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Midstream Investing Picks Up Where E&P Leaves Off

By Joseph Markman, Hart Energy

With the industry's collective anxiety rising with every rig that is stacked, it might be time to recall that energy investing is not just about swimming upstream.

"We're actually expecting to see an uptick in midstream M&A activity because it's an asset class where there are a lot of E&P owners of their own midstream assets," Duff & Phelps Managing Director Jim Rebello told *Midstream Business* during an interview with three of the financial advising firm's senior executives. "They can get a better value for their midstream assets than they can for their exploration and production assets. So when you're trying to decide on, 'how am I going to rationalize this asset

base?' the pieces where you can get a better value will be those in the midstream space. E&P companies with controlled MLPs likely to complete an increasing number of dropdown transactions."

"Absolutely," agreed Jim Hanson, Duff & Phelps managing director specializing in transaction opinions, MLPs and private capital raising for companies in the energy sector. "The last three years have all been active for dropdowns in the MLP world. This is a good source of growth if the sponsor is an E&P company or a bigger midstream company.

"It's a great way to continue the growth trajectory of their MLPs," he told *Midstream Business*. "I also think we're going to probably see some bifurcation within the MLP sector, even in the midstream, where some companies that are closer to the wellhead or maybe a little less diversified could see some impact on volumes, whereas some of the more diversified, bigger companies that are more fee-based, will see a little less."

Would-Be Wizards

There are a number of variables at play—swift drop in commodity prices, midstream buildout—but the relatively recent proliferation of the retail investor into oil and gas stocks triggers a round of rattled nerves, as well.

"In the last three years, you've really seen the retail investor dictate the structure of the market," Dave Herr, Duff & Phelps' managing director and energy lead, financial reporting and valuation advisory services, told *Midstream Business*. "Retail investors are no longer buying the integrated oil and gas company at the same valuation that they ascribe to something that is a basin-specific E&P or gathering play. Retail investors put a premium value on the ability to invest exactly as much as they want in a specific basin."

Duff & Phelps managing directors Jim Hanson, left; Dave Herr and Jim Rebello.

Oil's reign of $100-plus per barrel (bbl) might have made them see themselves as financial wizards. But how will these investors, new to the ebbs and flows of the energy business, react to $50/bbl oil? Especially if low prices persist as expected?

"That desire of the retail investors has actually created less financial stability in companies, particularly in some of the recent IPO's in the upstream space," Herr said. Things can get dicey, he explained, when single-basin E&P players drop down their gathering systems in an MLP.

"Those captive MLPs are where you're going to potentially see bifurcation," Herr said. "If you're a single-basin play relying primarily on a single upstream company, that is now cutting back severely or totally ceasing drilling activities, the rate at which those commitments are going to be met and certainly the ability of that MLP to deliver the distributable cash-flow growth is severely diminished."

Herr expects the downturn to result in a shakeout in the market.

"Where we saw a lot of the MLPs trading in a similar range, I think you're going to see a separation of those that have a more sustainable long-term platform and those that were a function of the market dynamics of the last 36 months," he said.

Rebello, Houston-based energy lead for mergers and acquisitions, stressed that the sky has not yet fallen and that the next couple of months, at least, appear to be manageable.

"Timing is an important part of this," he said. "Volumes are expected to grow—most analysts are saying at least through mid-year, maybe into the third quarter. A lot of these MLPs in single basins won't feel the effects until the rig count in those basins begins to fall. The difference is drilled wells vs. completed wells. There's a big inventory of uncompleted wells. I don't want to be all gloom and doom and say this is all going to come apart between March and June. Every company is going to be different, and it's going to be a slow bleed as the decline curves begin to play themselves out."

Increased efficiencies

Much depends on where a company operates, he said, even if it is a single-basin entity. Companies that are working in basins' sweet spots won't feel much pain, at least not yet.

"The Capex budgets don't immediately get chopped all at once," Hanson said. "People are continually re-evaluating and slowly taking off projects. The science projects come off first, then you get to some of the less core areas."

"What's ironic is that, as you start to peel some of these off, you actually get increased efficiencies," he said. "I've heard people say, 'why can't you just have these efficiencies in a good market and really increase your production?' In a good market, the E&P companies are more apt to look on the fringes and look for new technologies and things like that. It's not quite as dramatic as people think. You could expect to see some increase in production over the next several months."

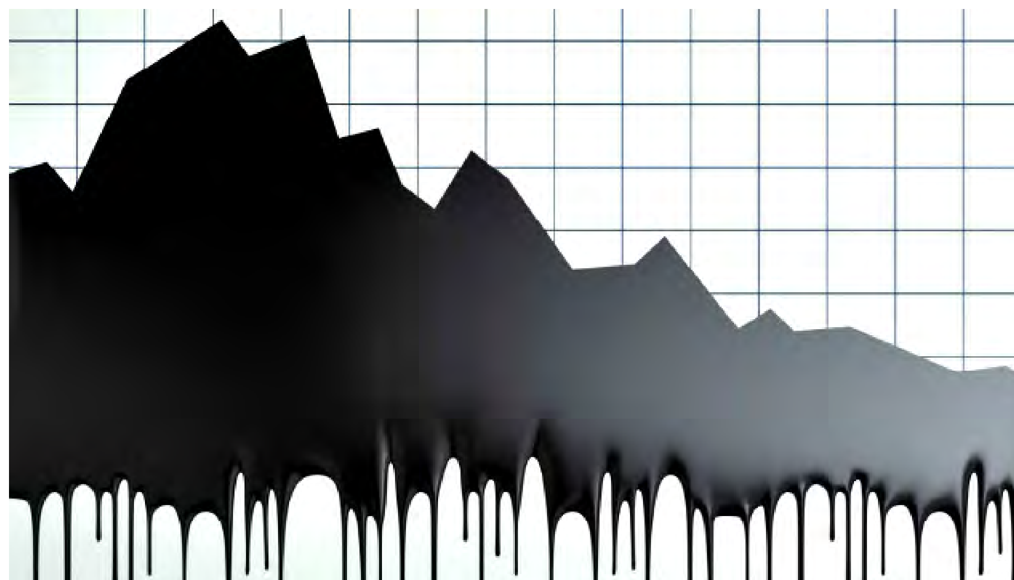
The larger midstream players, the ones that have diversified their assets and locked in long-term agreements for output, will be fine, Herr said. “The MLPs that have been created as dropdowns from those single-basin plays? They’re likely to get punished in the market if they can’t deliver consistent distribution growth.”

But the sector will rebound.

“Ultimately, we need more pipeline capacity,” he said. “It’s just maybe not as much or as fast as was initially thought.”

Crude Oil Prices May Be Headed Lower

By Kristie Sotolongo, Hart Energy



The opinion that global crude oil prices are trending lower has become a highly crowded trade these days.

After stabilizing in recent weeks, oil prices are back on the decline—slumping to new six-year lows last week—amid concerns that the world is producing more crude than it can store. That has some industry analysts suggesting that oil could collapse again by the end of the second quarter, before rebounding later this year.

All eyes have been on crude oil prices since last November when OPEC maintained its collective production ceiling of 30 million barrels per day (MMbbl/d), essentially transferring all responsibility for oil prices to the market. In doing so, Saudi oil minister, Ali Al-Naimi, predicted the market would “stabilize itself eventually.”

By early February, it seemed the Saudi strategy was working, with West Texas Intermediate (WTI) crude futures topping $50 per (/bbl) and global benchmark Brent spiking to above $60/bbl. Saudi Arabia responded by raising its official selling price to long-term buyers of their oil.

In its monthly bulletin (released March 16), OPEC all but declared “mission accomplished” in its efforts to thwart U.S. oil production. The cartel cited declines in the number of U.S. drilling rigs and significant cuts in capital spending by energy companies as evidence.

While overall U.S. production is expected to climb slightly from March to April, production in the Bakken, Eagle Ford and Niobrara fields is forecast to drop by a combined 24,000 bbl/d, according to the latest drilling report from the U.S. Energy Information Administration (EIA).

Despite OPEC efforts to curb U.S. drilling with lower prices, producers have pumped more than 9 MMbbl since early November. Earlier this month, domestic production hit a multi-decade high of 9.32 MMbbl. Industry output has not hovered at such levels—on a sustained basis—since the 1970s.

The lag between U.S. production and drilling-rig counts could, in fact, trigger another collapse in crude oil prices in coming weeks, some market observers say.

“We could touch a surprisingly low price sometime in the next month or two—as we get into summer and refineries come back from maintenance, Citigroup energy analyst Eric Lee told Hart Energy recently. “Demand could pick up stronger than it was before the rig cuts and capex cuts, and globally there will be capex cuts starting to have an effect.

“WTI could take another leg down if there’s enough distress—if imports into the U.S. don’t budge, which they won’t; if exports don’t rise quickly enough, which is a wild card—producers at various locations will need to shut-in pipelines or run at lower utilization [rates], so [the oil] doesn’t flow to Cushing,” Lee said.

During a Citigroup conference call about the oil-price slide last October, Lee said that there is no one single price for the marginal cost of shale, and a “full-capex cycle” shale project might carry a per-barrel cost of $70/bbl or more. For a “half cycle” shale project—where a majority of the costs are already committed—the per-barrel cost could be down into the high $30s, he observed.

In general, a $70-basis WTI price could slow the roughly 1-MMbbl/d growth rate in shale by 25%, according to Lee.

“It looks like you would need about a reduction in rigs of between 40% and 50% to really flatten production growth, and to do that you’d need about $50 oil,” he told Hart Energy. “The impact of the oil-price fall on U.S. production growth would, therefore, be soft.”

Nearly six months later, the $50-basis WTI price scenario has indeed come to pass.

"With $50 WTI now playing out, U.S. oil rig counts are likely to fall by 50%, maybe a little more, and U.S. crude oil production growth might roughly flatten out for the latter part of the year, before starting to grow again even if rig counts are held low," he added.

In the short term, seasonal factors like refinery maintenance will affect demand, and with U.S. production still at four-decade highs, WTI may establish a new bottom, Lee said.

"Given the latest Fed [Federal Reserve] guidance, U.S. dollar movements may buffet prices a bit. WTI prices could still fall to $40/bbl—even to as low as the $20s—before bouncing back to higher levels," he said.

A recent commodities report from Brussels-based KBC Bank N.V. echoed Lee's projections. Expecting oil "overproduction" to continue, KBC analysts remain bearish for oil prices over the next few months.

"Our longer-term outlook for oil prices remains bullish, however. This view has also been supported by the last [EIA] drilling productivity report, which showed that the agency expected a small decline in oil production in three of the key shale oil regions in April.

More specifically: "Any growth in oil production from (less) new oil wells coming online should be outpaced by a decline of production from legacy wells (which reflects relatively high depletion rates in comparison with 'conventional' oil) in the Bakken, Eagle Ford and Niobrara regions," KBC observed.

In the short term, KBC analysts still expect "overproduction to persist and to push oil prices lower in weeks and months. The above-mentioned [shale production] trends should play a greater role later this year, but those conclusions are based on estimates, and the jury is still out on the actual impact (strength and timing) of lower oil prices on shale oil production in the U.S."

Crude Inventories

Meanwhile, capacity utilization at Cushing, Okla.—the delivery and pricing point for the NYMEX-traded WTI futures contract—could top 80% for the first time in history, recent data from oil-market data provider Genscape Inc. shows.

Crude oil inventories at Cushing hit an all-time high on March 10, surpassing the previous all-time high set in 2013, according to Hillary Stevenson, a supply-chain networks manager at Genscape.

The firm's bi-weekly storage measurements are based on actual tank volumes and include granularity down to the individual tank level, collected using Genscape's proprietary technologies.

"As of March 15, WTI front month prices have fallen 55% in the last year with the WTI 12-month spread contango widening to the highest level since 2011," Stevenson observed in a March 17 client note. "Cushing stocks are on the rise, but significant tank-storage capacity has been added to the Cushing storage terminal since the previously high stock levels in April 2013, making current capacity utilization lower than what was observed in 2013.

Total shell capacity has increased by 31.6 MMbbl since 2009 (when Genscape began monitoring Cushing storage), which is a total storage-capacity increase of 38%, according to the data provider.

"Throughout Cushing history, capacity utilization has never exceeded 80%. Given today's total capacity and the same utilization rate, if achievable, Cushing maximum storage levels would equate to around 66 MMbbl," Stevenson noted. "It's expected that the build at Cushing will continue for several more weeks, as long as the economic incentives to store crude at Cushing remain in the WTI price structure."

Cushing inventories have shown consistent weekly builds since early December 2014 with an average weekly fill rate of nearly 1.8 MMbbl per week, Genscape data shows. As the 12-month WTI contango widened, the weekly fill rate also accelerated—to near 2.3 MMbbl per week over the last four weeks—including a record-high increase in storage to nearly 4 MMbbl in the week to Feb. 13, Stevenson observed.

"Assuming a 2 MMbbl-per-week inventory build, Cushing will reach 80% capacity utilization by late April," she noted.

MLPs Must Focus On Defensive Game

By Deon Daugherty, Hart Energy

Jim Baker, senior managing director at Kayne Anderson in Houston, Texas. ***Source: Capital Link Inc.***

The weak commodities environment won't be the death knell of shale's success story, but North American energy industry has hit the reset button, Jim Baker, senior managing director at Kayne Anderson in Houston, told a crowd of industry insiders in New York recently.

What happens next, Baker said, is that the sector has to recalibrate its activity levels consistent with the price environment of $50 per barrel of crude oil.

"That means a significant reduction in activity levels for domestic exploration and production; the process is painful, but unfortunately, it's absolutely necessary for the market to rebalance," he said.

The market's response to dramatically dropped prices has been faster than expected, and the cuts have been deeper, he said. On average, North American-focused upstream companies have announced capex budgets that are slashed by 40%. In addition, the rig count has been reduced by about 40% from its peak.

"The rig count, of course, is the proxy for activity levels, and the decline in rig count is unprecedented relative to anything we've seen in recent history," Baker told the crowd.

Baker's speech kicked off the 2nd annual Capital Link MLP Investing Forum in March, which drew a crowd of more than 800 executives and experts. In its inaugural year, about 700 people attended the daylong forum.

Baker said the key takeaways for investors are to expect commodity prices to recover in the next 12 months; believe the shale opportunities today present a once-in-a-lifetime event for the energy sector; and know that Kayne Anderson is very optimistic about long-term outlook for MLPs.

Still, he said, it's likely the industry will see tangible signs of lower drilling in the second half of the year. Year-over-year (yoy) production growth is expected to decline throughout the year, and it's possible that total production at the end of 2015 could be less than 2014.

"As the market starts to see these signs, we think that sets the stage for a slow and steady recovery. We do not believe that $50 oil works for the domestic energy industry," he said. "Certainly as we're all trying to figure out what the new 'normal' is for commodities prices, we're of the opinion—in the intermediate term—that the new normal is somewhere north of $70 per barrel. Certainly it's very trendy to forecast low crude oil prices, but we at Kayne Anderson are not in that camp."

For the last 15 years, MLPs have had a "can't be beat" record, Baker said. The sector has generated a steady return for investors with regular growth in its distributions.

"Today there are over 125 MLPs with an aggregate market cap of over $560 billion. In 2000, there were 20 MLPs with an aggregate market cap of $16 billion," he noted.

Rather, the recent downturn is just a speed bump in shale's road to success. Baker expects activity levels to recover in 2016 when commodity prices rebound, that MLPs will spend tremendous amounts of capital during the next 10 to 20 years to facilitate the development of these domestic shale resources.

Director: Asset Optimization Gives Needed Boost During Tough Times

By Caryn Livingston, Hart Energy

With low oil and gas prices squeezing profits, companies are searching for smart savings opportunities. Dale St. Denis, director for midstream of Sapient Global Markets, told Hart Energy that when times are tight, turning to a consultant who can look objectively at your business and advise you how to best utilize your assets can be a worthwhile investment for midstream providers.

Sapient Global Markets offers business advisory and technology evaluation services, St. Denis said. When evaluating a company's options, Sapient focuses on strategy—how the company plans to expand or leverage its service offerings.

"We help them with their consolidation of assets, how they ought to reposition those assets … to better serve their shippers," he said. "We also provide technology evaluation services to help them understand what their options are for expanding their IT, or information technology, infrastructure to support their shippers with the management of these hydrocarbons through their assets."

From an IT standpoint, companies are generally focusing on safe and reliable performance from their assets, choosing data management options that keep them updated on the specific performance of those assets.

Particularly in a downturn, however, the most important consideration for companies tends to be asset optimization, he said. To be successful in a tight commodity market, leadership needs to understand "ways in which they can better leverage those assets and combine them in more value-added services for their shippers," St. Denis said.

Companies who have taken on the role of supporting shale producers during the last seven or eight years are often the most in need of optimization services, he said. Those companies often utilize pipelines that were built long before the shale boom and were designed to move hydrocarbons north from the Gulf Coast. With the surge of northern shale development, natural gas and crude oil must now be shipped from origination points in North Dakota and Pennsylvania to the Gulf Coast refinery zones.

“A lot of times their asset base is having difficulty dealing with all the takeaway requirements for all these shale production zones, St. Denis said. “With the change in direction, some of the major midstream companies are looking at how to better optimize their asset base to support these new flow patterns.

“The other thing that’s happening is we see more and more movement toward the export of liquefied natural gas, and more and more permitting for these facilities along the Gulf Coast and eastern seaboard. That’s going to draw more natural gas to these facilities and again, changes in some of the traditional flow patterns in those pipelines.

“The way in which you want to operate those assets is going to change, and companies are asking us to evaluate these new flow patterns and give them guidance on how they ought to operate the assets to accommodate the new flow patterns most economically,” he said.

Optimization is becoming increasingly important for natural gas shippers as LNG exports come into play, St. Denis said. LNG exports will likely be a “major” consideration during the downturn, driven by increased production—likely to continue rising through 2016, even as rig counts decline, according to the Energy Information Administration’s “Natural Gas Weekly Update” for the week ending March 11.

LNG export facilities “will be going online in 2016 for the most part, and 2017,” he said. “[Pipeline operators] need to be making changes to their infrastructure now—their asset infrastructure and of course their technology infrastructure—to support that now in order to be ready for those large movements of natural gas.”

And even during the downturn, St. Denis said, the midstream is continuing to make those necessary changes so that they can hit the ground running when prices rebound.

“The decline in hydrocarbon prices has helped these companies get a lot more selective about these projects, but in most cases the midstream industry is assuming that we’re going to see prices increase in the next year to year and a half,” he said. “They’re recognizing this as an opportunity to further consolidate and acquire new assets, particularly those that would benefit the producers in these regions that don’t have pipelines and processing facilities for managing hydrocarbon. So you’re seeing a lot of these companies now look at new ways to combine their existing infrastructure with new acquisitions.”

Frac Spread: Hoping For A Rebuilding Season

By Frank Nieto, Hart Energy

Nothing exemplifies the phrase, "Hope springs eternal," like the start of a Major League Baseball season. After all, every team is 0-0 with a long 162-game season to play out. While fans of perennial contenders like the San Francisco Giants and New York Yankees typically have more reason for optimism, other fanbases need look no further than the Kansas City Royals as representing the chance for a new beginning. After ending a nine-year losing streak in 2013, the Royals won the American League pennant and took the Giants to seven games before losing in the World Series.

On the flip side there is every chance that a perennial contender can slip the other way and have a losing season.

It is becoming increasingly clear that 2015 will be one of these "lost years" for crude oil, natural gas and NGL prices. The hope here is that it will be a minor blip such as the one that the Boston Red Sox had a few years ago when they suffered a losing season in 2012, but bounced back to win the 2013 World Series.

There is a very strong likelihood that this is the case as long-term forecasts still show growth in demand for each of these products on a global basis despite the short-term struggles.

West Texas Intermediate (WTI) crude oil prices saw slight improvements and natural gas prices were down slightly as the month of March entered its final full week. This resulted in a mixed bag for NGL prices with propane, butane and isobutane down at Conway and Mont Belvieu from the previous week, but ethane and C_{5+} prices experienced gains at both hubs.

As we have been reporting the last few weeks at *Midstream Business*, there have been very large storage builds at the Cushing, Okla., hub. However, the capacity expansions that have taken place at the hub in recent years are helping to lessen fears of capacity constraints in the coming months.

In addition, increased refining demand could tighten the WTI market in the coming months, according to Tudor, Pickering, Holt & Co. "Current price differentials for various North American grades suggest a shift in U.S. refiner consumption trends is potentially ahead that could tighten the WTI market and strengthen pricing," the investment firm said in a March 26 research note. "WTI currently appears as the most attractively priced barrel available to PADD 2 and 3 refiners, thus we see increased near-term demand from rising utilization coming off seasonal spring maintenance and possible incremental displacement of Gulf Coast medium crude imports. This dynamic could tighten Brent/WTI differentials back to transportation economics and represent the first inflection point towards a structural bottoming of the domestic oil market."

While it is unlikely that WTI prices will begin a rapid recovery in the coming weeks, staying above the current $50 per barrel level would help heavy NGL prices make gains. Butane and isobutane have lost value since the start of 2015, but this is to be expected since refiners are now switching from blending winter-grade gasoline to summer-grade gasoline. The NGL with the closest relationship to crude, C_{5+}, has experienced 10% gains at both hubs as crude prices have slightly improved in the first quarter.

Natural gas prices began to fall due to decreasing heating demand as the spring shoulder season arrives. The Conway price fell less than 1% to $2.49 per million Btu (/MMBtu) and the Mont Belvieu price dropped 2% to $2.60/MMBtu. Until the summer cooling season increases demand from gas-fired power generation, it is unlikely that gas prices will gain much upward momentum, since the storage injection season is now upon us.

"Last week's reported withdrawal is likely to be the last of the heating season with moderate builds projected for the next two U.S. Energy Information Administration (EIA) reports," PIRA Energy Group said in its March 25 *Weekly Natural Gas, Power and Coal Market Recap*.

Indeed, the EIA reported that natural gas storage levels increased by 12 billion cubic feet (Bcf) to 1.479 trillion cubic feet (Tcf) the week of March 20 from 1.467 Tcf the previous week. This was 64% greater than the 904 Bcf reported last year at the same time and 12% lower than the 1.673 Tcf five-year average.

While ethane prices continued to follow natural gas prices, they did manage to make slight gains this week as ethane stocks are decreasing on a month-to-month basis due to the return of cracking capacity. The biggest headwind still facing the industry is the series of unplanned cracker outages and turnarounds. However, the majority of these plants are expected to be back online by the first week of April, which should help to continue to work off the ethane storage overhang throughout the rest of the year.

NGL PRICES						
Mont Belvieu	**Eth**	**Pro**	**Norm**	**Iso**	**Pen+**	**NGL Bbl**
March 18 - 24, '15	18.36	50.64	59.36	60.44	112.20	**$21.20**
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**
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 19 - 25, '14	29.47	103.86	124.72	127.92	219.00	**$41.73**
Conway, Group 140	**Eth**	**Pro**	**Norm**	**Iso**	**Pen+**	**NGL Bbl**
March 18 - 24, '15	18.35	46.60	56.90	64.10	106.92	**$20.51**
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**
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 19 - 25, '14	31.00	102.38	118.66	134.02	217.00	**$41.81**

CURRENT FRAC SPREAD (CENTS/GAL)				
March 27, 2015	**Conway**	**Change from Start of Week**	**Mont Belvieu**	**Last Week**
Ethane	18.35		18.36	
Shrink	16.51		17.24	
Margin	1.84	99.06%	1.12	69.87%
Propane	46.60		50.64	
Shrink	22.81		23.82	
Margin	23.79	-7.71%	26.82	-7.33%
Normal Butane	56.90		59.36	
Shrink	25.82		26.96	
Margin	31.08	-4.65%	32.40	-8.27%
Isobutane	64.10		60.44	
Shrink	24.80		25.90	
Margin	39.30	-18.97%	34.54	-7.50%
Pentane+	106.92		112.20	
Shrink	27.61		28.83	
Margin	79.31	0.73%	83.37	2.83%
NGL $/Bbl	20.51	-1.96%	21.20	-2.02%
Shrink	9.10		9.50	
Margin	11.42	-3.18%	11.70	-2.12%
Gas ($/mmBtu)	2.49	-0.40%	2.60	-1.89%
Gross Bbl Margin (in cents/gal)	25.50	-3.62%	26.63	-2.49%
NGL Value in $/mmBtu (Basket Value)				
Ethane	1.01	4.86%	1.01	0.71%
Propane	1.62	-4.27%	1.76	-4.85%
Normal Butane	0.61	-2.77%	0.64	-5.48%
Isobutane	0.40	-12.67%	0.38	-5.18%
Pentane+	1.38	0.43%	1.45	1.58%
Total Barrel Value in $/mmbtu	5.02	-1.85%	5.23	-2.20%
Margin	2.53	-3.25%	2.63	-2.51%

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 27, 2015					
TOTAL OFFERS: 20,802,916 lbs		SPOT		CONTRACT	
Resin	Total lbs	Low	High	Bid	Offer
HDPE - Inj	3,951,452	0.56	0.675	0.57	0.61
HDPE - Blow Mold	3,395,084	0.555	0.635	0.54	0.58
LDPE - Film	3,185,060	0.585	0.725	0.58	0.62
LLDPE - Film	2,733,704	0.565	0.695	0.56	0.6
HMWPE - Film	2,160,508	0.565	0.635	0.58	0.62
LLDPE - Inj	1,967,312	0.56	0.635	0.59	0.63
PP Homopolymer - Inj	1,499,128	0.67	0.76	0.66	0.7
PP Copolymer - Inj	1,028,828	0.72	0.79	0.68	0.72
LDPE - Inj	881,840	0.575	0.655	0.61	0.65

Source: Plastics Exchange – www.theplasticsexchange.com

BlackRock, First Reserve Take $900 Million Stake In Mexico Pipeline Project

Reuters

Asset manager BlackRock Inc and U.S. private equity firm First Reserve have taken a joint stake worth around $900 million in the second phase of Mexico pipeline project Los Ramones, state-controlled oil company Pemex said on Twitter on Thursday.

In a separate statement, Pemex said the joint stake was equivalent to 45 percent of the costs involved in the construction of the project. It represents BlackRock's first ever infrastructure investment in Mexico, Pemex added.

"The company has the intention of establishing a greater presence in Mexico," Pemex said in the statement.

On Wednesday, Reuters reported that BlackRock Inc, the world's largest asset manager, was looking to invest in infrastructure projects in Mexico.

The move also comes as Mexico's government, which has seen the peso fall to record lows off the back of an oil price slump that has dented the appeal of its energy sector opening, sets about courting private investment.

Pemex said in September it would spend $2.5 billion on the second phase of the Los Ramones pipeline, which will eventually run from the U.S.-Mexico border to central Mexico to help satisfy growing demand for gas by boosting cheap imports from the United States.

Report: Kinetic Energy, Not Contents, Likely Cause Train Derailment Fires

A Department of Energy (DOE) report on crude oil properties and transportation safety highlights the continued need for efforts to prevent more train derailments, the director of midstream for the American Petroleum Institute, Robin Rorick, said March 24 in a press release.

The kinetic energy created by a derailment can play a far bigger role in the size of a fire than whatever the train is hauling, according to the report. DOE's key findings state that "the energy generated from an accident has the potential to greatly exceed the flammability impact of...crude oil property-based criteria."

"This report shows the need to focus more on preventing train derailments as part of a holistic approach to safety improvements of shipping oil by rail," Rorick said. "The Department of Energy found no data showing correlation between crude oil properties and the likelihood or severity of a fire caused by a derailment."

"This report raises puzzling questions about Acting Federal Railroad Administrator Sarah Feinberg's suggestion that nothing more can be done to prevent derailments," Rorick added. "We can and must do more to prevent derailments as part of a comprehensive approach to safety."

The DOE’s findings fit with the Federal Railroad Administration's own report published last September, which concluded that "using vapor pressure as a metric to identify potential hazards may not prove effective when considering real world accident conditions." The Department of Transportation stopped using vapor pressure for flammable liquid classification in 1990.

"Safety is our core value and zero incidents is our goal," Rorick said. "The oil and natural gas industry has led in improving safety through tank car design and supports further enhancements based on good science, but prevention remains a critical piece of this equation. We will continue to work with the railroad industry and will not stop until the goal of zero incidents is achieved."

API is based in Washington, D.C.

Expect Canadian LNG Export Projects To Linger: Shell

Reuters

Shell expects only a fraction of liquefied natural gas (LNG) export projects already approved by the Canadian government to go ahead in the next decade, an executive said on Wednesday.

Canada has the potential to become one of the world's top LNG exporters, but projects have yet to begin construction, as roughly 110 million tonnes of government-approved export capacity awaits final investment decisions.

"At Shell we assume that only 15 to 20 percent of the approved projects will materialise by 2025," Markus Hector, Shell's general manager of global LNG said.

Speaking at a gas sector event hosted by the High Commission of Canada in London, Hector said that the low forecast success rate was partly due to the scale of the infrastructure projects and the competition for people with the skills to build them.

Sinking oil and gas prices have put the brakes on the development of the LNG industry, with planned U.S. projects being delayed or even scrapped altogether.

Shell is the lead partner in a consortium planning the LNG Canada facility on British Columbia's northern coast and is not expected to make a final investment decision until at least 2016.

"We are progressing the project, it's in the development phase, we don't have any specific impact from commodity prices on the development of the project," Hector said.

In response to the collapse in prices, oil and gas companies have made drastic cuts to budgets, idled drilling rigs and in some cases cut jobs. Earlier this year Shell said it would reduce its spending over the next three years by $15 billion.

Plains All American Pipeline, Delek Logistics Form Caddo Pipeline JV

Business Wire

Plains All American Pipeline LP (NYSE: PAA) and Delek Logistics Partners LP (NYSE:DKL) formed a joint venture (JV) through Caddo Pipeline LLC, Plains said March 23. The company will develop the 80-mile, 12-inch Caddo Pipeline.

The pipeline will move up to 80,000 barrels of crude oil from Longview, Texas, to Shreveport, La. It will begin in Longview at Plains' Atlas terminal, taking crude to Shreveport-area refineries and Delek's pipeline system supplying the Delek US Holdings (NYSE: DK) El Dorado, Ark., refinery.

Houston-based Plains will construct and operate the pipeline, and each company is 50/50 in the JV.

The project is expected to cost about $100 million, and the pipeline is scheduled to be completed in mid-2016.

EnLink Midstream Will Acquire Victoria Express Pipeline

Business Wire

EnLink Midstream Partners LP (NYSE: ENLK) entered into an agreement to acquire the Victoria Express Pipeline and related truck terminal and storage assets from Devon Energy Corp. (NYSE: DVN) in a dropdown. The pipeline is in the Eagle Ford Shale.

About $171 million in cash, about 338,000 Enlink common units and $30 to $40 million in construction costs make up the total cost which ranges between $210 million and $220 million, Enlink said. Enlink will assume the construction costs, the company added.

The assets include a 56-mile multigrade crude oil pipeline, its destination facilities at the Port of Victoria including an eight-bay truck unloading terminal and 200,000 barrels (bbl) of above-ground storage. Of that amount, 50 Mbbl are under construction. Rights to barge loading docks are also included. Known as the Cuero facilities, these are scheduled to be operational in the second half of 2015.

The pipeline transports condensate from DeWitt County, Texas, to the Port of Victoria. It handles about 50 Mbbl/d. After the Cuero facilities become operational, the pipeline will be a batched system separating condensate for export, unprocessed condensate and crude oil.

Dallas-based EnLink will invest between $30 million to $40 million of additional capital, and it will include construction costs for Cuero. The investment will increase the pipeline's capacity to about 90 Mbbl/d.

The transaction is scheduled to close April 1.

Oklahoma City-based Devon produced about 98 Mboe/d in the Eagle Ford in 2014's fourth quarter. Devon will be a shipper for the pipeline, EnLink added.

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