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August 17, 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 # 10-235: Notification Regarding the Listing of Physically Delivered Conway Physical Propane In-Well (OPIS) Futures and Financially Settled Conway Propane (OPIS) Average Price Option Contracts for Trading on the NYMEX Trading Floor and for Submission 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 Conway Physical Propane In-Well (OPIS) Futures contract and Conway Propane (OPIS) Average Price Option contract for trading on the NYMEX trading floor and for submission for clearing through CME ClearPort beginning at 6:00 p.m. on Sunday, August 22, 2010 for trade date Monday, August 23, 2010.

The contracts, commodity codes, rule chapters and listing schedules are as follows:

| Contract | Code | Rule Chapter | First Listed Month | Listing Period |
|---|---|---|---|---|
| Conway Physical Propane In-Well (OPIS) Futures | CPP | 241 | September 2010 | 48 consecutive months |
| Conway Propane (OPIS) Average Price Option | CPR | 132 | September 2010 | Current year and next 3 consecutive calendar years |

The new futures and option contracts 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).

The underlying futures contract for the Conway Propane (OPIS) Average Price Option is the Conway Propane (OPIS) Swap Futures contract (Chapter 257; commodity code 8K).

In addition, the Exchange will allow the exchange for related position (EFRP) transactions to be submitted through CME ClearPort. EFRP transactions in these futures and option 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 these contracts, 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 contracts comply with the Act, including regulations under the Act. This submission will be made effective on trade date August 23, 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

8404

## Chapter 241

# Conway Physical Propane In-Well (OPIS) Futures

**241.01 SCOPE**

The provisions of these Rules shall apply to all Liquefied Propane Gas bought or sold for clearing on the Exchange with delivery at the Williams Midstream Natural Gas Liquids (WMNGL) facility in Conway, Kansas.

**241.02 REFERENCE TO SELLER AND BUYER**

(A) Except with respect to Rules 241.10, and 241.15, the terms "seller" and "buyer" shall mean the short Clearing Member and the long Clearing Member, respectively.

(B) In Rules 241.10, and 241.15, the terms "seller" and "buyer" shall mean the seller and buyer of the physical product.

**241.03 FINAL SETTLEMENT PRICE**

The final settlement price for the delivery month shall be the Oil Price Information Service ("OPIS") average price on the last trading day for Conway Propane (in-well).

**241.04 CONTRACT UNIT**

The contract unit to be delivered by the seller shall be 42,000 U.S. gallons (1,000 U.S. barrels). There shall be no volume tolerance permitted under these Rules.

The volume delivered shall be determined at 60 degrees Fahrenheit using GPA Standard 2142. GPA refers to the Gas Processors Association.

**241.05 GRADE AND QUALITY SPECIFICATIONS**

Liquefied Propane Gas shall meet the specifications of the Williams Midstream Natural Gas Liquids (WMNGL) facility outlined below, which may be amended from time to time:

| PROPANE | | |
|---|---|---|
| **COMPONENT** | **TEST METHODS** | **SPECIFICATIONS** |
| Vapor Pressure, PSIG @ 100°F | MAPL Test No. 1/ASTM D-1267 | 208 max. |
| Volatility: Temperature @ 95% evaporation | MAPL Test No. 3/ASTM D-1837 | -37°F max. |
| Corrosiveness: Copper Strip @ 100°F | MAPL Test No. 9/ASTM D-1838 | No. 1 |
| Volatile Sulfur: PPM by wt. max. | MAPL Test No. 11/ASTM D-2784 | 123 ppm wt. max. |
| Propylene, Max L.V.%<br>Butanes, Max. L.V.% | MAPL Test No. 6/ASTM D-2163 | 5.00 L.V.% max.<br>2.50 L.V.% max. |
| Propane, Min. L.V.% | MAPL Test No. 6/ASTM D-2163 | 90.00 L.V.% min. |
| Hydrogen Sulfide | MAPL Test No. 12/ASTM D-2410 | Pass |
| Dryness: Freeze Valve, Seconds, Minimum | MAPL Test No. 14/ ASTM D-2713 | 60 |
| Residual Matter: Residue on Evaporation, 100°F ML. Max.<br>Oil Stain Observation | MAPL Test No. 4/ASTM D-2158 | 0.05 ML max.<br>Pass |

**241.06 DELIVERY MONTHS**

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

**241.07 PRICES AND FLUCTUATIONS**

Prices shall be quoted in dollars and cents per gallon. The minimum price fluctuation shall be $0.00001 (0.001¢) per gallon.

**241.08 TERMINATION OF TRADING**

No trades in Conway Physical Propane In-Well (OPIS) Futures deliverable in the current month shall be made after the second-to-last business day of the delivery month (the "last trade date"). In the event that the originally listed last trade date is declared a holiday, the last trade date will move to the business day immediately prior. Any contracts remaining open after the last trade date must be either:

(A) Settled by delivery which shall take place no later than the last business day of the delivery month.

(B) Liquidated by means of a bona fide Exchange for Related Position ("EFRP"). An EFRP is permitted in the expiring futures contract at any time before 2:30 p.m. on the last day of trading for the futures contract, provided, however, that an EFRP shall not be permitted on the first business day following the expired futures contract.

**241.09 DELIVERY LOCATION**

(A) Delivery shall be made Free-On-Board (F.O.B.) at the Williams facility or, with the mutual agreement of the buyer and the seller, at any pipeline, storage facility, or fractionation facility in Conway, Kansas. Delivery shall be made with all applicable Federal executive orders and all applicable Federal, State and Local laws and regulations.

(B) For the purposes of this Rule, the term F.O.B. shall mean a delivery in which the seller delivers to the buyer liquefied propane gas which is free of all liens, encumbrances, unpaid taxes, fees and other charges.

(C) The seller shall retain title to, and bear the risk of, loss for the product until the product is delivered to the buyer.

**241.10 DELIVERY METHODS**

Delivery shall be made by any of the following methods:

(A) By in-well transfer at the Williams facility. For purposes of this Rule, in-well transfer is defined as the transfer of title on the books from the seller to the buyer as a result of the issuance of a Product Transfer Order or an equivalent document.

(B) By book transfer, provided that both the buyer and the seller mutually agree to such transfer. For purposes of this Rule, book transfer is defined as a book adjustment effecting a title transfer between seller and buyer which is not documented on the books of an eligible facility.

**241.11 DELIVERY PROCEDURE**

(A) NOTICE OF INTENTION TO DELIVER AND NOTICE OF INTENTION TO ACCEPT

By 4:00 p.m. on the final day of trading:

(1) Each Clearing Member holding an open short position shall file with the Exchange a properly completed and signed Notice of Intention to Deliver. The Notice of Intention to Deliver shall be in the form prescribed by the Exchange and shall include:

- (a) Name of the seller's customer;
- (b) Number of contracts to be delivered;
- (c) Any additional information as may be required by the Exchange.

(2) Each Clearing Member holding an open long position shall file with the Exchange a properly completed and signed Notice of Intention to Accept. The Notice of Intention to Accept shall be in the form prescribed by the Exchange, and shall include:

- (a) Name of the buyer's customer;

(b) Number of contracts to be accepted;

(c) Any additional information as may be required by the Exchange.

(B) NOTICE DAY

The Clearing House shall allocate Notices of Intention to Deliver and Notices of Intention to Accept by matching size of positions and preferred locations, to the extent possible. The Clearing House shall provide Tender Allocation Notices to the respective Clearing Members on the morning of the first business day after the final day of trading. The day the Tender Allocation Notices are provided to the Clearing Members shall be referred to as "Notice Day". Tender Allocation Notices are not transferable.

(C) BUYER'S DELIVERY INSTRUCTIONS

As soon as possible after receipt from the Exchange of a Tender Allocation Notice, but not later than 10:00 a.m. on the last business day of the delivery month, the buyer shall deliver to the seller identified in such Tender Allocation Notice, with copy to the Exchange, properly completed and signed Delivery Instructions, in the form prescribed by the Exchange, which shall include the following information:

(1) Name of seller;

(2) Tender number;

(3) Seller's choice of the eligible facility;

(4) Number of contracts;

(5) The method of delivery;

(6) Any additional information as may be required by the Exchange.

(D) AMENDMENT OF DELIVERY INSTRUCTIONS

Except as provided in this Section (D), Notices of Intention to Deliver and Notices of Intention to Accept may not be amended after they have been given. However, upon mutual consent of the parties and upon written notice to the Exchange, the parties may change the delivery facility and/or the method of delivery named by the buyer.

## 241.12 DELIVERY MARGINS AND PAYMENT

(A) Margins.

The seller shall obtain from its customer margin in an amount fixed, from time to time, by the Exchange.

(B) On the first business day following the last day of trading, the long clearing member shall obtain from the long, if any, margin equal to the full value of the product to be delivered. The short clearing member shall obtain from the short, if any, margin in an amount fixed, from time to time, by the Exchange.

(D) The long clearing member and the short clearing member shall deposit with the Clearing House margins in such amounts and in such form as required by the Exchange. Such margins which shall not be greater than the margins charged to the longs and the shorts, shall be returned on the business day following notification to the Exchange that delivery and payment have been completed.

(C) Payment Net 5 Days.

The buyer shall pay the seller at the office of the seller by certified check by 12:00 noon of the fifth business day following completion of delivery. The amount of payment shall be based on the volume delivered as determined in Rule 241.04. If the seller requires multiple delivery dates, payment for partial delivery shall be required for each portion of product transferred. The seller, upon receipt of payment, shall give the buyer all appropriate documents necessary to transfer ownership of the product to the buyer. Alternatively, buyer and seller may mutually agree to effect payment or adjustment, as otherwise prescribed in this Rule, by federal funds money wire as a substitution for a certified check.

## 241.13 VALIDITY OF DOCUMENTS

The Exchange makes no representation respecting the authenticity, validity or accuracy of any Inspection Certificate, Notice of Intention to Deliver, Notice of Intention to Accept, Check or of any document or instrument delivered pursuant to these Rules.

## 241.14 INSPECTION

Inspection of product shall be conducted in accordance with the standard practice at the Williams facility.

## 241.15 ALTERNATIVE DELIVERY PROCEDURE

The matched counterparties may agree to make and take delivery under terms or conditions which differ from the terms and conditions prescribed by this Contract. In such a case, Clearing Members shall execute an Alternative Notice of Intention to Deliver on the form prescribed by the Exchange and shall deliver a completed executed copy of such Notice to the Exchange. The delivery of an executed Alternative Notice of Intention to Deliver to the Exchange shall release the Clearing Members and the Exchange from their respective obligations under the Exchange contracts.

In executing such Notice, Clearing Members shall indemnify the Exchange against any liability, cost or expense it may incur for any reason as a result of the execution, delivery, or performance of such contracts or such agreement, or any breach thereof or default thereunder. Upon receipt of an executed Alternative Notice of Intention to Deliver, the Exchange will return to the Clearing Members all margin monies held for the account of each with respect to the contracts involved.

## 241.16 FORCE MAJEURE, LATE PERFORMANCE AND FAILURE TO PERFORM

(A) DEFINITIONS. As used in this Rule 241.16 the following terms, as well as variations thereof, shall have the meanings described below.

(1) "Force Majeure" shall mean any circumstance (including, but not limited to, a strike, lockout, national emergency, governmental action, or act of God) which is beyond the control of such buyer or seller, and which prevents the buyer or seller from making or taking delivery of product or effecting payment when and as provided for in this Chapter.

(2) "Failure to Perform" shall mean the failure of the seller to make or the buyer to receive delivery of product in accordance with the requirements set forth in this Chapter 241.

(3) "Contract Value" shall mean the amount equal to the settlement price on the last day of trading in a futures contract times forty-two thousand (42,000) the number of contracts to be delivered.

(4) (a) "Party" means a buyer or seller.

(b) "Other Party" means the corresponding buyer when the seller has failed to perform and the corresponding seller when the buyer has failed to perform.

(B) RESPONSIBILITIES OF PARTIES TO THE DELIVERY

(1) The parties to a delivery shall make commercially reasonable efforts to perform their respective delivery obligations at all times until a party has failed to perform.

(2) A party which has failed to perform its obligations may no longer perform such obligations.

(3) When a buyer or a seller has failed to perform, the buyer or the seller, respectively, through which the delivery is effected shall be liable to the other party for any damages awarded pursuant to Section (E) of this Rule and to the Exchange for any assessments made pursuant to Section (D) of this Rule.

(C) DELIVERY COMMITTEE

(1) Force majeure, and failure to perform shall be determined by a Panel of the Delivery Committee as set forth below.

(2) The Chairman of the Delivery Committee shall appoint a Panel, which shall consist of three (3) members of the Committee, to review a delivery:

- (a) when the Chairman of the Delivery Committee is advised by the President of the Exchange or any person designated by the President of the Exchange that it appears that a party to the delivery has failed or may fail to perform;
- (b) upon written request of both the buyer and seller;
- (c) when the President of the Exchange or any person designated by the President of the Exchange requests such appointment; or,

(d) if either party to the delivery notifies the Exchange that circumstances constituting a force majeure prevent the performance of delivery obligations at the time and site designated by the parties.

(3) The Chairman of the Delivery Committee shall not appoint to any Panel any person who has a direct or indirect interest in the delivery in question. Each Panel Member shall disclose to the Chairman of the Delivery Committee any such interest which might preclude such Panel Member from rendering a fair and impartial determination. Any Panel so appointed shall retain jurisdiction over the delivery in question until the delivery has been completed or a party has been found to have failed to perform such delivery. Exchange Counsel shall serve as advisor to the Panel.

(4) The Panel shall meet within one business day of notification as provided in these Rules. Unless good cause for delay exists, within one business day the Panel shall determine whether force majeure exists or whether a buyer or seller has failed to perform its obligations as provided in the Rules, and advise the Market Regulation Department of such determination, and its findings in support thereof immediately. The Panel shall cause its determination to be communicated to the parties to the delivery as expeditiously as possible.

(5) Absent a declaration of a force majeure, the Panel may, with the consent of both the buyer and the seller, take any one or combination of the following actions as it deems suitable:

(a) grant an extension of time not to exceed five days from the date of the scheduled delivery, provided, however, that each delivery shall be completed no later than the fifth business day of the calendar month following the delivery month or the last day of the period provided for late performance of the contract, whichever is earlier;

(b) change the delivery site to a site within Conway, KS, provided that the seller has product or will have product at such site in time for delivery; or,

(c) modify the method of taking delivery.

This Subsection shall not preclude a party of the Exchange from seeking the remedies set forth in Sections (D) and (E) of this Rule.

(6) Upon a finding of a failed performance, the Panel shall:

(a) in the case of a failure to perform by a seller: (i) notify the President, or his designee, of its determination, who shall instruct the Exchange's Clearing House to retain all delivery margins deposited by the seller for the delivery until any amounts determined to be due to the Exchange or the buyer pursuant to Sections (D) or (E) of this Rule have been paid; and (ii) apprise the buyer of the remedies provided pursuant to Section (E) of this Rule.

(b) in the case of a failure to perform by a buyer: (i) notify the President, or his designee, of its determination, who shall instruct the Exchange's Clearing House to issue a delivery margin call to the buyer in an amount equal to the original margin then in effect for a Liquefied Propane Gas futures contract carried at the Clearing House on the last day of trading in such contract times the number of contracts to be delivered and to retain such delivery margin until any amounts determined to be due to the Exchange or the seller pursuant to Sections (D) and (E) of this Rule have been paid; and (ii) apprise the seller of the remedies provided pursuant to Section (E) of this Rule.

(7) Upon a finding of force majeure, the Panel may take any one or combination of the following actions as it deems suitable:

(a) grant an extension of time for delivery up to two months from the scheduled time;

(b) change the delivery site to a site within Conway, KS, provided that the seller has deliverable product at the new site or will have deliverable product at such site in time for delivery and such alternate delivery site is acceptable to buyer;

(c) modify the method of taking delivery if such method is acceptable to the buyer and such modification is acceptable to seller;

(d) allocate deliveries;

(e) modify the method of timing of payment, but not the price; or,

(f) refer the matter to the Exchange, represented by the Market Regulation Department, for consideration of emergency action pursuant to Exchange Rules.

(D) EXCHANGE ACTION

(1) Whenever a buyer or a seller is found by the Panel to have failed to perform a delivery, the Exchange, represented by the Market Regulation Department, shall issue a Notice of Assessment in accordance with subsection (2) of this section (D), specifying the findings of the Panel with respect to the failed delivery.

(2) When a party has failed to perform, the Market Regulation Department shall issue a Notice of Assessment assessing penalties of twenty percent of the contract value, but not less than $3,000 per contract, to be paid to the Exchange.

(3) (a) A party may appeal a Notice of Assessment by filing a Notice of Appeal with the Hearing Registrar of the Exchange and by serving a copy of the same on the Exchange's Market Regulation Counsel, within two business days of receipt of Notice of Assessment from the Market Regulation Department. The party filing the appeal ("Appellant") shall file, within twenty (20) days after filing the Notice of Appeal, a Memorandum of Appeal setting forth the factual and legal basis for the appeal. The Memorandum of Appeal must be filed with the Hearing Registrar and a copy of the same served upon the Exchange's Market Regulation Counsel.

(b) The Market Regulation Department may file with the Appellant and the Hearing Registrar an Answering Memorandum to the Memorandum of Appeal within ten (10) days of receipt of that memorandum.

(4) Failure by the party to file a Notice of Appeal or a Memorandum of Appeal within the time specified in subsection (D)(3)(a) of this Rule shall constitute a waiver, and the penalties shall be paid within five days to the Exchange. Failure to pay such penalties in accordance with this Rule shall subject the party to the sanctions set forth in Chapter 4. In the event a party fails to appeal, or waives the opportunity to appeal, a Notice of Assessment, the Assessment and Findings of the Delivery Committee shall constitute a final disciplinary action of the Exchange.

(5) Within ten (10) days after receipt of the Market Regulation Department's reply, the Appellant shall be entitled to examine all books, documents and other tangible evidence in possession or under the control of the Exchange that are to be relied upon by the Market Regulation Department or are otherwise relevant to the matter.

(6) In the event of an appeal by a party, the Market Regulation Department, or its designee, shall appoint a Performance Appeal Panel to hear and decide the appeal. No member of the Performance Appeal Panel may have a direct or indirect interest in the matter under the appeal. Each Panel Member shall disclose to the Market Regulation Department, or its designee, any such interest which might preclude such Panel Member from rendering a fair and impartial determination. The formal Rules of Evidence shall not apply to such appeal, and the Performance Appeal Panel shall be the sole judge with respect to the evidence presented to it. Exchange outside counsel shall advise the Performance Appeal Panel.

(7) The procedures for the hearing of the appeal before the Performance Appeal Panel shall be as follows:

(a) At a date to be set by order of the Performance Appeal Panel, and prior to such hearing, the Appellant and the Market Regulation Department shall furnish each other with a list of witnesses expected to be called at the hearing, and a list of documents and copies thereof expected to be introduced at the hearing.

(b) At such hearing the Appellant may appear personally and may be represented by counsel or other representative of his choice at the appeal.

(c) The Market Regulation Department shall be entitled to offer evidence relating to the delivery and shall be entitled to call witnesses and introduce documents in support thereof. It shall be the burden of the Market Regulation Department to demonstrate, by the weight of the evidence, the appropriateness of the sanction set forth in the Notice of Assessment.

(d) The Appellant shall be entitled to rebut the Market Regulation Department's evidence and shall be entitled to call witnesses and introduce documents in support thereof.

(e) The Market Regulation Department and the Appellant shall be entitled to cross-examine any witness called by the opposing party at the hearing.

(f) The Notice of Assessment, the Notice of Appeal, the Memorandum of Appeal, any Answering Memorandum, the stenographic transcript of the appeal, any documentary evidence or other material presented to and accepted by the Performance Appeal Panel by either party shall constitute the record of the hearing. The decision of the Performance Appeal Panel shall be based upon the record of the hearing.

(g) The Performance Appeal Panel shall have the power to impose a penalty against any person who is within the jurisdiction of the Exchange and whose actions impede the progress of a hearing.

(h) The Performance Appeal Panel shall issue a written decision in which it may affirm, reduce or waive the charges assessed against the Appellant and shall state the reasons therefor.

(i) The decision of the Performance Appeal Panel shall be a final decision of the Exchange, and shall constitute a final disciplinary action of the Exchange. The fine is payable on the effective date of the decision or as specified. The effective date shall be fifteen (15) days after a copy of the written decision has been delivered to the Appellant and to the Commission.

(8) The Performance Appeal Panel shall consider, and make recommendations to the Exchange concerning acceptance or rejection, of any offer of settlement submitted by Appellant. In the case of an offer of settlement, acceptance by the Exchange shall constitute the final disciplinary action of the Exchange.

(E) ARBITRATION PROCEDURE

(1) Any claim for damages arising between a buyer and a seller as a result of a delivery pursuant to this contract shall be settled by arbitration in accordance with these Rules.

(2) Notice of Intent to Arbitrate must be submitted to the Market Regulation Department within three business days of the occurrence upon which the claim is based or the decision of the Petroleum Delivery Committee with respect to a late or failed performance. Failure to submit a Notice of Intent to Arbitrate within the prescribed period will be deemed a waiver of a party's rights to arbitrate such delivery dispute under the special or Regular Arbitration Rules.

(3) The Arbitration will be governed by Chapter 6 of the Rules with the following exceptions:

(a) The Market Regulation Department, or its designee, shall appoint an Arbitration Panel.

(b) The Arbitration Panel shall render its award, if any, in writing, which award shall be based on the damages proven by the injured party which may include such other relief which the Panel deems just and equitable.

(c) The award of the Arbitration Panel shall be final and binding upon each of the parties to the arbitration.

(d) Failure to comply with the terms of the award may subject the party that fails to comply with such terms to disciplinary proceedings pursuant to Chapter 6 Rule 618.

## 241.17 TIME REFERENCES

For purposes of these Rules, unless otherwise specified, times referred to herein shall refer to and indicate New York prevailing time.

## 241.18 DISCLAIMER

Oil Price Information Service (OPIS) licenses the New York Mercantile Exchange, Inc. ("NYMEX") to use various OPIS price assessments in connection with the trading of the contracts.

NEITHER NYMEX AND ITS AFFILIATES NOR OPIS GUARANTEES THE ACCURACY AND/OR COMPLETENESS OF THE ASSESSMENT OR ANY OF THE DATA INCLUDED THEREIN.

NYMEX AND ITS AFFILIATES AND OPIS 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 OPIS 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 OPIS HAVE ANY LIABILITY FOR ANY LOST PROFITS OR INDIRECT, PUNITIVE, SPECIAL OR CONSEQUENTIAL DAMAGES (INCLUDING LOST PROFITS), EVEN IF NOTIFIED OF THE POSSIBILITY OF SUCH DAMAGES.

# Chapter 132
# Conway Propane (OPIS) Average Price Option

## 132.01 EXPIRATION

A Conway Propane (OPIS) Average Price Option listed on the Exchange shall expire at the close of trading on the last business day of the calendar month. The expiration date shall be announced prior to the listing of the option contract.

## 132.02 TRADING UNIT

A Conway Propane (OPIS) Average Price call option traded on the Exchange represents the differential between the final settlement price of the underlying Conway Propane (OPIS) Swap Futures (code 8K) less the strike price, or zero, whichever is greater, multiplied by 42,000 gallons. Conway Propane (OPIS) Average Price put option represents the differential between the strike price and the final settlement price of the underlying Conway Propane (OPIS) Swap Futures (code 8K), or zero, whichever is greater, multiplied by 42,000 gallons.

## 132.03 TRADING MONTHS

Trading in Conway Propane (OPIS) Average Price Option shall be conducted in the months as shall be determined by the Exchange.

## 132.04 HOURS OF TRADING

The option contract is available for open outcry trading on the Exchange trading floor between 9:00 a.m. and 2:30 p.m. (New York Prevailing time) Monday through Friday, except on Exchange Holidays.

The option contract is available for clearing through CME ClearPort® from 6:00 p.m. Sundays through 5:15 p.m. Fridays (New York Prevailing time), with a 45-minute break each day between 5:15 p.m. and 6:00 p.m., except on Exchange Holidays.

## 132.05 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 month, trading shall be at the following strike prices: (i) the previous day's settlement price for Conway Propane (OPIS) Swap Futures contracts in the corresponding delivery month rounded off to the nearest one-hundredth cent increment strike price unless such settlement price is precisely midway between two one-hundredth cent increment strike prices in which case it shall be rounded off to the lower one-hundredth cent increment strike price and (ii) the twenty one-hundredth cent increment strike prices which are twenty increments higher than the strike price described in (i) of this Rule 132.05 (A) and (iii) the twenty one-hundredth cent increment strike prices which are twenty increments lower than the strike price described in (i) of this Rule 132.05

(B) Thereafter, on any business day prior to the expiration of the option (i) new consecutive one-hundredth cent increment striking prices for both puts and calls will be added such that at all times there will be at least twenty one-hundredth cent increment strike prices above and below the at-the-money strike price available for trading in all options contract months.

(C) Notwithstanding the provisions of subsections (A) through (B) of this Rule, if the Exchange determines that trading in Conway Propane (OPIS) Average Price 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 Conway Propane (OPIS) Average Price Option in which no new strike prices may be introduced.

## 132.06 PRICES

Prices shall be quoted in dollars and cents per gallon and prices shall be in multiples of $0.00001 per gallon. The minimum price increment will be $0.00001.

## 132.07 ABSENCE OF PRICE FLUCTUATION LIMITATIONS

Trading in Conway Propane (OPIS) Average Price Option shall not be subject to price fluctuation limitations.

## CONTRACT OVERVIEW

The New York Mercantile Exchange, Inc. (NYMEX or Exchange) is self-certifying the listing of the physically delivered Conway Physical Propane In-Well (OPIS) Futures and the Conway Propane (OPIS) Average Price Option. The option is based on the existing NYMEX Conway Propane (OPIS) Swap Futures (commodity code 8K) and will cash settle against the underlying 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).

| Contract | Code | Rule Chapter | First Listed Month | Listing Period |
|---|---|---|---|---|
| Conway Physical Propane In-Well (OPIS) Futures | CPP | 241 | 10-Sep | 48 consecutive months |
| Conway Propane (OPIS) Average Price Option | CPR | 132 | 10-Sep | Current year and next 3 consecutive calendar years |

## CASH MARKET OVERVIEW

### Market Description

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. As described by the U.S. Department of Energy's Energy Information Administration (EIA), propane [1] 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.

**Storage Hub**

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. Conway, Kansas is the second largest storage facility for natural gas liquids in the United States. The largest storage facility in Conway is operated by Williams Midstream Natural Gas Liquids (WMNGL), which is the delivery point for the new Conway physical propane contract. An overview of the Williams Midstream Natural Gas Liquids operations can be found at the following link: http://www.williams.com/midstream/ms_operations.aspx

Natural gas liquids in Conway are also stored in salt domes like those in Mont Belvieu, Texas. Conway is located within Petroleum Administration for Defense Districts (PADD) 2, in the regional area of Oklahoma-Kansas-Missouri[2]. 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*

[1] Propane, http://www.eia.doe.gov/glossary/index.cfm?id=P
[2] Petroleum Administration for Defense District II,
http://www.eia.doe.gov/pub/oil_gas/petroleum/data_publications/petroleum_supply_monthly/current/pdf/append.pdf

*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 Products Analyst Conference Houston* presentation, dated March 24, 2010, and 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.

http://phx.corporate-ir.net/External.File?item=UGFyZW50SUQ9MzczMzZ8Q2hpbGRJRD0tMXxUeXBlPTM=&t=1

**Import, Export, Inventories and Production**

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 Mont Belvieu, Texas (PADD 3) Conway, Kansas (PADD 2). As stated above, the Conway hub is connected directly to the Texas Inland region via the Mid-America Pipeline (owned by Enterprise Products Partners) thus the NGL production in the Texas Inland area can flow directly to the Conway market. Further, the Conway hub is linked to 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.

**PADD 3**

Table 1 below provides monthly import and export data, respectively, for Propane in the PADD 3 region. According to EIA data, in 2009, there were no imports of propane reported thus the net export balance for propane was approximately 28 million barrels for 2009.

**Table 1. EIA Data: Gulf Coast (PADD 3) Import and Export of Propane**[3]

(Monthly – Thousand Barrels)

| Date | Imports of Propane | Exports of Propane and Propylene |
|---|---|---|
| Jan-06 | 275 | 1018 |
| Feb-06 | - | 2341 |
| Mar-06 | 199 | 1433 |
| Apr-06 | 1905 | 1153 |
| May-06 | 1789 | 586 |
| Jun-06 | 3542 | 488 |
| Jul-06 | 3414 | 543 |
| Aug-06 | 5411 | 619 |
| Sep-06 | 3588 | 461 |
| Oct-06 | 2446 | 878 |
| Nov-06 | 638 | 1037 |
| Dec-06 | - | 1128 |
| **TOTAL** | **23207** | **11685** |
| Jan-07 | - | 2090 |
| Feb-07 | - | 1224 |
| Mar-07 | - | 1234 |
| Apr-07 | 969 | 373 |
| May-07 | 1785 | 619 |
| Jun-07 | 2442 | 410 |
| Jul-07 | 281 | 841 |
| Aug-07 | 975 | 463 |
| Sep-07 | 3605 | 375 |
| Oct-07 | 1415 | 334 |
| Nov-07 | 1637 | 2344 |
| Dec-07 | - | 1009 |
| **TOTAL** | **13109** | **11316** |
| Jan-08 | 204 | 2666 |
| Feb-08 | - | 2756 |
| Mar-08 | - | 2050 |
| Apr-08 | - | 1034 |

[3] EIA Import and Export Data, http://www.eia.doe.gov/dnav/pet/pet_move_imp_dc_R30-Z00_mbbl_m.htm and http://www.eia.doe.gov/dnav/pet/pet_move_exp_dc_R30-Z00_mbbl_m.htm.

| Date | Imports of Propane | Exports of Propane and Propylene |
|---|---|---|
| May-08 | - | 1394 |
| Jun-08 | 683 | 388 |
| Jul-08 | 983 | 336 |
| Aug-08 | 2235 | 377 |
| Sep-08 | 2819 | 392 |
| Oct-08 | 851 | 1495 |
| Nov-08 | 103 | 339 |
| Dec-08 | 276 | 699 |
| **TOTAL** | **8154** | **13926** |
| Jan-09 | - | 2132 |
| Feb-09 | - | 3132 |
| Mar-09 | - | 2409 |
| Apr-09 | - | 1957 |
| May-09 | - | 1035 |
| Jun-09 | - | 1129 |
| Jul-09 | - | 1452 |
| Aug-09 | - | 3127 |
| Sep-09 | - | 2085 |
| Oct-09 | - | 3405 |
| Nov-09 | - | 2776 |
| Dec-09 | - | 3515 |
| **TOTAL** | **0** | **28154** |
| Jan-10 | - | 3826 |
| Feb-10 | - | 2348 |
| Mar-10 | - | 2628 |
| **TOTAL** | **0** | **8802** |

Table 2 below provides the monthly EIA propane inventory for PADD 3. 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.

**Table 2. Gulf Coast (PADD 3) Total Stocks**[4]

(Monthly Thousand Barrels)

| Date | Gulf Coast Ending Stocks of Propane and Propylene |
|---|---|
| Jan-2006 | 27010 |
| Feb-2006 | 19185 |
| Mar-2006 | 15552 |
| Apr-2006 | 16389 |
| May-2006 | 19224 |
| Jun-2006 | 22502 |
| Jul-2006 | 27650 |
| Aug-2006 | 31155 |
| Sep-2006 | 36566 |
| Oct-2006 | 38826 |
| Nov-2006 | 35750 |
| Dec-2006 | 31198 |
| Jan-2007 | 23376 |
| Feb-2007 | 16931 |
| Mar-2007 | 14244 |
| Apr-2007 | 15779 |
| May-2007 | 18413 |
| Jun-2007 | 21735 |
| Jul-2007 | 23196 |
| Aug-2007 | 25285 |
| Sep-2007 | 27471 |
| Oct-2007 | 29689 |
| Nov-2007 | 30249 |
| Dec-2007 | 25679 |
| Jan-2008 | 20632 |
| Feb-2008 | 16128 |
| Mar-2008 | 13235 |
| Apr-2008 | 15472 |
| May-2008 | 18277 |
| Jun-2008 | 19523 |
| Jul-2008 | 21224 |
| Aug-2008 | 24505 |
| Sep-2008 | 27537 |
| Oct-2008 | 29892 |
| Nov-2008 | 32407 |
| Dec-2008 | 31310 |

[4] EIA Stock Data, http://www.eia.doe.gov/dnav/pet/pet_stoc_typ_d_r30_SAE_mbbl_m.htm

| Date | Gulf Coast Ending Stocks of Propane and Propylene |
|---|---|
| Jan-2009 | 28654 |
| Feb-2009 | 23219 |
| Mar-2009 | 22532 |
| Apr-2009 | 24567 |
| May-2009 | 29804 |
| Jun-2009 | 35948 |
| Jul-2009 | 35038 |
| Aug-2009 | 35455 |
| Sep-2009 | 36614 |
| Oct-2009 | 36649 |
| Nov-2009 | 31809 |
| Dec-2009 | 25104 |
| Jan-2010 | 17203 |
| Feb-2010 | 13905 |
| Mar-2010 | 14691 |

Table 3 below provides production data 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 3 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).

**Table 3. 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 |
| **Propane** | 292 | 285 | 301 | 293 |

**PADD 2**

Table 4 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).

**Table 4. EIA Data: Natural Gas Plant Field Production plus Refinery & Blender Net Production[5]**

(Annual Thousand Barrels per Day)

| Conway Area: Okla, Kansas, Mo. | | | | |
|---|---|---|---|---|
| | **2007** | **2008** | **2009** | **Average 2007-2009** |
| **Propane** | 81 | 88 | 91 | 87 |

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% of the Texas Gulf Coast and Texas Inland production is shipped via pipeline to Conway from Mont Belvieu and Texas Inland area (See Table 3 above for Texas Gulf Coast and Texas Inland production data). As stated above, the Conway hub is connected directly to the Texas Inland region via the Mid-America Pipeline (owned by Enterprise Products Partners), which provides for the NGL production in the Texas Inland area to flow directly to the Conway market. In addition, the Conway hub is linked to 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% 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).

**Cash Market**

The Conway Propane In-Well (OPIS) Futures contract is physically-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.

The NGL market has an actively traded cash market at Conway, and has an active forward market that trades on the ICE Chemconnect platform. In addition, there is a robust OTC swaps market

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[5] EIA Production Data, http://www.eia.doe.gov/dnav/pet/pet_pnp_gp_dc_r2c_mbblpd_a.htm and http://www.eia.doe.gov/dnav/pet/pet_pnp_refp_dc_r2c_mbblpd_a.htm

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. 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.

**Underlying Futures Market for Option**

The underlying, Conway Propane (OPIS) Futures Swap, of the proposed Conway Propane (OPIS) Average Price Option was listed on the Exchange in September 2009 for trading and clearing. Since December 2009, open interest has maintained a healthy level in the range from 3,500 to 4,500 contracts. Below are the monthly volume and end of month open interest for the Conway Propane (OPIS) Swap Futures:

| Date | Volume | End of Month Open Interest |
|---|---|---|
| Sep-09 | 55 | 50 |
| Oct-09 | 860 | 795 |
| Nov-09 | 864 | 1,300 |
| Dec-09 | 2,350 | 4,074 |
| Jan-10 | 2,683 | 4,359 |
| Feb-10 | 1,415 | 4,492 |
| Mar-10 | 657 | 4,111 |
| Apr-10 | 388 | 3,588 |
| May-10 | 1,141 | 3,585 |
| Jun-10 | 1,354 | 3,616 |
| Jul-10 | 2,751 | 4,392 |

**Index Provider**

Oil Price Information Service (OPIS) is the price reporting service used for the final settlement of the Conway propane futures contract. 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 methodology[6] 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 new Conway propane 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.

**Market Participants**

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

| **Refiners/Producers** | **Traders/Retailers** | **Brokers** | **Financial** |
|---|---|---|---|
| ConocoPhillips | Louis Dreyfus | Liquidity Partners | Barclays Bank |
| Valero | Vitol | Nuevo Partners | Wells Fargo |
| Shell | Glencore | Nordico | Citibank |
| ExxonMobil | Koch | Houston Merc | JP Morgan |
| BP | Conagra | Echo Energy | Credit Suisse |
| Sunoco | Cargill | Lozier Energy | |
| Hess | Morgan Stanley | ION Energy | |
| Lyondell | Goldman Sachs | | |
| Enterprise Products | Transammonia | | |
| INEOS | Suburban Propane | | |
| Oneok Energy | Sempra | | |
| Lukoil | Inergy Propane | | |
| Enbridge | Trafigura | | |
| | Plains Marketing | | |
| | Statoil Marketing | | |
| | DCP Midstream | | |
| | Noble Energy | | |

[6] http://www.opisnet.com/methodology.asp#ngl

## ANALYSIS OF DELIVERABLE SUPPLY

In its analysis of deliverable supply at 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.

The Exchange has determined to not include stocks data in its analysis of deliverable supply due to the variability of the stocks. 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. 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 each of the new Conway physical propane futures and the Conway propane average price option contracts, the Exchange set the position limits at 250 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 3) flows by pipeline to the Conway hub. We have estimated 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 unit equivalents). Thus, the spot month position limit of 250 contracts is less than 6% of the 4,500 contracts of monthly supply.