

Editorial Guidelines and Methodologies

Americas Crude Oil

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INTRODUCTION

Platts Americas crude oil Editorial Guidelines and Methodologies are designed to complement the existing Platts Guide to Specifications.

The Editorial Guidelines document focuses on the protocols applicable to Platts reporting for US Gulf Crudes, US West Coast Crudes, Canadian Crudes and Latin Crudes **on Platts' real time system Platts Global Alert (PGA) page 300**. This document was produced to provide the industry with clear editorial protocols, detailed guidelines used by Platts on its market-on-close assessment process. The document will be updated periodically to ensure that the guidelines are as comprehensive as possible.

PGA page 300 on the electronic screen service Platts Global Alert (PGA) publishes information in real-time on bids, offers, transactions and any other information relevant for the trade in US Gulf crudes, US West Coast Crudes, Canadian Crudes and Latin America crudes.

Platts will only publish bids and offers on PGA page 300 assumed to be firm. Only firm and transparent inputs from credible market participants may be used in Platts' assessment processes. The information contained in PGA page 300 is stored electronically and is time-stamped.

Platts systems and processes are entirely transparent, governed by logic and reflective of typical market practice. Platts' editorial group welcomes any comments and feedback regarding its processes and its objective is to publish accurate, precise and time sensitive assessments.

Method of submission/communication for bids/offers and transactions

Platts accepts any reasonable method of delivery/communication for bids, offers and transactions. Platts editors typically communicate with trading companies by phone or on-line instant messaging systems. Platts tries to accommodate the communication needs of its customers and will endeavor to open any additional communication channels required.

The list below gives key telephone and Instant Messaging contact points for Platts' Americas products team effective January, 2007. Please note that all telephone numbers and Yahoo IDs are subject to change.

Product	Phone number	Yahoo address
US Benchmarks (WTI, Mars)	212 904 4919 212 904 4105	plattscrude_us_benchmarks
US Gulf Grades (incl. Basrah-USG)	212 904 3929	plattscrude_northamerica
Canadian Crude (Cargo & Pipeline Grades)	403 697 8259	plattscanada
USWC Crude	713 658 3207	plattslatin crude
Latin Crude	713 658 3207	plattslatin crude

Reporting coverage

Reporters covering Americas crude markets are on the phone from around 09:30 a.m. EST to 6:00 p.m. EST. The hours of operation may be modified with due notice if it is determined that accuracy will be enhanced.

Time of assessment

Platts' assessment methodologies for US Benchmarks, US Gulf Crudes, US West Coast Crudes, Canadian Crudes and Latin American crudes reflect the prevailing market price at 03:15 p.m. EST. Platts also takes into its editorial consideration bids, offers and transactions seen during the assessment day. These inputs are analyzed and normalized to reflect a market value at 03:15 p.m. EST.

GUIDELINES FOR GLOBAL ALERT PAGE 300 TRADING

Buyers and sellers may communicate bids or offers directly to Platts' price specialists, provided that the companies are perceived by the market and by Platts as having appropriate credit and good credibility and a good record on trading performance.

All bids and offers are firm from the moment of submission. Bids and offers on cargoes are to be submitted up to but no later than 02:30:00 p.m. EST. Bids/offers will not be accepted from 02:30:01 precisely.

Bids and offers on pipeline crudes are to be submitted up to but no later than 03:05:00 p.m. EST. Bids/offers will not be accepted from 03:05:01 p.m. EST precisely.

Platts editorial systems are based on very strict time parameters and all entries are logged precisely to an atomic clock. If there are any disputes over the time of entry or the expected performance sequence from a party or parties, the time of entry as received by Platts will play a critical role in Platts' editorial decisions. Platts recognizes the time of receiving a message of a company's intent to buy/sell, as opposed to the time a message was sent by the trading party.

The volume, quality or loading/delivery timing cannot be changed from 02:30:01 p.m. EST on the cargoes.

However, a seller or buyer may change the price of the offer or bid up to 03:13:00 p.m. EST. No changes in price can be made from 03:13:01 precisely.

Buyers or sellers can withdraw bids/offers at any time, provided no prior interest to transact has been expressed by any potential counter-party.

All participants that have reported bids and offers for inclusion into page 300 are expected to promptly report any transactions stemming from their publicly available bids or offers.

Please note that since all bids and offers are considered firm, a principal should notify Platts that a transaction is in progress before he/she agrees to confirm a transaction to a third party.

Failure to notify Platts may result in another counterparty demonstrably having the right to execute a transaction with the party that expressed the firm bid and offer for public display.

Repeat bids/offers

Following any trade, the original on-screen seller/buyer must revert promptly as to whether or not he/she is prepared to offer or bid for more volume.

If the party fails to promptly communicate his follow up intention, it may result in his follow up bid or offer being interpreted by Platts editors as a new bid or offer.

If the new bid or offer is expressed after the time cut-offs then those bids and offers may no longer be processed by the Platts editorial team. Specifically, if this new bid or offer emerges after the cut-off point for the entry of new bids or offers (02:30:00 p.m. EST for cargoes and 03:05:00 for pipeline positions), such a bid or offer may not be considered.

Unless sellers/buyers promptly inform Platts of their continued interest to buy/sell after a deal, Platts will presume the principals are no longer interested in continuing to bid or offer.

Extension period

If, following a trade, any party expresses interest to buy/sell at a time near to the close of trade at 03:14:59 p.m. EST. A notice for extension of the assessment process for this particular commodity will be sent out on page 300 as soon as possible after this interest is posted. The party must stand firm on that bid/offer for an additional three minutes in order to adequately test repeatability.

Examples of non-assessible information

Buyers or sellers may name their own terms and conditions for trade. Platts will post these terms and conditions on PGA pages 300. However, Platts reserves the right of discretion to not reflect in its assessments any deals that are done on non-standard trading terms and conditions. In the same way, any terms and conditions reported on PGA page 300 that do not reflect standard market trading practices outside the trading window may not be reflected in the Platts assessments. In addition, Platts editorial staff may in some cases deem bids and offers made with non-standard terms not fit for publication.

If an on-screen bid is filled by a seller, Platts will not recognize subsequent buying interest at the traded price by an off-screen player as a test of repeatability, as this would be treated as a fresh (and therefore late) bid.

Platts will report the details of new off-screen buying interest on page 300 after 03:15:00 p.m. EST (or after the close of an extended assessment process). However, any deal done at that price would not be reflected in Platts' assessment.

In case of technical difficulties or any communication problems encountered on page 300 where market participants are unable to see the bids and offers, buying or selling interest may be considered by Platts to be non-public and non-executable, and therefore not used for Platts' assessment.

Platts will monitor all the activity and price formation that occurs with the transparency provided by firm bids/offers or deals done.

Platts may not take deals into consideration if negotiations for such deals have not been properly monitored to ensure the transacted value reflects a transaction done on an arms length basis.

Deals done at a level different from those publicly available to all market participants may not be taken into consideration.

Trades between affiliates, subsidiaries or related parties will not be recognized for assessment purposes. Bids and offers are understood to be available to the market at large and not to the affiliates and subsidiaries of the company bidding/offering.

If a bid or offer is taken out by an affiliate, subsidiary or other related party, this may result in loss of credibility by the parties with Platts, which may subsequently remove the parties' right to submit bids and offers on page 300.

Submission of bids and offers

Submissions of bids, offers or transactions should not be considered as received by Platts unless acknowledged as received by Platts. For communication initiated by phone Platts will consider the time when the trader actually communicated the bid/offer or transaction and not the time when the phone call was initiated.

Hence as a general recommendation Platts advises market participants not to wait for the last possible minute before the cut-off deadlines for bids and offers, as the communication may not be completed on time.

Bids and offers submitted on time but in an incomplete form, where the terms are only clarified after the time cut off will not be used in the assessment process. A buyer or seller can communicate with Platts directly to express buying or selling interest. Platts may also take into consideration bids and offers made via a broker, provided the buyer or seller has communicated to Platts that they have authorized the broker to speak on their behalf.

In those cases when a principal grants a third party the right to speak on its behalf, Platts must be notified and Platts will consider the third party as the principal. Hence any errors, omissions or performance problems will be seen as made by the principal.

Acknowledgement of receipt

For bids/offers and transactions communicated online, traders should not assume that Platts has received the communication unless acknowledged by Platts. Acknowledgment may take the form of "yes," "OK," "y," "k" or any other reasonable form.

Verification

The assessment process reflects bids/offers and trades made in a transparent environment. The bids/offers and trades are subjected to validation and verification by Platts editors. The bids and offers are made on a firm basis and are executable by any creditworthy counterparty with a good performance record. Platts will monitor instances when it appears that a buyer or seller fails to answer to a potential counter-party wishing to do business. This monitoring is intended to ensure that the failure is not intentional and designed to prevent performance.

Regardless of the reasons for the failure in the communication, Platts will have logged who is the first party of record interested in the bid and offer. When communication is resumed Platts will inform the market maker of the proper sequencing. In all market processes, Platts sets its systems on a logical approach of 'first come, first served.' All the entries are logged by time and hence Platts will be in a position to offer a clear opinion of the sequence of action needed.

The assessment process is very rigorous and tracks the time of submission of bids, offers and transactions. The assessment process tracks all circumstances surrounding the trade and any issues regarding performance.

Platts not only focuses on the performance of the transaction but also on issues stemming from it, including logistics and eventual delivery of the product.

This post-deal tracking enables Platts to determine the actual performance of the participants in the trade and the validity of their inputs. Platts therefore may request documentary material to determine performance and validity.

Entry of a bid, offer or transaction stemming from a bid or offer made in the assessment window processes by Platts should be interpreted as an acceptance of Platts' editorial protocols.

For purposes of information validation and verification, Platts will contact any of the principals associated with a transaction in the Platts windows.

Timing of entry of bids and offers

Cargoes: Bids and offers may be submitted at any time during the day with a deadline of 02:30:00 p.m. EST.

Pipelines: Bids and offers may be submitted at any time during the day with a deadline of 03:05:00 p.m. EST.

Platts synchronizes its computer clocks every day precisely, and will compare the time of any submitted bid/offer or communication by a market participant intending to transact, against the computer time, in order to ensure that the cut-off points for new bids and offers, price changes and the market's close are accurate. Please note that Platts applies the timing deadlines strictly.

For the purposes of clock synchronization, market participants may find the following internet link to be helpful:

<http://nist.time.gov/timezone.cgi?Eastern/d/-5/java>. This link offers an atomic clock reading for US time zones.

Terms of entry for bids and offers

Platts is an information company and in general it aims to publish any credible bid or offer reported to it. Platts makes no commitment to publish every bid or offer submitted to it, however. For instance, frivolous bids and offers may not be retransmitted. Information reported by market participants that may have legal implications, including but not limited to potential libel, will not be reported. If a principal submits an offer clearly too far off market levels it may also not be reported.

Terms of trade such as quality, delivery port, timing of delivery/loading and price are fully up to the company issuing the bid or offer.

Bids and offers which are deemed as atypical relative to the market will not be fully taken into consideration for the assessment process. Such bids/offers or transactions would be at best indicators of an overall market condition but they would not be seen as exact indicators of market price.

Any unusual condition or request regarding a bid/offer should be specified at the moment the initial bid or offer is made. Any unusual request that surfaces at the time a counterparty is ready to trade and that impedes the normal flow of a transaction could be seen as an impediment to trade. Bids or offers made in a manner that would appear to be unexecutable to normal trade participants may also not be published in the Platts systems.

Expiration of bids and offers

Published bids and offers have an automatic expiration of 03:15:00 p.m. EST. Market participants may extend the validity of their bids and offers by 'adding' a specific additional time span. In those cases where buyers or sellers express their intention to keep on buying or selling right before the expiration of the validity of the bids and offers, a time extension of 3:00 minutes may be added to enable proper communication with potential counter parties. This would extend the validity of the bids and offers up to 03:18:00 p.m. EST.

Incrementability

For pipeline grades, Platts assessments consider bids, offers and transactions that are transparent and executable by any creditworthy counterparty. Bids, offers or transactions that are not transparent will not be considered in the assessment process. Naturally, bids above transparent offers or offers below transparent bids are not considered in the assessment process. Platts considers changes to bids or offers when those changes are done transparently and in normal increments. The level of each bid or offer must stand firm in the marketplace long enough for any counterparty to hit the bid or lift the offer, otherwise the bid or offer may be deemed inexecutable. Platts does not consider bids, offers or transactions that are the result of market gapping, i.e. changes that are in excess of normal market practice.

Typical increments in Americas crude pipeline and cargo markets are 2 cts/bbl, 5 cts/bbl and 10 cts/bbl depending on market fundamentals.

Gapping

Bids and offers that are initially made at too high or too low levels may be considered as market gapping. When transactions are concluded at levels that have not been fully tested by the market because price changes have been non-incremental, assessors may determine that the actual market value is somewhere between the last incremental bid and the transaction at the gapped level.

Market gapping or attempts to gap will be subjected to editorial scrutiny with a view to determine if the action was normal market practice or frivolous.

Repeatability

Single transactions may be a reflection of market value. However, single transactions need to be measured against the broad span of similar transactions.

If, for instance, a buyer decides to lift an offer but is unwilling to buy more material offered at the same level, it may be determined that the buyer failed the repeatability test. This transaction may be considered as not fully representative and Platts would use the remaining offers as the basis for the assessment process. An inverse case would apply when the seller is only willing to sell into a low bid and unwilling to repeat its transaction. If a buyer lifts a bid and the transaction results in a market gap, the transaction may be ignored from the assessment process.

If a seller wishes to continue selling additional material at the level transacted, he should declare his intention promptly. If a seller fails to declare promptly his intention to keep on selling, Platts editors may determine that the seller has no more material to sell. Any subsequent offer may then be considered within the stated times for entry. If the seller notifies his intention to re-offer after the cut-off period for new bids and offers, the offer would be considered too late to be used in the assessment process. The same scenarios apply to a buyer who wishes to keep on buying.

Sequence in trading

In the event that more than one counterparty expresses his/her intention to execute a transaction based on an existing bid or offer, the logical counterparty should be the first party that demonstrated its intention to trade. Platts will monitor time stamps or any other available time mechanism in the event of a dispute with the aim of determining who the first potential buyer of record was. At all times the principle of 'first come, first served' will be respected in Platts editorial processes.

Communication protocol

In the event that a party is bidding/offering a parcel and he/she starts communication with a counterparty with the aim of executing a transaction, the initial bidder or offeror should either 1) communicate that his/her parcel is no longer available and that it is in the process of executing, or 2) make it clear that his parcel is still available to the open market in the event that he will still have material to sell in the event that the first transaction is concluded. If the parcel is still available to the open market - and despite the discussions a seller may have with a buyer - any other party can execute the transaction with the original bid/offer.

A firm bid and offer will be considered firm by Platts editorial processes regardless of any discussions taking place or having taken place between the market maker and a market taker. The firm bid and offer will only be considered as no longer available if the market maker expresses the withdrawal or execution of the transaction before another principal expresses an intention to trade.

Communication system failure

In the event of a failure of telephone or computer networks editorial deadlines may be changed. This event is extremely infrequent but 'windows' may be extended to enable proper communication.

Entry of a bid or an offer that has not been retransmitted to the market at large may not be considered in the assessment process, as it would only be known to an editor and not to a potential counterparty in the market place.

ASSESSMENT PARAMETERS

Loading/Delivery timing

USGC/USWC pipeline grades, WTI-Delta, WTI Postings-Plus, Iraq's Basrah-USG and USWC ANS

Assessments are for supplies for delivery in the first month forward, with the exception of West Texas Intermediate at Cushing, Mars Blend, Light Louisiana Sweet crude (LLS), Heavy Louisiana Sweet crude (HLS) and West Texas Sour crude (WTS).

In the case of WTI Cushing and Mars, assessments extend to delivery in the second and third forward months.

For LLS, HLS and WTS, assessments are for delivery up till delivery in the second month.

Assessments reflect bids/offers and trades for at least 25,000 barrels in all domestic crudes including instruments such as WTI-Delta and WTI Postings-plus. Iraqi Basrah Light assessments reflect cargoes of at least 500,000 barrels, while those for Alaskan North Slope would reflect cargoes of roughly 300,000 barrels.

Each grade would be assessed basis the respective sulfur, gravity and standard delivery point, with the exception of WTI Postings-Plus and WTI-Delta which have been defined as per specifications detailed on www.platts.com

Canadian Crudes (Cargo Grades)

Assessments are for cargoes loading 28 to 42 days forward from the date of assessments. Cargo sizes are listed as follows: Hibernia, Terra Nova: 675,000 barrels; White Rose: 925,000 barrels.

Canadian Crudes (Pipeline Grades)

Crudes will be assessed for injection in the first month, and Platts considers parcels of more than 100 barrels/day.

Each grade is assessed basis the respective standard injection points, with sulfur and gravity as defined by the Platts specification on www.platts.com

Latin Crudes

Assessments are for cargoes loading 15-45 days from the date of assessments. Cargo sizes are listed as follows:

Loreto:	380,000 barrels
Oriente:	380,000 barrels
Marlim:	380,000, 500,000, 1 million barrels
Napo:	380,000 barrels, 1 million barrels
Vasconia:	500,000 barrels
Mesa 30:	380,000, 500,000 barrels
Cano Limon:	380,000, 500,000 barrels
Santa B:	380,000, 500,000 barrels
Cusiana:	500,000 barrels
Escalante:	1 million barrels
Medanito:	380,000 barrels
Canadon S:	1 million barrels

Each grade will be assessed basis the respective standard loading port, with sulfur and gravity as defined by the Platts specification on www.platts.com

Time Gradient

Platts is very methodical in following timings for loading or delivery due to the variability in market values across time. This variability increases as the backwardation or contango in the markets increases. The time structure is a very important factor in Platts methodologies.

Market conditions have also resulted in extreme market contango or backwardation. Thus it is extremely important for Platts to follow pricing windows very systematically.

Platts factors in the backwardation/contango and reflects its impact on the published assessment. The assessment reflects the value of the commodity normalized to the center of the loading/delivery window. In a contango market, the excess of prompt barrels causes the front end to be significantly cheaper than barrels available at the end of the assessment window. In a backwardated market the tightness of supply causes the prompt barrels to be at a higher price than barrels available at the end of the assessment window.

Platts' methodology eliminates any arbitrary movement in assessments caused simply by the different loading/delivery ranges traded. By normalizing prices to the mid-point of a clearly defined date range, the consistency of prices is maintained.

The day-to-day changes in the price assessments therefore reflect an actual price move in the value of the commodity, rather than an artificial change because a cargo happens to be loading/delivering in the front end of the assessment window rather than the back end, or vice versa. The date ranges reflected by Platts reflect the prevailing trading practices in the Americas.

Determination of backwardation or contango

Platts' assessments determine fair market value and therefore consider backwardation and contango. Where indications are on differing date ranges, a calculation is made to determine the

value the market is assigning for the difference between loading dates. In calculating this time gradient, the prices of tradable instruments such as futures and swaps may be used.

Typical calculations include a determination made for the difference in price for a month, and a daily value is then assigned for each day.

Inclusivity of assessment process

The three main factors used in Americas crude markets for price determination are:

- Fixed price
- Premiums

Fixed price

The ultimate question in the mind of an end-user, producer, refiner, trader or broker is PRICE. Price in turn determines expense, refining margin, profit, loss, etc. The spot market trades actively on a fixed price basis and a floating price basis. Platts takes both into account in its assessments. PGA page 300 displays trading activity on both a fixed and a floating basis.

Premiums/discount

Many transactions are carried out in relation to a benchmark. In this case a differential, also known as premium/discount is generated. Premiums/discounts arise if the quality, volumes or loading times differ from the benchmark. In addition, floating price transactions are done in relation to assessments that will be published in the future.

Premiums will usually rise in those times when the market is backwardated, and the steeper the curve, the greater the premium. In a contango situation, premiums will have a tendency to turn into discounts. PGA page 300 displays trading activity on both a fixed and a floating basis.

Paper/Swaps

Paper/swaps are another major determinant in price. Swaps trade freely in an over-the-counter (OTC) market and can trade at any time. Paper markets are very reactive and provide players with an instant feedback of market conditions. Swaps react to arbitrage conditions or movements in overseas markets as well as local conditions.

Swaps or paper are risk-management tools. Swaps allow principals to lock prices because swaps enable them to transform floating prices to fixed or fixed to floating. Swaps are also used as a speculative tool.

The spot market

These factors - fixed price, and premiums/discount - converge in a spot price. Platts may use both in its assessments.

Law

Contracts using US law are considered standard in the assessment process. But principals may mutually agree to use another standard such as English law.

Embargoed products

Laws stating that nationals from specific countries may not buy products from embargoed countries may prevent market participants from lawfully executing transactions. A seller therefore may not assume that a buyer has the obligation to buy embargoed materials.

Force majeure

Force majeure is part of trading and may be invoked under very special circumstances. Platts editors will monitor the application of it to ensure that force majeure is not invoked frivolously.

Specifications

Platts assessments will reflect typically traded qualities of products. Specifications are available on the Platts website at www.platts.com.

Testing of products

Products traded are subject to standard testing techniques to determine contractual performance. Platts typically follows the standards already in place in the trading market, although it may monitor these to ensure that the standards are adequate.

Merchantability

Platts only considers in its assessments products that are merchantable. Hence, buyers may assume that offers or transactions are for a product that is merchantable. Sellers must ensure their offers or transactions are for merchantable products.

CIF transactions

A CIF buyer has the right to request a deviation of the ship to another port, provided the shipper has granted or has the ability to grant the deviation to the charterer. Any incremental expenses associated with the deviation are borne by the buyer as he/she is initiating the request for the deviation. Charges incurred because of the deviation must be transparent and be granted at cost and in line with normal market practices. Platts will monitor such charges if they result in anomalies.

Location

Platts publishes assessments for several locations on a FOB and CIF basis. The location parameters for each assessment are published in Platts Guide to Specifications which is available at www.platts.com.

Freight normalization

Transactions occurring at other loading/delivery points than specified in the corresponding guide to specifications are typically normalized on an incremental freight differential basis.

Examples of typical bids and offers considered in the assessment process

The names are for illustrative purposes only and reflect real bids and offers submitted by Platts on Platts Global Alert (PGA).

Benchmarks:

WTI Feb: BP offers +20c
 WTI Jan/Feb: Shell bids -1.05
 WTI Jan/Feb: Chevron bids -50c
 Mars Jan: Semptra offers 56.55
 Mars Jan: Nexen hikes bid to 56.31