MIDSTREAM Monitor

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EPA Regs Will Damage Industry, Oil, Gas Groups Warn

By Caryn Livingston, Hart Energy

Oil and gas trade associations took exception to revisions of the ambient air quality standards, saying that a proposal by the U.S. Environmental Protection Agency (EPA) isn't based on science and would put areas in most states out of compliance.

The Gas Processors Association (GPA) submitted comments the week of March 16 to the EPA saying regulations for ozone (O_3) would "unnecessarily duplicate recent state and federal regulations already underway and changes the current ozone standard before it can be fully implemented."

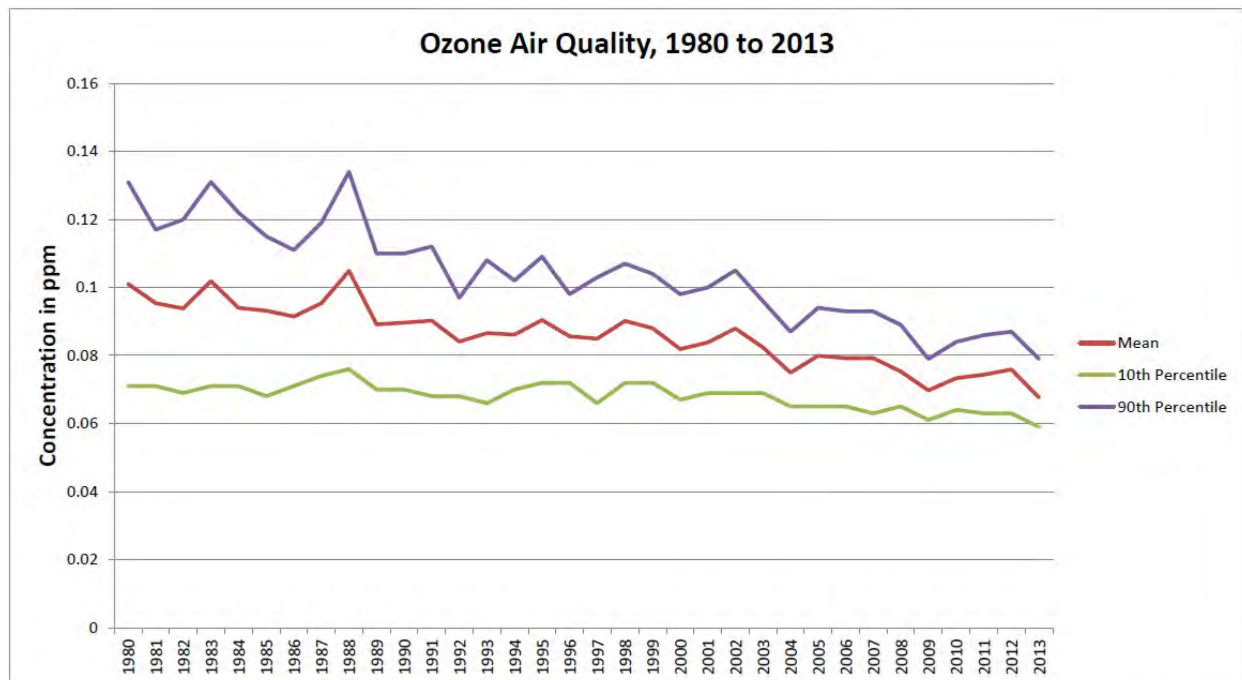
"We all want clean air, but EPA needs to let the current ozone standards be fully implemented and not change the rules in the middle of the game," GPA's president and CEO, Mark Sutton, said. "EPA's proposed rule would severely limit economic growth of the natural gas midstream sector by substantially increasing the number of nonattainment areas."

The American Petroleum Institute (API) also found fault with the proposal. Implementing stricter ambient air standards "could cost the economy $270 billion per year and place millions of jobs at risk," the group said in a release.

The EPA said the revision is necessary "to increase public health protection, including for 'at-risk' populations such as children, older adults, and people with asthma or other lung diseases, against an array of O_3-related adverse health effects."

According to a notice issued by the EPA in late 2014, the proposed revision to its national ambient air quality standards would "revise the primary standard to a level within the range of 0.065 to 0.070 parts per million (ppm), and to revise the secondary standard to within the range of 0.065 to 0.070 ppm." The EPA also requested comments on the possibility of setting standard levels of less than 0.065 ppm, and possibly as low as 0.060 ppm.

API urged the agency to retain the current standards of 0.075 ppm.



EPA has recorded a 33% decrease in average national ozone levels since 1980. ***Source: U.S. Environmental Protection Agency***

To assist impacted facilities in implementing any new standard resulting from the proposal, the EPA said it "intends to issue timely and appropriate implementation guidance and, where appropriate and consistent with the law, new rulemakings to streamline regulatory burdens and provide flexibility in

implementation." The agency would also continue to work with states to address interstate transport of O_3 and O_3 precursors, the agency said.

Taking issue with the EPA's claims, API said in a press release, "the science does not support a change in these standards and that the current standards protect public health and welfare with an adequate margin of safety."

As part of its comments on the regulation, API added that "while the protection of sensitive subpopulations is an important part of establishing protectiveness with an adequate margin of safety, Congress did not intend for EPA to identify and impose a standard that guaranteed zero risk to all populations."

EPA's claims that a substantial amount of new scientific evidence supported the proposed changes are incorrect, API said. Most of the evidence was not actually new, and what evidence there was "does not reduce the uncertainties and limitations of the science so therefore does not support changing the current standards."

The changes would place a substantial burden on operators in most of the Lower 48 states, API said. At 0.065 ppm, "45 out of the lower 48 states would have areas that could be out of compliance," while at 0.060 ppm, 46 of the states "could have areas out of compliance."

GPA's members own and operate facilities in areas that are labeled as being in nonattainment for O_3 standards, as well as in areas that could be labeled nonattainment, GPA said in a statement. The proposed regulatory changes would likely have a significant impact on the midstream industry.

Riders On The Storm: Weather, Violence Spark Brent Upswing

By Darren Barbee, Hart Energy

In February, Sandstorms choked Iraq, knocking down oil production, crude quality and vessel availability.

Violence in Libya cut production by 275 thousand barrels of oil per day (bbl/d) and Nigeria was also affected by unrest.

On the ground and in the numbers, the beginning of the year was full of forces that slowed supply builds and expanded oil demand.

But even with epic weather, unrest in Libya and a scaling back on spending by U.S. companies, WTI prices may linger in the $40s for two quarters, said Damien Courvalin, senior strategist for Goldman Sachs' global investment research commodities team.

Overall, OPEC member countries saw oil supply fall as disruptions ate up 2.7 million bbl/d (MMbbl/d) due to outages, the U.S. Energy Information Administration (EIA) reported March 10.

Demand rose in the Americas, where Brazil faced drought and the U.S. fought off the cold, Courvalin said.

But oil stocks at Cushing, Okla., increased by 2.32 MMbbl to 51.54 MMbbl, slightly below the prior record of 51.86 MMbbl in the week ending Jan. 11, 2013, said Richard Hastings, analyst, Global Hunter Securities.

Since mid-October 2014, Cushing crude stocks have increased by 150% compared with relative growth of 39.9% for the entire Midwest district during the same period.

While Bakken production appears to be scaling back, Cushing oil comes from the Niobrara, the Permian and even reverse flows from the Gulf Coast, Hastings said.

Imports have also increased as the spread between LLS and Brent narrowed earlier this year, Courvalin said.

Despite capex drops at nearly all publically traded oil and gas companies, U.S. production is still expected to grow by 7% or nearly 1 MMbbl/d in 2015, according to the EIA.

"U.S. E&Ps are exhibiting a faster focus on financial discipline than we had expected," Courvalin said in a March 8 report.

One factor is the ramp-up of the Flanagan South pipeline, which brings heavy crude from Canada.

Pipeline regulations allow for crude to remain in Cushing before heading to the U.S. Gulf Coast (USGC), which has led to crude accumulating in Cushing. The widening of the WTI-LLS differential should ultimately help bring crude down to the USGC, where storage capacity utilization remains at 56% compared to 70% at Cushing.

Still, with no outlet for its oil besides Canada, U.S. producers have seen WTI remains weak as Brent differentials climbed as high as 20%.

Can't Cut Enough

Goldman Sachs predicted that oil demand could grow in 2015.

But "we did not expect demand to be so strong this soon," Courvalin said.

Take away the bad weather and unrest in OPEC countries and Brent will drop again, he said.

In the shale plays, U.S. E&Ps have mapped out 2015 as a year of spending cuts, manpower cuts and careful balancing of cash flow.

"However, they are also preparing to ramp up activity later this year by successfully raising equity, reducing debt and building an uncompleted well war chest," Courvalin said.

The firm's forecast of $65 oil for 2016 forecast may be offset by E&Ps quickly redeploying rigs in a lower cost environment.

Prices may need to go even lower for capex and rig cuts to slow production, Courvalin said. And E&Ps face a danger in preparing to deluge the market when prices rebound.

On many earnings calls, E&P executives have focused on reducing leverage and delivering strong production in the latter part of 2015 and into 2016.

Companies are also likely to high-grade, boosting production per rig by moving into their most economical counties. Rig declines can reverse as they become available under more attractive terms.

Still, some CEOs have said they will not grow production in a down market.

Rosetta Resources Inc. (NASDAQ: ROSE) is one of a few companies that has announced it will cut capex by 71% while also lowering production by 18%.

EOG Resources Inc. (NYSE: EOG) is deliberately keeping its production flat.

"We're not interested in growing oil in a low price environment," William R. "Bill" Thomas, EOG chairman and CEO, said in February.

More E&Ps may need to slow down, Courvalin said.

"While we believe shale is ultimately the solution to meeting demand growth medium term, production growth still has to be throttled back in the near term," he said.

At Vail Conference, Bid To Lift Export Ban Is Emphasized

By Susan Klann, Hart Energy

VAIL, Colo.—In mid-March, with temperatures on the ski slopes at 50 degrees and snow on the wane, the Vail Global Energy Forum, now in its fourth year, again delivered the stimulating mix of speakers and topics it's become known for—a "mini-Davos on energy," in the words of executive director Carl Colby.

The audience, a blend of faculty and students from Stanford University's Precourt Institute for Energy and other universities, citizens, energy consultants, media, researchers and executives, gave an enthusiastic welcome to keynote speaker and former Secretary of State Condoleezza Rice. She spoke on the U.S.' lead role on the global energy stage and the foreign policy influence at stake.

Exxon/Mobil's annual energy outlook to 2040 framed the discussions over the next day and a half. Notable was the diversified giant's conclusion that while the U.S. economy has been growing, U.S. demand for oil is flat to down except for the industrial sector. Globally, energy demand is expected to grow by 35% to 2040, but only by .8% annually for oil, and by about 1.6% annually for natural gas. Renewables and nuclear will take an increasing portion of the energy demand pie.

On a panel about North American energy security and independence, Encana Corp. president and CEO Doug Suttles and Anadarko Petroleum Corp. chairman, president and CEO R.A. Walker appeared heartened by a recent trip to Washington D.C. with the lobbying group Producers for American Crude Oil Exports, or PACE. The group is composed of 21 North American independent producers. They visited with members of the Senate and the White House administration to advocate lifting of the U.S. crude export ban.

Also on the panel were TransCanada Corp. president and CEO Russ Girling, and Drew Leyburne, director general of the Energy Policy Branch of Canada's Department of Natural Resources. Tom Petrie, chairman of Petrie Partners LLC, moderated.

Suttles called the reception and education levels in the nation's capital good and said the economic argument for lifting the ban was generally understood despite concerns about "the politics of the argument." The D.C. audience connected most closely with the geopolitical piece, he said, as the producers asked if the world wouldn't be "a better place, a safer place, potentially, if the U.S. could export crude to countries that currently have to buy it from places like Russia and Iran.

"The argument is pro-consumer, pro-economy, pro-national security, and it's a bipartisan issue," Suttles said.

Walker pointed out the disconnect between the global (Brent) and the domestic (WTI) prices for crude, which at press time posted a more than $10 differential, in Brent's favor. Congressmen may worry about consumers' price at the pump, Walker said, but not all of that $10 delta—if crude exports were allowed and the WTI rose to match Brent—would flow to producers. "Upwards of half goes to local municipalities, states, and royalty owners, among others," he said.

"It's a revenue tax, not an income tax. If the ban were removed, it would encourage up to $1 trillion of investment, increasing jobs in all areas of the economy."

Girling focused on the vast infrastructure buildout under way to accommodate surging North American production. With Canada's crude production at about 1 million bbl/d, "We're approaching where we don't need offshore barrels," he said. Combined with the expansion in natural gas production, the world has changed, he said, opening up the opportunity for Canada to supply Asia and Europe. Some $40 trillion in investment is needed to build out infrastructure worldwide, he said, with the biggest chunk to be spent in North America in changing out the coal fleet, growing renewables, bringing on natural gas-fired plants, building gas liquefaction facilities, and more.

The bad news? "We are mired in regulation," he said, "and the Keystone Pipeline is the poster boy for that."

TransCanada has $50 billion in projects approved by its board of directors and underpinned by contractual support from producers and customers, he said. In context, the Keystone Pipeline is an $8 billion project. The oil reserves will produce for 30, 40, 50 years, he said, and there is a pipeline of potential projects worth $50 billion more under consideration by the industry at large to further enhance infrastructure and supply. The idea that not building Keystone will stop Canadian oil production, which is anchored on one end by $85 billion in refinery investment already made on the U.S. Gulf Coast and on the other end by hundreds of billions of dollars already spent developing the oil sands, is "the craziest thing I've ever heard," he said.

Sounding The Retreat

The impact of the current crude price downturn on E&Ps like Anadarko and Encana, both of which have large exposure to the commodity, was an additional topic for the panel. E&Ps have sharply revised their capital allocations for 2015.

Walker said a radical change in cost structure in the industry during the past decade with the marriage of horizontal drilling to fracking technology has driven E&Ps' capex response. When the industry was drilling mainly conventional resources, about 70% of the cost was in the actual drilling of the hole, he said, and completions absorbed just 30% of the overall cost. "Today, those costs are absolutely flipped.

"With few exceptions, you're seeing the upstream sector reduce budgets by anywhere from 30% to 40% or more," he said. "In many cases, particularly with larger companies, we're willing to drill but not complete the holes. We will wait to use that last 70 cents until we have an economic case to invest it to get an acceptable rate of return. Many companies will increase their inventory of drilled but not completed wells in the course of 2015."

Oil prices continue to fall, he pointed out. "Concern is mounting that as our industry pushes out more and more and more completions, we'll push out the recovery of the price of oil as well. From a capital allocation standpoint, I run a company that is 80% onshore U.S. and GoM and the rest is international. This [crude price drop] pushes me to put more capital to work outside the U.S., increase employment of people outside the U.S."

Exemplifying international allure is Anadarko's giant Mozambique gas discovery offshore, where it has found upward of 100 Tcf of recoverable reserves. By the mid-2020s, Mozambique could become the third-largest exporter of LNG, he said. "We get a very different rate of return because of world prices for LNG and natural gas than I can trying to figure out where price of oil is going to be next year for activity here in the U.S."

Anadarko breaks down capital allocation into short term (year to year and a half to achieve returns); intermediate (about a two- to three-year horizon to achieve returns); and long cycles, which involve exploration, deepwater and frontier plays, where it may be four years or more from first discovery to first production and cash flow. The company will push off short-cycle investing and reduce its overall capital spend "until we see a time we can invest that last 70 cents onshore the U.S and make a good rate of return."

Suttles said last year the North American industry invested about 130% of its cash flow, "so as you can see we actually spent more money than we brought in. You can imagine how when the price of product fell in half, that created a pretty big issue when you're running a business, so we had to react strongly," he said.

Differentiating this downcycle from the three previous he's experienced is "how quickly we've all responded," Suttles said.

"The second thing is, the industry actually hurts its price all the time because we are constantly trying to get better and better at what we do. Just in my company, in one of our big plays in Canada, we've cut

the cost of development in half in one year. In the Bakken and Eagle Ford plays, we're still seeing improvements of 10% to 15% per year in the cost to develop a barrel of production or barrel of reserves. What's interesting is, we can't stop ourselves. It's technology. It's innovation."

As crude continues to weaken, the threat of hitting storage capacity looms large. "The reality is the market has to balance," said Walker. "People are predicting we could see domestic price start with a three, with global prices still staring with a five or a six. The world consumes about 92 million barrels per day and it will get fed from some place. Supply and the price will balance.

"Most people don't believe $50 is sustainable, but part of the problem that led to this dramatic drop is that $100 probably wasn't required, either. You see the market rebalancing, and this is where government policy can have a dramatic impact. An outdated policy [the export ban] is preventing markets from working efficiently."

As to when the ban might be reversed, Walker said, "How we get there is still undetermined." Currently, Congress is taking up the budget. "We don't feel it will be a standalone bill, but rather an amendment to another bill, probably not until 2016, maybe 2015."

Report: IEA States Crude Oil Price Outlook Is ‘Precarious’

By Caryn Livingston, Hart Energy

In a recent analysis of the International Energy Agency’s (IEA’s) “Oil Market Report” for March, Global Hunter Securities’ (GHS) macro strategist Richard Hastings described the investment bank’s current view of the industry as “appropriately guarded.”

While the IEA projected in its report that global demand for crude oil could reach a new high of 94.67 million barrels per day (MMbbl/d) in the fourth quarter of this year, the agency also said that demand gains for the first quarter, up 1.01 MMbbl/d year-over-year (yoy), may not be sustainable or an indication that demand is truly rising to match production. Rather, the GHS analysis said the gains may be “associated with ‘opportunistic buying’ and ‘storage plays’ and are ‘less sustainable than that driven by underlying economic growth.’ ”

IEA increased its demand growth rate for the year by 75,000 bbl/d, to the rounded figure of 1.0 MMbbl/d. Demand growth for the year is being forecast at 1.07%, an increase of 990,000 bbl/d from 2014 to an expected 2015 demand total 93.5 MMbbl/d. The new figures would reduce the yearly growth rate, from the same quarters of 2014, to an average of 1.07% yoy, Hastings said. GHS expects the IEA reduced the rate to provide “flexibility to future demand growth rates to lower them toward more conservative growth rates, perhaps closer to 850,000 [bbl/d] assuming global conditions worsen.”

The IEA also noted in its report that crude oil storage capacity in the U.S. is likely to be tested, even when the refinery maintenance season ends, according to the GHS analysis. While increased refinery output could slow storage builds during the second quarter, the builds will still continue and “would

inevitably lead to renewed price weakness, which in turn could trigger the supply cuts that have so far remained elusive."

However, IEA also increased global refinery throughput rates, GHS said, partly in response to increased demand for refined products. IEA forecasts throughputs of 77.8 MMbbl/d during the first quarter and 77.3 MMbbl/d during the second quarter. The agency noted stronger product demand in Europe recently, with 3.2% growth at the end of 2014 and 0.9% growth in January.

Near-Term Outlook

GHS expects that these factors will work to drive U.S. production down toward zero growth by May, the analysis said. The bank also expects crude prices to decline again, with extremely wide differentials between Brent crude and West Texas Intermediate (WTI) leading to technical trading events, "where Brent is bid higher, pulling up WTI front-month futures along the way," the analysis said. Bakken and Williston crudes are expected to remain especially challenged.

A storage surplus may lead to an increase in storage costs at Cushing, Okla., Hastings said in his analysis. To mitigate that possibility, operators are already cutting operating expenses to prepare for rising costs and reduced revenues. The increased costs are therefore unlikely to contribute to a decline in production, he said. If storage limits at Cushing are reached, which could in late April or early May according to Hastings, some producers likely would halt production temporarily. However, Hastings noted that "credit requirements will encourage most producers to resume all-out production once storage capacity opens up," which would keep the risk of tight storage capacity high for a longer period of time.

The GHS analysis also warned of the threat of overseas conflict to future crude oil prices. "The risk of supply disruptions in the Mediterranean and Mideast are increasing, and that conflict is now so pervasive and contagious that we would be foolish to ignore its pernicious and insidious impact upon crude oil prices in the future," Hastings concluded.

Frac Spread: Cushing Constraints Impacting Markets

By Frank Nieto, Hart Energy

West Texas Intermediate (WTI) crude prices took another downturn the week of March 11 as storage at the Cushing, Okla., hub is quickly filling up. Prices fell below $45 per barrel (bbl) and were $43.73/bbl at press time, which is at the bottom of the curve for the year.

According to Global Hunter Securities, the current level of 458.51 million bbl (MMbbl) at Cushing represents 30 days of supply, which is a high level but doesn't represent an over-supplied market. "The recent blockages at the Houston Ship Channel likely created a burst of imports amidst continued higher U.S. production, resulting in a big increase in U.S. supplies. Crude imports increased by 703,000 bbl/d to 7.5 MMbbl/d, explaining part of the supply outbreak," the firm said in a March 18 research note.

Global Hunter Securities anticipates domestic production growth to max out between late May and late July. In the meantime, the note warned that challenges to storage capacity could get "nastier" by May, which could further deteriorate WTI prices. However, as noted last week, Cushing storage and transportation capacity has improved in the last few years. It is possible that the market could improve if capacity constraints are avoided.

Crude's impact on NGL prices cannot be overstated at this time, as prices took hits across the board at both Conway and Mont Belvieu. Butane and isobutane had the largest price decreases at both hubs—the switch from winter-grade gasoline blending to summer-grade gasoline makes them the most sensitive to downturns at this time of year.

The Conway isobutane price had the largest price decrease of any NGL at either hub, declining 12% to 73 cents per gallon (gal), its lowest price since it was 72 cents/gal the week of Jan. 7. The Mont Belvieu price fell 9% to 64 cents/gal, its lowest price since the week of Dec. 3, 2008, when it was 61 cents/gal.

Butane was down 10% at Conway to 59 cents/gal, its lowest price since it was 50 cents/gal the week of Dec. 3, 2008. The Mont Belvieu price fell 9% to 63 cents/gal, its lowest price since the same week of Dec. 3, 2008, when it was 57 cents/gal.

The lone NGL to maintain a value over $1.00/gal was C_{5+} as it was $1.05/gal at Conway and $1.11/gal at Mont Belvieu. Both prices were the lowest they have been since the week of Jan. 28.

Though lower crude prices are having the biggest impact on heavy NGL prices, light NGL prices are facing their own headwinds. Propane storage remains very high and will need a strong arb to encourage LPG exports to help balance the market. The shutdown of the Houston Ship Channel revealed how important exports are to the propane market as prices fell 9% at both hubs to their lowest levels in six weeks.

Ethane prices were negatively impacted by outages and slowdowns at several crackers. Both Huntsman International's Port Neches, Texas, ethylene plant and Dow Chemical's St. Charles #1 plant in Louisiana both are undergoing scheduled turnarounds. In addition, there were reported operational issues at ExxonMobil Corp.'s Baytown, Texas, cracker and The Williams Cos. Inc.'s Geismar, La., plant that may take a few weeks to repair.

The theoretical NGL bbl price fell 7% at both hubs with the Conway price down to $20.92/bbl with a 12% decrease in margin to $11.79/bbl. The Mont Belvieu price fell to $21.64/bbl with an 11% drop in margin to $11.96/bbl.

The most profitable NGL at both hubs remained C_{5+} at 79 cents/gal at Conway and 81 cents/gal at Mont Belvieu. This was followed, in order, by isobutane at 49 cents/gal at Conway and 37 cents/gal at Mont Belvieu; butane at 33 cents/gal at Conway and 35 cents/gal at Mont Belvieu; propane at 26 cents/gal at Conway and 29 cents/gal at Mont Belvieu; and ethane at 1 cent/gal at both hubs.

Natural gas storage withdrawal levels were greatly reduced the week of March 13 due to warmer temperatures throughout the U.S. The U.S. Energy Information Administration reported that storage was down 45 billion cubic feet (Bcf) to 1.467 trillion cubic feet (Tcf) from 1.512 Tcf the previous week. This was 53% greater than the 960 Bcf posted last year at the same time and 13% lower than the five-year average of 1.692 Tcf.

There could be solid withdrawals from storage the week of March 25 as the National Weather Service is forecasting colder-than-normal temperatures throughout much of the country, including the East Coast, Midwest and Gulf Coast. This will be somewhat balanced by warmer-than-normal temperatures along the West Coast.

NGL PRICES						
Mont Belvieu	Eth	Pro	Norm	Iso	Pen+	NGL Bbl
March 11 - 17, '15	18.23	53.22	62.80	63.74	110.46	**$21.64**
March 4 - 10, '15	18.43	58.38	68.66	70.00	118.16	**$23.28**
Feb. 25 - March 3, '15	19.46	61.02	71.78	73.72	122.14	**$24.29**
Feb. 18 - 24, '15	18.97	59.58	68.58	70.46	118.44	**$23.53**
February '15	18.19	57.06	68.02	69.98	116.61	**$22.95**
January '15	18.79	47.27	67.03	68.30	94.52	**$20.28**
4th Qtr '14	20.22	76.90	96.73	98.28	149.25	**$30.10**
3rd Qtr '14	23.19	103.92	123.69	128.39	212.20	**$40.27**
2nd Qtr '14	29.26	106.55	124.12	130.23	222.81	**$42.31**
1st Qtr '14	34.50	129.51	137.62	141.49	212.60	**$46.16**
March 12 - 18, '14	30.04	106.32	124.70	128.82	220.96	**$42.27**
Conway, Group 140	Eth	Pro	Norm	Iso	Pen+	NGL Bbl
March 11 - 17, '15	17.50	48.68	58.52	73.40	106.46	**$20.92**
March 4 - 10, '15	18.03	53.56	65.16	83.46	110.96	**$22.52**
Feb. 25 - March 3, '15	18.38	57.06	69.38	87.00	115.42	**$23.61**
Feb. 18 - 24, '15	18.82	56.60	67.00	87.06	114.06	**$23.41**
February '15	17.56	53.62	67.06	82.14	113.63	**$22.69**
January '15	18.06	43.51	70.80	76.05	94.99	**$20.33**
4th Qtr '14	18.69	78.64	102.72	113.19	146.37	**$30.77**
3rd Qtr '14	20.38	104.99	123.51	140.07	207.90	**$40.18**
2nd Qtr '14	26.26	105.44	121.26	163.00	221.62	**$42.62**
1st Qtr '14	25.46	169.48	132.08	147.10	216.86	**$49.93**
March 12 - 18, '14	32.00	107.70	118.62	132.02	223.42	**$42.99**

CURRENT FRAC SPREAD (CENTS/GAL)				
March 20, 2015	**Conway**	**Change from Start of Week**	**Mont Belvieu**	**Last Week**
Ethane	17.50		18.23	
Shrink	16.58		17.57	
Margin	0.93	-36.43%	0.66	42.75%
Propane	48.68		53.22	
Shrink	22.90		24.27	
Margin	25.78	-15.92%	28.95	-13.74%
Normal Butane	58.52		62.80	
Shrink	25.93		27.48	
Margin	32.60	-16.92%	35.32	-12.91%
Isobutane	73.40		63.74	
Shrink	24.90		26.39	
Margin	48.50	-17.18%	37.35	-13.17%
Pentane+	106.46		110.46	
Shrink	27.73		29.39	
Margin	78.74	-5.41%	81.07	-7.98%
NGL $/Bbl	20.92	-7.06%	21.64	-7.05%
Shrink	9.13		9.68	
Margin	11.79	-11.88%	11.96	-10.63%
Gas ($/mmBtu)	2.50	0.00%	2.65	-2.21%
Gross Bbl Margin (in cents/gal)	26.45	-12.43%	27.31	-10.89%
NGL Value in $/mmBtu (Basket Value)				
Ethane	0.96	-2.94%	1.00	-1.09%
Propane	1.69	-9.11%	1.85	-8.84%
Normal Butane	0.63	-10.19%	0.68	-8.53%
Isobutane	0.46	-12.05%	0.40	-8.94%
Pentane+	1.37	-4.06%	1.42	-6.52%
Total Barrel Value in $/mmbtu	5.12	-7.10%	5.35	-6.82%
Margin	2.62	-13.01%	2.70	-10.94%

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.

RESIN PRICES – MARKET UPDATE – MARCH 20, 2015					
TOTAL OFFERS: 13,871,024 lbs		SPOT		CONTRACT	
Resin	Total lbs	Low	High	Bid	Offer
HDPE - Blow Mold	2,204,600	0.555	0.63	0.54	0.58
LLDPE - Film	2,072,324	0.565	0.72	0.56	0.6
LDPE - Film	1,994,576	0.58	0.67	0.58	0.62
HMWPE - Film	1,719,588	0.565	0.635	0.58	0.62
HDPE - Inj	1,702,760	0.56	0.615	0.57	0.61
PP Homopolymer - Inj	1,543,220	0.67	0.76	0.66	0.7
LLDPE - Inj	1,526,392	0.56	0.64	0.6	0.64
PP Copolymer - Inj	578,460	0.735	0.79	0.68	0.72
LDPE - Inj	529,104	0.625	0.635	0.62	0.66

Source: Plastics Exchange – www.theplasticsexchange.com

No Commodity Trading Exemption For Banks: Fed Reserve Exec

Reuters

A top Federal Reserve official on Thursday urged U.S. lawmakers to consider overturning a decades-old rule that allows Morgan Stanley and Goldman Sachs to trade physical commodities, like crude oil cargoes and copper pallets.

Asked at a Senate Banking Committee hearing on bank regulation what rules could be strengthened, Fed Governor Daniel Tarullo referred directly to commodity rules that currently exempt two banks from restrictions, allowing them to trade oil, aluminum and natural gas.

Without naming the banks, the Fed's point person for bank regulation said it would be "very much worth considering treating firms that are exempted like other banking companies."

Morgan Stanley and Goldman have legal protection included in a clause in the 1999 landmark Gramm-Leach-Bliley Act that "grandfathered" any commodity trading and investment activities for investment banks who later converted to Fed authority.

Spokespeople for the two banks declined to comment.

Ditching that longstanding exemption would require legislative changes by Congress and would level the playing field for U.S. banks operating in commodities markets, legal experts said.

The Fed has said previously its ability to rein in the grandfathered banks was limited.

Increased scrutiny from U.S. regulators and lawmakers has prompted Goldman to sell its base metal warehousing business and Morgan agreed to sell its oil trading division, although the sale to Russia's Rosneft collapsed late last year.

Tarullo's comments come as the Fed prepares to announce the results of its much-anticipated review of banks and commodities that started almost two years ago.

Regulators are expected to increase capital and insurance requirements for banks with physical commodity arms.

Tarullo pledged in November to outline proposals by the end of the first quarter.

Oil Storage Companies Benefit From Contango

Bloomberg

In a world awash with cheap oil and plunging profits, one obscure corner of the energy business is shining brightly: the owners of storage tanks.

While not nearly as famous as giant oil producers like Exxon Mobil Corp. and Royal Dutch Shell Plc, storage companies including Vopak NV, Kinder Morgan Inc., Oiltanking GmbH and Magellan Midstream Partners LP are among those benefiting from rising demand for onshore tanks -- and higher prices to rent limited space.

“Storage is king,” said Jean Francois Lambert, global head of commodity finance at HSBC Holdings Ltd. in London. “Good tanking at the right location could make money.”

Driven by record production from shale fields, the oil glut is bigger in the U.S. than any other region, and particularly large around the hub of Cushing, the Oklahoma town that calls itself the "pipeline crossroad of the world." The International Energy Agency anticipates that total U.S. stocks levels, already at an 80-year high of 459 million barrels, may soon test the limits of the country's tank capacity.

In the U.S. and beyond, traders are filling tanks to take advantage of contango—a relatively rare situation where forward prices are higher than current prices, allowing people to buy oil cheap, store the commodity in tanks and sell later, all the while locking in their income through the use of derivatives.

The price difference between a West Texas Intermediate oil contract for immediate delivery, the benchmark for U.S. prices, and the one-year forward—a measure of the contango—stood at minus $12.59 a barrel on Thursday, close to the highest since crude prices started falling last year.

Oil traders believe that tank farms at Cushing will fill up as soon as late April, triggering a race to secure the last remaining tanks in the city.

"Demand for our storage services in Cushing has been robust," said Robb Barnes, senior vice president for commercial crude oil at Magellan, a company with 12 million barrels of tanking capacity in the Oklahoman town. The company said all its tanks were already leased.

Mark Hurley, chief executive officer of Blueknight Energy Partners, a company with 6.6 million barrels of tank capacity at Cushing, told investors increased demand for his tanks meant fees had "been changing fairly rapidly over the last six months. Obviously, on the rise."

Storage companies keep the exact level of their fees confidential but oil traders said they charge around 20 U.S. cents to 50 U.S. cents a barrel a month, depending on the length of the contract.

The dearth of storage capacity is such that traders said short-term lease rates for the most sought after locations, such as Cushing, have gone up to as much as 80 U.S. cents a barrel.

In 2008 and 2009, the last time the oil market was as oversupplied as today, the storage companies were slow to increase rates, allowing the traders who used their tanks to take an unusually large slice of the contango profit. This time, the split between tank owners and traders is more even, according to Mike Conway, head of trading at Shell in London.

"It looks like the owners of the storage facilities have extracted a bit more value for themselves," he said in an interview.

Investors are taking notice. In dollar terms, the share price of Vopak, the world's largest independent oil storage company, has risen 4.4% since the beginning of the year. Vopak owns onshore tanks capable of storing roughly 210 million barrels of crude oil and petroleum refined products—enough to supply Germany for almost three months.

In the same period, the MSCI World Energy index has dropped more than 7 percent weighed by lower oil prices.

Across the board, oil storage companies have told investors to expect stronger income in 2015 than in 2014.

On top of a dozen of publicly listed oil storage groups, the increase in demand would be a boon for privately owned companies such as Oiltanking, a unit of German-based Marquard & Bahls AG, and VTTI BV—a venture including Vitol Group, the largest independent oil trader.

“You’ll find all the locations around the world that can store crude now, like Saldanha Bay or the Caribbean, are going to be full,” Jared Pearl, VTTI’s commercial director, said in an interview this week. “It would be crazy if they weren’t.”

The higher demand and fees are not the only factor boosting incomes. Some storage companies also take advantage of the contango by buying themselves crude oil for storage.

“We have five percent of our tankage in Cushing that is really for own account,” Greg Armstrong, CEO of Plains American Pipeline LP, told investors last month. The company “There are areas where we have strategically pilled off opportunities or massive tankage for our own account.”

Anadarko Buys Equity Interest In Saddlehorn Pipeline Co.

A wholly owned subsidiary of Anadarko Petroleum Corp. (NYSE: APC) exercised its option to purchase a 20% equity interest in Saddlehorn Pipeline Co., said Magellan Midstream Partners LP (NYSE: MMP) and Plains All American Pipeline LP (NYSE: PAA) on March 18.

The equity ownership in Saddlehorn will be 40% Magellan, 40% Plains and 20% Anadarko, the companies added.

Saddlehorn is a limited liability company that will construct, own and operate the Saddlehorn Pipeline.

Magellan will be the construction manager and pipeline operator.

The project will cost between $800 million and $850 million.

The pipeline, roughly 550 miles long, will transport crude oil from the D-J Basin to storage facilities in Cushing, Okla., owned by Magellan and Plains. It might also transport crude from the broader Rocky Mountain-area resource plays, the companies added.

The 20-inch pipeline will transport up to 400,000 barrels per day (Mbbl/d), but initially will transport about 200 Mbbl/d.

An extension to Carr, Colo., is also under consideration for connection to existing crude oil assets owned by Plains in that region.

The pipeline is scheduled to be operational in mid-2016, pending permits and approvals.

"Magellan and Plains are pleased to have Anadarko as a partner in the Saddlehorn pipeline," said Michael Mears, Magellan's CEO, and Greg L. Armstrong, chairman and CEO of Plains All American.

"Anadarko is a committed shipper and has a significant production presence in this region, adding further value to the pipeline project to deliver crude oil to the Cushing hub."

Anadarko Petroleum Corp. and Plains All American Pipeline LP are based in Houston.

Magellan Midstream Partners LP is based in Tulsa, Okla.

Use New Tank Cars Earlier: Canada's Transportation Safety Board

Reuters

Canada's transportation watchdog said on Tuesday that recent fiery derailments of trains hauling crude oil mean a new generation of stronger tanker wagons should be introduced ahead of schedule.

The Transportation Safety Board (TSB) is probing two accidents within the last month involving Canadian National Railway Co oil trains which came off the tracks and caught fire near the small northern Ontario town of Gogama.

Both trains were hauling CPC-1232 crude tankers, meant to be safer than the older DOT-111 models that blew up in downtown Lac-Megantic, Quebec in 2013, killing 47 people. Canada last week unveiled tough standards for a new generation of tanker cars that would replace the CPC-1232s by 2025 at the latest.

"While the proposed standards look promising, the TSB has concerns about the implementation timeline, given initial observations of the performance of CPC-1232 cars in recent derailments," the TSB said in a release.

The TSB said track failures may have played a role in each of the Gogama derailments. It has issued a safety advisory letter asking the federal transport ministry to review the risk assessments conducted for the area.

"Petroleum crude oil unit trains transporting heavily-loaded tank cars will tend to impart higher than usual forces to the track infrastructure during their operation," said the agency. "These higher forces expose any weaknesses that may be present in the track structure, making the track more susceptible to failure."

The office of Transport Minister Lisa Raitt—which has overall responsibility for regulating the rail industry—was not immediately available for comment.

EnLink Completes Coronado Midstream Acquisition

Business Wire

Dallas-based EnLink Midstream Partners LP (NYSE: ENLK) completed the acquisition of Coronado Midstream Holdings LLC with general partner EnLink Midstream LLC (NYSE: ENLC), the companies said March 16.

The $600 million transaction was for natural gas gathering and processing facilities that Coronado owns in the Permian Basin.

The assets include three cryogenic gas processing plants with a capacity of about 175 million cubic feet per day (MMcf/d) and a 270-mile gas gathering pipeline system in the North Midland Basin.

Construction is underway on an additional 100 MMcf/d gas processing plant and gathering system expansions.

EnLink plans to connect the Coronado and Bearkat gas gathering pipeline systems to create a multicounty rich-gas gathering and processing system that will include multiple delivery points.

With this acquisition, EnLink now owns and operates about 360 miles of gas gathering pipelines, about 300 MMcf/d of processing capacity and crude trucking and logistics services extending through seven counties in the Midland Basin's core, the companies said.

Barry E. Davis, president and CEO of Enlink, said that the Permian is an important growth area for the companies.

Midland, Texas-based Coronado Midstream Holdings LLC was founded by a group of independent producers and partners including Reliance Energy, Wexford Capital LP, Gulfport Energy Corp. (NASDAQ: GPOR), Wallace Family Partnership LP and Ted Collins Jr.

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