MIDSTREAM Monitor

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Midstream Appears To Be 'Bright Spot' For Oil, Gas Hiring

By Paul Hart, Hart Energy

Weak business conditions have impacted employment and salaries for the oil and gas business worldwide, but the picture may be brighter in the midstream sector than many expect—thanks in part to LNG projects.

In an analysis of early 2015 employment statistics published by the U.S. Bureau of Labor Statistics (BLS), Global Hunter Securities said, "The overall tone of the data was slightly upbeat, while we maintain a cautious approach to macro (energy industry) developments in the coming months."

Global Hunter noted declines in energy-related jobs, led by drops in heavy and civil engineering, utilities and metal fabrication, as well as the government agency's upstream-focused "oil & gas extraction" category.

Year over year the BLS statistics looked better with employment up in energy-related categories. For example, pipeline construction employment rose nearly 5% in the one-year period.

A separate Global Hunter analysis of U.S. salary trends noted the BLS reported a 2.16%, year-over-year increase in wages in the first half.

'Slightly Negative'

Global Hunter found a "negative signal for commodity prices. Assuming wage growth remains under pressure in the near term, then this should provide another downside source of pressure upon asset values across most classes, in our view" and puts pressure not only on wages and hiring but other economic factors, including the Federal Reserve's efforts to increase interest rates.

Hays Plc, a London-based recruiting and personnel consulting firm, reviewed industry trends in its recently published Oil & Gas Global Salary Guide 2015."

"The changes in the price of oil in the last quarter of 2014 … impacted the labor market, however the sentiment in the industry remains positive," John Faraguna, managing director, Hays Oil & Gas, and Duncan Freer, managing director, Oil and Gas Job Search, said in the report. "Salaries have seen a slight increase, benefits are on the rise and employers still have hiring on the agenda for 2015. Although some businesses are enacting consolidation initiatives, even a small upturn in global economic growth and demand in oil would lead to an overall recovery and strengthening of the labor market."

The survey found a 1.3% increase in industry salaries in 2014 after a slight decline in the prior year. Respondents ranked salary "as the most important factor in their decision to accept a new job offer," the report said. It added that regional business volatility is causing greater local variance in salary trends. The survey polled 45,000 energy industry participants.

The Hays report looked at worldwide salary trends within what may be the most international of all businesses: oil and gas. However, it contains some statistics on North American and midstream salary trends. It mentioned in particular employees with experience in the pipeline segment continue to be in high demand.

The U.S. has been a significant force in the international oil and gas business for years and its role may be increasing, thanks to the sharp increases in crude oil, natural gas and NGL produced from unconventional plays, numbers in the Hays report seem to indicate.

Bright Spots

"Despite the softening of the (North American) market, there are still areas that are seeing comparatively high hiring intentions, namely in the petrochemicals sector and LNG," Hays said.

Tobias Read, CEO of Swift Worldwide Resources, an international energy-industry recruiting firm, told Hart Energy that the midstream sector is the bright spot in the oil and gas industry's current hiring and salary picture.

"While we are seeing significant cuts within upstream and a softening of demand in downstream, midstream jobs continue to flood the market and midstream salaries remain strong," Read said. "In upstream, broadly we are hearing about higher job losses from the corporate internal staff than we are from the professional-grade contractor pool. This anomaly is explained as most contract employees are higher grade, sometimes in critical positions and in existing/ongoing projects.

"To a very large degree, corporations are not hiring in the upstream—the direct-hire market has frozen. However, internal salaries have not been cut. Contractor rates have, however, been reduced globally by between 10% to 15% on day rates, up to 25% in certain cases. Downstream and midstream markets have been comparatively unaffected so far by layoffs or day-rate reductions," he added.

Michelle Parchman, CEO of San Antonio, Texas-based Parchman & Parchman LLC, specializes in recruiting for executive, financial and accounting positions and counts several midstream firms among her clients. Parchman told Hart Energy that recruiting and salaries for her midstream and downstream clients have remained comparatively strong.

"There are plenty of opportunities from where I see things," particularly in finance-related openings, she said.

"I don't see any appreciable change in salaries. I don't see a decrease to any significant effect," Parchman added. Several of her midstream clients paid year-end bonuses at the first of this year, a signal that business remains good, if not very strong for the companies. "There have been some staff changes relative to mergers," she added, but that's not unusual. On the flip side, she has seen companies increase staff because of acquisitions.

In comparison, upstream producers are actively reducing staff in San Antonio's nearby Eagle Ford play, she said, or are in a temporary holding pattern. Most have stated they expect the price of oil to increase, but it is a matter of time. Some have stated they expect to see the uptick in the market in the third quarter, she said.

LNG Jobs

"The amount of new LNG projects globally, including several new LNG exports, continues to multiply even in the downturned market," Read said. "The result is a surfeit of new opportunities for LNG candidates, greater competition among LNG companies as they compete for the best talent and higher salary demands from our most experienced candidates."

"LNG activity is set to increase over the next five years," Jim Fearon, vice president of Hays Oil & Gas, said in the salary survey. "Both in Canada and the U.S., projects will be competing for the same talent pool locally and searching internationally for the skills required. Employers will need a strong employee value proposition to attract the very best candidates available."

However, the report on the survey said, “It is highly unlikely that all, or even a majority, of these projects will be built as their costs of supply vary greatly.”

Still, the domestic projects create a strong demand for business development, construction, engineering, safety and management professionals—including some displaced from other oil and gas industry functions. That new demand will tend to keep salaries higher. Read added that he has seen “a slight recent increase in demand within engineering disciplines.”

“The three functional areas that have seen above-average increases are construction, business development and piping [pipelines]. This seems a fair reflection on the global market as megaprojects enter construction phases,” the Hays report said. It noted that worldwide, construction, business development and pipelines had the largest salary increases last year.

In Canada, industry activity has “rebounded somewhat on the strength of oil activity, but transportation bottlenecks are still depressing the wellhead price of oil and companies are beginning to slow down or postpone activity in high-cost oil sands areas. Land sales, usually a good forward indicator of activity and optimism in western Canada, are down 25%, the Hays survey found. Approval of the long-debated Keystone XL Pipeline project would be a significant plus for the Canadian oil industry. The Republican-led Congress passed a bill approving Keystone XL earlier this year that was vetoed by President Obama.

To the south, Mexico’s energy reforms are creating demand for potentially $50 billion in new energy projects in the next few years—including that nation’s major need for additional pipeline capacity.

Looking Ahead

So what lies ahead? Looking at the last industry slump may provide insights on the future.

“On a more optimistic note, the industry weathered the last storm during 2009 and 2010 relatively well and should do so again,” Freer said.

The survey added, “Taking the last recession as a guide, we saw only flat or slightly decreasing salaries, only modest layoffs and a relatively quick recovery in activity. Given the current global situation, it would not take much in the form of economic growth, reduced geopolitical tensions and firming oil demand to lead to recovered prices and an upswing in sentiment and activity.”

The industry’s M&A trend drew the survey’s scrutiny.

“We are already seeing an increase in mergers and the sentiment of employers in the industry is that this will continue throughout 2015,” the Hays report said. “Financially stable companies are looking to maximize on growth opportunities through the acquisition of targets at current, more favorable, prices. Mergers are likely as businesses join forces to help weather the storm.”

The report added the M&A trend can offer benefits for the stronger companies—and experienced employees looking to move ahead. “Taking these changes in 2015 is likely to see a shift in the active-

candidate market, therefore this might be a good time for companies to attract and secure the top talent that will be key for future growth," Hays said.

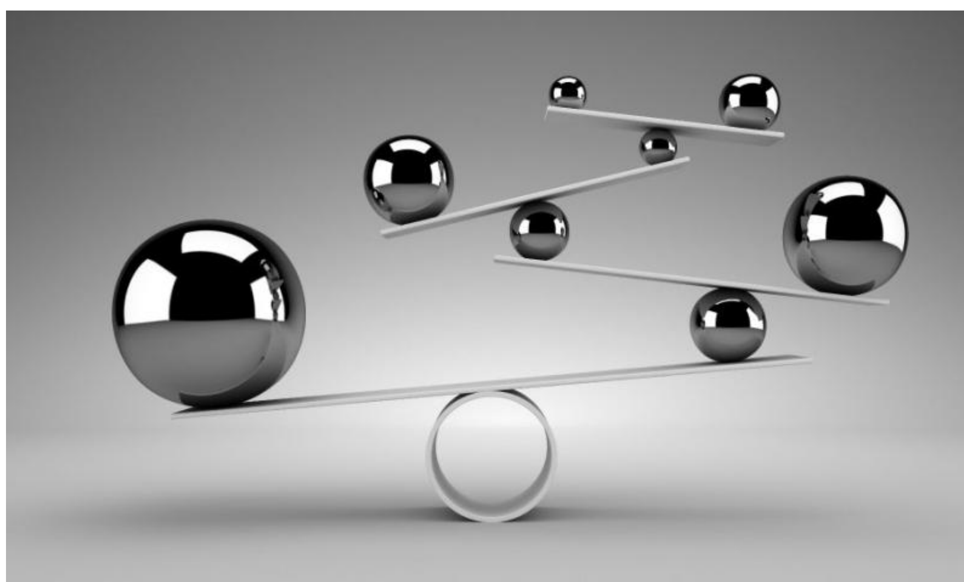
It added the energy industry's graying workforce poses a challenge and companies will be responding. "In a bid to attract the very best graduates, we are seeing employers invest

in their entry-level talent, targeting ambitious professionals with plans to groom and develop skills for future career growth," the Hays salary guide said.

"Midstream and the downstream seem to be faring better in this environment," Preng added. "Most of the cuts that we are hearing about are at the field and staff level and contractors. Everybody's holding their breath to see what's going to happen. But there is always a need for good talent."

Market Dynamics Shifting Into LNG Imbalance

By Joseph Markman, Hart Energy



Global demand for LNG is rising, but not quickly enough to cover the growth in supply enabled by a series of liquefaction plants and export facilities coming online in Australia and the U.S. over the next few years, according to a report by Bentek Energy, the analytics and forecasting unit of Platts.

Supply-demand projections from Eclipse Energy, a separate Platts unit, are telling: Global demand is expected to increase by a little more than 3.3 billion cubic feet per day (Bdf/d) in 2016, with supply

reaching 4.3 Bcf/d. By year-end, the global market will be soaked with 1 Bcf/d more than it needs, an imbalance that has concerned sector observers for some time.

"I think there is already a glut," Thomas Moore, Houston-based partner with global law firm Mayer Brown LLP, told Hart Energy. "With the U.S. projects coming online in the next few years and major Australian projects not far behind, in at least the short term, there are expanding LNG supplies chasing relatively flat demand. The question is, how fast will the market expand? You do have a great deal of interchangeability of fuels. When the market gets out of balance, LNG prices should be forced down, which should, if economic theory holds, increase the demand for LNG because LNG is now cheaper than alternative fuels."

A Bentek Energy analysis, "LNG Exports: Oasis or Mirage," scheduled to be released in New York on Aug. 27-28, comes on the heels of a U.S. Energy Information Administration report showing how the world's leading LNG importers—China, Japan and South Korea—reduced their imports by almost 7% in the first five months of 2015 compared to the same period in 2016.

In addition to the swift ramp-up in Australia, Bentek notes that five terminals expected to be built in the U.S. over the next five years will add a combined liquefaction capacity of 10.16 Bcf/d.

"As a result of oversupply of LNG in the global market, U.S. export capacity holders are likely to operate without regard to their sunk cost tolling fees and deliver gas at a cost of feedstock plus transport plus margin," said Ross Wyeno, senior energy analyst at Bentek.

Misery Loves Company: E&P Woes Seep Into Midstream Space

By Joseph Markman, Hart Energy

Slower projected growth in global midstream's EBITDA has prompted Moody's Investors Service to downgrade its outlook for the sector to "stable" from "positive," where it has been since September 2010.

The New York City-based bond rating service attributes midstream's less-than-sunny outlook for the next 12 to 18 months to deep cuts in capital spending and slowing production in the E&P sector. These reductions have flowed down to midstream, forcing the sector to trim its own spending on growth projects, which had been driving its strong EBITDA results.

Moody's bleak forecast for oil and gas prices adds to its concerns over already squeezed processing margins.

"While G&P [gathering and processing] volumes have remained intact across many producing basins, weak commodity prices pose a substantial risk to G&P profitability through at least late 2016, straining distribution coverage and raising leverage," Moody's analysts wrote in their report. "Throughput volume declines in NGLs and crude oil, and in mature natural gas basins, cannot be ruled out, and would lead to further pressure on G&P-originated EBITDA."

The report acknowledges the groundswell of M&A activity in the sector in the face of diminished organic growth opportunities, but the analysts are skeptical that this trend will move the midstream needle. "These synergies and savings would not come close to the scale of EBITDA growth that the construction and service of new assets have provided," Moody's said.

The issue of financing comes into play as well, with falling equity prices raising the cost of capital. Midstream's dominant MLP model comes under scrutiny because of the need to continually provide higher distributions. Moving away from MLPs, Moody's argues, would reduce pressure to increase distributions through continuing EBITDA growth.

A further change—to a "negative" outlook—is possible but unlikely, the analysts said, although the sector could be saddled with a prolonged "stable" label. Infrastructure and logistics are not entirely immune from commodity price risk and the prognosis for a rapid recovery in crude oil and natural gas prices is poor. A rebound in midstream, the analysts said, would require a recovery in upstream capital spending, and a positive impact from that would take several quarters before it had an effect.

Prolonged Low Oil Prices Could Halt Ethane Investments: Report

By Bryan Sims, Hart Energy

If crude oil prices don't recover within five years, the second wave of new ethane crackers in North America will likely be postponed to 2025, tightening ethylene supply and boosting the profitability of naphtha-based producers in Europe and Asia, a recent IHS Chemical report concluded.

An extended recovery period for crude oil prices, exceeding five years, would have dramatic implications for the global petrochemical industry and could mean a "Back to the Future" experience for some companies and regions, creating a more competitive environment for naphtha producers, according to

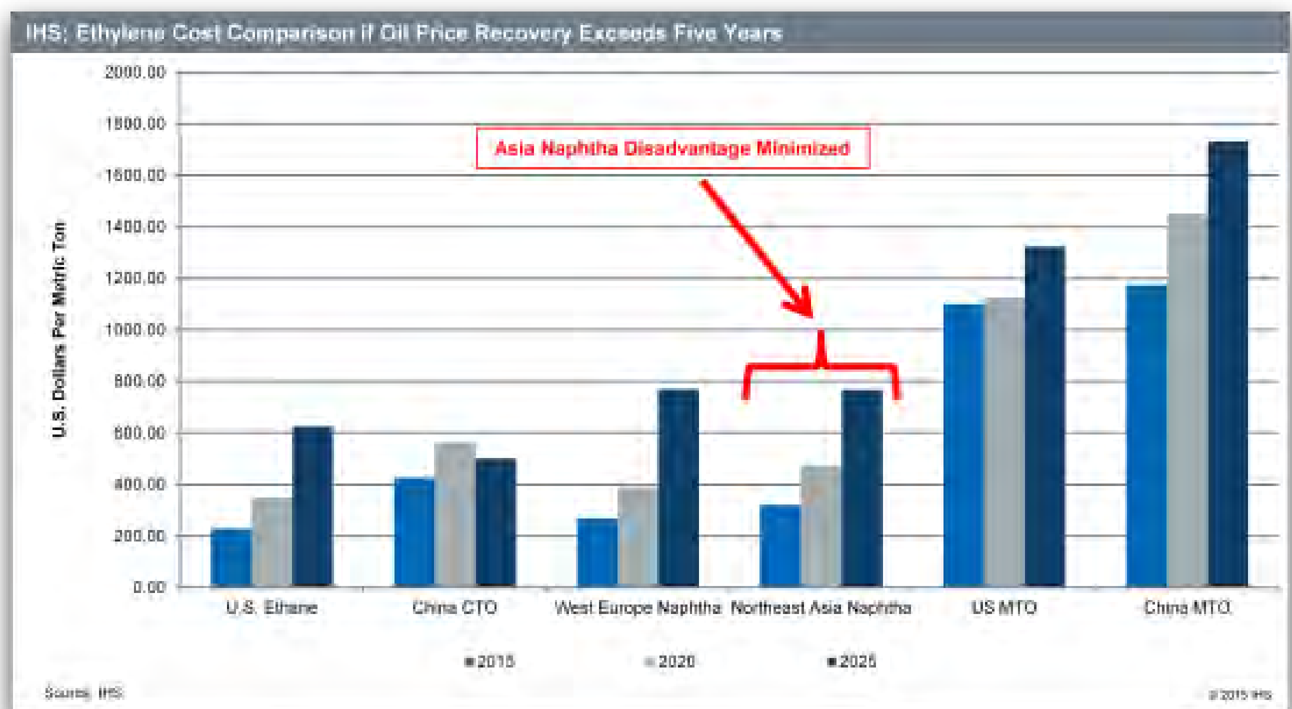
the 2,000-word report, titled "Crude Oil Turmoil and the Global Impact on Petrochemicals—Special Report."

Specifically, the report assesses the potential market and economic implications of three possible, short-, medium- and long-term recovery trajectories for crude oil prices to help petrochemical producers address their investment planning in the midst of significant market volatility, and a higher degree of uncertainty regarding the role of OPEC in managing the global supply of crude oil.

"We're not restating IHS Energy's view of the world. What we're saying is be prepared if the recovery does occur in a different path," Don Bari, vice president, technology and analytics for IHS Chemical and author of the report, told DownstreamBusiness.com (DSB).

Oil-price volatility is creating a nightmare for petrochemical companies planning investments, according to Bari.

In the case of a long-term oil-price recovery (exceeding five years), Bari said he and his team expect moderate economic growth to continue for several years, along with slower oil demand growth. At the same time, technology would continue to reduce oil production costs and increasing supply, even at lower oil prices.



Long-term, continued global oversupply of crude oil could keep prices from recovering to trend for more than 10 years, according to IHS.

For petrochemicals, the first major impact of a long-term oil price recovery, Bari explained, would be on NGL production and ethylene production in the U.S., where prolonged lower oil prices would slow NGL production and ethane-cracker capacity expansions, potentially creating a tight market.

"It's that second wave—the 2018 to 2022 timeframe—we see that if oil stays low that's where you'd start to see those plants [U.S. ethane crackers] put on hold and we could see more investment of naphtha crackers in China and expansions in Europe and Asia," Bari told DSB.

"It would essentially put a pause in supply—so supply and demand would be very tight," he said.

Ethylene is the basic building block for many downstream chemicals, plastics and synthetic fibers, and as such, is the largest volume, and perhaps most market-indicative petrochemical. A tighter ethylene market would not only push operating rates higher, but would also cause prices to increase and introduce more market volatility.

According to IHS' analysis, in the long-term recovery case, ethylene demand is forecast to grow at an annual rate of 4.5% and nearly 4% during 2015 to 2020 and 2020 to 2025, respectively, while the nameplate capacity is forecast to grow at an annual rate of more than 3% and less than 1% respectively, during the corresponding time periods.

Naphtha shift

A second macro trend would be seen in Europe and Asia, according to Bari. With naphtha back in economic favor as a cost-competitive feedstock, the regions' petrochemical producers would be the winners, with their naphtha crackers running at high rates, and margins back in positive territory.

In response, more naphtha-based crackers would be built in China, and other emerging countries building a petrochemical base, Bari explained.

"Compared to the base case, we would see the integrated margins in the U.S. maybe $200 less because naphtha sets the price," he said.

Since more ethylene production from naphtha yields more co-production of propylene and butadiene, global on-purpose producers of propylene would see their profits erode quickly as conventional production is able to meet market demand reducing the need for higher-cost production options, according to IHS.

A long-term oil price recovery would also have a profound impact on both global polyethylene and polypropylene markets. In this case, IHS found, polyethylene production rates would grow as global demand expands by more than 54 million metric tons per year during the study period 2014 to 2025, due to a higher gross domestic product, better price competitiveness displacing conventional materials such as metal, paper and glass, and the replacement of recycled material by virgin material.

Western Europe and Asia would benefit greatly from more competitive feedstock and buoyant demand, while North America would experience lower integrated margins.

"In other words, the international competition against paper, aluminum, glass and recycle would be stronger for virgin resins. As a result, we would see a strong uptick in demand for plastics," Bari explained.

"So, you're getting a tight supply, a strong demand, but a little lower price-point because naphtha would be more competitive," he said.

Investment dilemma

Meanwhile, a prolonged oil price recovery would also dramatically impact future investment plans as chemical producers adjust to the shifting feedstock dynamics. In North America, U.S. ethane would remain "stranded," and advantaged in the long-term as oil prices cycle and necessary LNG and ethane export and shipping infrastructure is added, according to IHS, which also covers the global shipping trade through IHS Maritime.

A prolonged period of low oil prices would also put new Russian polyethylene projects in jeopardy because of the poor investment climate, leaving Russia as a net-importer of the chemical. The changes in the global oil market due to persistent low prices would continue to impact regional capacity additions, creating significant implications for global petrochemical producers and maritime operations, the IHS report concluded.

The winners in this view would be European and Asian naphtha-based producers due to their conventional cracker investments. South American polyethylene projects also would move forward and additional Asian capacity would come online. North America would be the losers in this equation, the IHS report noted, since the North American export position would be negatively impacted as its economic advantage shrinks.

"Should such a scenario take shape, it would definitely be a tale of two worlds," Bari said.

Frac Spread: Volatile Markets Create Further Price Headwinds

By Frank Nieto, Hart Energy

The cautious optimism that surrounded the commodities markets at the start of summer has completely disappeared as Labor Day approaches. Not only have West Texas Intermediate (WTI) crude oil prices lost about $20 per barrel (/bbl) in value in this time, but the U.S. stock market has experienced heavy volatility that is further influencing prices.

After a severe plunge to start the week of Aug. 24, markets have swung back up as the Dow posted its best ever two-day gain with energy stocks benefitting from this upswing as they posted some of the biggest gains. This resulted in WTI crude moving from below $40/bbl to more than $40/bbl after posting a 10% gain on Aug. 27. Though this is undoubtedly a positive, WTI crude prices could remain challenged as refineries undergo maintenance ahead of winter-blending.

In addition, the stock market could see further volatility as the Chinese economy may face further uncertainty. On the flip side, should economic and political uncertainties crop up in one or more OPEC member countries it is likely that crude prices will improve as fears of supply shortages arise.

According to *The New York Times*, these fears are strongest in Venezuela, Nigeria, Angola, Libya, Algeria and Iraq since oil makes up an overwhelming majority of their export output. These countries are finding it difficult to maintain their social programs with prices below $100/bbl, much less current levels.

U.S. producers would benefit under this scenario as prices would encourage increased production, though the ban on crude exports will obviously limit the available markets. There were gains made on this front as the U.S. Department of Commerce announced it will allow the exchange of 100,000 bbl/d of

Mexican heavy crude for U.S. light crude. Similar to U.S. officials allowing some condensate exports last year, this policy won't significantly alter markets, but it will likely create modest gains and could lead to further relaxing of export regulations.

"[T]his move will add modest support to U.S. crude prices relative to international levels by reducing the risk of price disconnects," PIRA said in an Aug. 25 research note. "A lighter crude slate in Mexico increases light product yields and allows for somewhat higher runs. In our view, this development represents another incremental step toward easing restrictions on U.S. crude oil exports, but not a fundamental change in policy."

Though this is a bright spot in the long term, the current crude price downturn had a major impact on heavy NGL prices this week as C5+ prices were below 90 cents per gallon (/gal) at both hubs. This was their lowest levels since the start of 2009 when all commodity and financial markets were dealing with the impact of the recession.

The drop in butane prices and its sister product isobutane were not as noteworthy as they fell to their lowest levels in a month, but this is more reflective of how weak the butane/isobutane market has been since the crude downturn. Both products have been hovering in the 40-50 cents/gal range all summer long compared to $1.20+/gal last year at the same time.

Ethane and propane fell at similar rates at both hubs, but overall prices remained within the range they've been trading at for the past month. Although ethane is now the third most favored ethylene feedstock after butane and propane, it is continuing to benefit from the reduced capability that the petrochemical industry has to switch from ethane to heavier feedstocks.

The relative strength of propane is surprising given that storage levels are at record levels, and the export arbitrage is beginning to suffer as lower Brent crude prices are making naphtha more attractive for European crackers. PIRA Energy reported that U.S. waterborne LPG exports fell 45%. If LPG exports continue to slump, propane prices could get much closer to ethane prices.

Propane margins are already approaching ethane margins levels not long before they entered their current negative state, which has been the norm for the past several years. Should propane fall to negative margins, it is unlikely it would last as long as the ethane downturn has for the simple reason that heating demand is slowly but surely coming.

Heating season can't come fast enough for the industry as evidenced by the further erosion of the theoretical NGL bbl, which declined 5% at both hubs. The Conway price was $16.26/bbl with a 7% decline in margin to $7.02/bbl while the Mont Belvieu price was $17.27/bbl with a 9% drop in margin to $7.67/bbl.

The most profitable NGL to make at both hubs was C5+ at 60 cents/gal at Conway and 61 cents/gal at Mont Belvieu. This was followed, in order, by isobutane at 27 cents/gal at Conway and 25 cents/gal at Mont Belvieu; butane at 18 cents/gal at Conway and 22 cents/gal at Mont Belvieu; propane at 10

cents/gal at Conway and 13 cents/gal at Mont Belvieu; and ethane at negative 1 cent/gal at Conway and 1 cent/gal at Mont Belvieu.

The U.S. Energy Information Administration reported that gas storage levels increased by 69 billion cubic feet to 3.099 trillion cubic feet (Tcf) the week of Aug. 21 from 3.03 Tcf the previous week. This was 18% higher than the 2.619 Tcf figure posted last year at the same time and 3% higher than the five-year average of 3.011 Tcf. Cooling demand should be increased the first week of September as the National Weather Service anticipates warmer-than-normal temperatures throughout most of the country.

CURRENT FRAC SPREAD (CENTS/GAL)				
August 28, 2015	Conway	Change from Start of Week	Mont Belvieu	Last Week
Ethane	15.78		18.31	
Shrink	16.77		17.44	
Margin	-0.99	-4.15%	0.87	27.34%
Propane	33.44		37.02	
Shrink	23.17		24.09	
Margin	10.27	-2.72%	12.93	-1.54%
Normal Butane	44.18		49.58	
Shrink	26.24		27.27	
Margin	17.94	-4.63%	22.31	-5.59%
Isobutane	51.92		50.96	
Shrink	25.20		26.19	
Margin	26.72	2.91%	24.77	-4.19%
Pentane+	88.12		89.64	
Shrink	28.06		29.17	
Margin	60.06	-10.11%	60.47	-12.15%
NGL $/Bbl	16.26	-4.82%	17.27	-5.08%
Shrink	9.24		9.61	
Margin	7.02	-7.05%	7.67	-8.83%
Gas ($/mmBtu)	2.53	-3.07%	2.63	-1.87%
Gross Bbl Margin (in cents/gal)	15.16	-6.89%	17.11	-8.53%
NGL Value in $/mmBtu (Basket Value)				
Ethane	0.87	-3.49%	1.01	-3.48%
Propane	1.16	-2.96%	1.29	-1.75%
Normal Butane	0.48	-3.71%	0.54	-3.58%
Isobutane	0.32	-0.08%	0.32	-3.01%
Pentane+	1.14	-7.98%	1.16	-9.05%
Total Barrel Value in $/mmbtu	3.97	-4.43%	4.30	-4.53%
Margin	1.44	-6.75%	1.67	-8.43%

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**
Aug. 19 - 25, '15	18.31	37.02	49.58	50.96	89.64	**$17.27**
Aug. 12 - 18, '15	18.97	37.68	51.42	52.54	98.56	**$18.20**
Aug. 5 - 11, '15	19.03	37.12	50.40	51.58	97.78	**$18.01**
July 29 - Aug. 4, '15	18.35	37.86	51.14	52.66	102.94	**$18.41**
July '15	17.59	40.40	53.80	54.94	108.91	**$19.20**
June '15	18.04	38.02	52.24	53.11	123.24	**$19.83**
2nd Qtr '15	17.93	46.30	58.11	59.66	126.14	**$21.48**
1st Qtr '15	18.38	53.01	66.35	67.81	110.53	**$21.94**
4th Qtr '14	20.22	76.90	96.73	98.28	149.25	**$30.10**
3rd Qtr '14	23.19	103.92	123.69	128.39	212.20	**$40.27**
Aug. 20 - 26, '14	22.30	101.80	121.20	126.43	210.95	**$39.61**
Conway, Group 140	**Eth**	**Pro**	**Norm**	**Iso**	**Pen+**	**NGL Bbl**
Aug. 19 - 25, '15	15.78	33.44	44.18	51.92	88.12	**$16.26**
Aug. 12 - 18, '15	16.35	34.46	45.88	51.96	95.76	**$17.08**
Aug. 5 - 11, '15	16.48	32.64	44.20	50.78	96.10	**$16.79**
July 29 - Aug. 4, '15	14.86	30.78	44.92	49.60	102.46	**$16.74**
July '15	14.51	32.64	47.53	49.40	106.60	**$17.32**
April '15	15.75	48.18	59.30	63.67	119.72	**$21.26**
2nd Qtr '15	15.50	40.55	52.40	56.80	121.50	**$19.89**
1st Qtr '15	17.81	49.00	66.13	76.84	106.32	**$21.49**
4th Qtr '14	18.69	78.64	102.72	113.19	146.37	**$30.77**
3rd Qtr '14	20.38	104.99	123.51	140.07	207.90	**$40.18**
Aug. 20 - 26, '14	19.43	102.23	121.15	135.83	203.50	**$39.16**

RESIN PRICES – MARKET UPDATE – AUGUST 28, 2015					
TOTAL OFFERS: 12,376,792 lbs		SPOT		CONTRACT	
Resin	Total lbs	Low	High	Bid	Offer
HDPE - Inj	3,055,980	0.585	0.62	0.53	0.57
LLDPE - Film	2,372,484	0.545	0.67	0.53	0.57
HDPE - Blow Mold	1,940,048	0.58	0.585	0.52	0.56
LDPE - Film	1,857,128	0.605	0.695	0.56	0.6
HMWPE - Film	1,058,208	0.575	0.63	0.55	0.59
PP Homopolymer - Inj	795,196	0.59	0.68	0.56	0.6
PP Copolymer - Inj	709,104	0.59	0.725	0.58	0.62
LDPE - Inj	324,092	0.58	0.67	0.58	0.62
LLDPE - Inj	264,552	0.615	0.615	0.56	0.6

Source: Plastics Exchange – www.theplasticsexchange.com

Those In Favor Of Lifting Export Ban Seek More Support

Reuters

U.S. oil industry lobbyists and Congressional supporters of lifting the U.S. ban on oil exports hope they can gain more support as lawmakers debate whether to approve the Obama administration's nuclear deal with Iran, which would result in more Iranian oil on world markets.

Supporters of lifting the 40-year-old ban argue that U.S. oil producers should be able to export if Iranian producers are allowed to under an international agreement easing sanctions on Iran in exchange for limits on its nuclear development program.

The argument is giving the U.S. oil export push momentum, advocates say. Surprise comments made last week by two senior Democrats suggesting room for compromise on opening domestic oil exports raised hopes that some senators who have yet to take a position could eventually back such legislation.

U.S. oil producers and lawmakers from producing states have been pushing for Congress to lift the ban on U.S. exports enacted during oil shortages of the 1970s. Lifting the ban is opposed by refiners who benefit from it, and some consumer groups who worry about higher fuel prices.

Senate Minority Leader Harry Reid told Politico last week he has not decided about whether to support lifting the ban on U.S. exports, but said lawmakers "have to work out some sort of compromise."

Senator Bob Menendez, a vocal opponent of lifting the ban, acknowledged the possibility of limited exports during his speech rejecting the Iran deal. He said the U.S. should consider opening some exports to allied countries "struggling with supply" if the Iran nuclear deal is blocked and that country's oil remains off the market.

"After pushing to lift the ban for more than a year, it's encouraging to see such progress," said Senator Heidi Heitkamp, a Democrat from North Dakota, a major oil producing state.

She said while support for lifting the ban had already been growing, the focus on the Iran deal puts into stark relief why "it doesn't make any sense to weigh lifting sanctions on Iran while we keep them imposed on ourselves."

The House of Representatives is expected to vote this fall on its version of a bill lifting the crude export ban.

The path forward in the Senate is more complicated. Republican Senator Lisa Murkowski of Alaska and Heitkamp have been trying to find time for debate in a crowded Senate schedule and build support from Democrats wary of crossing the interests of independent refinery workers. Their industry has profited from the crude export ban because they have access to domestic crude and are allowed to export refined products.

Murkowski and Heitkamp failed in an attempt in May to add an export amendment to a Senate bill to review any deal with Iran over its nuclear program.

George Baker, executive director of PACE, a lobby group representing oil producers, said the issue has gathered support beyond the oil patch states faster than the industry expected. He said more states are concerned U.S. energy companies will be at a disadvantage if Iran can access world oil markets and theirs cannot.

But some groups worry the entanglement of the Iran deal and the crude export debate will be detrimental to U.S. consumers.

Allied Progress, a grassroots group, launched an ad in Menendez' home-state of New Jersey accusing him on shifting his stance. Loosening the ban on U.S. exports would increase gasoline prices, it said.

"This isn't a bargaining chip for a game of congressional legislative poker," said Allied Progress head Karl Frisch.

A Menendez spokeswoman said he still does not support lifting the ban and was only referring to export exemptions allowed under U.S. law.

Three Contractors Have Minor Injuries After Pipeline Fire In Louisiana

Reuters

In an updated report from Reuters Aug. 28, Boardwalk Pipeline Partners LP said three contractors suffered minor injuries after a fire at a natural gas pipeline near Marsh Island in Louisiana. The company originally reported the incident on Aug. 27.

The line has been shut in and there is no time line for resumption of operations, the company added.

The U.S. Coast Guard said earlier that day they responded to the natural gas pipeline fire, 25 miles south of Marsh Island on the night of Aug. 26.

The 10-inch pipeline belongs to Gulf South Pipeline Co, a wholly owned subsidiary of Boardwalk Pipeline.

The Gulf South Pipeline system includes about 7,400 miles of pipeline with an average daily throughput of approximately 2.9 billion cubic feet (Bcf) per day as of 2013. It gathers gas from basins between Texas and Alabama and delivers to markets in the Northeast and Southeast, according to the company website, Reuters said Aug. 28.

Customers were not affected by the incident, and the cause of the fire will not be disclosed until an investigation is completed, the company said Aug. 27.

Oil Prices Rise More Than 4.5% After Equities Rise

Reuters

Oil prices jumped more than 4.5 percent on Aug. 27 after a rally in equity markets and an unexpected fall in U.S. crude inventories, but worries over the Chinese economy and a global oil glut kept the outlook uncertain.

World stock markets rose as Chinese shares recovered on hopes that government measures to stimulate the economy would pay off, while the dollar strengthened as risk aversion eased.

Oil markets moved up from six-and-a-half-year lows reached earlier this week, but investors are still worried about huge fuel oversupply, which is depressing the price of crude for immediate delivery and filling stockpiles worldwide.

"The trend is strong and down. However, do not be wrong-footed by a correction higher," PVM Oil Associates technical analyst Robin Bieber said. "Few markets head forever in one direction with no respite."

Front-month Brent, the global oil benchmark, was up $1.80 at $44.94 a barrel by 1255 GMT, having hit an intraday high of $45.12. U.S. crude, also known as West Texas Intermediate (WTI), was up $1.60 at $40.20 a barrel.

Phillip Futures oil analyst Daniel Ang said he saw the rally as a pause in a downward trend, rather than a longer-term shift upwards.

"We would not underestimate the current bearish momentum and still believe that it is possible to see prices break supports of $38 and $45 for WTI and Brent," Ang said.

Standard Chartered cut its 2015 Brent forecast by $10 a barrel to $54, and slashed its 2016 forecast by $20 to $63.

It sees macro factors such as a Chinese economic slowdown offsetting improved market fundamentals.

The bank expects U.S. crude to average $48 in 2015 and $58 in 2016.

Oil prices were supported by data on Aug. 26 showing U.S. crude inventories fell 5.5 million barrels in the week to Aug. 21, the biggest one-week decline since early June.

Analysts had expected an increase of 1 million barrels.

But some analysts said the inventory fall may be connected to lower import figures for last week and may not mark the start of a trend.

Many are bracing for a rise in stocks over the coming months as refiners shut for seasonal work.

"Without the sharp fall in imports, crude oil stocks would have been rather flat last week," Commerzbank oil analyst Carsten Fritsch told the Reuters Global Oil Forum.

SEB commodities analyst Bjarne Schieldrop said the U.S. stockpiles figures were not particularly bullish:

"The upturn is more due to broad-based sentiment rising," Schieldrop said. "I still expect Brent will break below $40."

TransCanada, Eastern LDCs Reach Agreements Over Pipeline Issues

TransCanada Corp. said Aug. 24 that it reached an agreement with Gaz Metro Limited Partnership (GMi), Enbridge Gas Distribution Inc. and Union Gas Ltd. resolving these local gas distribution companies' (LDCs) issues with the Energy East and the Eastern Mainline projects.

The agreement ensures that Energy East and the Eastern Mainline Project will provide gas consumers in eastern Canada with sufficient natural gas transmission capacity and reduced natural gas transmission costs.

"We have heard the LDCs' concerns and worked with them to address issues in a way that best met our collective objectives," said Russ Girling, TransCanada's president and CEO. "Most importantly, this agreement will benefit consumers with the safe, efficient and more affordable delivery of North American produced oil and natural gas to fuel their everyday lives."

Under the terms of the agreement, TransCanada will size the Eastern Mainline to meet all firm requirements, including gas transmission contracts that will result from 2016 and 2017 new capacity open seasons. TransCanada will also ensure a long-term benefit to gas consumers in eastern Ontario and Quebec, of at least CA$100 million, through 2050.

Energy East is a proposed 4,600-kilometer (km) (2,900 mile) oil pipeline that will carry 1.1-million barrels of crude oil per day from Alberta and Saskatchewan to refineries and port terminals in Eastern Canada.

TransCanada proposes to convert 3,000 km (1,900 miles) of one of its Canadian Mainline pipelines that is currently not fully contracted on a firm basis from natural gas to oil service for Energy East.

This conversion will lower the comparative cost of transmission service for local natural gas companies, power producers and industrial clients, the company said.

The Eastern Mainline Project will add between 250 km and 300 km (185 miles) of new natural gas pipeline in the Toronto/Montreal corridor.

TransCanada Corp. is based in Calgary, Alberta.

Evolution Midstream Receives $300 Million In Equity

Evolution Midstream LLC received a $300 million equity commitment from private-equity firm EnCap Flatrock Midstream, the company said Aug. 24. Evolution's management team contributed some of the commitment, the company added.

Denver-based Evolution was launched in July and provides greenfield and strategic acquisition solutions to operators in the Rockies, Bakken Shale, Permian Basin, Midcontinent and Appalachia. Services include natural gas gathering and processing, treating and compression and crude oil gathering, transportation and marketing. Freshwater will be delivered and produced water will be disposed. Other services include right-of-way negotiation, environmental and transportation services, and terminal startup, operation and management.

Chairman and CEO John A. Raber leads the six-person management team. He has more than 39 years of energy industry experience. Most recently, he led midstream consulting service Raber Consulting.

In 2000, he co-founded ScissorTail Energy LLC and was president and COO until it was acquired by Copano Energy LLC in 2005. Copano is now a wholly owned subsidiary of Kinder Morgan Inc. Until 2010, Raber was executive vice president of Copano.

Evolution's other founding members are Jeff Oliver, vice president of corporate development ; Chuck Burris, vice president of engineering; Raj Basi, vice president and general counsel; Tyler Shaw, vice president of business development and Shannon Swanson, vice president of marketing.

"John Raber's outstanding track record of success in midstream is well known across the industry. The Evolution team is a highly motivated and skilled group of individuals, and we are pleased to support the growth of the company's unique vision," said Morriss Hurt, a managing director at EnCap Flatrock and a member of Evolution Midstream's board of directors.

Buchanan Ingersoll & Rooney PC was Evolution's legal counsel. Thompson & Knight LLP was EnCap FlatRock's legal counsel.

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