MIDSTREAM Monitor

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Cushing Storage Capacity Is Being Tested

By Nissa Darbonne, Editor-At-Large

John Rutherford, executive vice president, Plains All American Pipeline LP.

OKLAHOMA CITY —"Our in-laws at OPEC gave us … a self-improvement gift" on Thanksgiving Day, Newfield Exploration Co. general manager, Midcontinent, Pat McCelvey told attendees at Hart Energy's DUG Midcontinent conference. "They decided we got too used to $100 oil, too … reckless with our investments. I'm not sure they want us to get better, but that's what we're going to do."

John Rutherford, executive vice president, Plains All American Pipeline LP, said U.S. producers have done with oil what they did with natural gas. "We have. We practiced too hard and we've gotten too productive."

Rusty Braziel, president of market-analysis firm RBN Energy LLC, said, “It’s already happened. I don’t think we’ve accepted the fact.”

Cushing To Be Full In Four Weeks

U.S. crude oil in storage grew by 8.4 million barrels—twice as much as commodity analysts expected—to 1.125 billion barrels for the week ending Feb. 20, according to the EIA’s weekly report Wednesday. Of that, 434 million was in non-SPR storage, up from 363 million a year ago.

Storage at Cushing, in particular, grew by 2.4 million barrels to 48.7 million, up from 34.8 million a year ago; Gulf Coast inventory, by 4.3 million to 214.5, up from 177.7 a year ago. The day after Thanksgiving, when OPEC announced no cut to its production amid an estimated 1.6-million-barrel, daily, global over-supply, U.S. storage *sans* SPR was 379 million barrels; Cushing, 23.9; Gulf Coast, 193.1.

Cushing inventory has more than doubled in three months.

Tudor, Pickering, Holt & Co. Inc. analysts reported Thursday, “Yuck … With Cushing stocks near 50 million barrels, we start to get nervous about operation capacity above 60 million, (which would be reached in) four more weeks at this week’s build rate ...”

Simmons & Co. International Inc. analyst Arinjoy Ganguly added that the Gulf Coast number is near the all-time high of 216 million that was set last year and will likely be exceeded in the EIA’s March 4 report. In addition, “Cushing is also closing in on an all-time high (of 52 million in early 2013), which we expect will be attained in the coming weeks.”

Meanwhile, “(there is) no impact of rig-count reductions yet on crude production…,” he wrote. Ganguly estimates Cushing working-storage capacity is between 65- and 70 million barrels; Gulf Coast, between 250- and 260-million barrels.

North America, The Swing Producer

Plains All American owns 20 million barrels—or roughly a third—of Cushing storage capacity and a total of 73 million barrels of capacity across the U.S., according to its 2014 annual report filed in February.

Rutherford told DUG Midcontinent attendees, “We, the United States and Canada, are the de facto (world) swing producer. There has been no incremental production added by the rest of the world. We’ve added 5.6 million barrels of (daily) Canadian and U.S. supply and nothing in the rest of the world … You used to see ‘the call on OPEC.’ We just flipped it.”

The call will be on the U.S. in the future, he said. Opec spare capacity is 4% of global demand today vs. 26% in the 1980s. “It will take time to resolve the current imbalance, but the world needs sustainable North American production growth.”

That’s in the midst of a Lower 48 decline rate of about 30% a year. And overall U.S. production won’t grow at $50 WTI. “We don’t have enough supply in the U.S. at $50 oil to feed the rest of the world ...

Into 2016, there is a call on U.S. and Canadian supply, (but) production is declining (at $50). In 2017, it gets worse."

At $50, U.S. production will peak this summer as a backlog of wells waiting on completion are put online, while U.S. drilling does continue, albeit at a between a quarter and a half of the October 2014 rig count. If with $80 oil, daily Lower 48 production could have grown to nearly 11.5 million barrels, Rutherford said. Currently, it is at about 9 million a day.

Dave Hager, chief operating officer, Devon Energy Corp., told attendees that, while some E&P companies are forecasting increased production—despite paring capex an industry average to date of 34%—overall U.S. oil production will decline as the year unfolds.

"It is important to remember that there is a delay in when you cut capital and when you see a production impact. For Devon, on average, the dollar we spend today won't have a production impact for as much as six months. That's why you will see a delayed impact on production, but … we will probably start to see that impact later this year."

Too Good At Growing Supply

New U.S. production supply is easier to come by today. Braziel noted that, in 2011, it took EOG Resources Inc. 22 days to drill an Eagle Ford well, for example; now, it can do this in about nine. That's 41 wells in one year with one rig, producing 30-day IPs of nearly 800 barrels a day on average. So drill days are down 60%; the number of wells per year, up 151%; and IPs, up 44%. It equals to IP additions per rig per year having grown 239% from 9,000 barrels a day to more than 30,000.

Who's to blame for world oil oversupply? "It was you," he told producers. "You've been too good for your own good."

Devon is focusing its 2015 capex on development wells in high-IRR acreage, Hager said. Braziel said, "Producers are going to their sweet spots…Their average IPs are going to increase this year versus last year."

Many producers are hedged at least for 2015; some for as many as five years, Braziel said. "You put all of these factors together, what's going to happen to production?"

He forecasts that WTI will find a bandwidth just as U.S. natural gas did as a result of shale-gas development. "If prices do get back to the $80 range, that crude oil that was sitting there didn't go away. It's going to be produced ... We've seen this story before."

Oil-In-Storage Basins

The Haynesville gas play was developed in early 2008, producing consecutive 20-million-cubic-foot wells from virtually Day 1. As that play came online and joined new gas production from the Barnett, Fayetteville, Arkoma Basin-Woodford and the Marcellus, supply surged, gas futures settled into a roughly $3 to $5 window and the Haynesville rig count dived from about 120 to 16.

"But all of that gas is still in the Haynesville, waiting to be produced …," Braziel noted. "That is what we have created for ourselves in the crude-oil basins."

He forecasts a "base-oil theory" that is similar to modern dynamics in U.S. natural gas. "Prices rise, production rises, prices fall."

WTI for April delivery closed Friday at $49.52; for April 2016 delivery, $61.94. Meanwhile, Brent closed Friday at $62.58; for April 2016 delivery, $69.87.

Devon's Hager said the company's weighting to both oil and gas is a result of a sentiment that things—i.e., commodity futures—are never as bad as they seem and never as good as they seem. "History has shown it is challenged to accurately predict the prices (of either)," he told attendees. Devon's analyses have shown that futures are "probably one of the worst predictors of future oil and gas prices out there."

EY: Large Transactions Drove Midstream Deal Value In 2014

By Deon Daugherty, Hart Energy

Despite a slower second half, deal activity in the midstream last year was notable for the dollars raised, according to a global oil and gas transactions review of 2014 by tax and transaction advisory group EY.

The midstream was buoyed by several multibillion deals—including the $71 billion Kinder Morgan Inc. (NYSE: KMI) rollup; the $34.4 billion merger of Access Midstream Partners with Williams Partners LP (NYSE: WPZ) and the almost $8 billion deal between Targa Resources Partners LP (NYSE: NGLS) and Atlas Pipeline Partners—and total transaction value increased 115% above 2013.

Volume was another story, however, as the number of deals decreased for each segment except the downstream, EY said. That activity was down 23% in 2014 with only 102 announced deals. Disclosed deal value, however, doubled to more than $150 billion.

Deals in the U.S. and Canada dominated midstream transaction activity, both in volume and value, EY said in its review. All told, the two North American countries accounted for more than 78% of all midstream deals and about 94% of disclosed midstream value worldwide.

Pipelines drove the most action with 46 deals amounting to $17.6 billion, about 40% of the total. Those transactions were rounded out by 30 in diversified deals worth about $131 billion and 17 transactions totaling about $11 billion involving gathering and processing assets.

It was again the unconventional oil and gas boom in the U.S. that racked up attention to infrastructure investment, launching it to an all-time high, EY said.

“We’ve also seen increasing consolidation, spurred on by significant tax advantages for MLP structures,” the analysts said.

Despite Kinder Morgan’s October exit from the MLP structure when it rolled its entities back into a corporation, the structure remains a solid one for midstream investors.

“MLPs offer a wealth of benefits to both sponsor companies and individual investors while providing low-cost, alternative for of capital for expansion and growth,” EY said.

Weather Trends Alter Gas Demand

By Paul Hart, Hart Energy

Natural gas demand is up but changing as North America—or a lot of it anyway—slogs through another frigid winter. Some burner tips were alight overtime in recent days while others gather dust. Thank the polar vortex once again.

The extended cold trend could leave the nation with lower-than-average gas storage levels as spring ends and the snow melts.

The gas storage draw jumped last week, according to U.S. Energy Information Administration (EIA) numbers. Gas in storage fell to 1.71 trillion cubic feet (Tcf), down nearly 12% in one week as gas transmission systems sucked 228 billion cubic feet (Bcf) out to keep pipelines full. That easily exceeded analysts' average projection of a 224 Bcf weekly draw.

The bulk of last week's gas draw, 121 Bcf, was in the East while the comparatively balmy West drew down only 16 Bcf. The big change came to the south.

"The West South Central—the nation's biggest consumer of natgas by region—joined the East's winter festivities last week," Global Hunter Securities said in its weekly gas storage update. It noted the nation's biggest gas producing region consumed a high 91 Bcf of gas during the period. Global Hunter's in-house draw from storage estimate was 231 Bcf.

"If the West South Central trends below normal into mid-April—and this is becoming more likely—then there is a chance for final seasonal storage to end closer to 1.3 Tcf," Global Hunter added. That would place the gas storage level on the low end of the five-year moving average as winter thaws into spring.

“The West South Central contributed greatly to fuel consumption last week, generating 194 heating degree days, which was 108 degree days above normal,” Global Hunter added. “We note that last winter had substantial early and continued involvement from the West South Central, thus explaining much of why natgas supplies were reduced so quickly. The West South Central represents 22.6% of Lower 48 natgas consumption, based on state and regional averages over the last 12 months.”

Meanwhile west of the Rockies, many furnaces sat cold. Both the U.S. and Canada have enjoyed a very mild and dry winter, according to AccuWeather, the private forecasting service based in State College, Pa.

“While residents in the East battled against the Arctic chill and relentless snow and ice, much of the western U.S. saw warmer weather than usual,” AccuWeather said in a report. “Areas of the Pacific Northwest had the early signs of spring in late February as cherry blossoms began to bloom weeks early in parts of Vancouver, British Columbia and Seattle.”

The weather forecaster went on to point out how this weather dichotomy has impacted gas demand.

“While natural gas consumption has remained relatively steady across the nation from the start of the new year to late February, there has been a noticeable difference between the eastern and western United States due to the ongoing deep freeze in the East and warmth surging across the West.

“The frigid air that has gripped much of the eastern U.S. from Jan. 1 to Feb. 20 helped to boost natural gas consumption 4% over last year for the Northeast, Southeast and Midwest” according to EIA, it added. And the winter of 2013 to 2014 was a dandy for much of the country.

“Long-standing temperature records tumbled east of the Rockies, and cumulative heating-degree days from Jan. 1 through Feb. 20 equaled 2,220, 11% more than normal,” according to EIA.

A heating degree day is a standard measure of how cold a location is over a period of time relative to a base temperature, usually 65 F. In order to determine the average for a day, the sum of the maximum temperature and lowest temperature of the day is divided by two and compared to the base temperature, Dave Dombek, AccuWeather.com meteorologist Dave Dombek explained.

AccuWeather noted seven western states—California, Idaho, Nevada, Oregon, Utah, Washington and Wyoming—had Januarys that ranked among the 10 warmest on record for each state. And the warm trend has hung on.

“A large ridge of high pressure along the West Coast has kept all polar and Arctic air well to the east of the (Pacific) Northwest,” Ken Clark, AccuWeather’s western weather expert said. “This has brought some incredibly warm temperatures for the month of February.”

Gas consumption was down by 9% compared to last year for the Northwest, Southwest and Rockies, EIA reported. The high pressure also has brought an extended dry period in the West after stormy weather occurred as the season began at the end of 2014.

East of the Rockies, things are far different.

"Though it is unusual for a polar vortex to play a major role in two consecutive winters, the polar vortex has had a greater influence than usual for the 2014 to 2015 winter season, bringing record cold to the Midwest and East yet again," AccuWeather reported. "Due to the increased Arctic air, record low temperatures were shattered in Chicago, New York City and from Washington, D.C., to Orlando, Fla., this year.

"Because the polar vortex became stronger and moved farther south in late January, it caused cold to intensify in the Midwest and East and drought to build in California and the West," the report added. Boston and parts of New England have had all-time record snowfalls.

The forecasting service noted that its long-range winter forecast, issued in October 2014, "pinpointed the return of brutal cold for these areas months in advance."

Study: 'Cost Culture' Needs To Change

By Emily Moser, Hart Energy

It's time for a culture change in companies across the oil, gas and chemicals (OGC) industry worldwide, executives are saying. During the U.S. shale boom, companies in virtually all sectors of the OGC industry lacked a "cost culture," according to a recent study by AlixPartners.

However, if companies are to survive the current downturn in commodity prices, they are going to have to plan and manage their projects for greater capital productivity.

“Strong energy prices in recent years have allowed companies to delay putting an emphasis on project management as they focused instead on the urgent need of achieving greater throughput. But that was then and this is now,” said Dennis Cassidy, managing director at AlixPartners and co-head of the firm’s global OGC practice.

“In the current environment of falling prices, plus increasing geologic and technical challenges, a new focus on building a ‘cost culture’ into each and every project is mandatory,” Cassidy added.

In the survey, 250 high-level industry executives around the world said the biggest drawback in keeping projects on budget is that “company culture isn’t focused on project management.”

The survey found that just 30% of executives said their companies had explicit return-on-capital targets for projects prior to the crash in oil prices. Also, 12% of the executives said they think their companies are better than their competitors at project execution.

Meanwhile, only 19% of North American firms say their companies finish projects on budget, compared with 29% of all respondents globally.

The firm said that many projects aren’t benefitting from economies of scale or institutional knowledge. For example, just 34% of the executives polled agreed that project management is executed at the “company level” across all projects.

Only 39% of respondents—and just 30% of oil and gas drillers—said they have a strong series of checks and balances to ensure projects stay on track. And only 11% of all respondents said they employ a stage-gated process to assess project viability at defined milestones when developing a new capital program.

The survey also suggests that as projects grow more complex many companies have attempted to boost returns, not by tightly controlling costs internally but by looking outward toward such things as developing partnerships.

For instance, when asked to list the most important criteria used in selecting new capital projects, 60% in the survey cited “partner/syndicate relationships,” a tie for first place with the project’s projected net present value.

Among the firms in the survey with the highest self-reported, corporate return on capital employed (ROCE), 64% cited “partner/syndicate relationships” as most important, compared with 51% of those representing the companies with the lowest self-reported ROCE.

Additionally only 30% said they formally identify and quantify project risks in advance of undertaking new projects, and 39% said they have a formal knowledge of the management process in place.

The study offers hope to companies looking “to crack the code on efficient project management in today’s brave new world of lower energy prices,” the firm said

A lot of it starts with proactive leadership.

For instance, companies that are the best ROCE performers said they're more likely to be creating tighter criteria for project approval (36% vs. 29% of all respondents). Also, top leaders in those high-ROCE companies review all projects on a semi-annual or annual basis (53% vs. 43% of total respondents).

Furthermore, the firm said the survey suggests that OGC-industry executives view the creation of an overall cost culture inside their companies as a powerful generator of returns in the year ahead.

According to the survey, 46% of executives think creating a cost culture will yield at least 5% savings for their firm over the next 12 months.

What executive said will produce savings for their companies over the next 12 months	
Creating a cost culture	46%
Improved purchasing/resource acquisition	41%
Higher subcontractor productivity	39%
Selling, general and administrative cost improvement	27%
Technical-cost reduction	19%
Source: AlixPartners	

Although 58% of executives said they are focused on creating a cost culture, many companies are not taking the right actions to match their words, the firm said.

"The good news is that creating a true, soup-to-nuts cost culture cannot only yield significant returns, if implemented properly it can be the approach that offers a lower degree of social impact, which of course can be of use once markets change yet again," Cassidy said. "If history is any guide, companies that simply go into shut-down mode given today's tough market will rue the day when the market turns yet again."

Highlights:

- 66% of executives from exploration firms said it takes significantly longer to see returns on capital from projects, vs. 38% for those from integrated oil and gas companies and 47% from drillers;

- 70% of those from oil and gas drilling companies said partners/syndicate relationships are the most important determinant in deciding whether to conduct a project, vs. 60% of total respondents;
- 55% of executives from integrated oil and gas companies said they “always” or “very often” deliver their projects on time, vs. 74% of total respondents;
- 30% of executives from oil and gas drilling companies said they have a strong set of checks and balances in place to ensure projects stay on track, vs. 39% of total respondents; and
- 55% of those from integrated oil and gas companies said their company culture is not focused on project management, although half said they do complete reviews at key project milestones.

Frac Spread: Crude’s Mixed Message Keeps Prices Up In The Air

By Frank Nieto, Hart Energy

West Texas Intermediate (WTI) crude oil prices experienced another uptick the first week of March as they rose slightly above $50 per barrel (bbl). There are concerns that U.S. storage levels might reach capacity this year since the U.S. Energy Information Administration (EIA) reported on March 4 that storage increased by more than 10 million bbl (MMbbl).

“The U.S. crude balance structure that has bloated crude inventories to record levels continues unabated. Domestic crude supply is now up more than 1.5 MMbbl/d over the last four weeks, compared

to last year, while crude imports remain stubbornly high, down only 550,000 bbl/d over the same period," PIRA Energy Group said in a March 3 research note.

Barclays Capital stated in a March 2 research note that increased storage levels will pull WTI prices further down in the first half of 2015 with the contango widening due to the use of more expensive storage solutions.

However, En*Vantage Inc. stated these concerns may be overblown as Cushing storage levels have increased in the past few years. "Cushing stock levels are just 2 MMbbl below its all-time high level reached on Jan. 11, 2013, but Cushing working storage capacity has increased [more than] 6.5 MMbbl since that peak level was reached. At 70.8 MMbbl of working capacity there is still 21.6 MMbbl of spare capacity at Cushing," the company said in its March 5 *Weekly Energy Report.*

NGL prices were largely up for the week with Mont Belvieu prices reporting stronger gains. Heavy NGL prices made strides with butane and iosbutane having the largest upward movement at either hub with 5% improvements based on improved crude prices.

Butane improved to 72 cents per gallon (gal) at Mont Belvieu, its highest price since it had the same value the week of Jan. 14. The Conway price rose 4% to 69 cents/gal, its highest price since the week of Jan. 21 when it was 72 cents/gal. The Mont Belvieu isobutane price of 74 cents/gal was the highest value it has had in 2015, but remains 13 cents/gal lower than the Conway price of 87 cents/gal, which seems to have plateaued.

Light NGL prices made smaller gains on the back of increased processing capacity in the Permian, Bakken and Marcellus/Utica shales along with increased heating demand. The EIA reported that propane extraction hit a record of nearly 1.1 MMbbl/d in February.

Propane prices rose 2% to 61 cents/gal at Mont Belvieu, its highest price since it was 69 cents/gal the week of Nov. 26, 2014. The Conway price rose 1% to 57 cents/gal, also its highest price since the week of Nov. 26, when it was 72 cents/gal. Despite the frigid temperatures experienced in the Northeast and Midwest, propane stock levels are much greater than at the same time last year and with winter rapidly approaching an end, prices could struggle this spring unless export demand remains strong.

Ethane prices were a mixed bag this week as they continued to trend with natural gas prices. Consequently the Mont Belvieu price rose 3% to 20 cents/gal while the Conway price dipped 2% to 18 cents/gal. This was in line with the 10% decrease in gas prices at Conway and the 5% improvement in gas prices at Mont Belvieu.

The theoretical NGL bbl rose 3% to $24.29/bbl with a 2% gain in margin to $13.07/bbl at Mont Belvieu. The Conway price rose 1% to $23.61/bbl with a 10% gain in margin to $13.93/bbl.

The most profitable NGL to make at both hubs remained C_{5+} at 86 cents/gal at Conway and 88 cents/gal at Mont Belvieu. This was followed, in order, by isobutane at 61 cents/gal at Conway and 43 cents/gal at

Mont Belvieu; butane at 42 cents/gal at Conway and 40 cents/gal at Mont Belvieu; propane at 33 cents/gal at both hubs; and ethane at 1 cent/gal at Conway and negative 1 cent/gal at Mont Belvieu.

Natural gas storage levels had another large withdrawal the week of Feb. 27 with the EIA reporting a 228 billion cubic feet decrease. This left storage levels at 1.71 trillion cubic feet (Tcf) compared to 1.938 Tcf the previous week. This was 40% greater than the 1.218 Tcf figure posted last year at the same time and 8% lower than the five-year average of 1.853 Tcf. Storage injections should start sooner than later as the National Weather Service anticipates warmer-than-normal temperatures throughout the U.S. the week of March 11.

NGL PRICES

Mont Belvieu	Eth	Pro	Norm	Iso	Pen+	NGL Bbl
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**
Feb. 11 - 17, '15	17.83	58.20	68.03	70.20	116.80	**$23.05**
Feb. 4 - 10, '15	16.83	53.44	65.92	67.80	113.46	**$21.92**
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**
Feb. 26 - March 4, '14	33.73	110.26	126.44	133.68	214.54	**$43.09**
Conway, Group 140	**Eth**	**Pro**	**Norm**	**Iso**	**Pen+**	**NGL Bbl**
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**
Feb. 11 - 17, '15	17.00	54.40	66.60	84.48	116.03	**$22.89**
Feb. 4 - 10, '15	16.36	49.94	65.42	74.28	111.60	**$21.62**
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**
Feb. 26 - March 4, '14	33.50	114.00	121.68	137.28	226.96	**$44.53**

CURRENT FRAC SPREAD (CENTS/GAL)				
March 6, 2015	**Conway**	**Change from Start of Week**	**Mont Belvieu**	**Last Week**
Ethane	18.38		19.46	
Shrink	17.57		20.35	
Margin	0.81	233.77%	-0.89	-96.12%
Propane	57.06		61.02	
Shrink	24.27		28.12	
Margin	32.79	10.16%	32.90	0.48%
Normal Butane	69.38		71.78	
Shrink	27.48		31.84	
Margin	41.90	14.43%	39.94	4.58%
Isobutane	87.00		73.72	
Shrink	26.39		30.58	
Margin	60.61	4.71%	43.14	4.52%
Pentane+	115.42		122.14	
Shrink	29.39		34.05	
Margin	86.03	5.47%	88.09	2.50%
NGL $/Bbl	23.61	0.84%	24.29	3.20%
Shrink	9.68		11.21	
Margin	13.93	9.60%	13.07	1.88%
Gas ($/mmBtu)	2.65	-9.56%	3.07	4.78%
Gross Bbl Margin (in cents/gal)	31.47	10.07%	29.88	1.73%
NGL Value in $/mmBtu (Basket Value)				
Ethane	1.01	-2.34%	1.07	2.58%
Propane	1.98	0.81%	2.12	2.42%
Normal Butane	0.75	3.55%	0.78	4.67%
Isobutane	0.54	-0.07%	0.46	4.63%
Pentane+	1.49	1.19%	1.57	3.12%
Total Barrel Value in $/mmbtu	5.77	0.60%	6.00	3.09%
Margin	3.12	11.21%	2.93	1.37%

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 6, 2015					
TOTAL OFFERS: 10,790,640 lbs		SPOT		CONTRACT	
Resin	Total lbs	Low	High	Bid	Offer
LDPE - Film	2,388,208	0.575	0.67	0.6	0.64
LLDPE - Film	2,364,140	0.59	0.72	0.57	0.61
HDPE - Blow Mold	1,954,588	0.54	0.63	0.55	0.59
HDPE - Inj	1,451,840	0.555	0.615	0.58	0.62
LLDPE - Inj	997,288	0.57	0.635	0.62	0.66
LDPE - Inj	705,472	0.575	0.63	0.64	0.68
PP Homopolymer - Inj	542,736	0.705	0.74	0.67	0.71
HMWPE - Film	302,368	0.56	0.56	0.59	0.63
PP Copolymer - Inj	84,000	0.77	0.77	0.69	0.73

Source: Plastics Exchange – www.theplasticsexchange.com

BNSF Oil Train Derails In Rural Illinois

Reuters

A BNSF Railway train loaded with crude oil derailed and caught fire on the afternoon of March 5 in a rural area south of Galena, Ill., according to local officials and the company.

The incident marks the latest in a series of derailments in North America and the third in three weeks involving trains hauling crude oil, which has put a heightened focus on rail safety.

Dark smoke was seen for miles around the crash site, and the Illinois Environmental Protection Agency told local WREX.com that two of the cars were potentially on fire. Images posted online by Dubuque Scanner showed flames several hundred feet high, while aerial footage showed the wreck spread across two sets of track.

The train with 105 loaded cars—103 of them carrying crude oil—derailed around 1:20 pm Central Standard Time, according to a BNSF statement. The incident occurred on what appears to be a major rail line alongside the Mississippi River that handles as many as 50 oil-trains a week, one official said.

“The sky is pretty dark down there, the smoke is pretty black,” said Kevin Doyle, whose property borders the tracks. “If you're standing on the tracks you can throw a rock in the water.”

BNSF said there were no reported injuries and no evacuations. The Berkshire Hathaway Inc. unit did not know what had caused the derailment, which occurred about three miles outside Galena, a town of just over 3,000 on the border with Wisconsin.

Eight cars derailed, according to Galena City Administrator Mark Moran, six of which had tumbled onto their side. He said emergency responders were called back to Galena as a precaution, and BNSF responders had taken over control of the site. It was not clear if oil had spilled from the tank cars.

It was also not immediately clear where the train originated or where it was heading. Chicago, which is 160 miles east, is a major rail hub for shipments from both North Dakota and Canada's oil sands. It was unclear if the train's tank cars were older models widely criticized for being prone to puncture during accidents.

About 40 to 50 oil trains come through the area each week, Jo Daviess County Emergency Manager Charles Pedersen said. He had said earlier that there was no explosion or fire at the site.

The accident is just the latest involving oil trains in the U.S. and Canada.

In 2013, 47 people were killed in the Quebec town of Lac-Mégantic after a train carrying crude oil derailed and exploded. The last incident was just three weeks ago.

Last month, a Canadian Pacific Railway freight train derailment in nearby Dubuque, Iowa, spilled ethanol fuel into the water and set three cars on fire. Dubuque, which is 14 miles to the northwest of Galena, has almost 60,000 inhabitants.

A National Transportation Safety Board spokesman said the federal agency was not investigating the incident.

Stabilis Energy Opens Texas LNG Liquefaction Facility

Stabilis Energy announced the grand opening of its LNG production facility in George West, Texas, the company said in a March 2 statement. The 100,000 gallon per day facility is located in the heart of the Eagle Ford Shale to provide fuel for high horsepower engines used in the oilfield, as well as transportation, mining, rail, marine, asphalt and other industrial sectors.

Stabilis will also provide turnkey LNG fueling services, including transportation and logistics, cryogenic equipment rental and field service support. LNG fuel can be sold either wholesale at the plant tailgate or retail through Stabilis' delivery service. The facility features two truck loading racks that can load two transport trailers simultaneously in less than an hour. Certified scales are provided at the truck racks. The facility has about 270,000 gallons of storage capacity.

US Senate Fails To Override Keystone Pipeline Bill Veto

Reuters

The U.S. Senate failed on Wednesday to overturn President Barack Obama's veto of legislation approving the Keystone XL oil pipeline, leaving the project to await an administration decision on whether to allow it.

The Republican-majority Senate mustered just 62 votes in favor of overturning Obama's veto, less than the two-thirds needed for an override. Thirty-seven senators voted to uphold Obama's veto.

CME Group To Launch New Physical Crude Storage Contract

Reuters

The CME Group Inc. (Nasdaq: CME) will launch a physically delivered crude oil storage futures contract in the U.S. Gulf Coast at the end of March that traders say may be timely given record levels of stockpiles nationwide.

Under the agreement, each futures contract represents the right to store 1,000 barrels (bbl) of crude at LOOP LLC's Clovelly Hub in Louisiana. The new contract will begin trading on March 29, for trade day March 30, pending regulatory approval.

There are 7 million bbl of storage available for the contract, according to Terry Coleman, a spokesman for LOOP.

The move comes after the U.S. crude oil contract flipped into a contango late last year, opening up a key trading opportunity for traders to buy oil today and sell higher later. Meanwhile, the physical Gulf Coast crude oil complex is also trading at a contango.

As part of the deal, Markets Inc. will host monthly auctions of physical LOOP sour crude oil storage contracts on its platform.

"All commodities are subject to storage costs, and much of that is dependent on the forward curve. We're hoping this contract will help price transparency of prompt storage," Peter Keavey, CME's executive director and head of North American energy products, told *Reuters*.

"We think it will be a logistical storage solution," he said, adding there has already been commercial interest. He declined to discuss specific companies.

The CME Group is also broadening specifications of its sour crude contract to include Poseidon, Mars and the LOOP Segment 17, it said.

As the largest privately-owned U.S. crude oil terminal, the LOOP's primary business is offloading foreign crude oil from tankers and storing and distributing inventory via connecting pipelines to refineries through the Gulf and Midwest, according to its website.

Some traders, though, were wary, particularly as a contango play requires strong pipeline connectivity, which makes the U.S. storage hub at Cushing particularly attractive.

Western Gas Acquires Delaware Basin Gathering System Interest

Western Gas Partners LP (NYSE: WES) acquired a 50% interest in the Delaware Basin joint venture (DBJV) gathering system from Anadarko Petroleum Corp. (NYSE: APC). Western Gas paid no consideration at closing, but agreed to make a future payment on March 31, 2020, equal to eight times the average of the system's 2018 and 2019 EBITDA, less capital expenditures incurred from closing through Feb. 29, 2020. Based on the current forecast of the gathering system's performance and capital needs, Western Gas expects to pay $283 million on the agreed upon date.

In conjunction with the acquisition, Anadarko amended its existing gathering agreement with DBJV to extend the term to Dec. 31, 2024. Gathering rates are determined using a cost-of-service methodology under which DBJV earns a targeted rate of return of 18% over the life of the agreement. Western Gas estimates that the net present value of the purchase price payment is $176 million and that the asset will generate $15 million to $25 million of EBITDA in 2015.

Terms of the acquisition were approved by the board of directors of Western Gas' general partner and by the board's special committee, which is entirely composed of independent directors. The special committee engaged Evercore Partners to act as its financial advisor and Bracewell & Giuliani LLP to act as its legal advisor.

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