MIDSTREAM Monitor

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FEATURES

Marathon Bumps Up Cash To $1 Billion For MarkWest; Critics Unmoved

By **DARREN BARBEE**, Hart Energy

Marathon Petroleum Corp. (NYSE: MPC) poured $400 million of sweetener on its deal for MarkWest Energy Partners LP (NYSE: MWE) on Nov. 10.

But a former MarkWest executive remained staunchly opposed to a deal that he said pays “pennies on the dollar” for the company.

Marathon agreed to raise the cash contribution of the merger between its MLP, MPLX LP (NYSE: MPLX) and MarkWest to $1.075 billion from $675 million. The deal would make MarkWest a wholly owned subsidiary of MPLX.

Some critics were not appeased. John Fox, former CEO, chairman and director of MarkWest Energy GP LLC, which manages the MarkWest MLP, wasn’t placated by the new offer.

Based on MPLX's closing price on Nov. 10, the deal terms are "still 33% below the initial implied deal terms outlined in July," he said. "This is still a bad deal for all MarkWest unitholders."

Kristina Kazarian, analyst, Deutsche Bank Securities Inc. said the new offer suggests a total consideration of $52.93 for MarkWest—a 21% premium to its last close. The revised merger agreement gives MarkWest common unitholders 1.09 MPLX common units plus a one-time cash payment of about $5.21 per MarkWest common unit.

"This is -11% below its close prior to the deal (July 10, 2015)," she said, but "we continue to like both MWE and MPLX at these levels and reiterate our support for the deal."

Kazarian said the updated offer "firmly addresses the one main critique from investors for the deal: near-to-medium term dilution on MWE distributions."

Under the new terms and the revision last week of MarkWest's distribution per unit, MarkWest unitholders stand to gain considerably, she said.

MarkWest unitholders should respond favorably since distributions will be $1.69 higher than the MarkWest base case on a nominal basis and $2.38 higher than on a discounted basis.

Revised Offer: MarkWest distributions, before/after merger

	2015	2016	2017	2018	2019	2020	2021
Before merger	$3.70	$3.86	$4.17	$4.50	$4.86	$5.25	$5.67
After merger (at 1.09x)		$2.48	$3.10	$3.72	$4.46	$5.36	$6.43
Cash given up by MWE holders		$1.38	$1.07	$0.78	$0.40	($0.11)	($0.76)

Source: MWE and MPLX Guidance; Bloomberg LP; Deutsche Bank

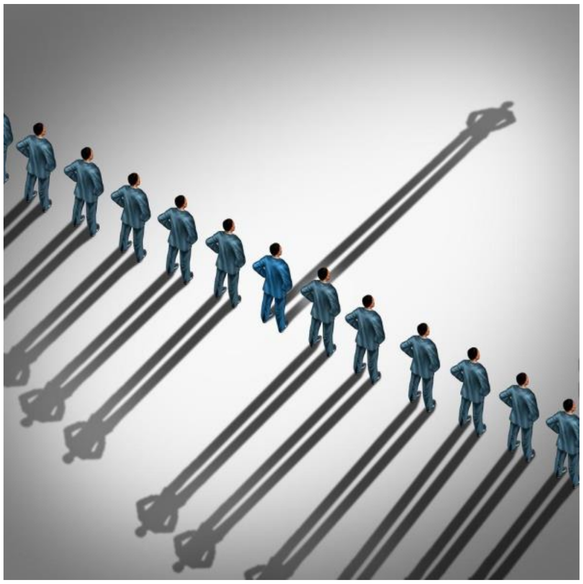
"We think this immediate accretion helps fix the deal for many unitholders and thus our confidence in its passage has improved considerably," Kazarian said.

Fox continued to dismiss the deal, which he said puts $10.2 billion of future cash flow into Marathon's coffers instead of unitholder's bank accounts.

On Nov. 4, he denounced the deal for its low payout to MarkWest unitholders. Fox said the initial offer cut distributions to MarkWest unitholders by "an estimated 46% with only intent to get back to parity in three to five years." Fox owns 1.4 million MarkWest common units.

Opposition

Fox said the $675 million cash payment would be paid back to Marathon in less than three years through incentive distribution rights (IDR) to Marathon. Fox described the IDR as rights to payment of an increasing percentage of the cash distributed, and they are generally held by an MLP's general partner.



Fox has launched the website, iamvotingno.com, which calls the merger a "bad deal." Fox did not update his website and did not respond to a request for comment through an intermediary.

The merger has been recommended by the boards of directors of MPC, MPLX and MarkWest and is supported by executive management of both partnerships.

MarkWest is the second-largest gas producer in the U.S. and processes about 75% of total rich-gas production from the Marcellus and Utica.

Kazarian said MarkWest and MPLX are trading well below reasonable levels and a merger would make them stronger.

MPLX stands to add an excellent midstream Marcellus/Utica footprint at the bottom of the cycle as well as a considerably large organic growth backlog, she said. MarkWest would also improve, adding "a better cost of capital, a strong sponsor and higher growth."

Marathon and its MLP would assume all of MarkWest's cash and about $4.2 billion in outstanding debt.

MarkWest would also gain access to a portfolio of $1.6 billion in MLP-eligible EBITDA, the companies said.

It would also own 71% of the merged company, followed by Marathon (21%) and MPLX (8%). Marathon will also contribute approximately $225 million, based on the price of MPLX's common units on Nov. 10 to maintain its 2% percent general partner interest in MPLX.

"The enhancement to the terms of the agreement reflects the commitment of MPC and MPLX to the combination with MarkWest and conviction that the transaction will create significant benefits for the unitholders, customers and employees of both partnerships," said Gary R. Heminger, MPC president and CEO. "This increase substantially enhances the transaction value for MarkWest unitholders."

Economist: U.S. Economy Now In 'Bizarro World'

By **PAUL HART**, Hart Energy

Government stimulus policies since the 2008-2009 recession have pushed the U.S. into a "Bizarro World" where the economy does not work as it should, according to a senior Bloomberg economist.

In a wide-ranging keynote address for the 2015 INGAA Foundation conference, Richard Yamarone, who does research and writes for *Bloomberg Intelligence* and other publications, compared the current unsettled economy to the weird, anti-Superman "Tales of the Bizarro World" comic books. First published in the 1960s, the comic books tell stories of an odd, cube-shaped planet named htraE, "Earth" spelled backward, where everything is the opposite of what it should be.

"Economists have a rule of 2%," Yamarone told the audience at Key Biscayne, Florida, meeting. "That is, if you have GDP [gross domestic product] growth of less than 2% in a quarter, you will have a recession two or three quarters later."

However, U.S. GDP growth has muddled along at 2% or less per quarter, and per year, for nearly seven years now—but without an official recession.

What's going on? "The rule hasn't changed," he said, pointing out that historical precedent since World War II proves it. The Federal Reserve's near-zero interest rate policy has only headed off that recession, which should have happened by now.

Yamarone cited a number of consumer and retail sales statistics that reflect the unusual state of the economy since 2009. The federal government has publicized the creation of thousands of new jobs but Yamarone said, "they are not the right kind of jobs, they are not the jobs we need." Most have been low-paying entry level or retail jobs, "and it's hard to support a family on those kinds of jobs."

The energy industry should be concerned about these consumer-based indicators because eventually what consumers do will impact commodity-based energy business, the economist said. He pointed to current, comparatively weak demand that has caused prices for crude oil, NGL and natural gas—all in good supply—to plummet.

So what's the solution, Yamarone asked? "There is no elixir for this."

Well-paying jobs can correct the economic weakness but the U.S. economy has moved to emphasize design and services. It no longer has a large manufacturing base with millions of well-paying jobs.

"We don't do that anymore. We invent iPhones but they're made someplace else where labor is cheaper. It's not just the number of jobs, it's the type of jobs that count," he said.

The middle class—the driver of overall U.S. economic growth—has been particularly hard hit, Yamarone added.

The federal government also has overused government benefit programs. He said roughly 20% of the economy now depends on such programs as food stamps, compared with 10% in 1970.

Yamarone said he listens to, or reads transcripts from, some 300 key firms to gather anecdotal evidence of where the economy is headed. Such evidence is often more important that strict, dollars-and-cents numbers since period results may be up—but up only from recent lows.

He noted comments by Walmart executives that one of the busiest times of the month in Walmart stores now is just after midnight on the first day of the month—immediately after government EBT (electronic benefit transfer) cards are reloaded. "They're crowded at 1 o'clock in the morning, that's an economic indicator," he said.

Another key indicator is that single-family home construction is down while apartment construction has risen. People only rent when they can't buy, he added.

Yamarone listed five key economic trends that the INGAA conference attendees should watch: Restaurants' dining-out statistics, casino gambling revenues, jewelry and watch sales, cosmetic and perfume sales and sales of women's dresses. If these numbers decline, then the economy is weak.

He elaborated on each, noting that dress sales are important "because something like 85% of the purchase decisions in a household are made by the woman. A woman tends to be the CFO of a household."

In general when money gets tight, "purchases for herself go first. It really is a good indicator of economic distortions." An exception occurs each spring when graduations and weddings mean dress sales go up since a new dress for a special event is viewed as a necessity.

Unfortunately, the Federal Reserve has indicated it will raise interest rates in December, "but inflation is not a concern," Yamarone said. Government spending on infrastructure would be a good place to start to fix the bizarre current economy, he added, but long-term action must be taken to return to fix things on a broad scale. Policies should emphasize helping the middle class through creation of well-paying jobs.

The strong U.S. dollar hurts the economy but its strength has come from foreign investors moving money here due to this nation's comparative strength, he added.

Unfortunately, most other countries have followed the Fed's "bizarre" lead with similar unusual results. He pointed out some foreign banks now charge negative interest rates for deposits. "It used to be in the old days when you put money in a bank, the bank paid you!" Yamarone quipped.

"We're just the cleanest dirty shirt," Yamarone added, that any U.S. economic strength comes in comparison to foreign economies that are weaker still. "Everybody in the world did what we did" and with similar results.

Where Have All The Good Times Gone?

By **FRANK NIETO**, Hart Energy

SAN ANTONIO—It's not pleasant to think about, but the current price levels for West Texas Intermediate (WTI) crude may be mirroring the decline curve that natural gas markets have been experiencing for the last five years.

"It's a realistic question to ask: will crude prices post-2014 largely mirror gas markets post-2008. Have we set ourselves up and been the victim of the industry's success that we can meet current demand without too much difficulty and a ramp up in activity?" Karr Ingham, petroleum economist with the Texas Alliance of Energy Producers, said on Oct. 26 at Hart Energy's first Midstream Texas conference.

If this is the case then prices don't have a need to be much higher than they are currently and certainly not where they were last year. Unfortunately that appears to be how the market is responding as Ingham noted that WTI prices have fallen 59% from an average of $101.68 per barrel (/bbl) in June 2014 to an average of $41.91/bbl in September 2015.

So far, decreased activity since November 2014 hasn't helped a price recovery. Part of the reason is that improved efficiencies have improved production, with volumes dropping only recently.

Ingham said that crude production in Texas was 18% higher in the first-half of 2015 compared to the same time last year. For the nation, it was 13% higher in the first-half of this year and storage levels were up nearly 10% in October compared to last year. One of the more troubling signs for U.S. producers is that production out of OPEC nations is also outpacing quotas even before the sanctions against Iran are lifted, as they are expected to be shortly.

In a down price environment, the Texas economy could face larger challenges than other parts of the country as the upstream segment makes up 10-12% of the state's total economy with the industry contributing 25% of all state taxes collected. In 2014, E&Ps paid oil production taxes of $3.8 billion, or 3.7% of the state's revenue, according to the Texas Comptroller of Public Accounts. The industry also pays local taxes and royalties.

In an October report, the comptroller said oil production tax revenue had fallen nearly 26% compared to the same time in 2014.

Despite these negatives, there is a larger economic benefit to lower prices, according to Ingham. “These markets exist to serve consumers, not producers. It’s hard to argue that consumers are not being served well by current events,” he said.

Though Ingham did allow for the possibility that crude prices could experience another $10-20/bbl gain in the next year, he stated it was also as likely for prices to stay in their current range. There is a positive to be found from such a low price environment though as sustained lower prices in the hydrocarbon markets could lead to growth in the domestic petrochemical and manufacturing industries, which would bring economic advantages to Texas and the country overall.

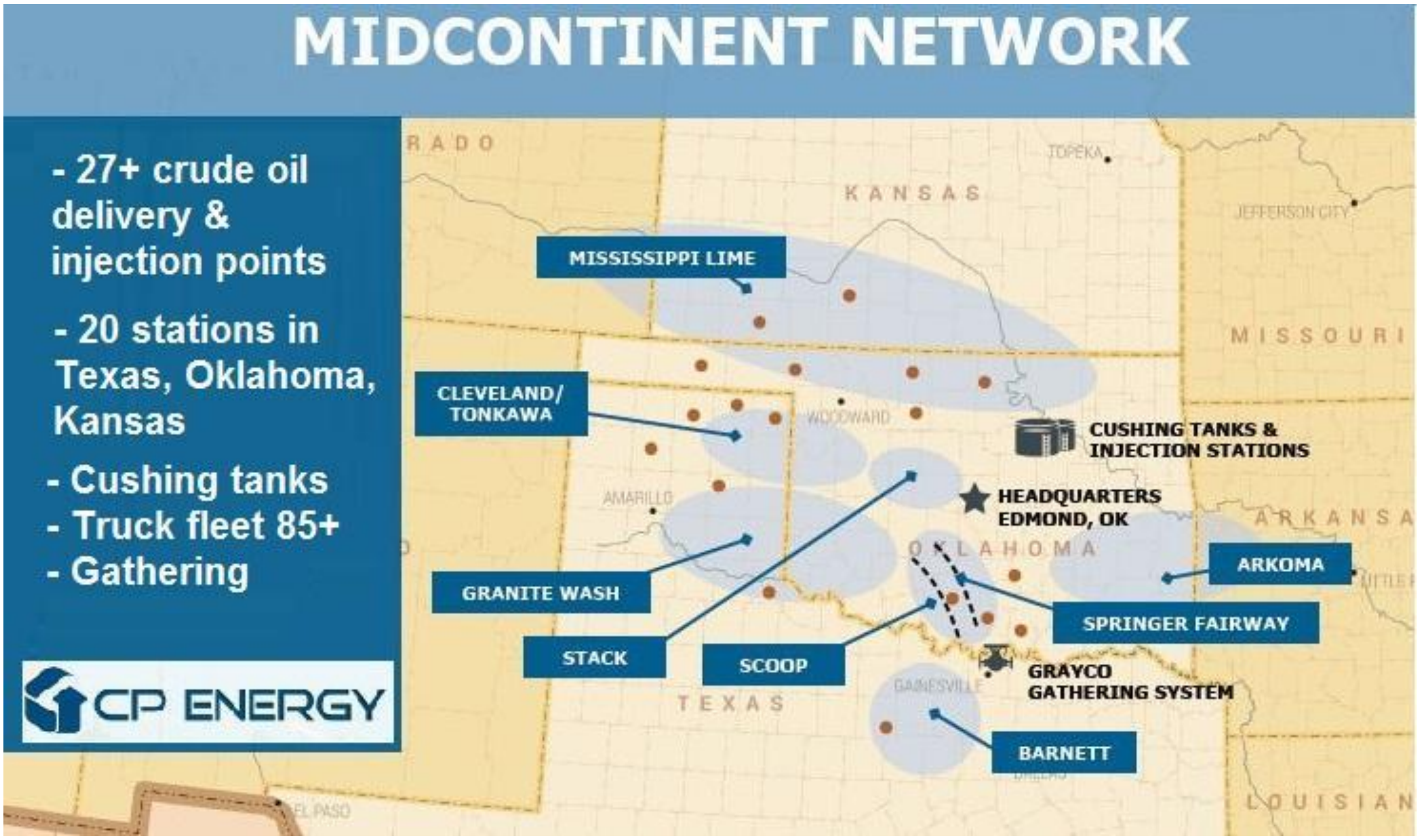
Panhandle Spotlight: Condensate, Collaboration and Cushing Connections

By **ARIANA BENAVIDEZ**, Hart Energy

SAN ANTONIO— Copious amounts of condensate are filling up the Midcontinent region, and despite economic challenges partnerships are helping companies succeed, CP Energy’s president and CEO Greg Piper said at Hart Energy’s Midstream Texas conference.

Though there are profiting challenges being faced, he said moving condensate is increasingly part of his business. Piper also discussed the status and outlook for operations in the Panhandle and Midcontinent region.

Privately owned CP Energy, based in Edmond, Okla., provides crude oil, condensate and natural gas services. The company’s Midcontinent network includes 27-plus crude oil delivery and injection points, 20 stations in Texas, Oklahoma and Kansas as well as tanks in Cushing, Okla. The company also has a fleet of more than 85 trucks and a Grayco gathering system in Texas.



Much of the company's purchasing business is index-based, meaning Piper must be as efficient as possible for his customers to get the best netback at their wellhead and to maintain profitability.

"A big thing we do is purchase the crude oil, and we're purchasing a lot of condensate now and getting that efficiently to our markets—either markets they're selling to or markets we're selling to for buying at the leases," Piper said.

Condensate Movers

CP Energy's condensate business has picked up since a 2014 U.S. Bureau of Industry and Security ruling allowed E&Ps to export the minimally refined, ultralight crude.

Since 2014, the U.S. exported has about 10.5 million barrels of crude oil (MMbbl) to new customers, including some to that only started to import U.S. crude in 2015. Since condensate is considered crude oil, it is unclear how much of the exported oil is condensate.

New U.S. Crude Importers, 2015*	
County	**Mbbl**
Brazil	650
France	625
India	309
Netherlands	1540

*Source: U.S. Energy Information Administration. *Data through August.*

For instance, the U.S. exported 21,000 bbl/d of processed lease condensate to Brazil in July. The crude was derived wholly from natural gas, according to the U.S. Energy Information Administration (EIA).

The EIA estimated that exports of processed condensate through the first five months of 2015 are estimated to have reached an average 84,000 bbl/d. However, Reuters reported that in May the U.S. exported between 120,000 and 140,000 bbl/d of condensate. In February, for instance, BP Plc exported nearly 670,000 barrels of minimally processed super-light crude oil from the Houston Ship Channel, according to ClipperData, an industry firm that tracks crude movements.

In the U.S., a lot of moving parts are required to get condensate to market, Piper said.

“The condensate and the lighter barrel are getting more and more prevalent across the Midcontinent,” Piper said. “The ability to blend away or take away that lighter barrel is becoming more paramount every day.”

All Of Nothing

Piper said the time has come to be creative, especially with relationships.

His view of partnerships: “I’d rather have half of something than all of nothing.”

“When you’re taking a producer’s crude oil away, dealing with their pumpers, working at the tank batteries, buying it, selling and doing division orders, you need to have a great, strong relationship with those producers,” he said.

CP Energy is partnering with Barcas Pipeline Venture LLC to build a Cushing, Okla., tank facility with the intention of increasing delivery, blending and tank capacity. The project consists of four 175,000-bbl tanks on 10 acres and is scheduled to be in service by first-quarter 2016.

“Storage and leasing from others only gets you so far,” Piper said. “If you get your own facilities there, you can help the producers out in your own way.”

Potential Upside

Piper also reviewed the falling U.S. rig count that operators have become all too familiar with.

At its peak in December 2014, the Midcontinent had about 231 rigs and is now down to about 100, most of which are oil-based.

Potential upside, however, is seen in the Cana-Woodford stack area. "It's only come down 5% to 10%. It's tough for producers at $45 but …if we can get the turnaround, this is going to be a very promising area for the basin."

The Texas Panhandle and Midcontinent are critical oil- and gas-producing regions, he said. "The Panhandle is struggling with both refining costs [and] the type of oil that's out there. The Granite Wash is [producing] very light, sweet barrels. And so there are some challenges out there in the Panhandle."

Despite these challenges, Piper said the company plans on expanding in the Midcontinent region.

FRAC SPREAD

Frac Spread: Rays Of Light

By FRANK NIETO, Hart Energy

While natural gas and West Texas Intermediate (WTI) crude prices were down for the week of Nov. 4, there were some positives to take away as the week drew to a close. Natural gas prices rallied, and several NGL prices showed strength.

Gas prices rallied from sub-$2 per million Btu (/MMBtu) levels to just under $2.40/MMBtu as the week, which was fueled by increased heating demand, ended. There isn't much room for a significant rally as this season's temperatures are expected to be much warmer than they were last winter. With this in mind, the arrival of cooler temperatures is much needed and appreciated by the gas markets.

WTI crude prices fell below the $42 per barrel (/bbl) threshold and there are concerns from several traders and industry analysts that prices could fall below $40/bbl before the year ends. It will take a significant amount of time to work off the supply overhang currently taking place in the market.

Heavy NGL prices were stronger than WTI crude as butane benefits from increased use in winter-grade gasoline blending. Butane rose 6% to 64 cents per gallon (/gal) at Mont Belvieu, its second-highest price since early spring. The Conway price improved 8% to 62 cents/gal, the highest price at the hub in a month. Isobutane prices were also supported by the demand for butane as they improved 11% to 69 cents/gal at Conway and 8% to 65 cents/gal at Mont Belvieu.

The biggest surprise for NGL prices this week was easily the gains posted by propane at both hubs. Traders we spoke to indicated that these gains were supported by strong LPG export levels, but the rising storage levels for propane, which were more than 100 million bbl, indicates that there is likely to be a severely challenged market. A warmer-than-normal winter is likely to continue to increase storage levels to record-setting levels throughout the next year.

Natural gas storage is also at very high levels as they are currently at more than 90% of working gas capacity and nearly 85% of working gas design capacity. The good news is that storage injections have slowed in the past few weeks, though the injection season is still dragging along more than it should have by now and creating challenges, according to Barclays Capital.

"Even though winter typically gives the market some steam on which to rally, a number of bearish factors are limiting the bullish excitement this year. High inventory levels, continued production increases in the face of low prices and the threat of a mild winter have limited winter price expectations," the investment firm said in a Nov. 9 research report.

Storage levels are approaching 4 trillion cubic feet (Tcf), which will be a nearly impossible overhang to work off in a cold winter, much less the warmer season being forecast. According to the U.S. Energy Information

Administration, storage increased by 49 billion cubic feet to 3.978 Tcf the week of Nov. 6 from 3.929 Tcf the prior week. This was 10% greater than the 3.605 Tcf posted last year at the same time and 5% greater than the five-year average of 3.805 Tcf. Injections should continue in the next week as the National Weather service is anticipating warmer-than-normal temperatures throughout the Eastern half of the country.

RESIN PRICES – MARKET UPDATE – NOVEMBER 13, 2015

TOTAL OFFERS: 15,393,148 lbs		SPOT		CONTRACT	
Resin	Total lbs	Low	High	Bid	Offer
LLDPE - Film	2,108,048	0.56	0.62	0.525	0.565
HDPE - Inj	1,843,496	0.55	0.62	0.515	0.555
PP Copolymer - Inj	1,648,024	0.57	0.66	0.615	0.655
HDPE - Blow Mold	1,430,828	0.56	0.6	0.515	0.555
LLDPE - Inj	997,288	0.58	0.62	0.565	0.605
HMWPE - Film	881,840	0.57	0.585	0.525	0.565
LDPE - Film	438,828	0.52	0.62	0.545	0.585
PP Homopolymer - Inj	428,368	0.59	0.67	0.595	0.635
LDPE - Inj	352,736	0.615	0.615	0.585	0.625

Source: Plastics Exchange – www.theplasticsexchange.com

NGL PRICES

Mont Belvieu	Eth	Pro	Norm	Iso	Pen+	NGL Bbl
Nov. 4 - 10, '15	17.77	44.76	64.42	65.22	103.02	**$20.18**
Oct. 28 - Nov. 3, '15	18.62	43.08	60.66	60.58	100.38	**$19.61**
Oct. 21 - 27, '15	19.23	41.88	58.18	58.00	97.38	**$19.16**
Oct. 14 - 20, '15	19.65	43.48	59.36	59.38	100.52	**$19.73**
October '15	19.60	44.85	61.25	61.31	100.33	**$20.02**
September '15	18.71	45.45	58.34	59.01	96.20	**$19.46**
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**
1st Qtr '15	18.38	53.01	66.35	67.81	110.53	**$21.94**
4th Qtr '14	20.22	76.90	96.73	98.28	149.25	**$30.10**
Nov. 5 - 11 '14	23.14	84.84	108.92	110.08	157.90	**$33.03**
Conway, Group 140	**Eth**	**Pro**	**Norm**	**Iso**	**Pen+**	**NGL Bbl**
Nov. 4 - 10, '15	14.20	41.44	61.82	68.90	98.80	**$19.05**
Oct. 28 - Nov. 3, '15	16.44	40.10	57.12	62.22	100.10	**$18.92**
Oct. 21 - 27, '15	16.80	38.76	54.22	58.92	96.16	**$18.32**
Oct. 14 - 20, '15	16.54	40.20	56.68	62.10	98.98	**$18.85**
October '15	16.68	41.60	58.28	64.61	99.19	**$19.20**
September '15	16.10	43.19	53.66	62.28	96.61	**$18.82**
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**
1st Qtr '15	17.81	49.00	66.13	76.84	106.32	**$21.49**
4th Qtr '14	18.69	78.64	102.72	113.19	146.37	**$30.77**
Nov. 5 - 11 '14	21.27	92.24	113.96	124.60	154.06	**$34.23**

CURRENT FRAC SPREAD (CENTS/GAL)				
NOVEMBER 13, 2015	**Conway**	**Change from Start of Week**	**Mont Belvieu**	**Last Week**
Ethane	14.20		17.77	
Shrink	12.73		12.86	
Margin	1.47	-50.68%	4.91	-2.40%
Propane	41.44		44.76	
Shrink	17.59		17.77	
Margin	23.85	10.92%	26.99	11.06%
Normal Butane	61.82		64.42	
Shrink	19.91		20.12	
Margin	41.91	16.19%	44.30	12.44%
Isobutane	68.90		65.22	
Shrink	19.12		19.32	
Margin	49.78	18.51%	45.90	14.28%
Pentane+	98.80		103.02	
Shrink	21.29		21.51	
Margin	77.51	-0.10%	81.51	4.97%
NGL $/Bbl	19.05	0.68%	20.18	2.90%
Shrink	7.01		7.09	
Margin	12.04	4.61%	13.09	8.01%
Gas ($/mmBtu)	1.92	-5.42%	1.94	-5.37%
Gross Bbl Margin (in cents/gal)	26.99	5.14%	29.84	8.22%
NGL Value in $/mmBtu (Basket Value)				
Ethane	0.78	-13.63%	0.98	-4.56%
Propane	1.44	3.34%	1.55	3.90%
Normal Butane	0.67	8.23%	0.70	6.20%
Isobutane	0.43	10.74%	0.41	7.66%
Pentane+	1.27	-1.30%	1.33	2.63%
Total Barrel Value in $/mmbtu	4.59	-0.03%	4.96	2.37%
Margin	2.67	4.25%	3.02	8.05%

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.

MORE TOP STORIES

Crude Stockpiles Are Up For Seventh Week

U.S. crude stocks rose last week as imports jumped, while swollen gasoline stocks decreased and distillates unexpectedly rose as refiners hiked output, data from the Energy Information Administration showed on Nov. 12.

Crude inventories rose by 4.2 million barrels to 487 million in the last week, compared with analysts' expectations for an increase of 1.0 million barrels. Stockpiles have now risen for seven consecutive weeks, nearing a record high above 490 million barrels touched in April.

"It's another data point highlighting the oil glut in the U.S. or the global markets for that matter," said Chris Jarvis, analyst at Caprock Risk Management in Frederick, Maryland.

"With inventories approaching record levels, coupled with weak equity markets and a stronger dollar, we would not be surprised to see a retest of the $38 level set in August."

The EIA data came on the heels of an OPEC report that suggested the producer group could have a daily supply surplus of more than half a million barrels by 2016 if it continued pumping at current rates.

Brent futures were down $1.24, or 2.7 percent, at $44.57 a barrel by 11:38 a.m. EST (1638 GMT). The session low was $44.33, the lowest since Aug 27.

U.S. crude futures fell by $1.10, or 2.6 percent, to $41.83.

Crude stocks at the Cushing, Oklahoma, delivery hub rose by 2.237 million barrels, the biggest weekly increase since March, the EIA said.

Refinery crude runs rose by 302,000 barrels per day, EIA data showed, pushing output to its highest rate on record for this time of year. Refinery utilization rates rose by 0.8 percentage point.

Gasoline stocks, which have been hovering at seasonal record highs since early October, fell by 2.1 million barrels, compared with analysts' expectations in a Reuters poll for a 807,000 barrels drop.

Distillate stockpiles, which include diesel and heating oil, rose by 352,000 barrels, versus expectations for a 931,000-barrel drop, the EIA data showed. Inventories now stand at their highest for this time of year since 2010.

U.S. crude imports rose last week by 434,000 barrels per day.

"The substantial crude oil inventory rise is a definitive negative for the market and prices, but strong demand for gasoline and a large rise in distillate demand is a silver lining for market bulls," said John Kilduff, partner at New York energy hedge fund Again Capital.

"Still, crude and refined products remain over-supplied in virtual glut conditions."

– REUTERS

Broken Rail Caused Wisconsin Oil Train Derailment

Canadian Pacific on Nov. 12 said a broken rail caused a weekend freight train derailment in Wisconsin that resulted in an oil spill and a precautionary evacuation.

No one was injured in the incident on Nov. 8, which caused an oil spill in Watertown, about 50 miles (80 kms) west of Milwaukee. Workers stopped the leak, which the company described as minor.

The track defect was not visible to the naked eye, according to CP spokesman Jeremy Berry, in a statement.

Berry said that CP's track inspection process involves the use of rail flaw "detector cars" that use ultrasonic technology to detect problems the eye cannot see. The technology last passed over the site in late September and nothing was found, Berry said.

CP also does visual inspections of the track three times per week, Berry said.

Canadian Pacific said 35 homes were evacuated on Nov. 8 as a precaution. Everyone has since returned to their homes.

It was the second freight train mishap in Wisconsin in as many days. The other incident involved 25 cars from a BNSF Railway Co train hauling a variety of freight, including tankers of ethanol, in a rural community close to the Minnesota border on Nov. 7.

Thousands of gallons of the denatured alcohol leaked into the Mississippi River as a result of the Nov. 7 accident. **-REUTERS**

Encana Defers Startup Of Next Duvernay Gas Plant

Canadian oil and gas producer Encana Corp said on Nov. 12 it will defer the start of its next gas plant in the Duvernay play until it sees the results of the Alberta government's ongoing reviews.

The Alberta government is currently conducting reviews into how much producers pay in resource royalties and into climate change policies. **– REUTERS**

Open Season Begins For Enable's CaSE Project

Enable Gas Transmission LLC (EGT) will conduct a binding open season for its Cana and Stack Expansion (CaSE), parent company Enable Midstream Partners LP said Nov. 10.

Together with EGT system capacity and EGT capacity on third-party pipelines, the CaSE project will provide residue takeaway solutions for growing production from the Cana Woodford, the Sooner Trend, Anadarko, Canadian and Kingfisher Stack regions.

The proposed project provides transport options for volumes between 190,000 and 490,000 dekatherms per day.

The open season is scheduled to end Dec. 3.-**Business Wire**

TransCanada Will Build Mexico's Tuxpan Tula Pipeline

TransCanada Corp. will build, own and operate the Tuxpan-Tula Pipeline in Mexico, the company said Nov. 11.

Construction is supported by a 25-year natural gas transportation service contract with the Comisión Federal de Electricidad (CFE), Mexico's state-owned power company, TransCanada added. Construction is expected to start in 2016.

The pipeline will begin in Tuxpan, in Veracruz, and pass through Puebla and Hidalgo states, providing natural gas to facilities there and in the central and western regions of Mexico.

TransCanada will invest about US$500 million in the 150-mile, 36-inch pipeline, whose contracted capacity is 886 million cubic feet per day. Its in service date is scheduled for the fourth quarter of 2017.

New power generation facilities will be served, and so will fuel oil-based facilities, which will convert to natural gas usage.

TransCanada also owns and operates the Tamazunchale and Guadalajara pipelines and is completing the Topolobampo and Mazatlán pipelines.

TransCanada Corp. is based in Calgary, Alberta.**– REUTERS**

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