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Report Outlines Canada's Energy Challenges

By Paul Hart, Hart Energy

Canada's oil and gas operators—like those worldwide—must adapt to sagging commodity prices that alter assumptions about the future. A new report by the Canadian unit of PricewaterhouseCoopers (PwC), entitled "Compete, Survive or Prosper?" offers some projections for what may lie ahead for the Canadian industry.

The report summarizes interviews with 15 Canadian energy thought leaders from the upstream, midstream and field service sectors on what they see ahead. The accounting and consulting firm released the study May 28 at its 6th annual Energy Visions Business Forum in Calgary.

Midstream participants included Al Monaco, president and CEO of Enbridge Inc. (ENB), and Stewart Hanlon, president and CEO of Gibson Energy Inc.

“What we found was that the industry is learning how to navigate through a new reality,” said Reynold Tetzlaff, national energy leader for PwC Canada. “Given the duration of this downturn, the Canadian industry as a whole needs to manage costs, address global access and find ways to attract global investment.”

The recent flood of light oil from U.S. shale plays, coupled with growing production of heavy oil from Canada’s oil sands, “caught the world by surprise,” Hanlon observed in the report. He added things may be changing soon for the U.S. industry.

“But to a certain extent, in the Bakken, in the Eagle Ford, a lot of the easy lifting has been done and those basins are expensive. Twelve months from today we are going to start seeing 2016 plans being impacted in the higher-cost basins,” he said.

Several of the executives interviewed questioned whether U.S. shale oil production will flatten out or even decline in the near future. In contrast, most saw the large-scale, long-lead time Canadian oil sands projects continuing to increase production in the foreseeable future. Darren Andruko, deputy CFO and treasurer at Husky Energy Inc., quoted estimates of an incremental increase of 400,000 barrels per day of oil sands and bitumen from northern Alberta.

The new price environment that emerged following OPEC’s November 2014 decision to opt for market share over price creates a special challenge for Canada, industry experts agreed. Most added they expect prices to remain volatile for the next couple of years.

Long-term projects can ride out price downturns but they have special problems of their own, Monaco said in the report.

“The longer a project takes, the more uncertain it is,” he said. “That’s going to drive up your cost of capital and it’s going to increase volatility, which has more of an effect on cost of capital and things are just not going to get done.”

However, a number of issues continue to constrain the industry, including restricted market access, higher production costs, availability of labor and global competition, according to PwC.

PwC’s Tetzlaff said the report found “our industry leaders recognize the new realities and are determined to move towards viable solutions. Ultimately, these challenges may lead to changes that make our industry stronger. Key executives understand the need to be more efficient and effective—reduce costs and introduce technology—these are the keys to compete, survive and prosper.”

Some of the reflections that emerged from the wide-ranging interviews include:

- Cost structure is a primary area for ensuring continued survival;

- Government plays a role by providing a cohesive energy strategy, building public awareness about the importance of resource development, providing the right fiscal, tax and regulatory regimes;
- One of Canada's main advantages is its excellence in technology use; and
- The nation's energy industry has the fundamentals to emerge strongly from the current downturn, but changes are needed.

Gibson Energy's Hanlon spoke to the industry's need to control costs and added doing so can be very uncomfortable, comparing it to a visit to a sweat lodge. "There is certainly room for wringing out the costs," he said. "This happens every five to seven years and we go through this process and we are certainly not immune to that as a midstream company."

Monaco said government needs to work with the industry to assure future success.

"I think Ottawa's role is to be more supportive and to make sure we have the right fiscal structure, and more importantly their role is making sure regulatory bodies deal with things in an orderly fashion," he said. "I think oil prices are where people are focusing right now, but I go back to the bigger problem. The bigger problem is opposition to energy infrastructure and energy fossil fuels generally."

Looking ahead, the report concluded that Canada's energy industry "will compete, survive and prosper, but it will not be an easy journey during the duration of this low-price environment."

It recommended that Canada should "use our natural advantages, resource endowment and stable business environment to overcome current industry challenges for the benefit of present and future generations is of prime importance when dealing with current issues facing the energy sector."

Midstream M&A Competition Heats Up

By Caryn Livingston, Hart Energy

HOUSTON–At the recent Mergermarket Energy Forum, panelists told attendees how they expect the recent large structural changes from some of the biggest midstream players to impact the M&A space. With the recent announcement from The Williams Cos. Inc. that it would roll up Williams Partners LP into a C corp in a transaction similar to last year's announcement from Kinder Morgan Inc. that it would absorb its MLPs, the future landscape of midstream transactions as they relate to MLPs seemed in doubt.

It's unlikely that these transactions signal the end of MLPs in midstream, however. The creation of new MLPs is still "outstripping MLP collapse," Will Bousquette, managing director, Goldman Sachs, told the audience. The Williams and Kinder Morgan transactions were unique in that they were "mature MLPs that had reached a point where the burden from the general partner was making it difficult for the MLP to grow because the IDR [incentive distribution right] burden with the general partner had gotten to a very high percentage of total cash flows," he said.

The larger midstream M&A market will instead be defined by the current "massive shift in the ownership of midstream from something that was primarily controlled by retail equity investors to something that is primarily owned by institutional equity investors," he said. The change in investor-type is leading to a shift away from traditional expectations of "yield-based valuations and relatively slower growth" to the expectation of much more significant growth, Bousquette added.

The growth expectations from institutional investors can be difficult to meet, as the cascade of recent MLP IPOs has increased competition for available acquisition targets.

“Basically, having more MLPs with robust valuations, the IPO window’s been opened,” said Jeremy Goebel, managing director, business development and strategic planning, Plains All American Pipeline LP. “These are small companies looking to gain critical mass, so they’ve been very aggressive with new entrance into new basins or business lines.”

The entrance of new MLPs into the space increased competition for assets in more than one way, Goebel continued, as it also “reduced the amount of asset transactions or company transactions that have taken place.”

“Effectively, companies that used to go through an auction process when there was no capital market availability or the IPO window open, they now run either dual-track processes or solely going down the IPO process, because the valuations are there to stop enforcing the processes in IPO valuation, but a lot of times that's not met in the open process part,” he said.

Not Enough To Go Around

Increased competition for acquisitions among the growing number of MLPs in the space means that “that there are not enough deals to go around for the number of buyers looking for deals and the amount of capital,” Jonathan Nathanson, senior vice president, corporate development, Boardwalk Pipeline Partners LP, told the audience.

“I think that midstream has got to be one of the most overcapitalized industries across the economy currently,” he said, with “an enormous variety of financial investors” looking for investment opportunities in the sector. “We’ve talked about MLPs, there are infrastructure funds … and seemingly an unlimited number of buyers in these processes.”

Several of the panelists noted the emergence of infrastructure funds as major competitors with MLPs for midstream assets. The funds are “very aggressive buyers of enormous size at very, very low rates of return,” Bousquette said. A few years ago, those funds “had return thresholds that were closer to 15% and … they wouldn’t take any kind of downside risk,” he said. “Now infrastructure funds have too much money relative to the opportunities.”

The heightened aggression of infrastructure funds in the M&A market has created “an auction dynamic where they push prices up very dramatically, and even if they aren’t the winner provide leverage to sellers on strategies that are pushing up the multiples on M&A relative to historic norms and depressing the returns that you'd expect to see,” Bousquette said. “It’s hard to know if there’s really fewer assets but there are definitely more buyers, and I think most M&A is being done to much lower returns than it was even a couple of years ago.”

Where Will It Go?

According to Bousquette, the current state of midstream M&A is typical for the progression of U.S. industry. When an industry is attracting atypically large amounts of financial capital, companies focus on internal, organic growth. “That’s where midstream is right now,” he said.

“At some point, the U.S. upstream production growth will slow, and associated with that midstream will slow,” he said. “When that happens, at that moment, as happens with basically all industries, there will be a very sharp spike upward in what I’ll call large-cap M&A in midstream.”

“So while right now large-cap M&A and corporate-to-corporate M&A is relatively uncommon compared to most other industries. That’s not something that will persist forever,” he said.

A major driving factor toward this destination, Bousquette said, is that “you cannot put the genie back in the bottle in the terms of who owns the midstream industry, which is overwhelmingly institutional investors.” When growth begins to slow and valuations come down, those institutional investors “tend to put pressure on management teams to do something,” he said, which will drive up the rate of large-cap and corporate-to-corporate M&A.

In closing, Bousquette said he expects that in a few years, M&A activity in the space will be many multiples greater than it is currently, and the majority of them will be corporate-to-corporate transactions.

“The percentage of midstream that is owned by companies that ultimately need to be responsive to the public markets is at an all-time high and only going higher, meaning there is some percentage of the industry that is and always will be controlled by private general partners who can do whatever they want for reasons that may be different than what would be typical for large public companies in other industries,” he said.

Pioneer Cashes In Eagle Ford Midstream For Permian Horizontal

By Darren Barbee, Hart Energy

Since November, Pioneer Natural Resources Co. (PXD) has been aiming to sell its Eagle Ford Shale (EFS) midstream business and shift the proceeds to the Permian Basin.

On June 1, the wait ended as Enterprise Products Partners LP (EPD) agreed to buy the midstream assets for $2.15 billion with roughly half going to Pioneer. The company has said that after the sale it would put its chips on the Permian, adding two horizontal rigs per month from July through the first quarter of 2016.

Under the terms of the transaction, Enterprise will pay in two installments, the first $1.15 billion at closing and the second, $1 billion, within a year. The price tag pays for Pioneer's 50.1% interest in the business and the 49.9% share owned by Reliance Holding USA Inc., a subsidiary of India-based Reliance Industries Ltd.

Analysts said the purchase price was in line with estimates and that Pioneer oil volumes could grow by 20% as a result of the deal.

After retiring about $75 million in EFS midstream business debt, Pioneer's share of the net sale proceeds, before normal closing adjustments, is expected to be $500 million at close and $500 million one year later. Pioneer said the sale is expected to result in a pretax gain of $725 million, which is expected to be recognized in the third quarter of 2015.

The deal should improve Pioneer's balance sheet, which had $1.3 billion in cash and $2.7 billion in debt at the end of the first quarter. The sale will bring liquidity up to $2.78 billion, said Gabriele Sorbara, analyst, Topeka Capital Markets.

"We model a $336 million funding gap for the balance of 2015. For 2016, our model calls for an outspend of $979.1 million," he said. "Based on our pricing, cost and drilling assumptions, we believe PXD could be fully funded through 2016."

As part of the deal, Pioneer and Reliance will receive fee reductions from Enterprise under existing downstream processing and transportation contracts in exchange for extending the contract term to 20 years and dedicating additional Eagle Ford Shale volumes to Enterprise.

The reduced fees are expected to benefit Pioneer and Reliance over the original terms of the downstream contracts by about $200 million on a net present value basis at 10%.

In 2015, cash flow from the EFS business was expected bring $100 million in cash flow to Pioneer. Without it, Pioneer's Eagle Ford production costs go up by about $3 per barrel oil equivalent (boe). Companywide, production costs will rise about $0.75 per boe, Pioneer said.

Permian Resident

Scott D. Sheffield, Pioneer chairman and CEO, said the sale of EFS Midstream will improve the company's balance sheet and allow the company to go ahead with its desire to funnel cash to its core oil-rich Spraberry/Wolfcamp asset in the Permian Basin of West Texas.

The company will add an average of two horizontal rigs per month in the northern Spraberry/Wolfcamp through the remainder of the 2015 so long as the oil price outlook remains positive, Sheffield said.

"Additional drilling activity is expected to increase the company's 2015 capital budget by approximately $350 million," he said. "The addition of these 12 rigs will have minimal impact on forecasted 2015 production growth of 10% due to multi-well pad drilling."

Pioneer has transformed the Permian area from a vertical to horizontal play. After the sale, its adjusted 2015 capex of $2.2 billion includes $1.4 million in the Spraberry/Wolfcamp, about 65% of spending.

"We are currently operating 10 horizontal rigs in the Spraberry/Wolfcamp," he said. "Our strong balance sheet, combined with a strong derivatives position for 2015 and 2016, provides us with the financial firepower to ramp up drilling activity on high-return Wolfcamp B and Wolfcamp A horizontal wells during the second half of this year."

Spending in the Permian includes infrastructure costs in 2015 of $460 million for the Spraberry/Wolfcamp area. To support ramped up drilling, spending will include tank batteries/saltwater disposal facilities.

The company will also spend $70 million on gas processing and gathering system connections.

Taking The Gas Pipe

The EFS midstream assets include 460 miles of natural gas pipeline, 10 gathering plants and 780 million cubic feet per day (MMcf/d), said Gordon Douthat, senior analyst, Wells Fargo Securities.

The sale of EFS midstream is also expected to enhance Pioneer's ability to export processed Eagle Ford condensate, the company said. The midstream system includes 119,000 barrels per day (bbl/d) of condensate stabilization capacity.

Pioneer plans to increase export volumes in the second half of 2015 as additional industry infrastructure becomes available.

In June, the company expects to export 6,000 bbl/d on a spot basis. In the 2016, Pioneer is targeting exports of more than 75% processed condensate.

Pioneer has sold Eagle Ford condensate to Asian and European refining and petrochemical companies.

Maximizing Fleet Utilization Is Critical For Crude Shipping Market

By Carolyn Barless and Karen Lukacs, Special To Hart Energy

In 2014, oil production across North America hit all-time highs. With limited pipeline capacity, additional production from the oil sands and the Bakken Shale and the delays of new and expanding pipeline projects, companies were forced to look for alternative ways to move their product to market. Shipping crude by rail became a viable option and necessity for many companies. Capital investments were made into loading and unloading facilities, which allow crude oil producers to utilize the existing rail network to reach desired markets.

Today, the outlook of the energy market is a hot topic within the rail industry. Many are concerned about the volatility of energy prices and its effect on the crude by rail volumes. Some industry experts are bullish about crude prices for 2015 while others forecast a slightly gloomier outlook.

Either way, the crude by rail increase seen in the industry over the past few years will be sustained by contractual volume commitments, existing infrastructure investments and current drilling programs in the near-term, albeit at a slower pace. Longer-term outlooks will depend on the levels of crude prices throughout 2015 as additional exploration and investments will depend upon oil prices.

The Slowing Fleet

The management of rail-car fleets and the optimal utilization of rail assets are paramount to successful rail logistics.

A significant difference can be achieved by a single percentage point gain in asset utilization. If a shipper managing a rail-car fleet of 5,000 tank cars can increase asset utilization by 1.2%, this would equate to having an additional 60 tank cars in the fleet. Financially, this represents an annual savings of about $1 million in rail-car lease costs.

Efficient utilization of rail-car fleets is achieved through in-depth data analysis of cycles to find transit time performance for all origin-destination pairs. To maximize efficiency, the supply chain as a whole needs to be examined, and origin loading and destination unloading capacities and capabilities must be considered on an ongoing basis.

Optimal shipping requires this examination throughout the entire movement of the railcar. For instance, if a destination location is experiencing a delay, a push for railways to move idle-flagged railcars can have an adverse effect if the cars will just be stalled at the endpoint of their route. This is analogous to merging into traffic. When vehicles in the merging lane and incoming lane allow for space on a shared road, merging is smooth and does not halt traffic. However, when vehicles from either lane do not allow for space, it ultimately results in a slower flow and creates a backup. This queue will take longer to move vehicles through than if cars were continually moving. When a backlog of rail cars occurs at a destination, the same concept applies—it will take longer for them to get through the queue.

Proposed regulations could also play a role in slowing the fleet. If speed reductions are regulated for crude oil traffic, the impacted rail capacity would decrease overall by 10% to 11% for commodity rail transportation. Additionally, if route revisions are required for crude cars and delays are incurred through lost time while cars are retrofitted, the overall utilization of the fleet would decrease with the increase in cycle times. The reduced rail velocity across the entire network would also increase locomotive and railcar asset requirements for the railroads. If the same shipper lost a one day average in cycle times on his 5,000 tank cars, the reduction of shipped product in a one year period would be 1.4 million barrels of crude oil.

Opportunity Of Shared Data

As efficient fleet management becomes increasingly imperative to the bottom line, additional data analysis can help fleet managers make faster, more accurate decisions. Railroads currently provide all raw data on car movement via Car Location Messages (CLMs) to an industry-shared service that provides that data, at a cost, to the shippers, car owners, system providers and other railroads. The data allows users to monitor the status and movement of their particular rail traffic on all 530 railroads.

The benefits of expanding this shared industry service could provide information via the CLMs to be analyzed and summarized, after the removal of competitor data, into reporting tools for shippers. As a result, a fleet owner/lessee could gain more transparency throughout the entire rail network, and in turn, make organizations' fleet management more efficient.

They could have visibility, via a variety of reports, into the performance of rail operations, schedules including current delays or backlogs, percentage commodity breakdowns, traffic moving on lanes, and railroad capacities. This would give shippers and consignees information to determine best shipping routes, railway shipping patterns, best day of the week shipping and switch and interline performance. This information could also be utilized by railways to determine interline carrier performance, potential route changes, schedule revisions and performance measurements, as well as new business opportunities.

With a high-level view of the overall supply chain, available data and the right technology firms can take advantage of changing environments and capitalize on market opportunities. Each company that utilizes rail to transport product should be asking themselves if they have the efficient tools required to manage their business, and the available data to determine how well they are managing their overall railcar operations.

Karen Lukacs *is a director of Sapient Global Markets in Calgary, Alberta, Canada. Lukacs works with multiple clients as an account executive, workshop facilitator and midstream advisor. She has more than 25 years of experience in the North American energy industry as an NGL marketer, transportation analyst, ETRM software vendor executive and a business process improvement consultant.*

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Frac Spread: NGL Margins Up Despite Flat Market

By Frank Nieto, Hart Energy

NGL prices were once again largely flat the week of May 27 even as activity increased with traders seeking to consolidate positions before the month ended. The good news is that it is possible that several products hit their floor level the previous week, but this won't be certain for at least a few more weeks until the spring shoulder season comes to an end and summer cooling season fully begins to ramp up.

Frac spread margins improved across the board at both Conway and Mont Belvieu as natural gas prices fell 8% at Conway to $2.40 per million Btu (/MMBtu) and 7% to $2.57/MMBtu due to a larger-than-anticipated storage build.

According to the U.S. Energy Information Administration, natural gas storage levels rose by 132 billion cubic feet to 2.233 trillion cubic feet (Tcf) the week of May 29. This was a staggering 51% higher than the 1.482 Tcf figure posted last year at the same time, although it is only 1% higher than the five-year average of 2.211 Tcf. Of course, the natural gas has been oversupplied throughout much of this five-year period. As a point of reference the five-year average was 1.6 Tcf the final week of May 2008 just before the natural gas market began to get flooded with supplies.

"The market seemed to shift its focus back to the fundamentals and the persistent supply overhang," Barclays Capital said in a June 1 research note. "Despite encouraging signs of incremental demand from the power sector and pipeline exports to Mexico, these factors alone will not be enough to move the market back into balance. A hotter-than-normal summer could help the market move higher, but from a purely fundamental standpoint we still expect prices to drift lower through this quarter."

The NGL with the most improved margin was ethane, which rose by at least 80% at both hubs. While margins are challenged–they're only theoretically positive at Mont Belvieu and narrowly negative at Conway–they could turn positive should gas prices stay at current levels. According to En*Vantage, margins are likely to turn positive to encourage shipments of volumes currently being rejected to Mont Belvieu, which is beginning to experience tighter supplies as the rejection policy is finally beginning to pay off.

The situation remains less positive for propane, which is experiencing its own oversupply situation. En*Vantage noted in its June 4 *Weekly Energy Report* that based on average summer inventory increases, propane stocks could hit 96 million bbl by the end of September. Not only would this be a record, it could easily exceed propane storage capacity.

"Another perspective is that if winter started tomorrow, current propane inventories of about 72 million bbl would be more than adequate to meet normal winter seasonal demand for propane. Something has to give. Petrochemical cracking of propane could increase by another 100,000 to 150,000 bbl/d, but that will eventually lead to a flood of propylene. … If additional petrochemical demand for propane does not kick in soon then we could see refiners burn propane and it is possible that producers will have to throttle back rich gas production," according to En*Vantage. This situation caused propane to fall to another 13-year low as it was down 3% to 40 cents per gallon (/gal) at Mont Belvieu and 1% to 37 cents/gal at Conway.

The most profitable NGL to make at both hubs remained C_{5+} at 93 cents/gal at Conway and 94 cents/gal at Mont Belvieu. This was followed, in order, by isobutane at 31 cents/gal at both hubs; butane at 24 cents/gal at Conway and 28 cents/gal at Mont Belvieu; propane at 15 cents/gal at Conway and 17 cents/gal at Mont Belvieu; and ethane at negative 1 cent/gal at Conway and 1 cent/gal at Mont Belvieu.

CURRENT FRAC SPREAD (CENTS/GAL)				
June 5, 2015	**Conway**	**Change from Start of Week**	**Mont Belvieu**	**Last Week**
Ethane	15.43		17.87	
Shrink	15.91		17.04	
Margin	-0.48	79.67%	0.83	86.76%
Propane	37.16		40.40	
Shrink	21.98		23.54	
Margin	15.18	11.25%	16.86	4.02%
Normal Butane	49.26		54.42	
Shrink	24.89		26.65	
Margin	24.37	16.78%	27.77	11.01%
Isobutane	54.80		56.28	
Shrink	23.90		25.60	
Margin	30.90	8.39%	30.68	10.73%
Pentane+	119.62		122.72	
Shrink	26.62		28.50	
Margin	93.00	2.45%	94.22	0.36%
NGL $/Bbl	19.13	0.35%	20.25	-1.70%
Shrink	8.77		9.39	
Margin	10.36	9.18%	10.87	3.62%
Gas ($/mmBtu)	2.40	-8.40%	2.57	-7.22%
Gross Bbl Margin (in cents/gal)	22.59	9.90%	24.15	3.82%
NGL Value in $/mmBtu (Basket Value)				
Ethane	0.85	2.87%	0.98	-5.00%
Propane	1.29	-1.28%	1.40	-2.84%
Normal Butane	0.53	2.54%	0.59	1.27%
Isobutane	0.34	0.37%	0.35	1.77%
Pentane+	1.54	-0.18%	1.58	-1.51%
Total Barrel Value in $/mmbtu	4.56	0.41%	4.91	-2.07%
Margin	2.16	12.45%	2.34	4.31%

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.

NGL PRICES						
Mont Belvieu	**Eth**	**Pro**	**Norm**	**Iso**	**Pen+**	**NGL Bbl**
May 27 - June 2, '15	17.87	40.40	54.42	56.28	122.72	**$20.25**
May 20 - 26, '15	18.81	41.58	53.74	55.30	124.60	**$20.60**
May 13 - 19, '15	19.28	48.34	58.74	61.04	131.34	**$22.35**
May 6 - 12, '15	18.94	50.04	61.40	63.16	129.26	**$22.56**
May '15	18.69	46.42	58.02	59.80	127.69	**$21.72**
April '15	17.06	54.84	64.36	66.38	127.64	**$22.97**
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**
May 28 - June 3, '14	29.55	104.72	123.74	132.40	219.50	**$41.95**
Conway, Group 140	**Eth**	**Pro**	**Norm**	**Iso**	**Pen+**	**NGL Bbl**
May 27 - June 2, '15	15.43	37.16	49.26	54.80	119.62	**$19.13**
May 20 - 26, '15	15.00	37.64	48.04	54.60	119.84	**$19.06**
May 13 - 19, '15	15.20	42.50	52.64	60.58	125.60	**$20.46**
May 6 - 12, '15	14.90	43.10	54.08	61.06	124.64	**$20.51**
May '15	15.15	40.99	51.78	58.32	122.34	**$19.95**
April '15	15.75	48.18	59.30	63.67	119.72	**$21.26**
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**
May 28 - June 3, '14	26.54	102.32	121.00	173.00	216.26	**$42.19**

RESIN PRICES – MARKET UPDATE – JUNE 5, 2015					
TOTAL OFFERS: 20,623,740 lbs		SPOT		CONTRACT	
Resin	Total lbs	Low	High	Bid	Offer
HDPE - Blow Mold	4,784,624	0.64	0.73	0.62	0.66
LLDPE - Film	3,892,348	0.65	0.75	0.64	0.68
HDPE - Inj	3,659,636	0.64	0.72	0.63	0.67
HMWPE - Film	2,476,392	0.605	0.74	0.65	0.69
LDPE - Film	2,268,668	0.68	0.78	0.66	0.7
LLDPE - Inj	1,248,208	0.635	0.76	0.64	0.68
PP Homopolymer - Inj	877,656	0.61	0.69	0.63	0.67
PP Copolymer - Inj	710,736	0.64	0.73	0.65	0.69
LDPE - Inj	705,472	0.68	0.77	0.66	0.7

Source: Plastics Exchange – www.theplasticsexchange.com

Azure Midstream Begins Trading On NYSE

Azure Midstream Partners LP, formerly Marlin Midstream Partners LP, began trading on the New York Stock Exchange under the new ticker "AZUR," the company said May 29.

"We are proud to announce our new partnership with the New York Stock Exchange and are excited to begin our first day of trading," said I.J. (Chip) Berthelot II, CEO.

Azure Midstream Partners LP is based in Dallas.

Archer Appointed CFO Of Howard Midstream Energy Partners

Howard Midstream Energy Partners LLC appointed Scott Archer as CFO and senior vice president, the company said June 2. He replaces Larry Murphy in the roles, which are effective immediately, the company added.

Archer has almost 20 years' experience in M&A, company structuring and energy finance.

Archer will oversee all financial functions at Howard Midstream, including potential transactions, capital sourcing, financial analysis development and company structuring.

Most recently, Archer was managing director of midstream and MLP investment banking at Tudor, Pickering Holt & Co. for two years. Previously, he spent 13 years with Bank of America Merrill Lynch, becoming a managing director with the global energy and power group. He led or participated in more than 20 M&A transactions in the $50 million to $8 billion range, and structured several MLPs, Howard Midstream added.

Archer holds a bachelor's degree and a master's of business administration degree from the University of Texas at Austin.

Howard Midstream Energy Partners LLC is based in San Antonio.

Alpha Crude Connector Starts Building Delaware Basin Pipeline

Business Wire

Tulsa, Okla.-based Alpha Crude Connector LLC received all necessary permits and began building its Alpha Crude Connector Pipeline in the Northern Delaware Basin, the company said June 4. Construction is scheduled to be completed in November.

The 400-mile pipeline will transport more than 100,000 barrels per day of crude oil to Lea and Eddy counties, N.M., and Culberson, Loving, Reeves and Winkler counties, Texas. Oil will be accepted from more than 250 lease tank batteries, other local pipelines and truck terminals in the basin.

Shippers will have access to multiple downstream pipelines and a rail terminal to local refineries, Cushing, Okla., and the U.S. Gulf Coast. Maps, tariffs and capacity information are available.

Pembina Will Expand Horizon Pipeline System

Pembina Pipeline Corp. will expand its existing Horizon Pipeline system, the company said June 4. The expansion will cost about CA$125 million, and will increase the pipeline's capacity to 250,000 barrels per day of crude oil.

The mainline pump stations will be upgraded, and other modifications will be made. The expanded pipeline is scheduled to be in service in mid-2016.

Horizon, originally commissioned in 2008, is 513 kilometers long. It connects Canadian Natural Resources Ltd.'s Horizon Oil Sands facility to refineries, export pipelines and other delivery locations in the Edmonton, Alberta, area. Horizon is operated under the terms of a 25-year fixed return contract, which expires in 2034.

"The Horizon expansion reinforces the strategic nature of Pembina's existing oil sands and heavy oil asset base. Furthermore, the Horizon expansion, which is underpinned by a long-term agreement, will be beneficial to our shareholders by adding to our growing cost-of-service, low-risk cash flow streams," said Andrew Gruszecki, vice president for oil sands and heavy oil.

Pembina Pipeline Corp. is based in Calgary, Alberta.

California Proposes Pipeline Legislation Following Plains All American Oil Spill

Bloomberg

California would require oil pipelines in environmentally sensitive areas to be outfitted with automatic shut-off valves under proposed legislation following a spill last month that leaked 500 barrels into the Pacific Ocean, Bloomberg said June 2.

The three bills also would require annual inspections of pipelines and hasten the cleanup response by better positioning state-owned skimmers. A program enabling local fishing vessels to act as contractors to help with clean-up efforts would be modeled on one set up in Alaska following the Exxon Valdez oil spill of 1989.

The Plains All American Pipeline LP system leaked heavy oil May 19 along a stretch of pristine beach north of Los Angeles and near the site of a 1969 blowout at a Union Oil platform that dumped 80,000 barrels of crude in what was then the worst spill in U.S. history. The latest incident has galvanized efforts to prevent future spills and has prompted calls to phase out drilling in the state altogether.

California state Sen. Hannah-Beth Jackson and Assemblyman Das Williams held a call with reporters June 2 unveiling the bills.

U.S. Senators Barbara Boxer, Dianne Feinstein, both from California, and Edward J. Markey of Massachusetts sent a letter to the Pipeline and Hazardous Materials Safety Administration on May 28, describing the spill response as insufficient. Plains may not have acted quickly enough to detect the leak and an automatic shut-off valve could have reduced the volume of oil released, they said.

PG&E Corp. was told by state regulators to install automatic shut-off valves on some of its high-pressure gas transmission lines after a 2010 explosion killed eight people in the San Francisco suburb of San Bruno, California.

It took PG&E about 90 minutes to stop the flow of gas because the line had to be manually shut down by workers, according to a report by the National Transportation Safety Board.

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