Domestic Sweet/ WTI Specifications

FOR COQA MEETING - JUNE 2013 IN SEATTLE, WA

PRESENTED BY: DENNIS SUTTON, MARATHON PETROLEUM COMPANY
The Need for Domestic Sweet Specifications

- Historically, Domestic Sweet was a blend of various sweet crude oil streams from Western Texas, Oklahoma, and surrounding areas.
- Today, with minimal specifications and increasing tight oil production, and logistical optionality, Domestic Sweet might include high TAN crude, condensate from Colorado, Bakken, Eagle Ford, and Canadian blends.
- Refiners are increasingly concerned about blending of incompatible crudes into the Domestic Sweet stream and the detrimental effect on refinery operations.
After years of diligent work and testing, in 2010, the COQA recommended more comprehensive specifications for WTI/Domestic Sweet. In addition to the historical specs of API gravity and sulfur, we agreed on the need for:

- Distillation characteristics from HTSD-
  - % @ 220°F
  - 50% point
  - % > 1020°F
- TAN
- Metals (nickel and vanadium, individually)
- Carbon residue (MCR)
Recommended Specs - Current Status

- At both the Fall 2011 and early 2012 meetings, Dan Brusstar spoke favorably regarding NYMEX’s incorporation of the specs.
- Data suggests the COQA specs are being routinely met.
- Recent communication (last month) indicates NYMEX is “definitely” still planning to implement the new specs. Dan Brusstar said it would most likely be effective with the January 2014 contract and plan to issue an announcement in the next few months.
Conclusions

The COQA specs are:
- Meaningful to refiners - now more than ever!
- Practical to implement
- Routinely achievable - it’s happening
- Do not limit the liquidity of the stream

Since COQA’s letter nearly three years ago, subsequent work has validated this recommendation, showing the perceived hurdles have been overcome.

The importance of the specs was highlighted in Harry Giles’ presentation to the National Academy of Sciences Dilbit Project in late 2012.