this letter, the Exchange is providing the Commission cash market overview and analysis of deliverable supply for the listing of the above-referenced Natural Gas Liquids contracts. The cash market overview and analysis of deliverable supply contained herein under Appendix A supersede and replace the supplemental market information provided to the Commission under Submission #10-153.

Should you have any questions concerning the above, please contact Daniel Brusstar at (212) 299-2604 or the undersigned at (212) 299-2207.

Sincerely,

/s/ Brian Regan
Managing Director and Regulatory Counsel

Attachment: Appendix A

CONTRACT OVERVIEW

The New York Mercantile Exchange, Inc. (NYMEX or Exchange) is self-certifying the listing of six financially settled Natural Gas Liquids (NGL) contracts consisting of three daily swap futures based on existing swap futures and three Balance-of-Month (BALMO) swap futures based on existing swap futures. The contracts, rule chapters, commodity codes, and underlying futures are listed in the table below. The price for the contracts will be based on the price assessment published by Oil Price Information Service (OPIS).

The final settlement for the three new daily swap futures is based on the daily price for each contract day. The final settlement for the three new BALMO swap futures is equal to the balance-of-month arithmetic average, 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 OPIS 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 oil 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. 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.

Contract	Rule Chapter	Code	Underlying Contract
Conway Propane (OPIS) BALMO Swap Futures	133	CPB	8K
Conway Natural Gasoline (OPIS) BALMO Swap Futures	134	CGB	8L
Conway Normal Butane (OPIS) BALMO Swap Futures	135	CBB	8M
Daily Mont Belvieu LDH Propane (OPIS) Swap Futures	136	C3D	7Q
Daily Mont Belvieu Normal Butane (Non-LDH) (OPIS) Swap Futures	137	C4D	D0
Daily Mont Belvieu Natural Gasoline (Non-LDH) (OPIS) Swap Futures	138	C5D	B0

CASH MARKET OVERVIEW

Market Overview

Natural Gas Liquids (NGLs), also called Liquefied Petroleum Gases (LPGs) or Natural Gas Plant Liquids (NGPLs), are hydrocarbons comprised of propane and other related natural gas liquids, including natural gasoline, ethane, normal butane and iso-butane. NGLs are utilized as processing and blending components, feedstocks in the production of ethylene and propylene, and as fuel for heating and industrial processes.

NGLs are by-products of either of the following two processes: natural gas plant processing or petroleum refining. Fractionation is the process in which NGLs are removed from natural gas in processing plants; beginning with the removal of the lighter NGLs from the stream. Separating the lighter from the heavier hydrocarbons allows for ease of separating each NGL. During the natural gas plant production process, NGLs are produced as a result of the extraction of materials such as propane, ethane, and butane from natural gas in order to prevent these liquids from condensing and causing operational problems within the natural gas pipelines. Similarly, when oil refineries produce petroleum products, such as gasoline and heating oil, certain NGLs are also produced as a by-product of those processes. Refineries are both major consumers and producers of NGLs.

Given that NGLs are a by-product and are not directly produced, their production cannot be adjusted to coincide with changes in prices and/or demand. In addition, NGLs can be imported/exported and stored. The primary end-users for the various NGLs are the refineries, petrochemical and industrial companies, including plastics manufacturers. The manufacturing sector purchases the NGLs to use as inputs for their production process of plastic products and components. Propane is used as a petrochemical feedstock and for heating and residential uses. Natural gasoline is a key input for petrochemical feedstock and as a gasoline additive. Normal butane is used as a gasoline-blending component during cold weather to boost the Reid Vapor Pressure (RVP) and assist with the start of a cold engine. Normal butane is also used as a petrochemical feedstock.

As described by the U.S. Department of Energy's Energy Information Administration (EIA), propane¹ is a normally gaseous straight-chain hydrocarbon. It is a colorless paraffinic gas that boils at a temperature of -43.67 degrees Fahrenheit and is extracted from natural gas or refinery gas streams. The main grade of propane is HD-5 (Heavy Duty-5) which is the highest grade of propane that is available to consumers in the U.S. The HD-5 denotes that the propane contains up to 5% of propylene; HD-10 propane is a lower grade product that has a higher propylene content.

Natural Gasoline² is a mixture of hydrocarbons (mostly pentanes and heavier hydrocarbons) that are extracted from natural gas and the refining of crude oil. Natural gasoline is considered part of the "pentanes plus" category, which is a mixture of hydrocarbons comprised of iso-pentane, natural gasoline, and plant condensate. It is used for chemical cracking and as a diluent for crude oil to enhance pipeline flow rates. In addition, natural gasoline is used as a blending component for unleaded gasoline. In particular, it is favored during summer months when a lower RVP specification is required. Data on the natural gasoline market can be found under the heading of "Pentanes Plus" from the EIA.

Normal butane³ is a normally gaseous straight-chain or branch-chain hydrocarbon extracted from natural gas or petroleum refinery streams. It includes iso-butane and normal butane. As stated above, Normal butane is used as a gasoline-blending component during cold weather to boost the RVP and assist with the start of a cold engine. It is also used as a petrochemical feedstock.

There are two key trading and storage hubs for NGLs in the U.S.: Mont Belvieu, Texas and Conway, Kansas. Mont Belvieu, Texas is the largest storage area for natural gas liquids in the world, with storage capacity of more than 100 million barrels. Natural gas liquids are stored in underground salt caverns that are directly linked to interstate pipelines, and are connected to primary production areas in the Gulf Coast. In addition, the interstate pipelines also provide connectivity to the large demand areas in the South, Northeast and Midwest markets. Mont Belvieu is utilized as the price reference point for NGL markets in North America. Roughly 70,000 miles of pipelines are committed to the movement of NGLs in the U.S. market. In addition to pipeline delivery, NGLs are also transported via rail cars, highway transports, delivery trucks, barges, and ocean tankers.

¹ Propane, <http://www.eia.doe.gov/glossary/index.cfm?id=P>

² Natural Gasoline, <http://www.eia.doe.gov/glossary/index.cfm?id=N>

³ Butane, <http://www.eia.doe.gov/glossary/index.cfm?id=B>

Mont Belvieu is located within Petroleum Administration for Defense District (PADD) 3 which has further regional breakdowns that include the Texas Inland, Texas Gulf Coast, and the Louisiana Gulf Coast⁴. For the Mont Belvieu market, we believe that the best estimate of supply comes from the EIA's production statistics for the Texas Inland and Texas Gulf Coast regions because of the extensive pipeline connectivity from those regions to the Mont Belvieu hub.

Conway, Kansas is the second largest storage facility for natural gas liquids in the United States. Natural gas liquids in Conway are also stored in salt caverns like those in Mont Belvieu, Texas. Conway is located within PADD 2, in the regional area of Oklahoma-Kansas-Missouri⁵. Conway is a key terminal area for propane and NGLs, and is linked directly to Mont Belvieu via the Sterling pipeline system (owned by Oneok Partners), and therefore, NGL supply can flow from Mont Belvieu to Conway. A pipeline map showing the link between Conway and Mont Belvieu is attached in the Oneok slide presentation on page 15 of Oneok's *Wells Fargo Natural Gas Liquids Summit Presentation* made at a recent analyst meeting on May 26, 2010. The presentation is available on the Oneok website at the following link:

<http://files.shareholder.com/downloads/OKE/966931056x0x376633/fec776b0-325a-4feb-b355-2b65fcf17f1b/05-2010%20NGL%20Symposium-Wells%20Fargo%20PDF.pdf>

Additional information on Oneok and its NGL operations, as well as detailed information about the NGL market is provided in Oneok's *NGL Overview and Mont Belvieu Fractionator Tour Presentation* dated April 12, 2010. The presentation is available on the Oneok website at the following link:

http://files.shareholder.com/downloads/OKE/966931056x0x365586/b219016d-0ac5-424b-936c-3a7b7e522b47/NGLOverview_MontBelvieuFracTour.pdf

Further, the Conway hub is connected directly to the Texas Inland region via the Mid-America Pipeline (owned by Enterprise Products Partners), and thus the NGL production in the Texas Inland area can flow directly to the Conway market. A pipeline map is attached on page 70 of the Enterprise presentation available at the link below. The Mid-America pipeline flows into Conway, Kansas from its origin in Hobbs, Texas where Enterprise owns a 75,000 barrel-per-day NGL fractionator. Attached is a slide presentation with details on the Enterprise pipeline system (also available online):

<http://phx.corporate-ir.net/External.File?item=UGFyZW50SUQ9MzczMzZ8Q2hpbGRJRD0tMXxUeXBIPtM=&t=1>

⁴ Petroleum Administration for Defense District 3,
http://www.eia.doe.gov/pub/oil_gas/petroleum/data_publications/petroleum_supply_monthly/current/pdf/append.pdf

⁵ Petroleum Administration for Defense District 2,
http://www.eia.doe.gov/pub/oil_gas/petroleum/data_publications/petroleum_supply_monthly/current/pdf/append.pdf

The EIA data provide detailed production, stocks, and trade statistics for the various NGLs. EIA provides production data on NGLs from the two main production processes: natural gas plant processing and petroleum refining production. The EIA breaks down the production data by PADD region and by smaller sub-regions within each PADD. The production data contained herein reflects natural gas plant production plus refinery/blender production data by smaller sub-regions within the respective PADD regions to reflect production data in the two hubs of Conway, Kansas and Mont Belvieu, Texas.

PADD 3

Tables 1 and 2 below provide monthly import and export data, respectively, for natural gas liquids in the PADD 3 region. According to EIA data, in 2009, there was a net import balance of more than four million barrels of pentanes plus (natural gasoline) as EIA reported no exports of pentanes plus for that year. In addition, in 2009, EIA reported no imports of propane thus the net export balance for propane was approximately 28 million barrels for 2009. EIA reported that during 2009, imports of normal butane were approximately 1.3 million barrels and exports of normal butane were approximately 2.7 million barrels. Thus, net exports of normal butane for 2009 were approximately 1.4 million barrels.

Table 1. EIA Data: Gulf Coast (PADD 3) Imports of Natural Gas Liquids⁶

(Monthly – Thousand Barrels)

Date	Imports of Pentanes Plus (Natural Gasoline)	Imports of Propane	Imports of Normal Butane
Jan-2006	304	275	464
Feb-2006	2290	-	813
Mar-2006	685	199	549
Apr-2006	701	1905	1806
May-2006	438	1789	1830
Jun-2006	1126	3542	2110
Jul-2006	336	3414	1593
Aug-2006	887	5411	1849
Sep-2006	102	3588	2561
Oct-2006	790	2446	1649
Nov-2006	914	638	356
Dec-2006	1018	-	317
TOTAL	9591	23207	15897
Jan-2007	980	-	589
Feb-2007	260	-	450

⁶ EIA Import Data, http://www.eia.doe.gov/dnav/pet/pet_move_imp_dc_R30-Z00_mbbbl_m.htm

Date	Imports of Pentanes Plus (Natural Gasoline)	Imports of Propane	Imports of Normal Butane
Mar-2007	1148	-	536
Apr-2007	748	969	832
May-2007	945	1785	1109
Jun-2007	914	2442	2099
Jul-2007	1564	281	1027
Aug-2007	1341	975	677
Sep-2007	510	3605	630
Oct-2007	1055	1415	193
Nov-2007	425	1637	-
Dec-2007	248	-	244
TOTAL	10138	13109	8386
Jan-2008	-	204	289
Feb-2008	552	-	964
Mar-2008	1270	-	148
Apr-2008	889	-	1044
May-2008	1019	-	830
Jun-2008	697	683	1238
Jul-2008	544	983	786
Aug-2008	135	2235	2225
Sep-2008	552	2819	842
Oct-2008	567	851	94
Nov-2008	495	103	183
Dec-2008	654	276	251
TOTAL	7374	8154	8894
Jan-2009	932	-	-
Feb-2009	511	-	-
Mar-2009	265	-	52
Apr-2009	404	-	192
May-2009	441	-	701
Jun-2009	275	-	-
Jul-2009	142	-	-
Aug-2009	-	-	201
Sep-2009	461	-	-
Oct-2009	-	-	131
Nov-2009	695	-	-
Dec-2009	-	-	-
TOTAL	4126	0	1277
Jan-2010	-	-	-
Feb-2010	330	-	-
Mar-2010	249	-	-
TOTAL	579	0	0

Table 2. EIA Data: Gulf Coast (PADD 3) Exports of Natural Gas Liquids⁷

(Monthly – Thousand Barrels)

Date	Exports of Pentanes Plus (Natural Gasoline)	Exports of Propane and Propylene	Exports of Normal Butane-Butylene
Jan-2006	-	1018	175
Feb-2006	-	2341	66
Mar-2006	-	1433	32
Apr-2006	-	1153	10
May-2006	-	586	8
Jun-2006	-	488	9
Jul-2006	-	543	7
Aug-2006	-	619	9
Sep-2006	-	461	10
Oct-2006	-	878	49
Nov-2006	-	1037	44
Dec-2006	-	1128	57
TOTAL	0	11685	476
Jan-2007	-	2090	50
Feb-2007	-	1224	171
Mar-2007	-	1234	82
Apr-2007	-	373	49
May-2007	-	619	8
Jun-2007	-	410	12
Jul-2007	-	841	7
Aug-2007	-	463	25
Sep-2007	-	375	16
Oct-2007	-	334	12
Nov-2007	-	2344	26
Dec-2007	-	1009	146
TOTAL	0	11316	604
Jan-2008	-	2666	15
Feb-2008	-	2756	43
Mar-2008	-	2050	42
Apr-2008	-	1034	6
May-2008	-	1394	57
Jun-2008	-	388	20
Jul-2008	-	336	33
Aug-2008	-	377	6
Sep-2008	-	392	22
Oct-2008	-	1495	152
Nov-2008	-	339	8
Dec-2008	-	699	244
TOTAL	0	13926	648
Jan-2009	-	2132	364
Feb-2009	-	3132	16

⁷ EIA Export Data, http://www.eia.doe.gov/dnav/pet/pet_move_exp_dc_R30-Z00_mbbbl_m.htm

Date	Exports of Pentanes Plus (Natural Gasoline)	Exports of Propane and Propylene	Exports of Normal Butane-Butylene
Mar-2009	-	2409	128
Apr-2009	-	1957	5
May-2009	-	1035	22
Jun-2009	-	1129	211
Jul-2009	-	1452	219
Aug-2009	-	3127	135
Sep-2009	-	2085	249
Oct-2009	-	3405	424
Nov-2009	-	2776	557
Dec-2009	-	3515	347
TOTAL	0	28154	2677
Jan-2010	-	3826	185
Feb-2010	-	2348	157
Mar-2010	127	2628	126
TOTAL	127	8802	468

Table 3 below provides the monthly EIA data for PADD 3 stocks of propane, pentanes plus (natural gasoline), and normal butane-butylene. According to industry sources, approximately 60% to 70% of PADD 3 stocks are held in Mont Belvieu storage caverns. For the period of 2006 to present, propane stocks in PADD 3 varied from a high of 39 million barrels in October 2006 to a low of 13 million barrels in March 2008. During this same period, normal butane stocks varied from 22.5 million barrels in August 2006 to 6.9 million barrels in January 2008. Meanwhile, stocks of pentanes plus hit a high of 12 million barrels in September 2006 and fell to 5.7 million barrels in February 2008.

Table 3. Gulf Coast (PADD 3) Total Stocks⁸
(Monthly Thousand Barrels)

Date	Gulf Coast Ending Stocks of Pentanes Plus (Natural Gasoline)	Gulf Coast Ending Stocks of Propane and Propylene	Gulf Coast Ending Stocks of Normal Butane-Butylene
Jan-2006	5731	27010	9670
Feb-2006	6698	19185	9468
Mar-2006	5634	15552	9686
Apr-2006	8220	16389	12232
May-2006	9495	19224	15003
Jun-2006	8695	22502	17688
Jul-2006	9343	27650	20087
Aug-2006	10215	31155	22518
Sep-2006	12041	36566	22100

⁸ EIA Stock Data, http://www.eia.doe.gov/dnav/pet/pet_stoc_typ_d_r30_SAE_mbb1_m.htm

Date	Gulf Coast Ending Stocks of Pentanes Plus (Natural Gasoline)	Gulf Coast Ending Stocks of Propane and Propylene	Gulf Coast Ending Stocks of Normal Butane-Butylene
Oct-2006	9980	38826	20947
Nov-2006	9761	35750	17128
Dec-2006	8265	31198	12811
Jan-2007	8375	23376	9442
Feb-2007	7466	16931	7400
Mar-2007	7887	14244	8409
Apr-2007	7307	15779	9967
May-2007	8249	18413	13378
Jun-2007	7807	21735	16585
Jul-2007	8470	23196	17735
Aug-2007	10465	25285	19576
Sep-2007	8239	27471	19314
Oct-2007	8694	29689	16237
Nov-2007	9054	30249	11600
Dec-2007	7097	25679	8642
Jan-2008	6812	20632	6943
Feb-2008	5673	16128	7222
Mar-2008	6324	13235	8739
Apr-2008	8387	15472	12134
May-2008	8215	18277	16323
Jun-2008	8956	19523	19223
Jul-2008	10432	21224	21043
Aug-2008	9450	24505	23188
Sep-2008	11537	27537	24124
Oct-2008	9285	29892	19579
Nov-2008	8212	32407	15471
Dec-2008	10607	31310	11421
Jan-2009	12102	28654	7717
Feb-2009	12583	23219	7458
Mar-2009	12285	22532	9439
Apr-2009	11862	24567	13445
May-2009	13006	29804	17816
Jun-2009	13518	35948	20416
Jul-2009	13515	35038	22633
Aug-2009	13282	35455	26881
Sep-2009	11741	36614	25609
Oct-2009	10441	36649	22436
Nov-2009	9853	31809	16903
Dec-2009	7894	25104	12210
Jan-2010	6448	17203	9637

Date	Gulf Coast Ending Stocks of Pentanes Plus (Natural Gasoline)	Gulf Coast Ending Stocks of Propane and Propylene	Gulf Coast Ending Stocks of Normal Butane-Butylene
Feb-2010	6565	13905	8222
Mar-2010	5923	14691	9580

The production data in Table 4 below are for the vicinity of the Mont Belvieu area using the EIA regional breakdown for "Texas Inland" and "Texas Gulf Coast". This area has direct pipeline connectivity to the Mont Belvieu hub, and provides a good estimate of supply that is available for the Mont Belvieu market. According to data provided by EIA in Table 4 below, the propane production in the Mont Belvieu area in 2009 was approximately 300,000 barrels per day, which is equivalent to 9.0 million barrels per month (or 9,000 contract equivalents). Further, the pentanes plus (natural gasoline) production in 2009 was 107,000 barrels per day, which is equivalent to 3.2 million barrels per month (or 3,200 contract equivalents). The normal butane production was 53,000 barrels per day, which is equivalent to approximately 1.6 million barrels per month (or 1,600 contract equivalents).

Table 4. EIA Data: Natural Gas Plant Field Production plus Refinery & Blender Net Production

(Annual Thousand Barrels per Day)

Mt. Belvieu Area				
Region: Texas Inland & Texas Gulf Coast				
	2007	2008	2009	Average 2007-2009
Pentanes Plus (Natural Gasoline)	108	109	107	108
Propane	292	285	301	293
Normal Butane	49	68	53	57

Table 5 below reflects production data within PADD 3 for the "Texas Inland and Texas Gulf Coast" regions (Table 4) plus the "Louisiana Gulf Coast" region. EIA data in Table 5 provides production volume for the broader region of Texas Inland, Texas Gulf Coast and Louisiana Gulf Coast. This larger production area shows a significant increase for propane and normal butane production. The propane production in the larger area in 2009 was approximately 440,000 barrels per day, which is equivalent to 13 million barrels per month (or 13,000 contract equivalents). Further, the normal butane production in 2009 was 80,000 barrels per day, which is equivalent to 2.4 million barrels per month (or 2,400 contract

equivalents). In 2009, pentanes plus production was 135,000 barrels per day, which is equivalent to 4.0 million barrels per month (or 4,000 contract equivalents).

Table 5. Natural Gas Plant Field Production plus Refinery & Blender Net Production⁹

(Annual Thousand Barrels per Day)

Region: Texas Inland & Gulf Coast, plus the Louisiana Gulf Coast				
	2007	2008	2009	Average 2007-2009
Pentanes Plus (Natural Gasoline)	143	135	135	138
Propane	436	405	438	426
Normal Butane	76	99	80	85

PADD 2

Table 6 below provides EIA production data from the vicinity of the Conway hub using the breakdown for "Oklahoma-Kansas-Missouri" as provided by EIA. Propane production in the Conway area of Oklahoma-Kansas-Missouri in 2009 was 91,000 barrels per day, which is equivalent to 2.7 million barrels per month (or 2,700 contract equivalents). Further, the pentanes plus (natural gasoline) production in 2009 was 28,000 barrels per day, which is equivalent to 840,000 barrels per month (or 840 contract equivalents). The normal butane production was 23,000 barrels per day, which is equivalent to approximately 700,000 barrels per month (or 700 contract equivalents).

Based on conversations with industry participants, Conway NGL supply is augmented by the pipeline flow from the Mont Belvieu and Texas Inland areas. According to these industry sources, conservatively 20% to 25% of the Texas Gulf Coast and Texas Inland production is shipped via pipeline to Conway from Mont Belvieu and Texas Inland area (See Table 4 above for Texas Gulf Coast and Texas Inland production data). As explained above, the Conway hub is connected directly to the Texas Inland region via the Mid-America Pipeline (owned by Enterprise Products Partners), so the NGL production in the Texas Inland area can flow directly to the Conway market. A pipeline map is attached on page 70 of the Enterprise presentation referenced above. Further, as mentioned earlier, the Conway hub is linked to

⁹ EIA Production Data, http://www.eia.doe.gov/dnav/pet/pet_pnp_gp_dc_r3a_mbbldpd_a.htm, http://www.eia.doe.gov/dnav/pet/pet_pnp_gp_dc_r3b_mbbldpd_a.htm, http://www.eia.doe.gov/dnav/pet/pet_pnp_refp_dc_r3a_mbbldpd_a.htm, http://www.eia.doe.gov/dnav/pet/pet_pnp_refp_dc_r3b_mbbldpd_a.htm, http://www.eia.doe.gov/dnav/pet/pet_pnp_gp_dc_r3c_mbbldpd_a.htm, and http://www.eia.doe.gov/dnav/pet/pet_pnp_refp_dc_r3c_mbbldpd_a.htm.

Mont Belvieu via the Sterling pipeline system (owned by Oneok Partners), so additional supply can flow to Conway by pipeline from the larger hub at Mont Belvieu.

Based on industry estimates that 20% to 25% of Texas Gulf Coast and Texas Inland production flows to the Conway hub, we have estimated the total propane supply in the Conway area in 2009 at approximately 150,000 barrels per day, which is equivalent to 4.5 million barrels per month (or 4,500 contract equivalents). Further, the total pentanes plus (natural gasoline) supply at Conway in 2009 was 50,000 barrels per day, which is equivalent to 1.5 million barrels per month (or 1,500 contract equivalents). The normal butane supply was 34,000 barrels per day, which is equivalent to approximately 1.0 million barrels per month (or 1,000 contract equivalents).

Table 6. EIA Data: Natural Gas Plant Field Production plus Refinery & Blender Net Production¹⁰

(Annual Thousand Barrels per Day)

Conway Area: Okla, Kansas, Mo.				
	2007	2008	2009	Average 2007-2009
Pentanes Plus (Natural Gasoline)	26	28	28	27
Propane	81	88	91	87
Normal Butane	19	18	23	20

The three Conway BALMO contracts (propane, natural gasoline and normal butane) are cash-settled based on the OPIS quotations at the hub in Conway, Kansas. Based on conversations with industry participants, the average daily trading volume for propane at the Conway hub is approximately 100,000 to 150,000 barrels. In addition, the average daily trading volume for natural gasoline and normal butane in the Conway cash market of around 50,000 barrels for each product.

The NGL market has an actively traded cash market at Mont Belvieu, and has an active forward market that trades on the ICE Chemconnect platform. In addition, there is a robust OTC swaps market transacted by OTC brokers and by the Houston Mercantile Exchange platform. There are dozens of NGL wholesalers and retailers that participate in the cash and OTC markets. Based on conversations with market participants, the average daily trading volume in Mont Belvieu for each of the NGLs varies, with propane at 800,000 to one million barrels per day, natural gasoline at approximately 400,000 to 500,000

¹⁰ EIA Production Data, http://www.eia.doe.gov/dnav/pet/pet_pnp_gp_dc_r2c_mbbldpd_a.htm and http://www.eia.doe.gov/dnav/pet/pet_pnp_refp_dc_r2c_mbbldpd_a.htm

barrels per day, and normal butane and iso-butane in the area of 200,000 to 250,000 barrels per day. The average size of the typical transaction in the cash market or OTC market is 5,000 barrels and there are 40 to 50 transactions occurring daily.

Index Provider

Oil Price Information Service (OPIS) is the price reporting service used for the final settlement of the 6 new Natural Gas Liquids (NGL) contracts. OPIS is one of the main pricing services that are used in the NGL market for pricing physical and over-the-counter (OTC) swap contracts, and their methodology is well-known in the industry. OPIS has a long-standing reputation in the industry for price benchmarks that are fair and not manipulated.

The OPIS pricing methodology¹¹ relies on telephone surveys and electronic data from dozens of market participants to determine market value. OPIS tracks trading in "any month" transactions which reflect deals that the buyer and the seller agree will be delivered at any time during the current calendar month. Settlements for the 6 new NGL contracts are based on prices from trading in "any month" transactions.

NYMEX is currently entered into an agreement with OPIS to utilize their pricing data.

¹¹ <http://www.opisnet.com/methodology.asp#nql>

ANALYSIS OF DELIVERABLE SUPPLY

In its analysis of deliverable supply, the Exchange concentrated on data for the production areas in proximity to the two hubs at each of Conway and Mont Belvieu. For the Mont Belvieu hub, we have focused on the EIA production areas of "Texas Inland" and "Texas Gulf Coast" as the main sources of deliverable supply for the NGLs. With regard to the Conway hub, the Exchange used EIA production data from the area of "Oklahoma-Kansas-Missouri", plus additional pipeline supply equivalent to 20% of the production from Texas Gulf Coast and Texas Inland areas.

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 establish position limits for new products based on stock data. Further, the Exchange has determined not to adjust the deliverable supply estimate based on the spot availability of the NGLs 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 market 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 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 Conway balance-of-month (BALMO) contracts for propane, natural gasoline and normal butane, the Exchange set the position limits at 250 contracts, with aggregation into the underlying swap contracts. To be conservative, we have focused on the production capacity in the vicinity of the Conway hub using the breakdown for Oklahoma, Kansas, and Missouri. In addition, there is additional supply that flows to Conway by pipeline from Mont Belvieu and Texas Inland areas. As mentioned above, based on conversations with market participants, we estimate conservatively that around 20% of the Texas Inland and Gulf Coast production (from Table 4) flows by pipeline to the Conway hub. We have estimated that the total propane supply in the Conway area in 2009 was approximately 150,000 barrels per day, which is equivalent to 4.5 million barrels per month (or 4,500

contract equivalents). Thus, the spot month position limit of 250 contracts is less than 6% of the estimated 4,500 contract equivalents of monthly supply.

Further, the total pentanes plus (natural gasoline) supply at Conway in 2009 was 50,000 barrels per day, which is equivalent to 1.5 million barrels per month (or 1,500 contract equivalents). Therefore, the spot month position limit of 250 contracts is 17% of the estimated 1,500 contracts of monthly deliverable supply.

We estimate that the Conway normal butane supply in 2009 was 34,000 barrels per day, which is equivalent to approximately 1.0 million barrels per month (or 1,000 contract equivalents). Thus, the spot position limit of 250 contracts is 20% of the estimated 1,000 contract equivalents of monthly supply.

For the three new Mont Belvieu daily contracts (propane, normal butane and natural gasoline), the Exchange set conservative spot month position limits of 250 contracts based on the production data in Table 4 for the immediate Mont Belvieu area. The propane production in the Mont Belvieu area in 2009 was approximately 300,000 barrels per day, which is equivalent to 9.0 million barrels per month (or 9,000 contract equivalents). Therefore, the spot month limit of 250 contracts is equivalent to 3% of the estimated 9,000 contract equivalents of monthly supply.

Further, Texas production of pentanes plus (natural gasoline) in 2009 was 107,000 barrels per day, which is equivalent to 3.2 million barrels per month (or 3,200 contract equivalents). Thus, the position limit of 250 contracts is equivalent to 8% of the estimated total monthly supply of the 3,200 contract equivalents of monthly supply. Finally, the normal butane production was 53,000 barrels per day, which is equivalent to approximately 1.6 million barrels per month (or 1,600 contract equivalents). Therefore, the spot month limit of 250 contracts is 16% of the estimated 1,600 contract equivalents of monthly supply.

Market Participants

The NGL cash market and OTC market participants are diverse and include 30 to 40 wholesalers and retailers. A partial listing is as follows:

Refiners/Producers

ConocoPhillips
Valero
Shell
ExxonMobil
BP
Sunoco
Hess
Lyondell
Enterprise Products
INEOS
Oneok Energy
Lukoil
Enbridge

Traders/Retailers

Louis Dreyfus
Vitol
Glencore
Koch
Conagra
Cargill
Morgan Stanley
Goldman Sachs
Transammonia
Suburban Propane
Sempra
Inergy Propane
Trafigura
Plains Marketing
Statoil Marketing
DCP Midstream
Noble Energy

Brokers

Liquidity Partners
Nuevo Partners
Nordico
Houston Merc
Echo Energy
Lozier Energy
ION Energy

Financial

Barclays Bank
Wells Fargo
Citibank
JP Morgan
Credit Suisse