

# Domestic Sweet Quality Monitoring Project

COQA Subcommittee Meeting

Long Beach, CA

October 04, 2017

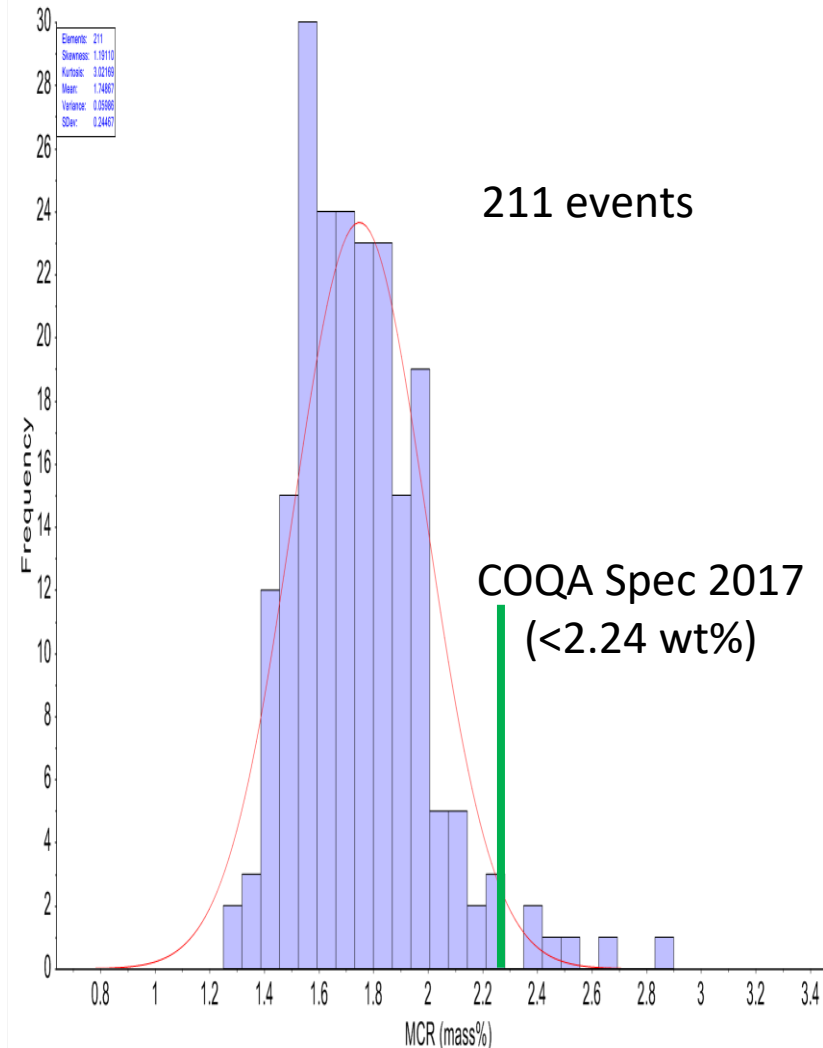
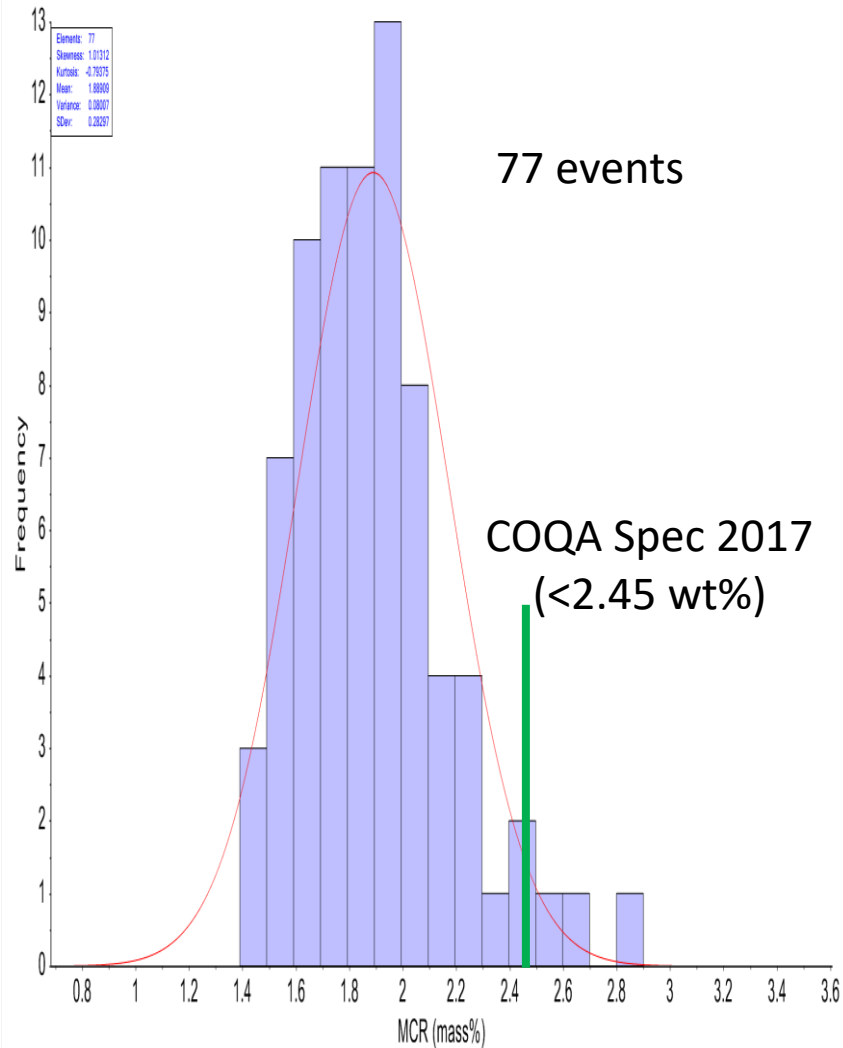
# Agenda

- So What?
  - Review of the COQA 2010 recommended specifications for DSW
  - Review of the 2017 results to date
- What Now?
  - Decision on specifications to be proposed to NYMEX/CME
  - Decision on ratification process
- What's Next?
  - Timeline for milestones

# COQA 2010 specifications review

<u>Parameter</u>	<u>Specification</u>	<u>Test Method</u>
MicroCarbon Residue (MCR)	2.4% or less by weight	ASTM D4530
Total Acid Number (TAN)	0.28 mg KOH/g or less	ASTM D664
Nickel	8 ppm or less	ASTM D5708B
Vanadium	15 ppm or less	ASTM D5708B
Light Ends <220°F by HTSD	Not more than 19% by weight	ASTM D7169
50% point by HTSD	470°F- 570°F	ASTM D7169
Vacuum Residuum >1020°F by HTSD	Not more than 16% by weight	ASTM D7169

# COQA 2010 specifications review



Statistical Analysis  
MCR example

# COQA 2010 specifications review

Statistics (77 events)	Mean	Standard Deviation	Mean - 2 $\sigma$	Mean + 2 $\sigma$	Statistics (211 events)	Mean	Standard Deviation	Mean - 2 $\sigma$	Mean + 2 $\sigma$
Gravity	41.5	0.3	40.9	42.1	Gravity	41.2	0.5	40.3	42.2
Sulfur	0.406	0.015	0.376	0.436	Sulfur	0.399	0.015	0.369	0.429
MCR	1.89	0.28	1.33	2.45	MCR	1.75	0.24	1.27	2.23
Nickel	5.0	0.6	3.8	6.2	Nickel	4.8	0.8	3.1	6.4
Vanadium	14.5	2.6	9.4	19.6	Vanadium	13.3	3.1	7.2	19.5
Light Ends	17.4	1.1	15.2	19.7	Light Ends	17.2	1.2	14.7	19.6
Residue	13.8	2.5	8.7	18.8	Residue	13.8	2.3	9.3	18.4
50% Point	513	21	471	555	50% Point	517	20	477	557

# COQA 2017 Results to date

<u>Parameter</u>	<u>COQA Specs 2010</u>	<u>DSW Results 2017</u>	<u>Variance</u>
MicroCarbon Residue (MCR)	2.4% or less by weight	2.23% by weight	-0.17% by Wt.
Total Acid Number (TAN)	0.28 mg KOH/g or less	Non Detected	-0.28 mg KOH/g
Nickel	8 ppm or less	6.4 ppm	-1.6 ppm
Vanadium	15 ppm or less	19.5 ppm	+4.5 ppm
Light Ends <220°F by HTSD	Not more than 19% by weight	19.6% by weight	+0.6% by Wt.
50% point by HTSD	470°F- 570°F	477°F- 577°F	+7°F- +7°F
Vacuum Residuum >1020°F by HTSD	Not more than 16% by weight	18.4% by weight	+2.4% by Wt.

# Decision on Recommended Specifications

- Subcommittee conference calls
  - Extensive and detailed review of DSW data (unto itself, to 2017 WTI test results, to 2010 and prior data)
  - recommended retaining the 2010 specifications
- Subsequent communications indicated a request to retain the TAN specification, even though minimal TAN measured in 2017
- No other parameters were recommended during the subcommittee meeting(s)
- MOTION – move that the 2010 COQA specifications, in their entirety, be the basis of proposed communications with CME/NYMEX

# Approvals Process

- In consideration of individual corporate privacy, and the potential need to seek senior management, approval process will be:
  - Motion to be seconded
  - Amendments proposed, passed/defeated in today's meeting
  - Final motion to be distributed among stakeholders, and as widely as possible
  - Ballot will be aggregate e-mail due by October 18, 2017
  - Lack of reply will be interpreted as support for the motion
- Approvals process is common in midstream operations and industry associations
- Aaron remains key contact point (do we designate alternate?)



# What's Next?

- **October 4, 2017**
- The Domestic Sweet Subcommittee Meeting – COQA Fall Meeting
  - Review the Domestic Sweet (DSW) proposed specifications
  - Solicit comments from attendees during the subcommittee meeting
  - Provide dates for DSW proposed specs “Open Comment Period (10/4/17 to 10/18/17)”
  - Present pathforward with CME for adoption of the DSW specs recommendations
  - Review and Approve Domestic Sweet Monitoring Program Budget for 2018
- **October 11, 2017**
  - Inform Domestic Sweet Monitoring program funding companies of the revised DSW specification recommendations and ask for their comments by 10/18/17.
- **October 18, 2017**
  - Open Period Closed. All comments reviewed and reported to the DSW Oversight Panel

# What's Next?

- **October 25, 2017**

- If consensus is reached
  - Proceed with sending the DSW specs recommendations to CME
- If consensus is not reached
  - Continue to work with the Oversight Panel to resolve any outstanding issues until the proposed specs are confirmed.
  - Reset date for sending DSW specs recommendations to CME

- **October 31, 2017 (Assuming DSW proposed specs are confirmed)**

- Send revised COQA Domestic Sweet specification recommendations to CME representative Dan Brusstar

- **October 31 thru Mid-December 2017**

- CME discuss new COQA DSW specifications with their customers. If approval is reached with their customers then “adopt” the new DSW specifications.
- Present the new Domestic Sweet specs to the CFTC for inclusion in the Light Sweet Crude Oil Futures contract.

# What's Next?

- **December 2017 to December 2018**
  - 12 months notice period to provide the market time to adjust to the new DSW specifications
  - Continuation of DSW/WTI quality monitoring program
  - Development of violation management system
    - LLS, Basin systems for starting point on discussions
- **December 2018**
  - **Projected Implementation date for new Domestic Light Sweet NYMEX Contract**

# DSW Quality Monitoring Project Funding

## 2017

- Original objective to find 10 sponsors at \$20K each
  - Received 9 commitments at \$20K each
  - 2017 sampling program has been reduced to maintenance mode
  - ETA to zero funds = ~ end of October

## 2018

- Original objective to find 10 sponsors at \$13.5K each
  - To maintain a quality records bridge from recommendation to adoption
  - 2018 sampling program will continue on maintenance mode
  - Re-evaluate program mid 2018
- Recommend to begin invoicing past supporters immediately, and solicit new participation