MIDSTREAM Monitor

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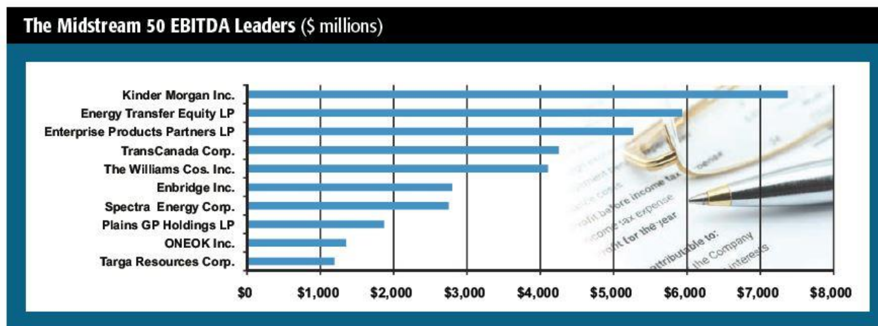
FEATURES

# The Midstream 50

## Our First Ranking Of Sector's Major Players

By **JOSEPH MARKMAN**, Hart Energy




Is the state of the midstream as positive as claimed or as negative as feared?

That's what the editors of *Midstream Business* sought to determine when we created The Midstream 50, the first-of-its-kind published ranking of the top publicly owned players in the sector. With the help of experts at Barclays Capital Inc., we dug into the hard, cold data of Form 10-K annual reports filed with the U.S. Securities and Exchange Commission to ascertain who was at the top of the midstream pile, how they got there and whether they are likely to stay.

What we discovered was a sector in transition but also in a position of relative strength when compared to other divisions of the energy

**(Continued on Page 3)**

THE INTERVIEW

# Tesoro Grows West

By **PAUL HART**, Hart Energy

***Phillip M. Anderson*** *is president of Tesoro Logistics LP, the midstream MLP of San Antonio-based Tesoro Corp., one of the largest independent downstream operators in the U.S. The company operates six refineries and a major wholesale and retail marketing presence in the upper Midwest, west*

**(Continued on Page 4)**

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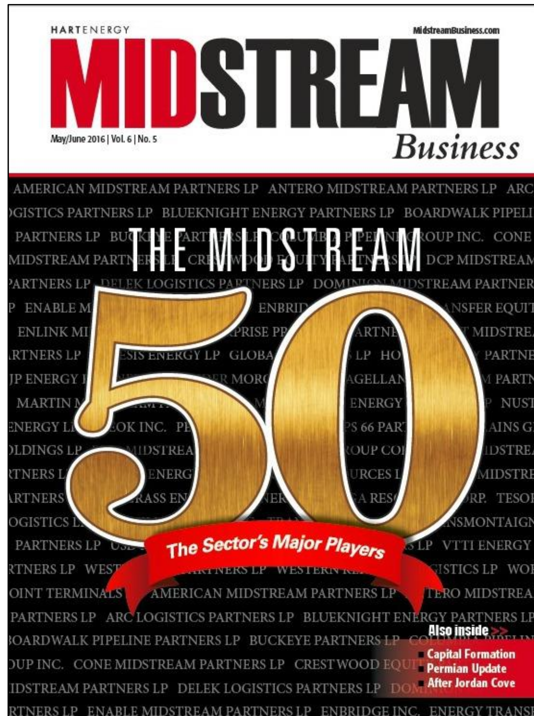
**(Midstream 50 from Page 1)**

industry. In fact, given the harsh treatment by investors last year, the group delivered a stronger performance than some might have expected.

"There really were not a lot of negative EBITDA declines and it was comforting to see," Hinds Howard, senior vice president and associate portfolio manager at CBRE Clarion Securities, told *Midstream Business*. "But it also represented a lot of MLPs that were running really hard to stay flat or stay slightly positive on EBITDA."




The entire story and supporting tables and charts are available online and in the May/June print issue of *Midstream Business*.

The Midstream 50 provides a snapshot of how the sector performed in 2015, based on a broader universe of 83 companies.

**The methodology**

The complete master ranking—The Midstream 50—can be found in the May/June issue of *Midstream Business* magazine and on MidstreamBusiness.com and was built by Barclays. It includes both the major MLPs and conventional corporations, or C corps, active in the midstream space. Companies on The Midstream 50 are ranked by 2015 EBITDA.

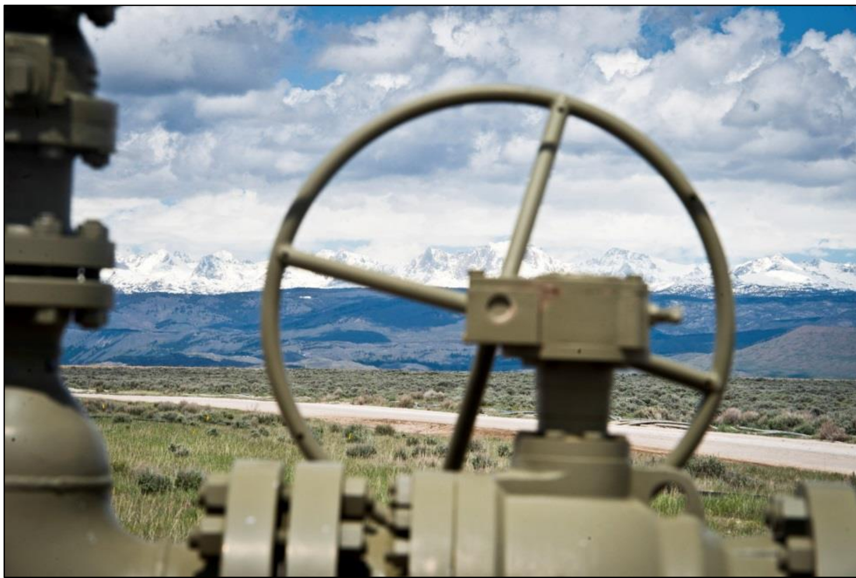
Breakout tables that rank Midstream 50 members by 2015 revenue, assets, distribution yield and year-to-year changes from 2014, as well as charts tracking changes in EBITDA and stock price, were built by the magazine and based on Barclays' data.

Decisions on methodology were made by *Midstream Business* editors in consultation with Barclays and other financial experts. The editors chose EBITDA as the primary factor in determining the ranked companies over other factors, such as assets, because it best assessed a company's performance. The value of EBITDA is that it allows comparison without having to consider financing or accounting decisions.

The 50 companies ranked by EBITDA are the only companies included in these tables. As an example of how the methodology determines the rankings, Cheniere Inc. is not included in The Midstream 50 because its 2015 EBITDA (-$319 million) did not land among the top 50 companies. As a result, it is not included in any of the tables. Had the company been included, it would have been ranked No. 9 on the assets list ($19.02 billion) and No. 11 on the list of percentage change of assets from 2014 to 2015.

(Interview from Page 1)
of the Rockies and Alaska. Organized in 2011, Tesoro Logistics has grown into a multifaceted service provider with more than 3,500 miles of crude oil, refined products and natural gas pipelines and 29 crude and refined product truck and marine terminals, which have over 15 million barrels of storage capacity. Also, it owns and operates four natural gas processing complexes and one fractionation plant.

Anderson visited with *Midstream Business* to discuss the partnership's rapid growth and his vision for its future.



**Phillip M. Anderson, president of Tesoro Logistics LP, runs a company that operates a gathering network serving producers in the Uinta and Green River basins of Utah and Wyoming. *Source: Tesoro Logistics LP***

**Midstream Business: Your career with the Tesoro organization spans nearly 20 years. How has the company changed in that time?**

**Anderson:** It's been an incredible journey over the years as the company has grown and our strategy has changed. When I joined Tesoro back in 1998, we were in the beginning of our transition from a micro-integrated company—with an Alaska refining and marketing business paired with South Texas and Bolivian gas E&P businesses—to becoming one of the largest independent refining, marketing and logistics companies in the U.S. I've been involved in the company's strategy all along and witnessed a lot of change that continues to this day. Our approach has been to stay flexible and open to thinking about our business differently.

My present role started about six years ago when we saw the opportunity to create a focused logistics business and drive a significant growth strategy for Tesoro. From the beginning, we set out to focus on businesses that fit well into our core refining and marketing activities. As a major consumer of crude oil and natural gas, as well as marketer of refined products, we had a lot of existing potential that we've been able to realize over the years.

I remain really excited about the changes that we continue to make in our business and the opportunities in front of us. We've taken a very internally-focused organization and grown it substantially to also focus on our third-party customers to create a platform for the future. Our goal is to have at least half of Tesoro Logistics' revenue come from third parties. We are focused on our customers and how we can help them—just like we help Tesoro—get their products to

market more efficiently. We're well on way there, but a lot of opportunity remains to improve and capture new business.

**Midstream Business: Tesoro Logistics has a major role in linking Bakken producers with your parent's Mandan, N.D., refinery. How is the Williston Basin changing, from a midstream perspective, as drilling has declined?**

Read the entire interview with Tesoro's Phil Anderson online.

**Anderson:** We're seeing a significant shift in the business up there with now-declining production, as well as the expected entry of major new takeaway pipelines. Our system has always been dedicated to aggregating crude oil and bringing it to multiple market hubs. We continue to be supported by Tesoro's strong demand for Bakken crude at the Mandan refinery and at various rail locations. With that foundation, we've expanded to capture new gathering opportunities as our infrastructure continues to build out to individual well locations.

**Midstream Business: Tesoro Logistics' assets are focused on the West Coast. How does that region differ from the midstream network east of the Rockies?**

**Anderson:** The western U.S. is unique to the extent that there are very few interconnected, core crude oil and product pipelines and a reliance on marine assets to move products between key market hubs.

**Midstream Business: Your parent is the largest refiner and marketer in Alaska—truly a unique market. What special challenges does Alaska offer a midstream operator?**

**Anderson:** Alaska is a very unique place to be a logistics operator. We contend with significant swings in seasonal demand and sometimes difficult weather conditions. The key to being successful is to be extremely reliable across the distribution chain to keep product available across Alaska. We've been there a long time and we think we're pretty good at it.

**Midstream Business: California has a reputation for being difficult from a regulatory perspective. Is that an impediment to your operations in the state?**

**Anderson:** No, we believe that the West Coast market is extremely attractive. The economy and the market on the West Coast is strong and we are in a unique position with our integrated assets—from crude acquisition to logistics to retail marketing—to further optimize our entire West Coast system.

**Midstream Business: What are the prospects for further dropdowns from your parent and when might they occur?**

**Anderson:** Tesoro Logistics has a strong portfolio of future acquisition possibilities from Tesoro. We are methodical in our approach and focused on capturing new opportunities in the business. Even with the dropdowns we've had over the past five years, the vast majority of those assets represented new business within Tesoro. It's a key facet of Tesoro's integrated strategy to drive growth within the logistics business and capture value across the entire value chain. ■

**FRAC SPREAD**

**Huge plumes of smoke billow over the top of a playground in Fort McMurray, Alberta, on May 3 as people are evacuated from their neighborhoods.**

# Alberta Fire Clouds Outlook

## NGL prices slip from last week's high as storage crunch eases

By **JOSEPH MARKMAN**, Hart Energy

The impact from the voracious wildfire that have devastated Fort McMurray, Alberta, will take some time to be fully realized. While Royal Dutch Shell Plc began reduced activity at its Albin Sands mine and Enbridge Inc. restarted its 550,000 barrel per day (bbl/d) Line 18 Pipeline on May 11, many operations are in doubt.

The complex nature of oil sands production means that it might take some time before the 1 million bbl/d in lost output can be recovered, and that does not take into account the time it will take to bring back the thousands of energy industry workers who were forced to flee May 3. Genscape estimates that western Canadian crude output will be cut by 260,000 bbl/d this month as a result of the fire.

| CURRENT FRAC SPREAD (CENTS/GAL) | | | | |
|---|---|---|---|---|
| **MAY 13, 2016** | **Conway** | **Change from Start of Week** | **Mont Belvieu** | **Last Week** |
| Ethane | 15.40 | | 19.39 | |
| Shrink | 13.39 | | 12.86 | |
| **Margin** | 2.01 | -52.76% | 6.53 | -14.30% |
| Propane | 46.23 | | 48.80 | |
| Shrink | 18.50 | | 17.77 | |
| **Margin** | 27.73 | -7.69% | 31.03 | -2.50% |
| Normal Butane | 58.75 | | 59.31 | |
| Shrink | 20.95 | | 20.12 | |
| **Margin** | 37.80 | -4.37% | 39.19 | -2.22% |
| Isobutane | 68.90 | | 62.44 | |
| Shrink | 20.12 | | 19.32 | |
| **Margin** | 48.78 | -2.97% | 43.12 | -0.89% |
| Pentane+ | 94.35 | | 89.39 | |
| Shrink | 22.40 | | 21.51 | |
| **Margin** | 71.95 | -7.33% | 67.88 | -8.96% |
| NGL $/Bbl | 19.36 | -3.36% | 19.64 | -3.27% |
| Shrink | 7.38 | | 7.09 | |
| **Margin** | 11.98 | -8.75% | 12.55 | -5.80% |
| | | | | |
| Gas ($/mmBtu) | 2.02 | 6.88% | 1.94 | 1.57% |
| Gross Bbl Margin (in cents/gal) | 27.10 | -8.92% | 29.02 | -5.63% |
| **NGL Value in $/mmBtu (Basket Value)** | | | | |
| Ethane | 0.85 | -8.22% | 1.07 | -4.39% |
| Propane | 1.60 | -2.37% | 1.69 | -1.05% |
| Normal Butane | 0.63 | -0.64% | 0.64 | -0.97% |
| Isobutane | 0.43 | -0.29% | 0.39 | -0.14% |
| Pentane+ | 1.22 | -4.31% | 1.15 | -6.63% |
| Total Barrel Value in $/mmbtu | 4.73 | -3.57% | 4.94 | -3.05% |
| **Margin** | 2.71 | -10.11% | 3.00 | -5.82% |

Price, Shrink of 42-gal NGL barrel based on following: Ethane, 36.5%; Propane, 31.8%; Normal Butane, 11.2%; Isobutane, 6.2%; Pentane+, 14.3%, Fuel, frac, transport costs not included. Conway gas based on NGPL Midcontinent zone, Mont Belvieu based on Houston Ship Channel.Shrink is defined as Btus that are removed from natural gas through the gathering and processing operation.

Fort McMurray grew as the price of oil grew. A smaller version of Midland (population: 124,000) or Odessa, Texas (population: 110,000), it boomed as oil boomed and slumped as oil slumped. Low prices had already resulted in a projected $8 billion budget deficit for Alberta this year, the *New York Times* reported.

"It is a pretty big deal," Derek Burleton, deputy chief economist at the Toronto-Dominion Bank told the *Times*. "Growth is going to fizzle out."

### Large crude draw

Long term, that could be of concern for the entire industry. Rebuilding requires permits, and permit approvals have often been challenged by environmental forces in recent years. For the moment, though, the cutoff of Canadian crude may have the beneficial effect of keeping supply in Cushing, Okla., from reaching critical levels.

"We expect the Canada output crisis to contribute to an improvement in the Cushing balance," Seaport Global Securities LLC said in its weekly report. U.S. average utilization was 89.1% for the week ending May 6, compared to 93.0% for the same week in 2015.

Simmons & Company pointed to "a large crude draw (despite flat imports and weaker refining runs, possibly indicating that the draw may have been driven by declining production) accompanied by gasoline, distillate and total petroleum inventory draws."

U.S. natural gas storage rose 56 billion cubic feet (Bcf) or 2.1% during the week, a touch below the Bloomberg consensus of 58 Bcf, to 2.681 trillion cubic feet (Tcf). The U.S. Energy Information Administration reported storage as 43.8% above the 1.865 Tcf level of a year ago and 43.5% over the five-year average of 2011 to 2015.

The price of the hypothetical NGL barrel slipped 3.3% at both Mont Belvieu, Texas, and Conway, Kan., after reaching a seven-month high last week. The Mont Belvieu price is still the second-highest since November 2015, and Conway had not seen consistency in this price range since the early part of October.

The biggest change came from the $C_{5+}$ component, which suffered a 6.6% week-over-week drop at Mont Belvieu and a 4.3% hit at Conway, both close to the levels of a month ago. Mont Belvieu's $C_{5+}$ price was 30.8% below the $1.2926 per gallon (gal) that it traded at a year ago. Conway's $C_{5+}$ shed 24.3% of its value in the past year.

| NGL PRICES | | | | | | |
|---|---|---|---|---|---|---|
| **Mont Belvieu** | **Eth** | **Pro** | **Norm** | **Iso** | **Pen+** | **NGL Bbl** |
| May 4 - May 10, '16 | 19.39 | 48.80 | 59.31 | 62.44 | 89.39 | **$19.64** |
| April 27 - May 3, '16 | 20.28 | 49.32 | 59.89 | 62.53 | 95.74 | **$20.30** |
| April 20 - 26, '16 | 20.36 | 46.66 | 56.48 | 59.08 | 93.92 | **$19.61** |
| April 13 - 19, '16 | 20.00 | 45.22 | 54.70 | 56.82 | 92.12 | **$19.10** |
| April '16 | 19.18 | 45.59 | 55.10 | 57.43 | 92.03 | **$19.05** |
| March '16 | 17.68 | 45.26 | 53.27 | 55.05 | 86.68 | **$18.26** |
| February '16 | 14.83 | 37.42 | 53.83 | 53.80 | 69.04 | **$15.68** |
| 1st Qtr '16 | 15.90 | 39.03 | 52.22 | 52.84 | 76.84 | **$16.46** |
| 4th Qtr '15 | 17.50 | 42.15 | 60.09 | 60.57 | 97.59 | **$19.11** |
| 3rd Qtr '15 | 18.26 | 40.99 | 54.16 | 55.19 | 100.10 | **$18.80** |
| 2nd Qtr '15 | 17.93 | 46.30 | 58.11 | 59.66 | 126.14 | **$21.48** |
| May 6 - May 12, '15 | 18.94 | 50.04 | 61.40 | 63.16 | 129.26 | **$22.56** |
| **Conway, Group 140** | **Eth** | **Pro** | **Norm** | **Iso** | **Pen+** | **NGL Bbl** |
| May 4 - May 10, '16 | 15.40 | 46.23 | 58.75 | 68.90 | 94.35 | **$19.36** |
| April 27 - May 3, '16 | 16.78 | 47.35 | 59.13 | 69.10 | 98.60 | **$20.03** |
| April 20 - 26, '16 | 16.90 | 44.76 | 55.76 | 66.90 | 96.52 | **$19.37** |
| April 13 - 19, '16 | 16.43 | 42.78 | 53.24 | 64.58 | 92.42 | **$18.58** |
| April '16 | 15.57 | 42.79 | 53.34 | 64.69 | 93.42 | **$18.52** |
| March '16 | 13.18 | 40.87 | 49.35 | 57.65 | 85.03 | **$16.93** |
| February '16 | 13.09 | 33.72 | 48.44 | 60.06 | 69.16 | **$15.00** |
| 1st Qtr '16 | 13.45 | 35.23 | 48.14 | 57.05 | 76.01 | **$15.61** |
| 4th Qtr '15 | 14.90 | 38.06 | 57.31 | 64.04 | 95.84 | **$18.20** |
| 3rd Qtr '15 | 15.47 | 36.28 | 48.59 | 54.34 | 99.10 | **$17.59** |
| 2nd Qtr '15 | 15.50 | 40.55 | 52.40 | 56.80 | 121.50 | **$19.89** |
| May 6 - May 12, '15 | 14.90 | 43.10 | 54.08 | 61.06 | 124.64 | **$20.51** |

Data Provided by Bloomberg. Individual product prices in cents per gallon. NGL barrel in $/42 gallons.

### Ethane down

Ethane fell for the second straight week at both hubs, dropping below 20 cents/gal at Mont Belvieu for the first time since it failed to break 18 cents/gal a month ago. Conway's ethane price

sagged to 15.4 cents/gal, still better than its performance for the entire first quarter. Both hubs reported ethane at slightly above year-ago prices.

| RESIN PRICES – MARKET UPDATE – MAY 13, 2016 | | | | | |
|---|---|---|---|---|---|
| TOTAL OFFERS: 10,385,940 lbs | | SPOT | | CONTRACT | |
| Resin | Total lbs | Low | High | Bid | Offer |
| PP Copolymer - Inj | 2,649,152 | 0.57 | 0.68 | 0.55 | 0.59 |
| HPDP - Blow Mold | 1,608,392 | 0.515 | 0.61 | 0.51 | 0.55 |
| HDPE - Inj | 1,440,392 | 0.525 | 0.585 | 0.51 | 0.55 |
| LDPE - Film | 1,358,484 | 0.575 | 0.72 | 0.6 | 0.64 |
| LLDPE - Inj | 967,932 | 0.58 | 0.71 | 0.58 | 0.62 |
| PP Homopolymer - Inj | 885,472 | 0.54 | 0.675 | 0.53 | 0.57 |
| LLDPE - Film | 613,104 | 0.555 | 0.6 | 0.52 | 0.56 |
| LDPE - Inj | 474,552 | 0.58 | 0.635 | 0.59 | 0.63 |
| HMWPE - Film | 388,460 | 0.545 | 0.585 | 0.52 | 0.56 |

Source: Plastics Exchange – www.theplasticsexchange.com

Propane dipped but remained strong at both hubs, with Conway's 46.23 cents/gal beating its year-ago price by more than 3 cents. While butane may have experienced a slight drop at Mont Belvieu, the price 59.31 cents/gal was still higher than any weekly average since early December.

Similarly, the Mont Belvieu price of isobutene, at 62.44 cents/gal, continued an over-60 cents/gal trend not seen since early December. At Conway, the streak reached five weeks, with the price of 68.90 cents/gal the highest—with the exception of last week—since early November.

# Will Tax Issue Be Dagger Through Heart Of ETE-Williams Merger?

By **JOSEPH MARKMAN**, Hart Energy

Wall Street came to appraise the merger of Energy Transfer Equity LP (NYSE: ETE) and Williams Cos. Inc. (NYSE: WMB)—and decided to bury it.

Traders, convinced that the deal won't happen, no longer price the companies as a combined entity and have returned to treating them as individuals, Jefferies LLC analyst Chris Sighinolfi told *Bloomberg*.

The latest loss of confidence that the merger would go the distance came with last week's disclosure that a key component of the deal may not be tax-free. Energy Transfer provided more detail regarding its previous disclosure that lawyers at Latham & Watkins LLP could not issue a "721 opinion," concluding that a transfer of the Williams assets into Energy Transfer Partners LP following the merger would be tax-free.

## 'Can't close'

In a transcript of the May 5 earnings call with analysts provided by Seeking Alpha, Energy Transfer's Chairman and CEO Kelcy Warren removed any doubt about the deal's status.

"We can't close," he said in response to a question by Neuberger Berman's Yves Siegel. "We don't have a transaction that can close. So I want to be very clear, we can't close this transaction. We have a merger agreement. We have obligations under that merger agreement. We take that

very seriously. We intend to honor all of our commitments under the merger agreement, but we can't close this deal. We don't have a deal that's closeable."

Unless it's restructured.

Warren made it clear that a substantial restructuring of the agreement could succeed, and among those changes would be dropping the $6 billion cash component and making the merger an all-equity transaction. That won't happen, Darren Horowitz of Raymond James & Associates wrote in a note to clients, because Williams is unlikely to agree to change the terms.

### Complications

While the merger and related transactions are complicated, there are three key parts to the transaction involving Energy Transfer and Williams:

- The merger of two corporate entities, in which an acquiring corporation formed by Energy Transfer essentially acquires Williams;
- The acquisition of acquiring corporation stock by Energy Transfer Partners LP in exchange for cash to fund the cash part of the consideration paid to Williams shareholders in the merger; and
- The dropdown of the Williams assets, post-acquisition, by the acquiring corporation into Energy Transfer Partners in exchange for a partnership interest.

If the last two aspects of the deal were treated separately, then there would be no tax dilemma, Timothy Devetski, Houston-based partner with Sidley Austin LLP, told Hart Energy. Section 721(a) of 26 U.S. Code states that a contribution to a partnership in exchange for a partnership interest is effectively tax-free.

**Timothy Devetski**

What complicates matters is that the partnership is also paying cash for stock of the acquiring corporation. That combination, which was contemplated as part of the original deal, now raises red flags at Latham. As disclosed by Energy Transfer, Latham is now bringing into question whether some of those funds can be allocated to the partnership dropdown deal.

Latham advised its client, Devetski said, that a decline in ETE's market value also makes the separation of these two steps more difficult and their combination more likely.

"They're saying, 'you're paying $100 for stock that's only worth $50,'" Devetski said. "Because of that, the difference between those two things is a consideration that needs to be taken into account as part of the partnership dropdown, and therefore it makes the partnership dropdown at least partially taxable."

Williams disputes this characterization and, according to the disclosures, has offered some alternative non-taxable restructuring possibilities.

That is clearly an outcome that Energy Transfer wished to avoid when it struck the then-$38 billion deal last September, which would have given it control of 71,000 miles of pipelines in the U.S. The merger is now worth an estimated $21 billion.

That makes June 28, the closing deadline, the next significant date in this saga. That is when either party has the right to walk away if it is not complete.

# Philly Looks To Ring In New Energy Markets

By **FRANK NIETO**, Hart Energy

Pennsylvania has been undergoing a major economic shift over the past decade because of the Marcellus Shale. Though the state was the birthplace of the U.S. oil and gas industry, production out of the region fell throughout much of the past century until the shale revolution took hold and unlocked one of the largest natural gas plays in the world, if not *the* largest.

The development of this play has helped create new jobs and provided economic advantages in the commonwealth, including its largest city—Philadelphia. However, the city has lagged behind other parts of the U.S. in terms of job growth.

Ironically, manufacturing was one of the industries that experienced the largest declines in the city even in the midst of the shale gale that helped grow this sector nationally. According to a 2015 report from the Pews Trust, there was a 34% employment decline in the sector in the city between 2004 and 2014.

Energy jobs had also been leaving the Philadelphia region, with the 2011 closure of the Marcus Hook oil refinery by Sunoco Logistics Partners LP highlighting this exodus. However, shortly after ceasing operations at the refinery, the company announced it would reopen and

spend $2.5 billion to convert the facility to handle NGL production from the Marcellus and Utica shales.

The company has been developing the Marcus Hook Industrial Complex into a premier NGL hub with the capability to receive volumes via marine, pipeline, truck and rail, and store up to 3 million barrels of NGL in underground caverns. The hub is also home to the Mariner East and Mariner West projects, to provide multiple transportation and export options for liquids produced in the Appalachian Basin.

**Role of Marcus Hook**

Mariner East will transport NGL production from the Marcellus and Utica via pipeline to Marcus Hook and other destinations in eastern Pennsylvania; Mariner West allows for the transportation of ethane to Michigan and Canada. The Marcus Hook complex also includes an ethane and propane export terminal, which provides Marcellus and Utica producers with access to foreign markets.

> "…if a new and substantial market for natural gas and NGL could be developed, the rate of monetization of the reserves could bring an amazing influx of economic activity to Pennsylvania, New Jersey and Delaware."
>
> — **Greater Philadelphia Energy Action Team**

Leaders in the region hope that the repurposing of Marcus Hook is a first step toward creating an energy hub in the greater Philadelphia area.

"Presently, incremental Marcellus production is transported by interstate pipelines to the Gulf Coast in severe price competition with regional Gulf gas supplies, forcing a downward price/value spiral for Marcellus gas. However, if a new and substantial market for natural gas and NGL could be developed, the rate of monetization of the reserves could bring an amazing influx of economic activity to Pennsylvania, New Jersey and Delaware," the Greater Philadelphia Energy Action Team said in a new report it published titled, "A Pipeline for Growth: Fueling Economic Revitalization with Marcellus and Utica Shale Gas."

The Greater Philadelphia Energy Action Team (GPEAT) is a group of more than 80 business, public sector, labor and academic leaders assembled by the Greater Philadelphia Chamber of Commerce, the CEO Council of Growth and Select Greater Philadelphia.

The report touts Philadelphia as uniquely positioned to serve as an East Coast hub because of its close proximity to producing fields and the major consuming regions in the country, as well to the East Coast refining capacity. Additionally, the city has access to multimodal forms of transportation including highway, deep-water access to North Atlantic sea lanes, a world-class airport, excellent rail infrastructure and pipelines.

# In With The Old: US Oil Exports Go Nowhere; Imports Heavier

By **DARREN BARBEE**, Hart Energy

To the delight of Lower 48 oil producers, January brought the first shipment of U.S. produced light crude oil out of the Port of Corpus Christi without a license.

It was the first time in 40 years that the export ban, lifted by Congress in December, was no longer a barrier. Now, the rest of the world's oil is the stumbling block.

Four months later, U.S. crude exports are nearly as low as they were in January 2015.

A number of factors, including China's falling demand, may be to blame. In March, even crude oil production in Saudi Arabia dipped by 30,000 barrels per day (Mbbl/d) to 10.19 MMbbl/d, with exports to world markets edging slightly lower, the International Energy Agency reported in April.

On the import side, U.S. refineries have seemingly curtailed imports of light crude, a May 6 report by the U.S. Energy Information Administration (EIA). However, U.S. light sweet crude has already resulted in dramatic dips in such imports since 2011.

In 2015, more than 70% of the crude oil produced in the Lower 48 states was light oil with an API gravity above 35 degrees. At the same time, 90% of imported crude oil was heavier with a gravity below 35 degrees API.

"To accommodate increasing U.S. production of light crude oil, refineries have adjusted their imports by reducing imports of light crudes," EIA said. "The differences between domestic production and imports in this key oil characteristic could bring changes to petroleum refinery operations in the United States."

Jeff Hazel, senior director of refining technology at the American Fuel & Petrochemical Manufacturers (AFPM), said heavy crude oil imports aren't going up and haven't gotten heavier. Rather, the statistical increase is due to the amount of heavy crude refiners are importing.

"It's about the same as it was before, it's just that there's not any more light imports to average against it," Hazel said. "It looks like it's a trend but it's a subtraction."

**Contact Information:**

JOSEPH MARKMAN Senior Editor
jmarkman@hartenergy.com

**Contributing Editors:** Velda Addison, Darren Barbee, Nissa Darbonne, Rhonda Duey, Annie Gallay, Leslie Haines, Paul Hart, Susan Klann, Richard Mason, Emily Moser, Frank Nieto, Erin Pedigo, Larry Prado, Jennifer Presley, Chris Sheehan, Bryan Sims, Steve Toon, Len Vermillion, Peggy Williams

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