October 13, 2006

Via E-Mail

Office of the Acting Secretary
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street, N.W.
Washington, D.C. 20581

Re: Rule Certification. NYMEX Submission 06.120: Notification of Amendments to NYMEX Division Settlement Procedures for Energy Futures Contracts - Crude Oil, Natural Gas, New York Harbor Products, and Propane (Rules 6.52, 6.52A and 6.52B)

Dear Ms. Eileen Donovan:

The New York Mercantile Exchange ("NYMEX" or the "Exchange") is notifying the Commodity Futures Trading Commission ("CFTC" or "Commission") of amendments to NYMEX Division Settlement Procedures for Energy Futures Contracts - Crude Oil, Natural Gas, New York Harbor Products, and Propane (Rules 6.52, 6.52A and 6.52B).

Effective Monday, October 16, 2006, the Exchange will implement amendments to the settlement procedures for Crude Oil, Natural Gas, New York Harbor Products, and Propane, that modify the criteria that define which months will qualify for weighted average treatment for purposes of settlement. Specifically, the existing criteria needed to qualify a month for weighted average treatment (10 percent of total open interest and 10 percent of total outright closing range volume) is being modified to 10 percent/30 percent, respectively (not including TAS). In addition, for an individual month that qualifies under the modified standard of 10/30 percent, where the month is eligible for TAS transactions but where the closing range volume is not at least 25 percent of the TAS volume executed for that contract month, that month will be excluded from weighted average handling and will be given spread value consideration. (Note: In all instances, the current delivery month will be settled by weighted average, as per the rules.)

Pursuant to Section 5c(c) of the Commodity Exchange Act ("Act") and CFTC Rule 40.6, the Exchange hereby certifies that the attached rule amendment complies with the Act, including regulations under the Act.

Should you have any questions regarding the above, please contact me at (212) 299-2897.

Very truly yours,

Thomas F. LaSala
Senior Vice President
Compliance and Risk Management

cc: Brian Regan
Nancy Minett

(Additions are bold/underlined; deletions in bold/strikethrough)

NYMEX Rule 6.52 - Settlement Prices for Crude Oil, Heating Oil, Gasoline, and New York Harbor Gasoline Blendstock (RBOB) Futures Contracts

(A) For crude oil, heating oil, gasoline, and New York Harbor Gasoline Blendstock (RBOB) futures contracts, the settlement price for each delivery month that:

(1) as of the opening of business for that day has more than ten percent (10%) of the total open interest for all delivery months of the futures contract and

(2) for which **~~10%~~** **<u>30%</u>** of the closing range volume in that commodity is done in that delivery month (excluding, for the purposes of this calculation, volume done during the closing range on the last day of trading in an expiring contract), shall be the weighted average price (rounded to the nearest minimum fluctuation) of all outright transactions including both trades executed on the trading floor by open outcry and trades executed electronically in that delivery month which occur in the closing range.

(3) Additionally, TAS volume, if applicable, shall not be included as closing range volume for the purpose of item (2) above, to determine percentage of closing range volume in a delivery month. TAS volume shall not be used to calculate settlement.

(4) Notwithstanding the qualifications cited in items 1-3 above, the current delivery month or spot month will always be the weighted average price (rounded to the nearest minimum fluctuation) of all outright transactions including both trades executed on the trading floor by open outcry and trades executed electronically. **<u>Further, a month which may qualify for weighted average treatment pursuant to items 1-3 above, that is also eligible for TAS transactions, will be disqualified from weighted average treatment if the closing range volume in the contract month is not at least 25% of the TAS volume in such contract month.</u>**

(B) In all other delivery months for such futures contracts that do not satisfy the open interest and volume criteria set forth in paragraph (A), the settlement price shall be determined based upon spread relationships between and among contract months, which relationships shall be determined in the judgement of the Settlement Price Committee with:
(a) greatest weight given to spreads executed on the trading floor by open outcry late in the trading day in large volumes, and

(b) lesser weight given to
(i) spreads traded on the trading floor by open outcry in lesser volumes,
(ii) spread bids and offers actively represented on the trading floor by open outcry late in the trading day, and

(iii) spread transactions, bids and offers from earlier in the trading day on the trading floor by open outcry, provided that, in any circumstance where the Committee is considering bids and offers for spreads, it shall consider the mid-point of the best bid and best offer and not the individual best bid or best offer. In the event of a "price spike in the closing range" in any contract month where the settlement price is determined by weighted average according to the open interest and volume criteria set forth in paragraph (A), the Settlement Price Committee may disregard the settlement price for a spiked month in considering spread relationships pursuant to this paragraph. For the purpose of this rule, a "price spike in the closing range" shall have occurred if, in the sole discretion of the Settlement Price Committee, a significant change in the spread relationships between the "spiked month" and the contract months immediately preceding and following such month occurred during the closing range. Notwithstanding the foregoing, no settlement price shall be established that would be lower than the best bid, or higher than the best offer that: (a) was for at least 100 contracts for outrights or at least 200 contracts for spreads in crude oil futures contracts or for at least 50 contracts (outrights or spreads) for heating oil or gasoline futures contracts or for at least 10 contracts for coal futures, and (b) had been posted with the Exchange and remained available for execution and unfilled for the final fifteen (15) minutes of trading.

(C) If any settlement price, determined pursuant to paragraphs (A) or (B), is inconsistent with transactions that occurred during the closing range in other delivery months of the same futures contract or with market information known to the Settlement Price Committee, (including, but not limited to, either floor trading or electronic trading, (i) bids or offers for outright transactions and spreads that were unfilled during the closing range, (ii) bids, offers or transactions in strips, and (iii) outright transactions executed prior to the closing range) the Committee may establish a settlement price at a level consistent with such other transactions or market information. In such event the

Committee shall prepare a written record of the basis for any settlement price so established.

(D) In the event that the Settlement Price Committee: establishes a settlement price in accordance with paragraph (C) of this Rule; determines that a "price spike in the closing range occurred", in accordance with paragraph (B) of this Rule; or fails to determine a settlement price by unanimous agreement of the six Members designated by the Chairman to establish settlement prices pursuant to Rule 6.51, the Committee shall prepare a written record of the basis upon which it established such settlement price.

(E) Notwithstanding the above, the settlement price for the last day of trading in a contract month in the Exchange's Brent Crude Oil futures contract shall be determined in accordance with the rules in NYMEX Chapter 205 (Brent Crude Oil Futures Contract). Further, the settlement price used as the price for delivery for the Northwest Europe Gasoil futures contract shall be the final settlement price for the business day prior to the last trading day of the expiring delivery month.

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NYMEX Rule 6.52A - Settlement Prices for Natural Gas Futures Contracts

Settlement prices will be determined as follows:

(A) The settlement price for each delivery month that: (1) as of the opening of business for that day has more than ten percent (10%) of the total open interest for all delivery months of the futures contract and (2) for which ~~10%~~ **30%** of the closing range volume in that commodity is done in that delivery month (excluding, for the purposes of this calculation volume done during the closing range on the last day of trading in an expiring contract), shall be the weighted average price (rounded to the nearest minimum fluctuation) of all outright transactions including both trades executed on the trading floor by open outcry and trades executed electronically in that delivery month which occur in the closing range. (3) Additionally, trading at settlement (TAS) volume, if applicable, shall not be included as closing range volume for the purpose of item (2) above, to determine percentage of closing range volume in a delivery month. TAS volume shall not be used to calculate settlement.

(B) Notwithstanding the qualifications cited in items 1-3 above, the current delivery month or spot month will always be the weighted average price (rounded to the nearest minimum fluctuation) of all outright transactions including both trades executed on the trading floor by open outcry and trades executed electronically. **Further, a month which may qualify for weighted average treatment pursuant to items 1-3 above, that is also eligible for TAS transactions, will be disqualified from weighted average treatment if the closing range volume in the contract month is not at least 25% of the TAS volume in such contract month.**

(C) In all other delivery months for such futures contracts that do not satisfy the open interest and volume criteria set forth in paragraph (A), the settlement price, shall be determined in the best judgment of the Settlement Committee based upon trades or orders that are bid/offered and posted pursuant to prescribed procedures in the last 30 minutes of trading on the trading floor by open outcry: outrights for a volume of 100 lots in any of the first 24 listed contract months, or outrights for a volume of 100 lots beyond the 24th contract month that have reached a minimum open interest of 10,000 contracts based upon the open interest published at noon on a trading day; intracommodity spreads for a volume of 100 lots/month; and intracommodity strips for a volume of 30 lots/month for a yearly or 50 lots/month for a seasonal. Priority will be given first to outrights, then spreads, then strips, that meet the criteria above. Provided further, that an order that met the original volume requirement and was partially filled with the balance still open, will be honored. Additionally, Floor Members posting any orders shall be held to filling them unless the order was cancelled during the posting period with appropriate notice to the market. Cancelled orders will not be honored for settlement purposes.

(D) For any contract months not otherwise addressed in Sections (A) and (B) of this rule, or if any settlement price, determined pursuant to paragraphs (A) or (B), is inconsistent with transactions that occurred during the closing range in other delivery months of the same futures contract or with market information known to the Settlement Price Committee, (including, but not limited to, either floor trading or electronic trading), the Settlement Price Committee shall be bound to consider all relevant available data but shall not be bound by data from any one type of market information. Such other market information includes but is not limited to the following:
Executed trades, bids or offers for outrights, spreads and strips provided before the last 30 minutes of the trading day transactions including both floor trading and Electronic Trading, an Exchange settlement price model, and relevant OTC market data as further specified below;

The Exchange settlement price model will be calibrated so that it is generally mathematically consistent with market price information provided through Sections (A) and (B);

OTC market quotes, if available, may be considered for outrights, spreads and strips supplied by OTC brokers who are registered with NYMEX for NYMEX Clearport® Clearing;

The Committee shall prepare a written record for any settlement price determined pursuant to Section (C) of this rule. (E) A NYMEX staff member will be a voting member of the Settlement Price Committee with the ability to veto and change any determination by the Committee if the priorities cited in Sections (A), (B), or the exercise of judgment in Section (B) or the exercise of judgment based upon available data in Section (C) of this rule are not adhered to in the best judgment of the staff member.

(F) Notwithstanding the above, the settlement price for a delivery month in the Henry Hub Swap futures contract will be the settlement price for the corresponding delivery month in the Natural Gas futures contract, provided however that the final settlement for an expiring delivery month in the Henry Hub Swap futures contract will be determined in accordance with the terms of Chapter 225 (Henry Hub Swap).

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NYMX Rule 6.52B - Settlement Prices for Propane Gas Products

(A) For each propane futures contract, the settlement price for each delivery month that: (1) as of the opening of business for that day has more than ten percent (10%) of the total open interest for all delivery months of the futures contract and (2) for which ~~10%~~ 30% of the closing range volume in that commodity is done in that delivery month (excluding, for the purposes of this calculation volume done during the closing range on the last day of trading in an expiring contract), shall be the weighted average price (rounded to the nearest minimum fluctuation) of all outright transactions including both trades executed on the trading floor by open outcry and trades executed electronically in that delivery month which occur in the closing range. If there are no such transactions in the closing range, the settlement price shall be the last trade price, unless a bid higher or offer lower than the last trade price is made in the closing range. Such higher bid or lower offer shall be the settlement price.

(B) In all other delivery months for such futures contracts that do not satisfy the open interest and volume criteria set forth in paragraph (A), the settlement price shall be determined based upon spread relationships between and among contract months, which relationships shall be determined in the judgment of the Settlement Price Committee with: (a) greatest weight given to spreads executed on the trading floor by open outcry late in the trading day in large volumes, and (b) lesser weight given to (i) spreads traded on the trading floor by open outcry in lesser volumes, (ii) spread bids and offers actively represented on the trading floor by open outcry late in the trading day, and (iii) spread transactions, bids and offers from earlier in the trading day on the trading floor by open outcry.

(C) If any settlement price, determined pursuant to paragraphs (A) or (B), is inconsistent with transactions that occurred during the closing range in other delivery months of the same futures contract or with market information known to the Settlement Price Committee, (including, but not limited to, either floor trading or electronic trading, (i) bids or offers for outright transactions and spreads that were unfilled during the closing range, (ii) bids, offers or transactions in strips, and (iii) outright transactions executed prior to the closing range) the Committee may establish a settlement price at a level consistent with such other transactions or market information. In such event, the Settlement Committee shall prepare a written record of the basis for any settlement price so established.