

CONTRACT RULES: ICE FUTURES EUROPE PERMIAN WEST TEXAS INTERMEDIATE CRUDE OIL FUTURES CONTRACT

SECTION 7A1 CONTRACT RULES: ICE FUTURES EUROPE PERMIAN WEST TEXAS INTERMEDIATE CRUDE OIL FUTURES CONTRACT¹

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7A1.1 INTERPRETATION

These Contract Rules together with the applicable Administrative Procedures govern transactions in Permian West Texas Intermediate Crude Oil Futures Contracts (“**Permian WTI Contract**”). Any matters not specifically covered herein relating to trading, clearing, settlement or otherwise related to transactions involving Permian West Texas Intermediate crude oil (“**Permian WTI**” or the “**Product**”) shall be governed by the Regulations and the Clearing House Rules. In the event of any inconsistency between the Regulations, the Clearing House Rules and these Contract Rules, these Contract Rules shall prevail, but only to the extent of the inconsistency.

7A1.2 SCOPE

The Permian WTI Contract shall be for the sale and delivery by the Seller to the Buyer of the Product meeting the specified contract specification and in accordance with the Contract Rules.

7A1.3 DEFINITIONS

“Barrel”	means 42 US gallons at 231 cubic inches per gallon at 60 degrees Fahrenheit.
“Business Day”	means a day in which banks in the US are open for business, or such other day as may be determined by the Exchange from time to time.
“Buyer”	in respect of a Permian WTI Contract, means the person who is obliged under such Contract to take delivery in respect of each lot.
“Calendar Year Contract”	means a strip of 12 consecutive contract months commencing January and ending with December.
“Central Time” or “CT”	means the prevailing time in Houston, Texas.
“Last Trading Day”	means the day on which trading shall cease in respect of a particular Contract, being at the end of the designated settlement period on the third Business Day prior to the twenty-fifth calendar day of the month preceding the delivery month for such expiring Contract. If the twenty-fifth calendar day of the month is a Non-Business Day, trading shall cease at the end of the designated settlement period on the third Business Day prior to the last Business Day preceding the twenty-fifth calendar day.
“London Prevailing Time” or “LPT”	means the prevailing time in London, United Kingdom.
“Magellan”	means Magellan Crude Oil Pipeline Company, L.P., and its successors.
“MEH” or “MEH Terminal” or “Magellan East Houston Terminal”	means the terminal located in East Houston and operated by Magellan used for the physical delivery of Permian WTI pursuant to these Contract Rules.
“Nominations Day”	means one Business Day prior to the twenty-fifth calendar day of the month preceding the delivery month. If the twenty-fifth calendar day of the month is a Non-Business Day, the Nomination Day shall be two Business Days prior to the Twenty-fifth calendar day of the month preceding the delivery month.

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“Non-Business Day”	means a Trading Day which is a public holiday in US.
“Payment Date”	means the twentieth day of the month following the delivery month if such date is a Business Day. If the twentieth is not a Business Day, the Payment Date shall be the first Business Day prior to the twentieth, unless the twentieth is a Sunday or a Monday that is not a Business Day. If the twentieth is a Sunday or a Monday that is not a Business Day, payment shall be made on the next Business Day after the twentieth day of the month following the delivery month.
“Permian WTI”	means West Texas Intermediate crude petroleum that originates from either Magellan’s Longhorn Crude System or BridgeTex Pipeline Company, LLC’s Crude System (or their respective successors and reasonably foreseeable extensions thereof).
“Permian WTI Contract”	means these contract rules together with the applicable Contract Procedures, as may be amended by the Exchange from time to time.
“Pipeline System”	means the incoming or outgoing pipelines, and storage facilities located at Magellan East Houston Terminal, including Longhorn and BridgeTex pipelines.
“Product”	means Permian West Texas Intermediate crude oil as further detailed in these Contract Rules.
“Product Transfer Order” or “PTO”	means the delivery mode operated under Rule 7A1.9.
“Quarter Contract”	means three consecutive contract months and grouped as follows: January, February and March (first quarter); April, May and June (second quarter); July, August and September (third quarter); and October, November and December (fourth quarter).
“Seller”	in respect of a Permian WTI Contract means the person who is obliged under such Contract to deliver in respect of each lot.
“Tariff(s)”	means the tariffs specified in provision 7A1.5
“Trading Day”	means a day on which the Market is open to trade determined by the Exchange from time to time. A Trading Day may be a Business Day or a Non-Business Day.

7A1.4 CONTRACT SPECIFICATION

Each Permian WTI Contract shall be for one or more lots of 1,000 Barrels of Permian WTI for the delivery month specified. All volumes shall be determined at 60° F.

7A1.5 QUALITY AND ORIGIN

Under the Permian WTI Contract, the Product shall be West Texas Intermediate crude oil that originates on the Longhorn Pipeline System or the BridgeTex Pipeline System, and which satisfies all of the product specification and measurement requirements for WTI set forth in Magellan Tariff R.C.T. 1.0.0, Magellan Tariff R.C.T. 5.0.0, BridgeTex Tariff F.E.R.C. 1.20, BridgeTex Tariff R.C.T. 1.2.0, or as may be specified from time to time, and all supplements to or revisions of any of the foregoing (collectively, the “**Tariffs**”), as applicable.

The Product shall be delivered in the contract month, free from all liens and claims, encumbrances, unpaid taxes fees or other charges, of merchantable quality conforming to the above specification.

7A1.6 QUANTITY

Contracts shall be for one or more lots of 1,000 Barrels to be delivered in accordance with these Contract Rules and the Tariffs.

7A1.7 PRICE

The Contract price shall be in United States dollars and cents per Barrel with a minimum fluctuation of one cent per Barrel, or as otherwise determined by the Exchange from time to time.

The Contract price shall be inclusive of the cost of delivery of the product as part of a single delivery of not less than the specified amount at MEH (any extra costs resulting from loadings of less than the specified amount at a single delivery shall be for the account of the Buyer). Where the Seller tenders any lots fewer than the specified amount any such extra costs shall be for his account. All other costs are for the account of the Buyer except where otherwise provided in the Contract Rules or the Administrative Procedures.

The Contract shall be exclusive of any value added tax or excise duty that may be or become payable on the sale or delivery of the product. Any such tax or duty shall be borne by the Buyer.

7A1.8 FINAL SETTLEMENT PRICE

The Exchange shall publish a final settlement price on the Last Trading Day for the contract month, which shall be the basis for delivery of all outstanding contracts as of the close of trading on the Last Trading Day and which go to physical delivery on the expiry date.

7A1.9 DELIVERY

Delivery shall take place no earlier than the first calendar day of the delivery month and shall be completed no later than the last calendar day of the delivery month.

Delivery shall be made at the Magellan East Houston Terminal and shall be made in accordance with all applicable Federal executive orders and all applicable Federal, State and local laws and regulations.

It is the Seller's obligation to ensure that the Product receipts are available to begin flowing ratably in the Magellan East Houston Terminal by the first day of the delivery month, in accordance with the applicable Tariffs Magellan has on file with the Texas Railroad Commission or Federal Energy Regulatory Commission.

Delivery shall be made by product transfer order ("PTO") by one or a combination of the following methods:

- (a) by inter-facility transfer into the Magellan East Houston Terminal, from Seller's incoming pipeline or storage facility;
- (b) by in-line (or in-system) transfer, or book out of title to the Buyer; or
- (c) by in-tank transfer of title to the Buyer.

The delivery methods specified above may be subject to the Buyer and Seller executing certain documentation with Magellan, such as the Systems Services Agreement, Software Terms of Use, or other documentation as may be required by Magellan for the operation of the delivery process at the Magellan East Houston Terminal. Members

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should be aware that Magellan may charge additional fees, including but not limited to a PTO fee on title transfers of physical barrels at the Magellan East Houston Terminal. Any such fees are a matter between Members and Magellan and therefore do not form part of this Contract.

Delivery shall be made free-on-board (“**FOB**”) at the Magellan East Houston Terminal, and shall be made in accordance with all applicable Federal executive orders and all applicable Federal, State and local laws and regulations.

For the purposes of this rule, the term FOB means delivery in which the Seller:

- (a) provides the Product to the point of connection between the Seller’s incoming pipeline and the Buyer’s outgoing pipeline or storage facility;
- (b) in the event of inter-facility transfer, bears the cost of the pump over charges from Seller’s delivery facility to the Buyer’s delivery facility; and
- (c) retains title to and bears the risk of loss of the Product to the point of connection between the Seller’s incoming pipeline or storage facility and the Buyer’s outgoing pipeline.

For the purposes of the Contract Rules and Administrative Procedures a recognized pipeline or storage facility is a customs and excise bonded pipeline or storage facility located within the Magellan East Houston Terminal (the pipeline together with the storage facility the “**Pipeline System**”). In recognising the Pipeline System apart from verifying that the pipelines and storage facilities meet the criteria specified above, the Exchange does not undertake any due diligence or inspections of the Pipeline System in relation to its suitability, fitness for purpose, condition, environmental standards, liabilities or controls, arrangements for conferring property or contractual entitlements, arrangements or timings for loading or delivery, rights in respect of fractional entitlements, property co-mingling, insolvency protections, insurance cover or otherwise. Members should make their own enquiries to satisfy themselves as to any of the above matters as they relate to any Pipeline System. Members should not rely in any way on any action taken by the Exchange in relation to the recognition process. The Exchange may, at any time, and without giving reason, upon such notice as considered appropriate by the Directors circulated to Members, withdraw the recognition of the Pipeline System, whether in whole or part.

However, in accordance with Rule 7A1.12 (Alternative Delivery Procedure), delivery may be made by any other means or in any other location.

7A1.10 EXCLUSION OF LIABILITY IN RESPECT OF THE PIPELINE SYSTEM

The Exchange shall have no liability whatsoever for the condition of the Pipeline System, for its availability or suitability for the storage of Product or for the performance by operators of such system of any responsibilities they may assume towards Members or other persons pursuant to the Contract Rules except for liability for fraud or bad faith on the part of the Exchange or any liability on the part of the Exchange which cannot lawfully be excluded. Persons placing the Product into the Pipeline System or taking delivery of Product from the same shall accordingly have no claim against the Exchange for any loss or damage thereby incurred or suffered, however such loss or damage may be caused.

7A1.11 EFP

EFP transactions involving Permian WTI Contracts shall be subject to the requirements of Exchange Regulations, Section F (Contracts) provided that EFPs executed on the Last Trading Day for any contract month may be reported at any time after the close of trading until 09:00 CT / 15:00 LPT on the next Business Day following the Last Trading Day. New EFPs may not be initiated during this period; the given timeframe is solely for the registration of previously-agreed contracts.

7A1.12 ALTERNATIVE DELIVERY PROCEDURE (“ADP”)

Notwithstanding any other provision of the Contract Rules and Administrative Procedures, a Seller may agree with the Buyer to whom his tender is allocated by the Clearing House in accordance with Administrative Procedures to make delivery of the Product of a specification other than that provided for and / or in a manner and / or at a place and / or on terms other than those specified in the Contract Rules and Administrative Procedures.

In the event the Seller and Buyer so agree, they shall each immediately give notice of that fact to the Clearing House in such form and containing such details as may from time to time be prescribed by the Clearing House.

Upon receipt of such notices, the Clearing House shall liquidate the parties’ Contracts at the relevant delivery price using such pipeline or facilities and subject to such specifications as are agreed between the parties and cease, in respect of any arrangement made by the parties under this Rule, to owe any obligation towards the Seller or the Buyer, whether under any Contract or otherwise.

7A1.13 DETERMINATION OF QUALITY AND QUANTITY

Inspection of the Product shall be conducted in accordance with pipeline practices by independent inspectors according to the customs and usages of the market. A panel of independent inspectors shall be listed by the Exchange as authorized to determine the quality and quantity of the Product.

In the event of a dispute, and without prejudice to a party’s right to refer the matter to arbitration under the Arbitration Rules, either party may appoint an inspector. The inspector shall be selected by the requesting party from two of the panel proposed by the other party provided that if the requesting party objects to both of the other party’s preferences, and the parties cannot agree upon an alternative, the Exchange shall nominate the inspector. The inspector’s nomination shall be binding on the parties.

The inspection cannot be called to forestall the other party to the delivery from doing so. The party requesting it must in all cases first present evidence to the Exchange in support of a valid concern as to the quality loaded, such as but in no way limited to:

- (i) inspection reports showing a change in the quality of the receiving Pipeline System, before and after discharge of the Product, beyond what would reasonably be expected;
- (ii) composites that point to the same conclusion and where previous contamination can be ruled out as a factor;
- (iii) previous tests of material loaded from the Pipeline System at the same time that were off-specification;
- (iv) information that suggests the sample taken and tested was unrepresentative of the Product delivered;
- (v) any other similar evidence indicating a difference between the sample quality determined and that loaded.

Save for fraud or manifest clerical error and subject to any second inspection, the inspector’s determination shall be final and binding on all parties. If the product is found to meet the quality specification, the cost of the inspection shall be met by the Buyer; if it is not, the cost of determining the quality of product delivered shall be borne by the Seller. All such costs shall be settled directly between the parties involved and the inspector.

The inspector shall seal and retain samples in accordance with local practice. Before samples are disposed of, a party may request a second inspection with regard to quality where it can be shown there is reasonable doubt as to the accuracy of the first inspection. In such event, the party requesting the second inspection shall select a second inspector and immediately notify the other party and the Clearing House of the requirement for a second inspection and the name of the second inspector.

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The Exchange expects any second inspection to re-test those qualities about which there exists valid doubt as per the above, or that are adjacent to those qualities. It will then remain open to either party to call for a second inspection and determination of Product quality. The second inspector shall examine samples retained by the first inspector and shall determine their quality. The party requesting the second inspection shall immediately advise the other party and the Clearing House of the quality of the samples. Save for fraud or manifest clerical error, this determination shall be final and binding on all parties. If the first inspector's determination is in all material respects upheld, the party who requested the second determination shall bear the costs thereof. If the Product is found by the second inspector not to meet the quality specifications the Seller shall bear the costs of the inspection.

In the event that the second inspection finds the Product to be off-specification or otherwise non-compliant with the Exchange's rules, an Alternative Delivery Procedure may be agreed under Rule 7A1.12. Any such ensuing ADP negotiation should reflect commercial practice by proceeding from verifiable evidence of a quantifiable cost or loss that has accrued to either party as a result.

The Buyer may waive any one or more tests for quality entirely at his own risk.

7A1.14 SELLER'S OBLIGATIONS

- (a) The Seller is obliged to:-
- (i) deliver to the Clearing House all documents stipulated in the Administrative Procedures and the Clearing House Rules;
 - (ii) accept any Buyer(s) with open positions to whom the Clearing House passes its tender;
 - (iii) subject to any default on the part of the Buyer, effect the delivery of the Product in accordance with the Contract;
 - (iv) have available to him at 00.01 hours CT on the nominated delivery day a quantity and quality of Product sufficient to meet its obligations under the Contract for that nomination in the Pipeline System;
 - (v) ensure that the Product is on delivery of the quality, quantity and origin required by the Contract Rules;
 - (vi) insofar as delivery is not completed within the delivery time normally allowed at the Pipeline System, pay any additional storage charges or delivery fees in accordance with good industry practice;
 - (viii) deliver to the Clearing House all post-delivery documents stipulated in Administrative Procedures and the Clearing House Rules; and
 - (ix) comply with all relevant provisions of the Contract Rules, Administrative Procedures and the Clearing House Rules.

The obligation set out at paragraph (a)(vi) above shall not be borne by the Clearing House or by any Seller except the Seller who actually arranges delivery of product into the Pipeline System (or actually makes such other arrangements for delivery as the Buyer may have chosen or agreed to under the Contract Rules). Such Seller shall owe the obligation directly to the Buyer who originally incurs the charges or fees and not to any other Buyer save as may be agreed.

7A1.15 BUYER'S OBLIGATIONS

- (a) The Buyer is obliged to:-

- (i) promptly take up and accept any one or more tenders complying with the Contract Rules and Administrative Procedures which are passed to the Buyer by the Clearing House, whether or not they satisfy its preferences;
 - (ii) subject to any default on the part of the Seller, take delivery of the Product;
 - (iii) promptly take up documents and make payment to the Clearing House in United States Dollars in London by net cash against the documents lodged pursuant to Administrative Procedures and the Clearing House Rules; and
 - (iv) comply with all relevant provisions of the Contract Rules, Administrative Procedures and the Clearing House Rules.
- (b) If the Buyer fails to make payment in the manner and within the time specified, the Clearing House may (without prejudice to any other steps open to it under the Contract Rules, the Clearing House Rules or otherwise) forthwith take any or all of the following steps:
- (i) realise the security or margin furnished to it by the Buyer (all costs, expenses and interest involved in such realisation and delay to be for the account of the Buyer);
 - (ii) sell the Product (through any Member or otherwise); any resulting difference in price together with all interest and charges arising from the sale and delay to be for the account of the Buyer;
 - (iii) apply the proceeds of paragraphs (i) and (ii) and any margin held from the Buyer in cash in reduction or satisfaction of the Buyer's obligations, accounting to the Buyer for any security, documents, proceeds or cash remaining.

7A1.16 PROPERTY AND RISK

The risk shall pass to the Buyer:-

- (i) in the case of delivery by inter-facility transfer into Magellan East Houston from Seller's incoming pipeline or storage facility into the Buyer's outgoing pipeline, when the Product has completed transfer to the Buyer's outgoing pipeline;
- (ii) in the case of delivery by in-line (or in-system) transfer or book-out of title to the Buyer, at the time of passing of property; or
- (iii) in the case of no physical movement of the product, at the point of transfer of title to the Buyer.

Property in the product delivered shall pass to the Buyer when the Buyer's net cash in payment therefore is credited to the Clearing House's account.

7A1.17 BUYER'S SECURITY

Before the time for delivery the Buyer may be required to put up full security or delivery margin to the Clearing House and such security or delivery margin may be in the form of a bank guarantee or cash or such other form as the Clearing House may accept. Interest will be paid on cash at the appropriate Clearing House rate.

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7A1.18 FORCE MAJEURE

An event of force majeure shall mean any occurrence outside the control of either party to the Contract which hinders or prevents the performance in whole or in part by the party affected of its obligations hereunder (other than an obligation to make payments), including but not limited to fire, storm, flood, earthquake, explosion, accidents howsoever caused, strike, lockout, work to rule or other industrial dispute, acts of God, acts of government or other national or local authority or agency thereof, and delays in transportation or communications.

Neither party shall be deemed to be in default of its obligations nor shall any penalty or damages be payable if and to the extent that performance of such obligations is hindered or prevented by an event of force majeure. If an event of force majeure hinders or prevents the affected party from performing any of its obligations under a Contract it shall immediately notify the Exchange and the Clearing House in writing of such event and the obligations under the Contract which are affected. The Exchange shall refer this matter to either the Delivery Committee under Rule I.18 to determine whether an event of force majeure has occurred which has hindered or prevented the affected party from performing its obligations to deliver under a Contract or otherwise to the Board.

If a Delivery Panel of the Delivery Committee or the Board, as the case may be, determines that an event of force majeure has occurred which has hindered or prevented the performance of a Contract for a period of 5 days beyond the time limit set out in the Contract Rules or Administrative Procedures, the Contract shall be invoiced back by the Clearing House at a price to be fixed by a Delivery Panel of the Delivery Committee under Rule I.18 or the Directors in their absolute discretion, as appropriate. Such price shall be binding on the parties and no dispute as to such price may be referred to arbitration but completion of invoicing back shall be without prejudice to the right of either party to refer the question of the existence, extent or duration of an event of force majeure or any default or related dispute to arbitration.