



## Unleaded Gas - RBOB

Gasoline is the largest single volume refined product sold in the United States and accounts for almost half of national oil consumption. It is a highly diverse market, with hundreds of wholesale distributors and thousands of retail outlets, making it subject to intense competition and price volatility.

The NYMEX Division New York harbor unleaded gasoline futures contract and reformulated gasoline blendstock for oxygen blending (RBOB) futures contract trade in units of 42,000 gallons (1,000 barrels). They are based on delivery at petroleum products terminals in the harbor, the major East Coast trading center for imports and domestic shipments from refineries in the New York harbor area or from the Gulf Coast refining centers.

The unleaded gasoline contract specifications conform to those for oxygenated gasoline, required in many areas for controlling emissions that can adversely affect air quality. With the ongoing phaseout of the oxygenate methyl tertiary butyl ether (MTBE) the industry is shifting towards ethanol.

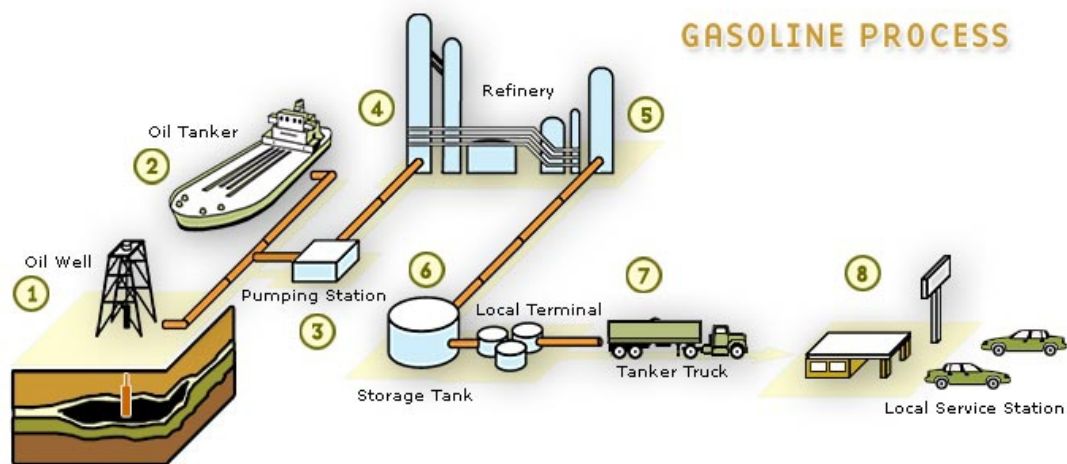
RBOB conforms to industry standards for reformulated regular gasoline blendstock for blending with 10% denatured fuel ethanol (92% purity) as listed by the Colonial Pipeline for fungible F grade for sales in New York and New Jersey. RBOB is a wholesale non-oxygenated blendstock traded in the New York Harbor barge market that is ready for the addition of 10% ethanol at the truck rack.

To ensure that the terms and conditions of the gasoline futures contract continue to mirror the cash market, the Exchange maintains close contact with federal and state officials and continues to evaluate changes in the regulations.

Along with the futures contracts, options contracts, calendar spread options contracts, crack spread options contracts, and average price options contracts provide a slate of flexible, liquid financial instruments. Exotic options contracts are offered as well, under the calendar spread option, average price option, crack spread option, European "look alike" option, and conventional gasoline vs. RBOB option.

The Exchange also lists for trading on the NYMEX ClearPort® trading platform a series of gasoline swap futures contracts based on crack spreads and location differentials, including European and average price options. Transactions in these contracts can also be consummated off-exchange and submitted to the Exchange for clearing through the NYMEX ClearPort® clearing website.

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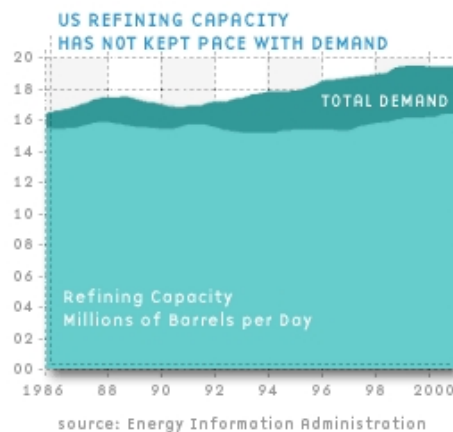
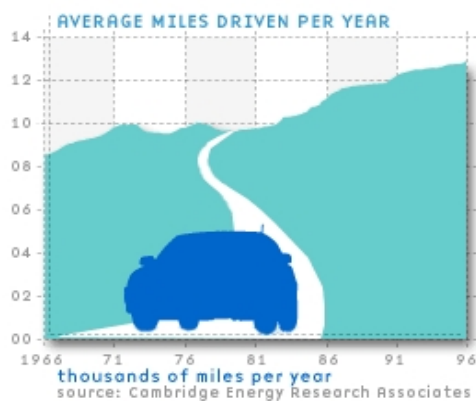


## 1. Oil Well

Crude oil is discovered following lengthy scientific studies to determine the possible presence of underground deposits of petroleum (oil and natural gas). Contrary to popular belief, oil is trapped in the tiny pores of underground rock - not contained in subterranean pools. After studies determine the potential presence of an oil-bearing formation, an exploratory well is drilled. More than half the time, the well will turn out to be unsuccessful - a "dry hole." If resources are discovered in commercial quantities, a production well is installed. In discoveries yielding both oil and natural gas, the heavier oil collects near the bottom of the reservoir, and production well is sunk into this area. The oil -- driven by the natural gas, which is often under high pressure -- flows to the surface. Over time, the pressure may decrease, requiring the installation of a pump on the well. Wells can be pumped from the surface by the familiar rising and falling "horse head" pump jacks or by long slender submersible pumps that operate deep inside the well bore. Water, steam and natural gas are often injected into older fields in order to increase the amount of oil produced.

## 2. Crude Oil Tanker

Crude oil produced in other countries such as Venezuela, Norway or Saudi Arabia is another important source of raw material for gasoline refined in this country. Most often it is transported by large tankers and delivered to docks near refinery installations. In addition, some gasoline is manufactured in offshore refineries and shipped to U.S. as a finished petroleum product. More than 60 percent of all the oil consumed in the United States is imported. Tankers also bring Alaska's crude oil production - more than 1 million barrels a day - to refineries on the West Coast.



### 3. Pipeline and Pumping Station

Crude oil destined to become gasoline most often is moved to refineries by pipeline, although tanker trucks are often used to pick up the oil produced in smaller, scattered fields. Pumping stations keep the crude oil moving. They are spaced from 20 to 200 miles along the route, depending on the pipeline’s pressure and the terrain through which it is running. One of longest and largest pipelines in the United States is the 800-mile-long Trans Alaskan Pipeline completed in the 1970s.

### 4. Refinery

Crude oil is transformed into a variety of petroleum products inside a refinery. Often these are huge complexes in which the crude oil undergoes several different processes before emerging as final products ready to ship to consumers. Depending upon the markets they serve and the type of crude oil they are processing, some refineries may emphasize the production of gasoline, while other may focus on making heating oil or other petroleum products. However, there are limits to how much gasoline “yield” can be obtained from a barrel of crude. In general, yields vary between 35 and 50 percent.

### 5. Processing

The basic refining processes are separation, conversion and treatment. Separation is most commonly accomplished by heating the oil in tall distillation towers. Vapors form as the oil is heated, and at various levels in the tower, the vapors condense and are drawn off for further processing. Gasoline vapors tend to be the lightest and are drawn off at the top. Heating oil and diesel are toward the middle, while heavy fuel oil and asphalt-like materials condense at the bottom. Following distillation, the molecular structure of the separated fractions may undergo conversion in reformers, catalytic cracking units, alkylation units and other refinery equipment. Here heat, pressure and chemical catalysts break heavier oil elements into lighter ones (such as gasoline) or combine several light molecules into a few heavy ones for fuels such as high-octane aviation gas. Finally, many petroleum products undergo treatment processes of some kind in order to remove chemical impurities. Sulfur is a common impurity found in most crude oil, which with advanced treatment methods, can be reduced to near-zero levels in gasoline and distillates.

Removing sulfur significantly lessens the amount of polluting sulfur dioxide that is formed when heating oil, diesel fuel and gasoline are consumed. Since 1995, air emission regulations in several major metropolitan areas have made it necessary for refiners to adjust gasoline components in order to produce "reformulated" gasoline (RFG). This fuel, which contains less benzene and more oxygenate and has a lower evaporation rate than normal gasoline, is intended to help reduce air pollution during the hot summer months.

#### 6. Transportation to Markets

Pipelines are the most common method of moving finished petroleum products from the refinery to the consumer. More than 200,000 miles of petroleum pipelines, most of it underground, distribute crude oil and products to all regions of the country. Pipeline transportation is relatively slow - products move at about 3 to 8 miles per hour -- but huge amounts of product can be delivered in this manner at low operating cost and with a high degree of reliability.

#### 7. Local Terminal

At the local terminal, gasoline distributors pick up their product, which has been delivered by pipeline or occasionally by barge, railroad car or tanker truck. Most often the terminal consists of a collection of storage tanks and a loading rack, where the distributors' trucks line up to be filled.

#### 8. Service Station/Convenience Store

Trucks from the local terminal deliver gasoline into underground tanks at the nation's 180,000 service stations and convenience stores. Pumps on the service islands of these facilities remove the gasoline from storage to place it in the gas tanks of the customers' vehicles. More than 80 percent of gasoline outlets are now convenience stores, offering fuel as well as a variety of everyday products. Unleaded regular makes up two-thirds of all gasoline sales.

# Unleaded Gasoline RBOB

## Specifications

### Trading Unit

42,000 U.S. gallons ]

### Price Quotation

U.S. dollars and cents per gallon.

### Trading Hours (All times are New York time)

Open outcry trading is conducted from 10:05 AM until 2:30 PM.

Electronic trading is conducted from 6:00 PM until 5:15 PM via the CME Globex® trading platform, Sunday through Friday. There is a 45-minute break each day between 5:15PM (current trade date) and 6:00 PM (next trade date).

### Trading Months

12 consecutive months on a rolling basis, starting with the January 2007 contract month.

### Trading at Settlement (TAS)

Trading at settlement is available for the front two months except on the last trading day and is subject to the existing TAS rules. Trading in all TAS products will cease daily at 2:30 PM Eastern Time. The TAS products will trade off of a "Base Price" of 100 to create a differential (plus or minus) in points off settlement in the underlying cleared product on a 1 to 1 basis. A trade done at the Base Price of 100 will correspond to a "traditional" TAS trade which will clear exactly at the final settlement price of the day.

### Minimum Price Fluctuation

\$0.0001 (0.01 ¢) per gallon (\$4.20 per contract).

### Maximum Daily Price Fluctuation

\$0.25 per gallon (\$10,500 per contract) for all months. If any contract is traded, bid, or offered at the limit for five minutes, trading is halted for five minutes. When trading resumes, the limit is expanded by \$0.25 per gallon in either direction. If another halt were triggered, the market would continue to be expanded by \$0.25 per gallon in either direction after each successive five-minute trading halt. There will be no maximum price fluctuation limits during any one trading session.

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## Last Trading Day

Trading terminates at the close of business on the last business day of the month preceding the delivery month.

## Settlement Type

Physical.

## Delivery

F.O.B. seller's facility in New York harbor ex-shore. All duties, entitlements, taxes, fees, and other charges paid. Requirements for seller's shore facility: capability to deliver into barges. Delivery may also be completed by pipeline, tanker, book transfer, or inter- or intra-facility transfer. Delivery must be made in accordance with applicable federal, state, and local licensing and tax laws. Delivery shall comply with all state laws related to oxygen content.

Complete delivery rules and provisions are detailed in Chapter 191 of the Exchange Rulebook.

## Delivery Period

Deliveries may only be initiated the day after the fifth business day and must be completed before the last business day of the delivery month.

## Alternate Delivery Procedure (ADP)

An alternate delivery procedure is available to buyers and sellers who have been matched by the Exchange subsequent to the termination of trading in the spot month contract. If buyer and seller agree to consummate delivery under terms different from those prescribed in the contract specifications, they may proceed on that basis after submitting a notice of their intention to the Exchange.

## Exchange of Futures for Physicals (EFP)

The commercial buyer or seller may exchange a futures position for a physical position of equal quantity by submitting a notice to the Exchange. EFPs may be used to either initiate or liquidate a futures position.

## Grade and Quality Specifications

Generally conforms to industry standards for reformulated regular gasoline blendstock for oxygen blending (RBOB) with 10% denatured fuel ethanol (92% purity) as listed by the Colonial Pipeline for fungible F grade for sales in New York and New Jersey. RBOB is a wholesale non-oxygentated blendstock traded in the New York Harbor barge market that is ready for the addition of 10% ethanol at the truck rack.

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