

CONTRACT RULES: ICE FUTURES EUROPE MIDLAND WEST TEXAS INTERMEDIATE AMERICAN GULF COAST CRUDE OIL FUTURES CONTRACT

SECTION 7A1 CONTRACT RULES: ICE FUTURES EUROPE MIDLAND WEST TEXAS INTERMEDIATE AMERICAN GULF COAST CRUDE OIL FUTURES CONTRACT¹

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7A1.1 INTERPRETATION

These Contract Rules together with the applicable Administrative Procedures (together “**Contract Terms**”) govern transactions in ICE Futures Europe Midland West Texas Intermediate American Gulf Coast Crude Oil Futures Contracts (“**Midland WTI Contract**” or “**Contract**”). Any matters not specifically covered herein relating to trading, clearing, settlement or otherwise related to transactions involving Permian Basin originated West Texas Intermediate crude oil (“**Midland 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. Any capitalised term used herein but not defined herein shall have the meaning set forth in the Regulations and the Clearing House Rules.

7A1.2 SCOPE

The Midland WTI Contract shall be for the sale and delivery by the Seller to the Buyer of the Product meeting the specified Contract Terms (including the Specifications) 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. For the purposes of the Contract Procedures, the ICE Clear Europe Delivery Procedures and any other clearing and settlement processes taking place at the Clearing House, a “ <i>Business Day</i> ” shall mean a day on which the Clearing House is open for business.
“Buyer”	in respect of a Midland WTI Contract, means the person who is obliged under such Midland WTI 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.
“CT”	means “Central Time”, the prevailing time in Houston, Texas.
“Enterprise”	means Enterprise Crude Pipeline LLC, a Texas limited liability company, and its successors.
“Enterprise ECHO Terminal”	means the crude oil storage terminal owned and operated by Enterprise located at 6849 E. Sam Houston Parkway S., Houston, Texas 77034.
“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.
“LPT”	means “London Prevailing Time”, the prevailing time in London, United Kingdom.

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“Magellan”	means Magellan Crude Oil Pipeline Company, L.P., and its successors.
“Magellan MEH Terminal”	means the crude oil storage terminal owned and operated by Magellan located at 7901 Wallisville Road, Houston, Texas 77029.
“Midland WTI Contract” or “Contract”	means a crude oil futures contract governed by these Contract Terms, as may be amended by the Exchange from time to time.
“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.
“Non-Business Day”	means a Trading Day that is a public holiday in US. For the purposes of the Contract Procedures, the ICE Clear Europe Delivery Procedures and any other clearing and settlement processes taking place at the Clearing House, a “ <i>Non-Business Day</i> ” shall mean a day on which the Clearing House is closed for business.
“Product”	means a Permian Basin originated West Texas Intermediate crude oil which meets the Specification.
“Product Transfer Order” or “PTO”	means the delivery mode operated under Rule 7A1.8.
“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 Midland WTI Contract means the person who is obliged under such Midland WTI Contract to deliver in respect of each lot.
“Specifications”	has the meaning set forth in Rule 7A1.5.
“Specified Terminal”	means either the Enterprise ECHO Terminal or the Magellan MEH Terminal, as applicable.
“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 QUANTITY

Each Midland WTI Contract shall be for lots consisting of 1,000 Barrels of Product each for the delivery month specified and can be traded in one or more lots. All volumes shall be determined at 60° F.

7A1.5 ORIGIN AND QUALITY

Under the Midland WTI Contract, the Product shall be a Permian Basin originated West Texas Intermediate crude oil and must satisfy the following specifications (together the “Specifications”):

Parameter:	Units:	Minimum:	Maximum:	Required Test Method:
API Gravity	°API, 60°F	40.0	44.0	ASTM D1298 or D5002
Total Sulfur Content	% (m/m)		0.20	ASTM D4294
Mercaptan Sulfur	ppm Wt		75	UOP 163
RVP	Psi		9.0	ASTM D6377
BS&W	% (v/v)		1.0	ASTM D4007 per API MPMS 10.4
Nickel and Vanadium	mg/kg		3.0*	ASTM D5708, Procedure B or D8252

* Nickel and Vanadium combined.

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 Specifications.

7A1.6 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 a Specified Terminal. Where the Seller tenders any lots fewer than the specified amount any such extra costs shall be for Seller’s 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.

7A1.7 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.

7A1.8 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.

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Delivery shall be made at the Specified 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 at the Specified Terminal by the first day of the delivery month.

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

- (a) by inter-facility transfer within a Specified Terminal;
- (b) by in-system transfer, or book out of title to the Buyer at a Specified Terminal; or
- (c) by in-tank transfer of title to the Buyer at a Specified Terminal.

The delivery methods specified above may be subject to the Buyer and Seller executing certain documentation with Enterprise and/or Magellan as may be required for the operation of the delivery process at a Specified Terminal. Members should be aware that Enterprise and/or Magellan may charge additional fees, including but not limited to a terminal transfer fee and/or a PTO fee on title transfers of physical barrels at any Specified Terminal. Any such fees are a matter between Members and Enterprise and/or Magellan, as applicable, and therefore do not form part of the Midland WTI Contract.

Delivery shall be made at the point of connection between Seller's facilities (including storage facilities) or pipeline and Buyer's facilities (including storage facilities) or pipeline at the Specified Terminal.

The Exchange does not undertake any due diligence or inspections of a Specified Terminal 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 Specified Terminal. 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 a Specified Terminal, whether in whole or part, in accordance with these Contract Rules.

In accordance with Rule 7A1.11 (Alternative Delivery Procedure), delivery may be made by any other means or in any other location.

Any transfer of Product by Buyer within or between the Specified Terminals is subject to the terms and conditions of the Specified Terminals, including Buyer's payment of any applicable fees, and not included under the Contract.

7A1.9 EXCLUSION OF LIABILITY IN RESPECT OF A SPECIFIED TERMINAL

The Exchange shall have no liability whatsoever for the condition of the facilities located within any Specified Terminal, 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. Parties placing the Product into a Specified Terminal 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.

7A1.10 EFP

EFP transactions involving Midland 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.

7A1.11 ALTERNATIVE DELIVERY PROCEDURE (“ADP”)

Notwithstanding any other provision of the Contract Rules and Administrative Procedures, a Seller may agree with the Buyer to whom the Seller’s 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.

7A1.12 DETERMINATION OF ORIGIN, QUALITY AND QUANTITY

The Exchange, either at its own initiative or as a result of a Buyer’s query, may request and the Seller shall promptly provide further evidence in support of the Specifications of any Product reasonably deemed by a Buyer to not conform to the Specifications. If the Specifications of the Product delivered under the Contracts is contested by the Buyer, determination of the Product shall be conducted in accordance with the below.

Inspection of the Product shall be conducted in accordance with pipeline practices according to the customs and usages of the market.

In the event of a dispute between a Seller and a Buyer, 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 a panel of two 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 origin, quality or quantity delivered, such as but in no way limited to:

- (i) inspection reports showing a change in the quality of the Product on or after delivery, beyond what would reasonably be expected;
- (ii) inspection reports that point to the same conclusion and where previous contamination can be ruled out as a factor;
- (iii) information that suggests the sample taken and tested was unrepresentative of the Product delivered;
- (iv) information that suggests the origin of the Product is not as per the Specifications;

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- (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 Specifications, the cost of the inspection shall be borne 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 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.

The Exchange expects any second inspection to re-test those aspects about which there exists valid doubt as per the above, or that are adjacent to those aspects. It will then remain open to either party to call for a second inspection and determination of Product specification. The second inspector shall examine samples retained by the first inspector and shall determine their specification. 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 Specifications the Seller shall bear the costs of the inspection.

In the event that the second inspection finds the Product fails to meet the Specifications or is otherwise non-compliant with the Exchange's rules, an Alternative Delivery Procedure may be agreed under Rule 7A1.11. 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 the Buyer's own risk.

7A1.13 SELLER'S OBLIGATIONS

- (a) The Seller is obliged to:-
- (i) have all the required permits, licenses and authorizations to operate as a customer at the Specified Terminal elected for the purposes of making delivery under the Contract;
 - (ii) deliver to the Clearing House all documents stipulated in the Administrative Procedures and the Clearing House Rules;
 - (iii) accept any Buyer(s) with open positions to whom the Clearing House passes its tender;
 - (iv) subject to any default on the part of the Buyer, effect the delivery of the Product in accordance with the Contract Rules, Administrative Procedures and the Clearing House Rules;
 - (v) have available at 07:00 hours CT on the nominated delivery day a quantity and quality of Product sufficient to meet its obligations under the Midland WTI Contract for that nomination in a Specified Terminal;
 - (vi) ensure that the Product satisfies the Specifications, quantity and origin required by the Contract Rules;

- (vii) insofar as delivery is not completed within the delivery time normally allowed at a Specified Terminal, 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 the 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)(vii) above shall not be borne by the Clearing House or by any Seller except the Seller who actually arranges delivery of Product into a Specified Terminal (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.

7A1.14 BUYER'S OBLIGATIONS

- (a) The Buyer is obliged to:-
 - (i) have all the required permits, licenses and authorizations to operate as a customer at both Enterprise ECHO Terminal and Magellan MEH Terminal for the purposes of taking delivery under the Contract;
 - (ii) 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;
 - (iii) subject to any default on the part of the Seller, take delivery of the Product;
 - (iv) 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
 - (v) 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; and
 - (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.

7A1.15 OWNERSHIP AND RISK

Ownership 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.

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The risk shall pass to the Buyer:-

- (i) in the case of delivery by inter-facility transfer within a Specified Terminal, when the Product has completed transfer to the Buyer's account;
- (ii) in the case of delivery in-system transfer or book-out of title to the Buyer, at the time of passing of property within a Specified Terminal; or
- (iii) in the case of no physical movement of the Product, at the point of transfer of title to the Buyer within a Specified Terminal.

7A1.16 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.

7A1.17 FORCE MAJEURE

An event of force majeure shall mean any occurrence outside the control of either party to a 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 its Contract(s) it shall immediately notify the Exchange and the Clearing House in writing of such event and the obligations under its Contract(s) which are affected. The Exchange shall refer this matter to either the ARC 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 its Contract(s) or otherwise to the Board.

If an ARC Delivery Panel of the ARC 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 party's Contract(s) for a period of 5 days beyond the time limit set out in the Contract Rules or Administrative Procedures, then such party's Contract shall be invoiced back by the Clearing House at a price to be fixed by an ARC Delivery Panel of the ARC 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.