

America's Crude Exports: Challenge and Opportunity

David Blackmon
The Energy Summit
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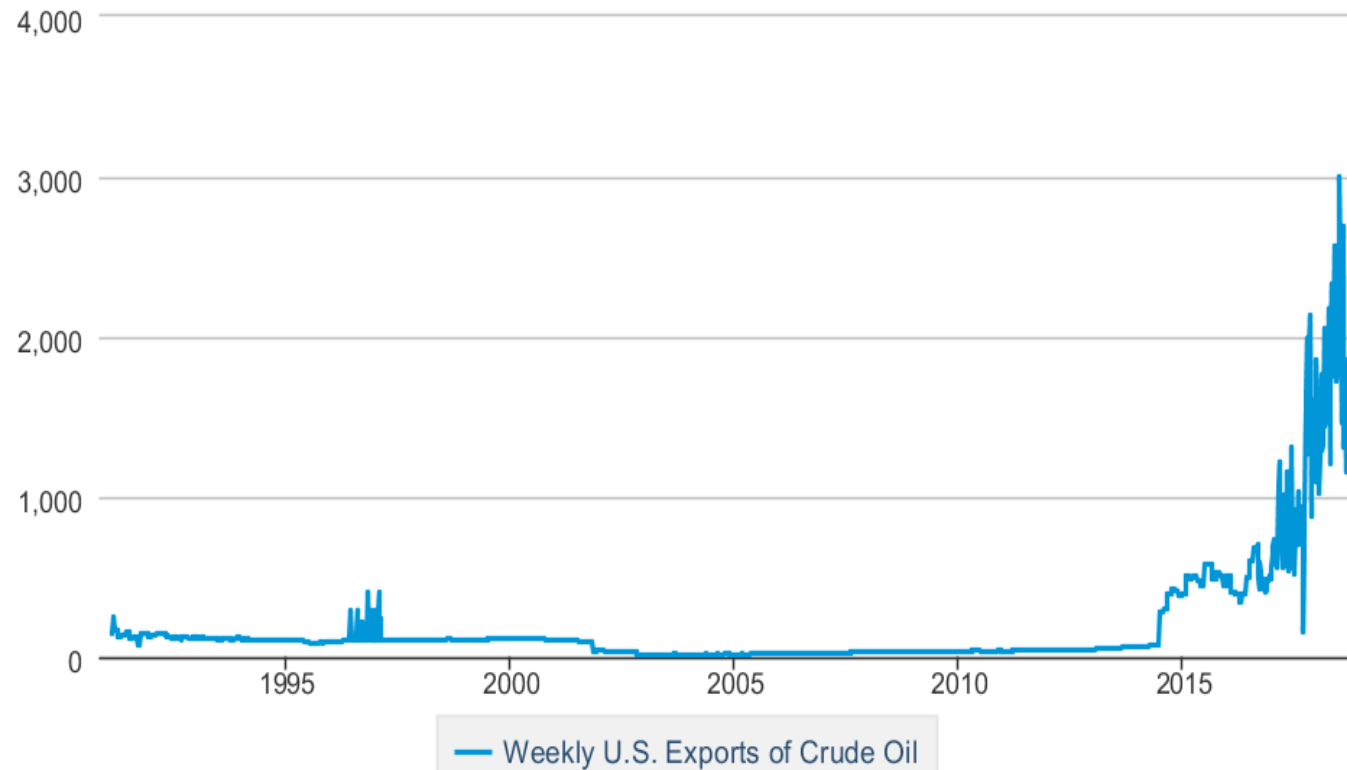
Why Policy Matters

- 1977 - President Jimmy Carter declares a national emergency over the fact that the U.S. is importing 33% of its daily crude oil needs
- 1977 - President Carter signs a law banning the export of U.S. crude – the law allows for limited exports as permitted by Dept. of Commerce
- 2013 - Total U.S. crude exports amount to 43.8 million barrels – about 8,300 per day
- 2015 - An omnibus energy package titled the Energy & Conservation Act is signed law by President Barack Obama

Why Policy Matters, Cont.

Weekly U.S. Exports of Crude Oil

Thousand Barrels per Day

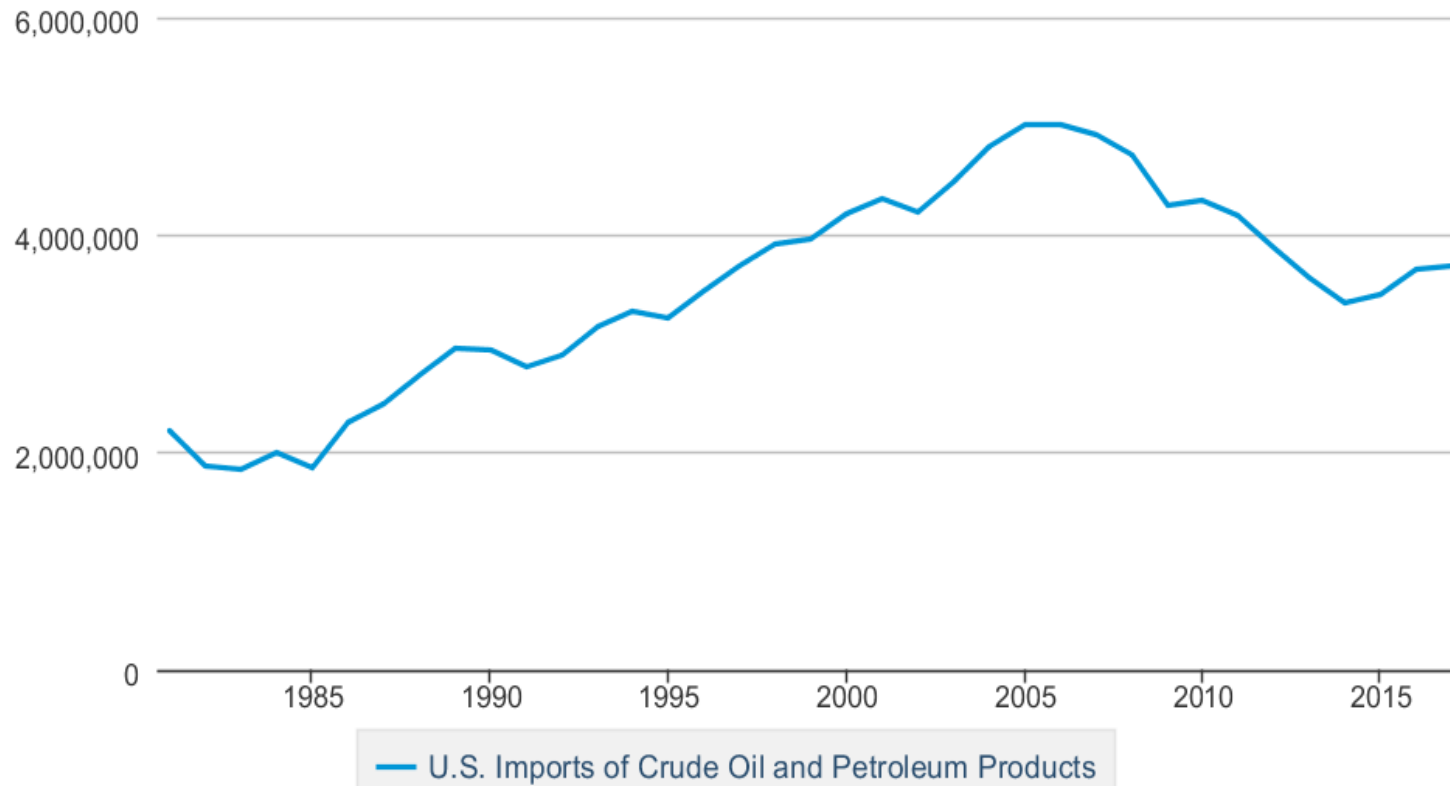


Source: U.S. Energy Information Administration

Why Does The U.S. Need to Export?

U.S. Imports of Crude Oil and Petroleum Products

Thousand Barrels



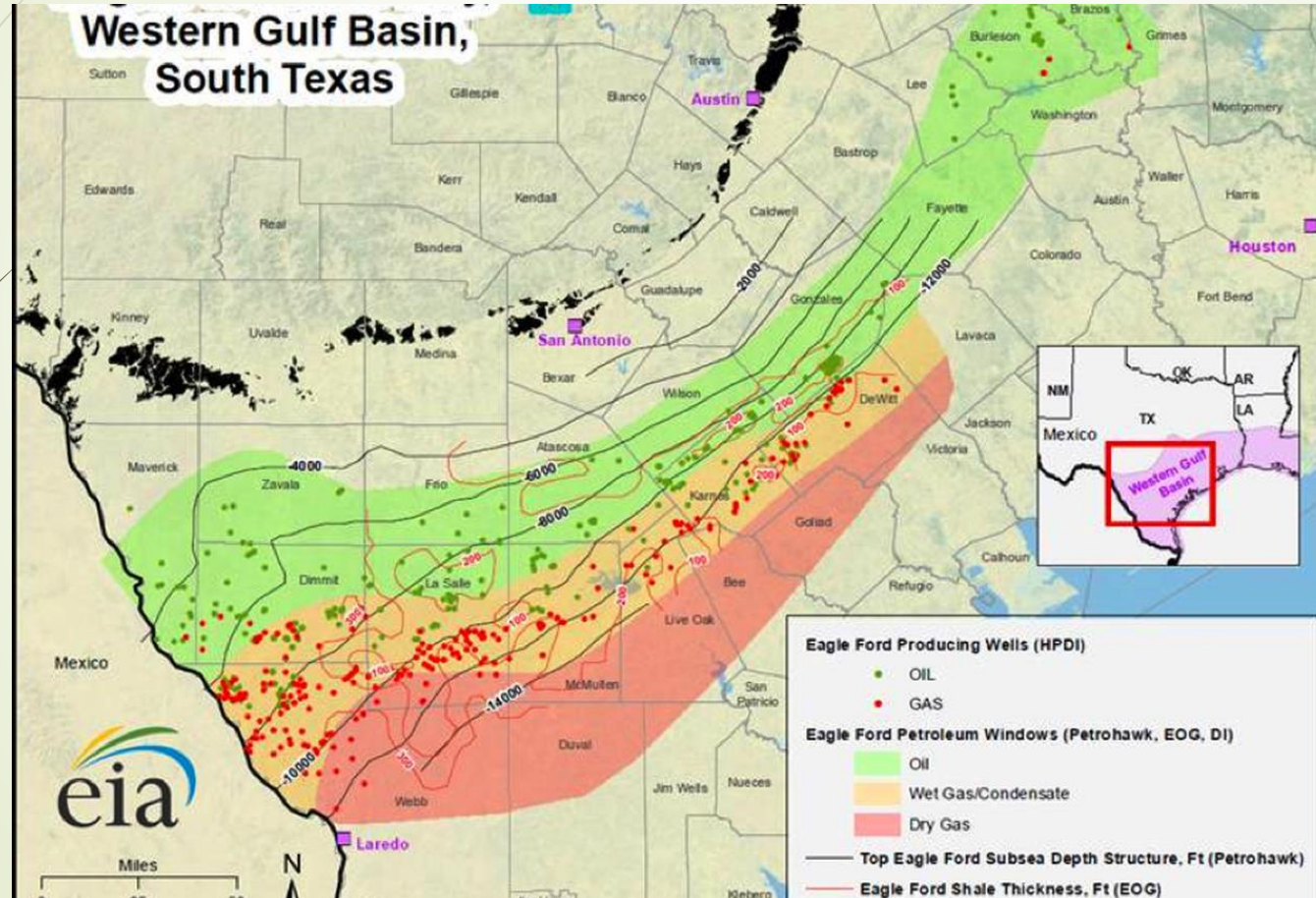
Key Fact: U.S. crude imports have not fallen as exports have increased since 2015.



Source: U.S. Energy Information Administration

A 10-Year Walk Through History

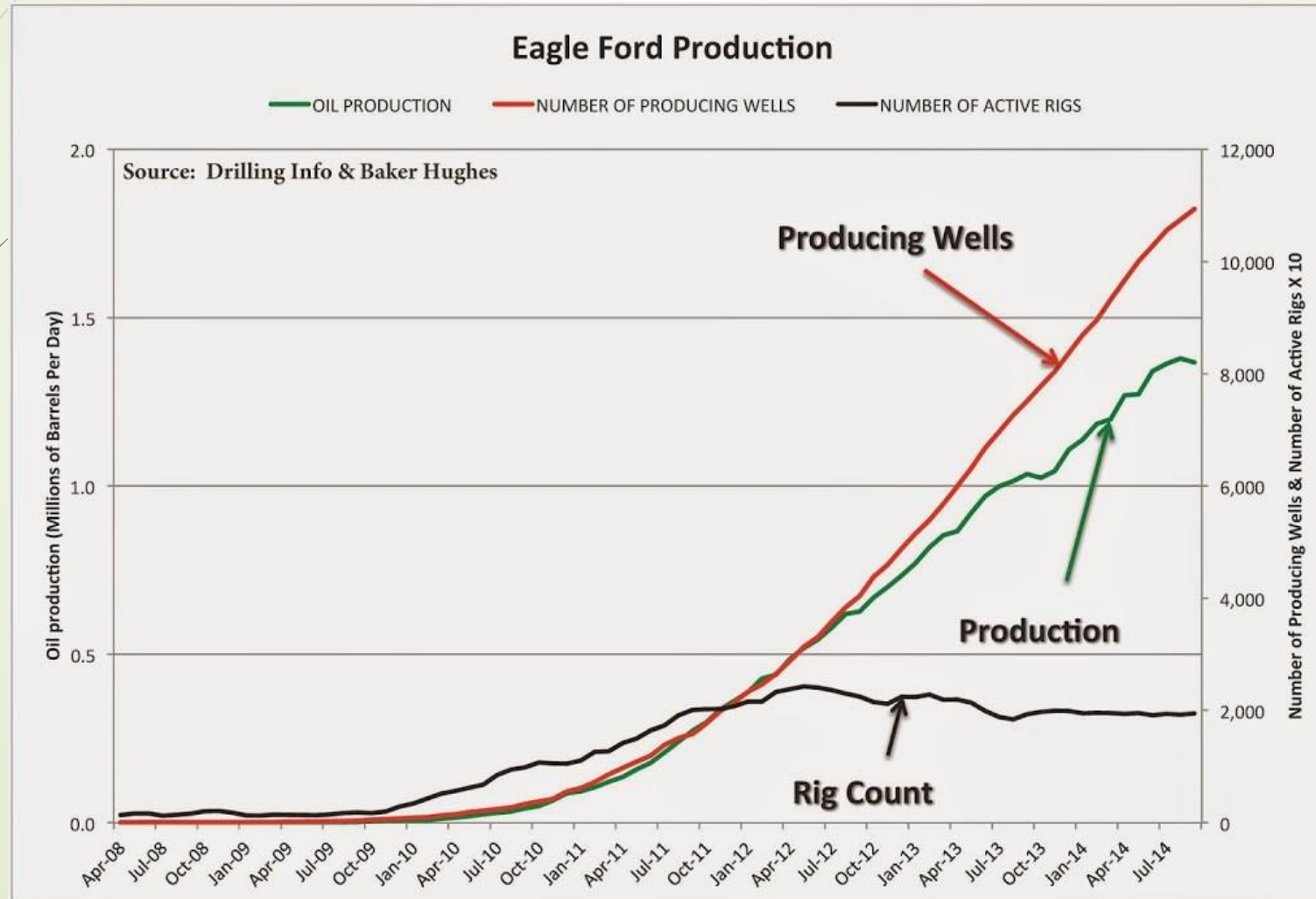
October, 2008 – Petrohawk Announces First Successful Eagle Ford Well



Key Fact: The first Eagle Ford well was a wet gas producer, but it set off the biggest oil boom in U.S. history.

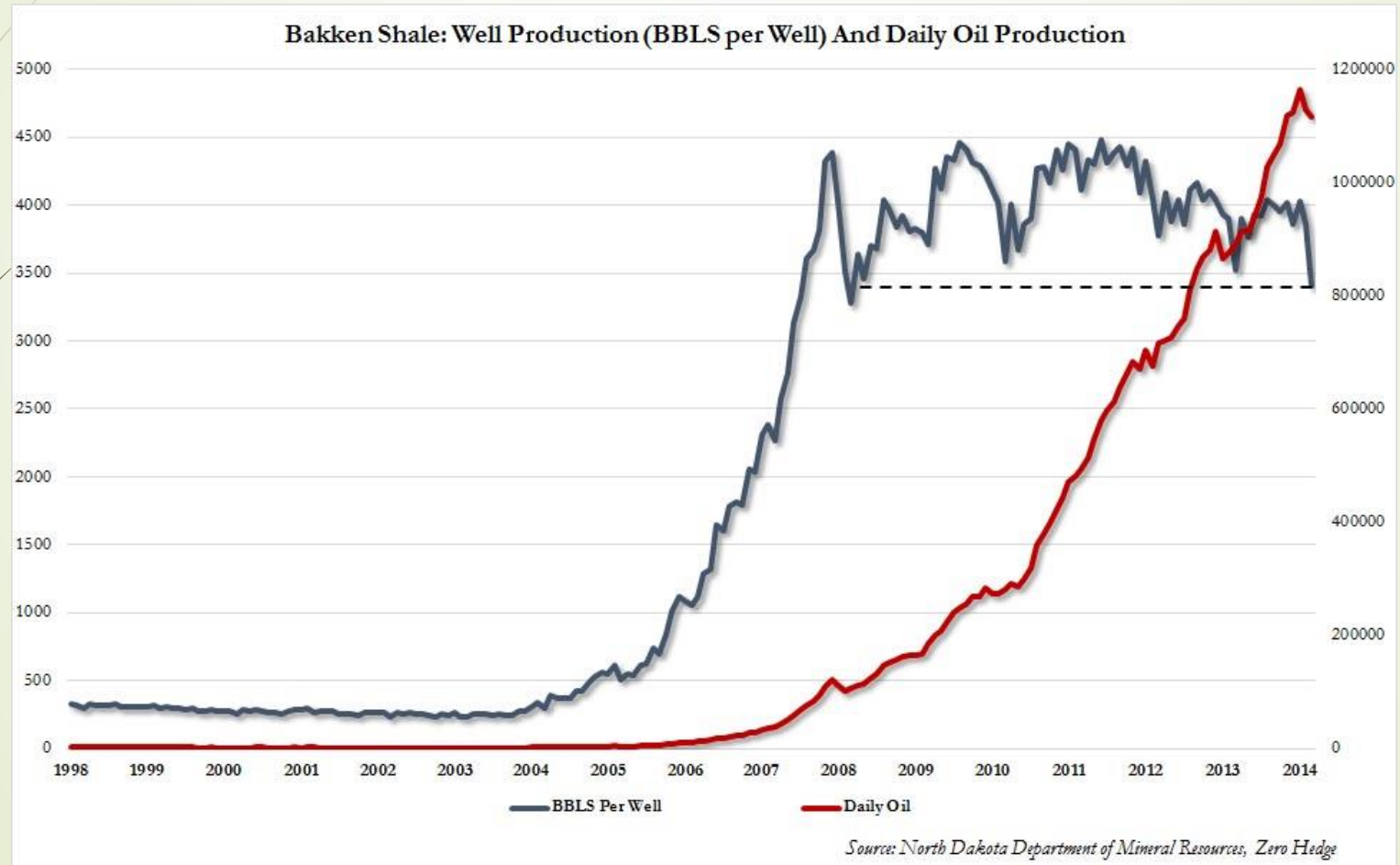
A 10-Year Walk Through History, Cont.

2009- 2014 – Eagle Ford Shale Boom



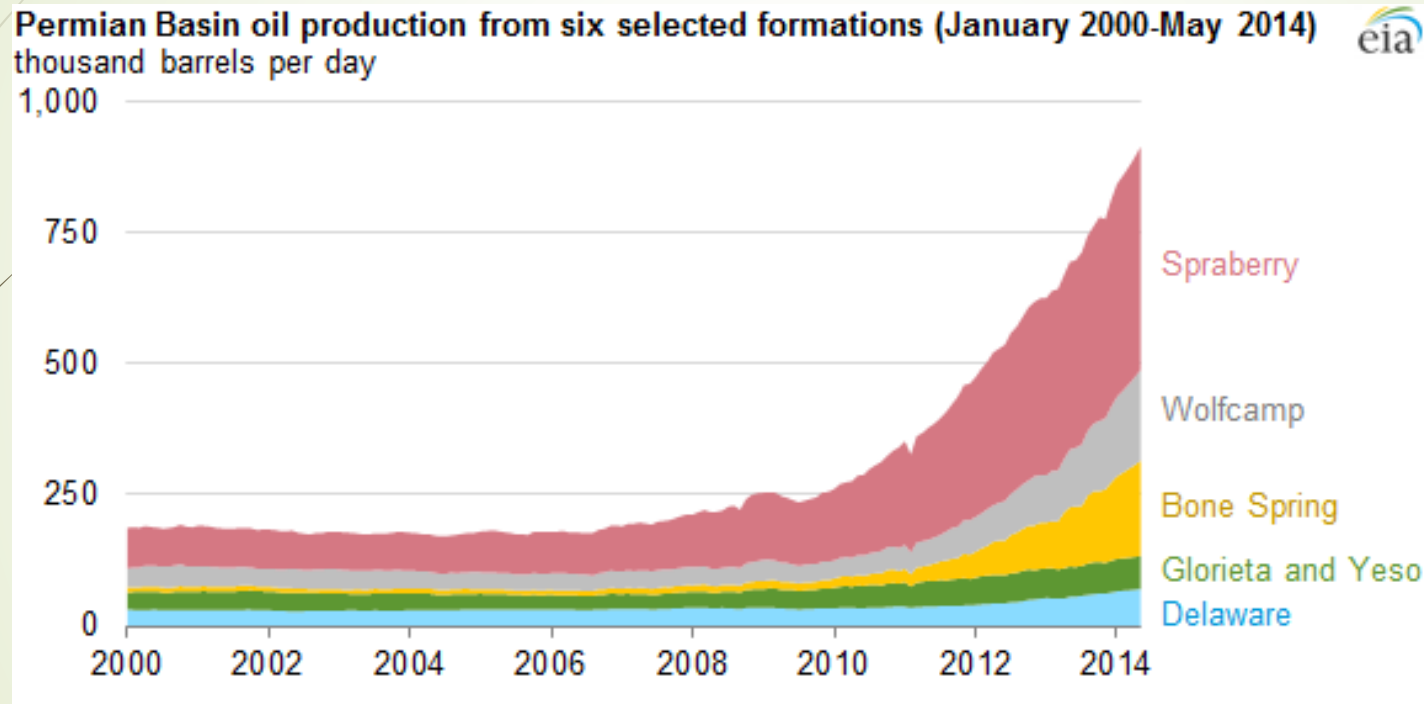
A 10-Year Walk Through History, Cont.

2009 – 2014 – Bakken Shale Booms



A 10-Year Walk Through History, Cont.

2010 – 2014 – Permian Basin Booms



A 10-Year Walk Through History, Cont.

November 2018 – EIA projects total U.S. Shale Production at 7.71 mmbopd

Shale plays in the Lower 48 states



Key Fact: U.S. shale production alone now exceeds total oil produced by every nation other than Saudi Arabia and Russia.

A 10-Year Walk Through History, Cont.

Question: What do all these basins have in common?

Answer: They all produce “light, sweet crude.”



Problem: Most U.S. refining capacity is designed to process heavy crude

A 10-Year Walk Through History, Cont.

Early 2015 – The Looming Bottleneck



What happens when oil production can't find a home?

The Opportunity

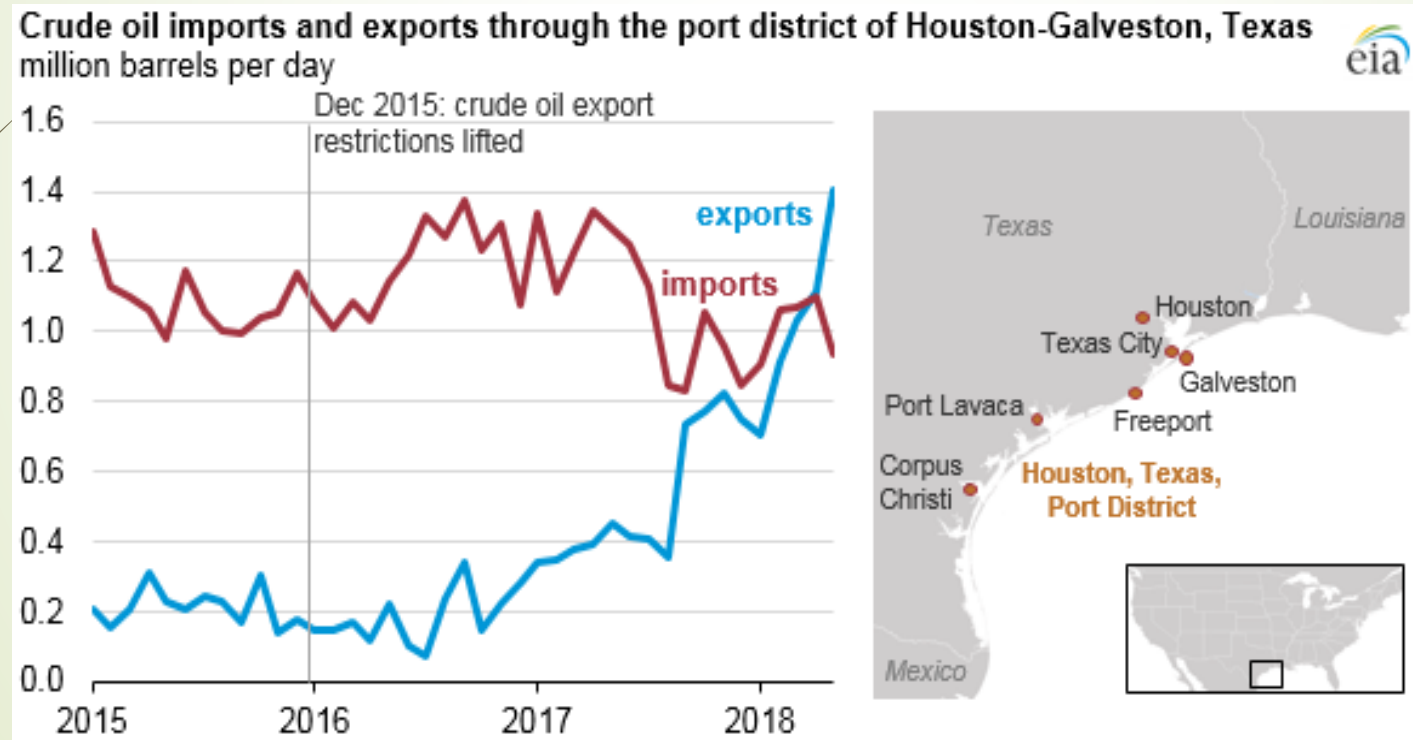
U.S. crude oil exports are expected to more than double by 2020, and unlike the pipeline constraints hampering the booming Permian Basin oil field, the Texas Gulf Coast will be ready to ship the larger volumes to the world, according to two studies released this week. - San Antonio Express News, October 9, 2018



The Opportunity, Cont.

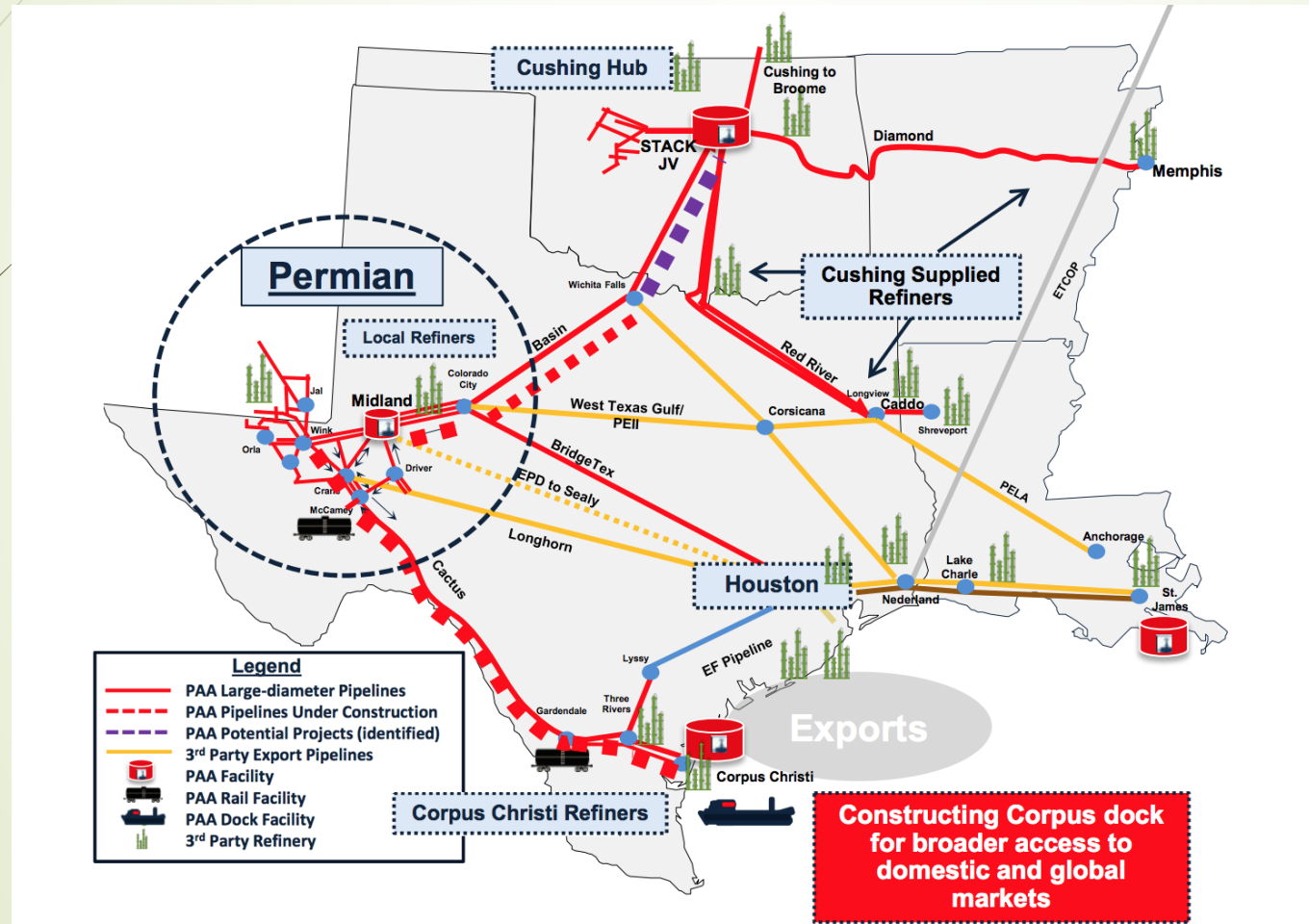
Currently: Most crude exports leave the U.S. via Texas Ports

More than half depart from Port of Corpus Christi



The Opportunity, Cont.

The Big Drivers: Permian Basin, Eagle Ford Shale

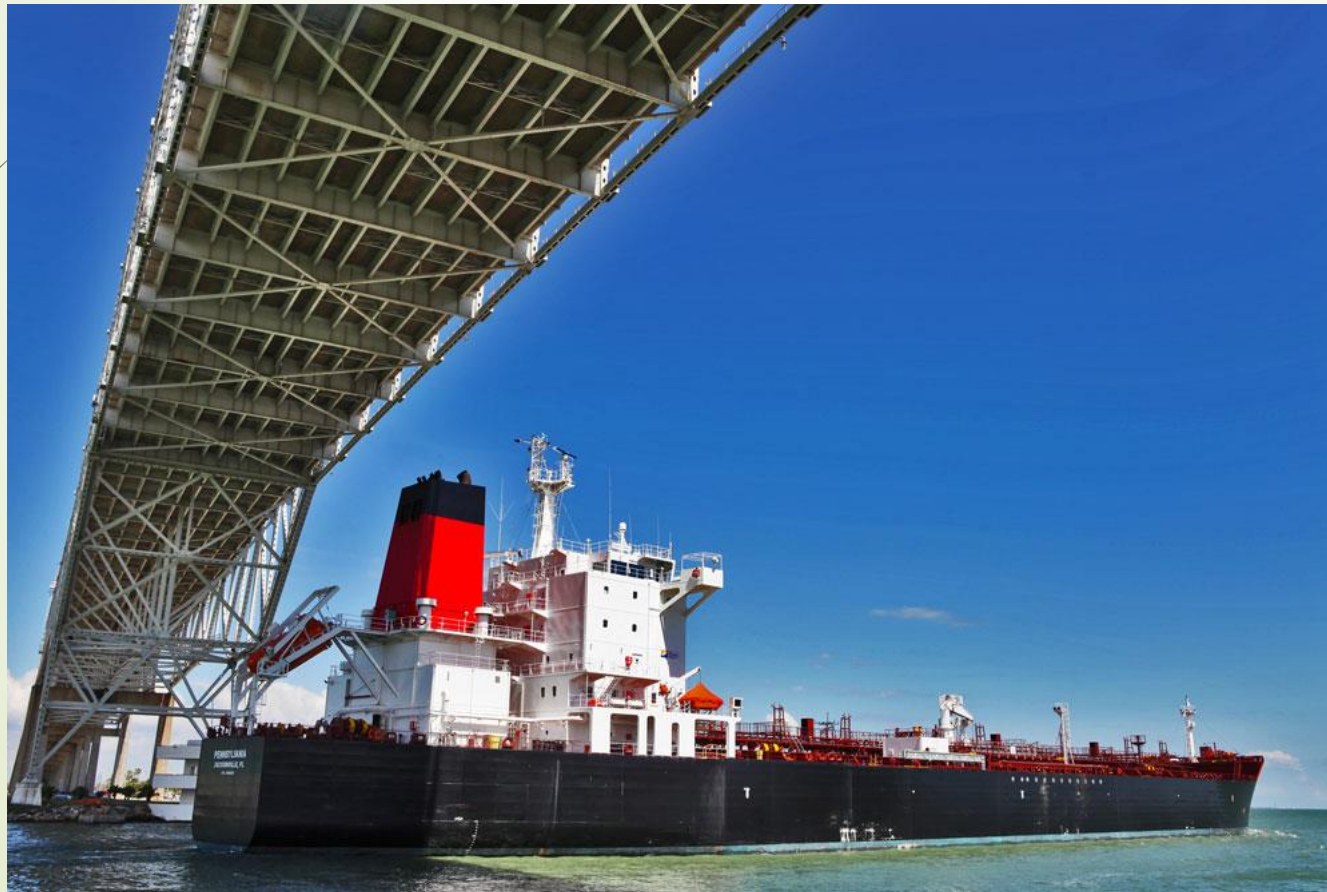


Key Fact: Without new refinery capacity, every incremental barrel of Permian/Eagle Ford production must be exported.

The Opportunity, Cont.

Problem: Port of Corpus Christi cannot fully load VLCCs

Port must be widened, deepened.



Key Fact: Port CC has committed to fund 2/3rds of Army Corps of Engineers cost, but is having difficulty securing the remaining funds from congress.

The Opportunity, Cont.

Possible Interim Solution: Satellite port at Harbor Island

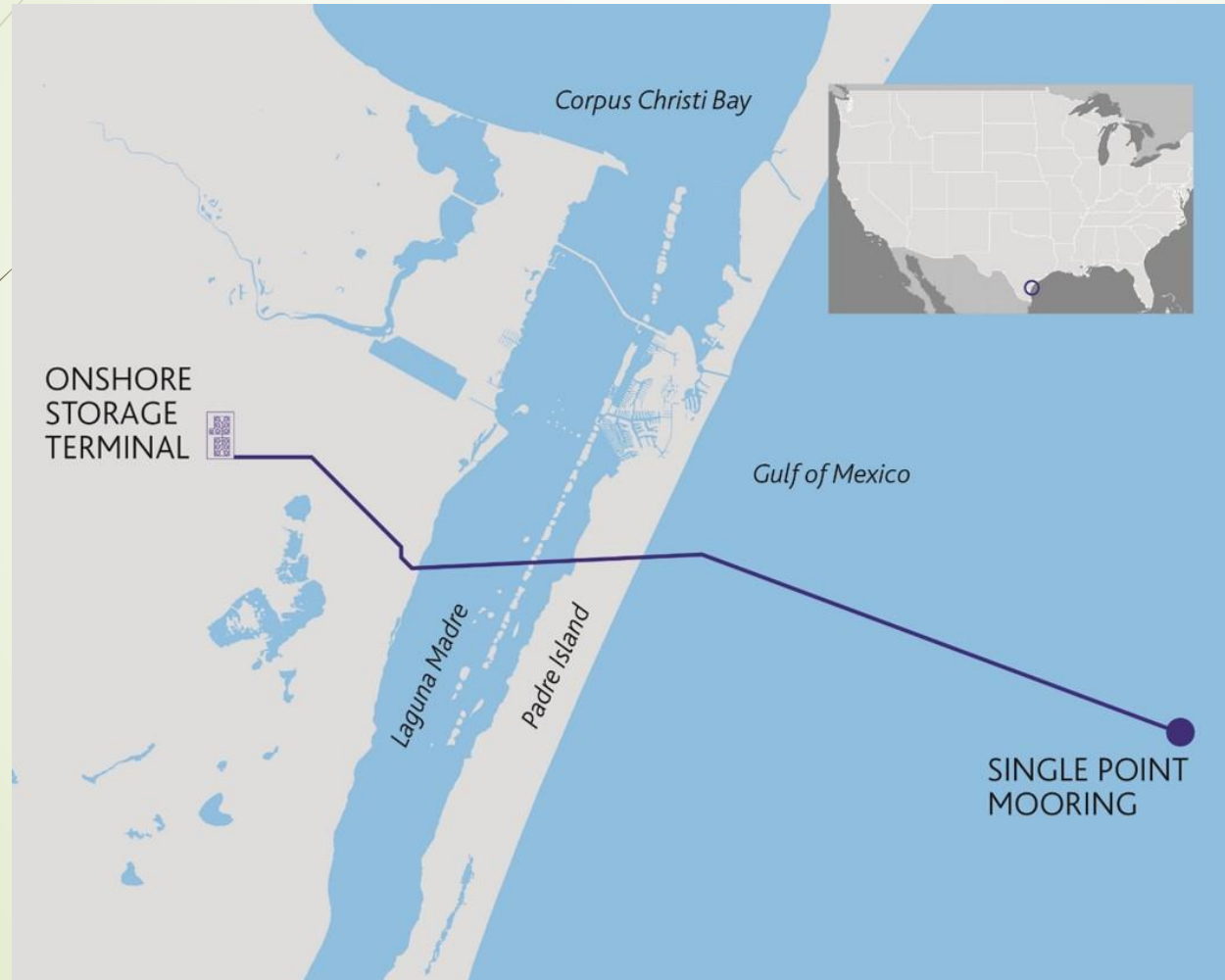
Federal Ship Channel deep enough to load VLCCs



Key Fact: Port Aransas citizens groups are opposed to this project.

The Opportunity, Cont.

The Competition: Offshore facility proposed by Trafigura



Key Facts:

- Opposed by Port CC.
- Permit has yet to be issued.
- Would be able to load/unload VLCCs.

The Opportunity, Cont.

Brownsville Exports: Jupiter Pipeline, LLC secures project funding

Could bring up to 1,000,000 bopd from Permian to Brownsville



Key Fact: Jupiter plan includes large tank farm/export facility.

The Opportunity, Cont.

The LOOP: Louisiana Offshore Oil Platform

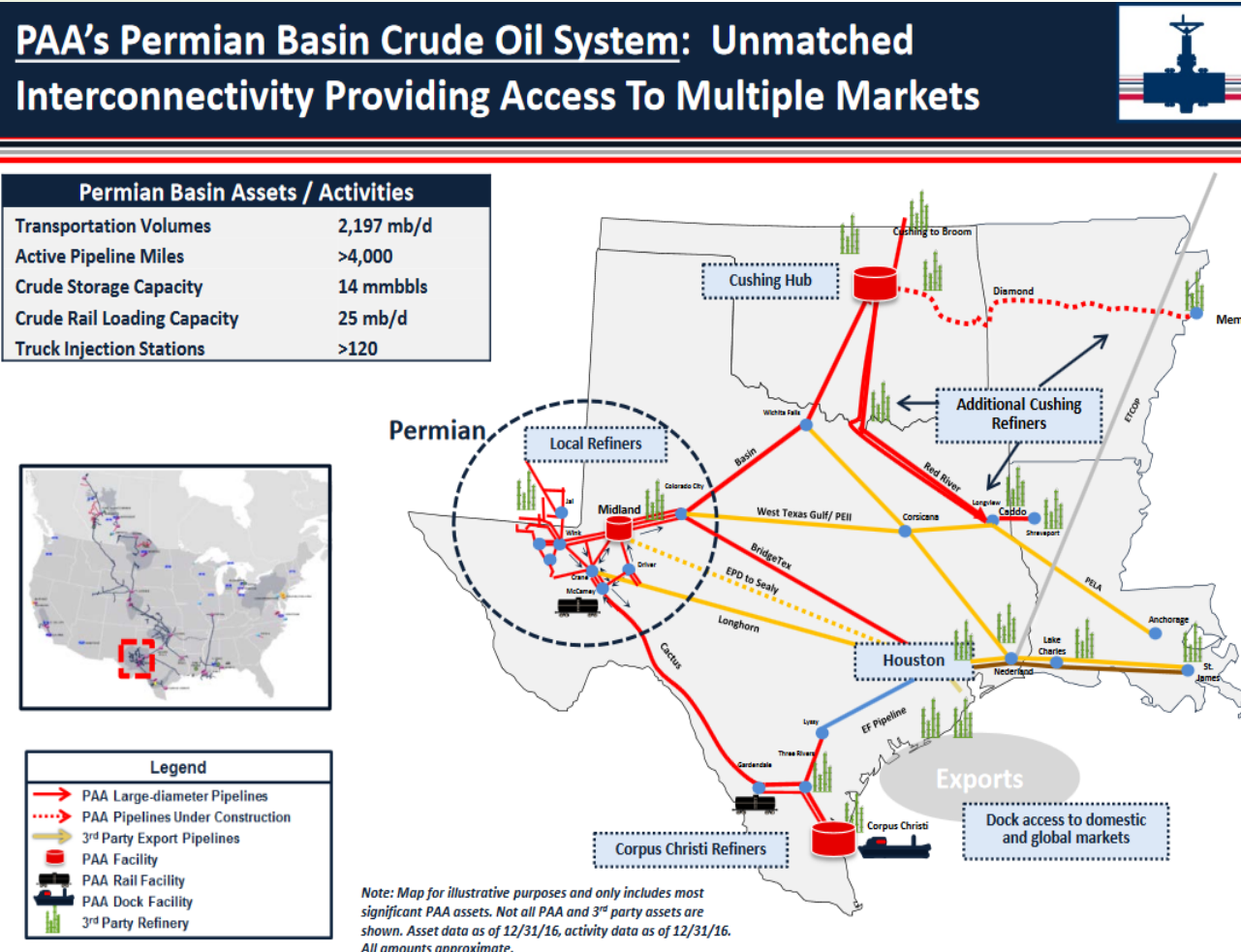
Began loading tankers for export in February, 2018.



Key Fact: “The new onloading configuration was accomplished with only minor modifications to existing facilities and is scalable to meet the changing needs of the industry,” - Tom Shaw, LOOP President.

The Opportunity, Cont.

The **LOOP**: Louisiana Offshore Oil Platform



Key Fact: Outflows from the Permian also feed Louisiana ports through Cushing and Houston.

The Opportunity, Cont.

EIA Projection: U.S. to add another 1 million bopd by Q4 2019

Could reach 14 million bopd by 2022



Key Fact: Vast majority of incremental production will have to be exported absent added refinery capacity.



Potential Limiters

Limited overall market: Obviously, the market for crude exports is not unlimited

Demand for light, sweet crude: There will be limits here as well

Competition from other nations

Possible economic downturns

Trade Wars – China halted imports of U.S. crude beginning August 1

Bottom line: *As with any other business, this one has complexities and potential pitfalls that must be dealt with.*

The future is bright – for now.



Questions?



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