



ENERGY ASSURANCE DAILY

Friday Evening, May 13, 2016

Major Developments

Update: Efforts to Resume Oil Sands Production Progressing Slowly in Alberta May 13

Canadian oil sands companies on Friday continued efforts to restart production after the massive Fort McMurray wildfire shut approximately 1.07 million b/d of production since May 4. The wildfire, which began burning on May 1, currently spans 241,000 hectares (596,000 acres) and has moved southeast of Fort McMurray community. On Thursday, oil sands companies around Fort McMurray started to fly in employees to restore operations at production sites, however; efforts to restart oil sands sites were progressing slowly. The region normally produces roughly 2.2 million b/d and has more than 20 oil production operations clustered within a 60-mile radius of the city, according to government data. The following companies have reported impacts as of Friday. The red text under each company below indicates an update to the wildfire impacts reported in Thursday's EAD publication.

- **Suncor Energy** officials said on May 11 some oil sands facilities will restart in 24 to 48 hours, but others will take at least a week. A local union president said employees will start flying back to oil sands sites on Thursday. Suncor closed its 350,000 b/d main mining site, and its MacKay River and Firebag thermal oil sands operations on May 4. It cited the precautionary shut-in of takeaway pipelines and limited availability of diluent. Prior to the fire, Suncor said it was operating at reduced rates of approximately 300,000 b/d because of a maintenance turnaround.
- **Syncrude** said its 315,000 b/d Aurora bitumen mine was shut by May 7 and other operations were functioning at minimal levels. A power generator was restarted at its Aurora bitumen mine and it had transitioned from emergency response to planning operations restart, however; there was no projected timeline for restarting production. Syncrude is an oil sands project owned by a consortium of companies, including majority owner Suncor. Syncrude will cut forecast May crude production volumes by some 35 percent, three trading sources familiar with the matter said on Monday.
- **Royal Dutch Shell Plc's** president said oil sands operations were nowhere near full capacity and that it would take some time to increase production from its sites. The company has been able to keep its 100,000 b/d Scotford refinery running through the wildfire outage by using alternative feedstocks. On May 9, the company restarted production at a reduced rate at its 255,000 b/d Albian oil sands mining operation, which include the Muskeg River and Jackpine oil sands mines. The company said it will fly staff in and out to help resume operations over the coming days and weeks.
- **Nexen Energy** on May 9 reported the yard of its Long Lake oil sand facility suffered minor damage on Sunday from the wildfire. Long Lake can produce around 50,000 b/d of synthetic crude but was operating at reduced rates since late January due to an explosion at the plant.
- **ConocoPhillips** on Friday said the fire was 7.5 miles from its 30,000 b/d Surmont oil sands site, which is 39 miles southeast of Fort McMurray. The fire has not advanced since Thursday morning, but a webcam at the site revealed extremely smoky conditions. A spokesman said operations at the Surmont site will remain shut until the Alberta government allows workers to stay overnight at Surmont's camp. The Surmont site was shut and evacuated on May 5.
- **Husky Energy** on May 8 shut production at its 30,000 b/d Sunrise Energy Project. Husky had previously reduced operations to 10,000 b/d.
- **Connacher Oil and Gas Ltd** said on May 5 it was restoring production at its Great Divide operation, which is 50 miles south of the city, back up to 8,000 b/d, after cutting it to 4,000 b/d on May 4. The operation produced 14,000 b/d in the fourth quarter.
- **Canadian Natural Resources Ltd** cut output by an unspecified amount at its Horizon project by May 8.
- **Statoil ASA** on May 8 said it was suspending all production at its 20,000 b/d Leismer facility in northern Alberta. Statoil said production would remain suspended until midstream terminals needed to transport crude oil via pipeline reopen.
- **Athabasca Oil Corp** said on May 5 it shut its Hangingstone project and evacuated all personnel. At the time, the company said it was in the process of shutting down the well sites and the central facility. The project was expected to produce 12,000 b/d by the fourth quarter 2016.

- **Imperial Oil Ltd** on May 8 completed a controlled shutdown of its Kearl oil sands mining project, adding it would remain shut until the company had fully grasped the logistics of getting people and materials to and from the site. Non-essential personnel were demobilized from the Kearn site. Its physical plant and other assets were unaffected by fires.
- **Cenovus** said it would start bringing non-essential staff back to work at its Christina Lake oil sands operation on May 12. On May 6 that essential staff were maintaining full production at its Christina Lake oil sands site. The company had previously sent home non-essential staff.
- **MEG Energy and Japan Canada Oil Sands Ltd.** said their operations near Fort McMurray were not affected.
- **Enbridge Inc.** on Friday was restoring operations to its Alberta pipeline network after fires halted the movement of an estimated 900,000 b/d of oil sands crude. The company resumed operations at its Cheecham terminal by Wednesday evening, which is located about 47 miles southeast of Fort McMurray and receives crude from production sites to be shipped on its pipeline network. By Thursday evening, reports confirmed that the company was injecting volumes into its 550,000 b/d Waupisoo pipeline (Line 18) and its 570,000 b/d Athabasca pipeline (Line 19), which transport crude south to the Edmonton and Hardisty markets, respectively. Enbridge's CEO said the wildfire outages could have an impact on its mainline volumes but should not be significant if the restarts go as planned, adding that many issues will be resolved by the weekend. According to local news reports, some of Enbridge's above-ground valve sites were damaged and power outages continue to be an issue.
- **Keyera Corp** said its South Cheecham rail and truck terminal, 47 miles south of Fort McMurray, was evacuated and shut on May 5. South Cheecham is a joint venture between Keyera and Enbridge.
- **Inter Pipeline** said its 346,000 b/d Corridor pipeline system, which serves Shell's oil sands facilities, was ready to be reopened once Shell resumes operations. Inter Pipelines' 540,000 b/d Polaris diluent pipeline was reopened after a one-day shutdown.
- **Pembina's** Algar to Cheecham Lateral remains fully operational but was not delivering due to the shutdown of downstream facilities. All other Pembina facilities in the Fort McMurray area remain fully operational.
- **TransCanada Corp** said it did not expect the wildfire to affect deliveries of natural gas. The nearest pipeline is about 12 miles west of the current wildfire.

Reuters, 6:50 May 13, 2016

Reuters, 14:28 May 13, 2016

Reuters, 17:11 May 12, 2016

<http://www.theglobeandmail.com/report-on-business/industry-news/energy-and-resources/enbridge-restarts-pipeline-production-after-fort-mcmurray-fire/article30004882/>

Update: Alberta Oil Sands Cogeneration Capacity Increases to 537 MW May 13 – AESO

The amount of power produced by cogeneration plants around the wildfire-ravaged town of Fort McMurray in Alberta, Canada increased on Friday afternoon to 537 MW with the restart of Suncor Energy Inc's 437 MW Firebag plant. The Firebag plant was operating at 81 MW of its capacity by Friday afternoon after exiting an outage that started by May 8, the Alberta Electric System Operator (AESO) said on its website. With the Firebag restart, total cogeneration capacity around Fort McMurray edged up to 537 megawatts Friday afternoon versus 507 MW Friday morning. There are 2,215 MW of cogeneration capacity in the Fort McMurray area. Before the wildfires reached Fort McMurray, those cogeneration units were producing about 1,300 MW of power, according to local media reports.

Reuters, 14:29 May 13, 2016

Electricity

Talen Energy's 1,111 MW Susquehanna Nuclear Unit 2 in Pennsylvania Shut by May 13

The unit was shut from full power following an electrical fault in one of the unit's 480-volt electrical distribution centers. Plant workers were investigating the cause of the electrical malfunction and will determine the necessary repairs. Once repairs are completed, operators will begin the process of returning the unit to service.

<http://www.nrc.gov/reading-rm/doc-collections/event-status/reactor-status/2016/>

<http://talenergy.investorroom.com/2016-05-13-Operators-Safely-Shut-Down-Susquehanna-Unit-2>

TVA's 1,155 MW Browns Ferry Nuclear Unit 1 in Alabama Reduced to 62 Percent by May 13

On the morning of May 12 the unit was operating at full power.

<http://www.nrc.gov/reading-rm/doc-collections/event-status/reactor-status/2016/>

Update: TVA's 1,126 MW Sequoyah Nuclear Unit 2 in Tennessee at Full Power by May 13

On the morning of May 12 the unit was operating at 65 percent, after restarting on May 9. The unit shut from 35 percent on May 6.

<http://www.nrc.gov/reading-rm/doc-collections/event-status/reactor-status/2016/>

Mountainview Power Company's 525 MW Gas-fired Unit 4 in California Reduced by May 12

The unit entered an unplanned curtailment of 405 MW.

<http://content.caiso.com/unitstatus/data/unitstatus201605121515.html>

PG&E's 407 MW Helms Hydro Unit 2 in California Shut by May 12

The unit entered an unplanned outage.

<http://content.caiso.com/unitstatus/data/unitstatus201605121515.html>

OPPD CEO Recommends Closing 478 MW Fort Calhoun Nuclear Power Plant in Nebraska

The president and CEO of the Omaha Public Power District (OPPD) on Thursday recommended shutting down its Fort Calhoun nuclear power plant by the end of the year, saying that the plant isn't financially sustainable. The board is expected to vote on the recommendations at its June 16 meeting.

Reuters, 18:31 May 12, 2016

New York to Invest \$220 Million in Clean Energy Projects; Aims to Generate Half of Electricity Supply from Renewables by 2030

Gov. Andrew Cuomo on Thursday announced New York is partnering with several private companies to invest up to \$220 million in new clean energy and energy efficiency projects. The move is part of the state's effort to generate half of its electricity from renewable sources by the year 2030. Overall, the state plans to set aside \$5 billion over 10 years to ease the transition to clean energy. The projects include programs to make residential and commercial solar power more affordable for consumers, as well as a program to provide energy efficiency upgrades to as many as 400 New York state homes.

<https://www.governor.ny.gov/news/governor-cuomo-announces-four-new-ny-green-bank-transactions-generate-220-million-clean-energy>

Reuters, 00:46 May 13, 2016

Petroleum

Coast Guard Reports Shell Offshore Gathering Line Leaks 2,100 Barrels of Crude Oil into Gulf of Mexico May 12; Shell Shuts Wells at Brutus Platform

The Coast Guard on Thursday was responding to an estimated 2,100 barrel crude oil leak into the Gulf of Mexico from a subsea Shell gathering line. On Thursday, a Shell helicopter observed an oil sheen near the Gilder subsea tieback system at the Brutus tension-leg platform, which is located about 90 miles southwest off the coast of Louisiana. In a press release, Shell said the likely cause of the sheen was a release of oil from subsea infrastructure. Shell has isolated the leak and shut-in at least four production wells from the Gilder field. The company ensured that there were no drilling activities at the Brutus platform, and that the incident was not a well control incident. Shell said it completed all appropriate regulatory notifications and has mobilized response vessels and aircraft in the event the discharge is recoverable. The company on Friday was trying to determine the exact cause of the release by inspecting its subsea equipment as well as gathering lines in the Glider field. Shell's Brutus platform began operation in 2001 and was designed with top production capacity of 100,000 b/d of oil and 150 MMcf/d of gas, according to industry trade publications.

<http://www.shell.us/media/2016-media-releases/shell-responds-to-gulf-of-mexico-oil-release.html>

<http://www.uscgnews.com/go/doc/4007/2821046/>

Reuters, 18:57 May 12, 2016

Marathon Reports Normal Operations after SRU Upset at Its 451,000 b/d Galveston Bay, Texas Refinery May 12

Marathon Petroleum Corp reported the sulfur recovery unit (SRU) at its Galveston Bay, Texas refinery experienced an upset resulting in excess sulfur dioxide emissions from flare 8, according to a filing with the Texas Commission on Environmental Quality. The unit was stabilized and normal operations resumed.
Reuters, 17:59 May 12, 2016

Alon Reports Emissions at Its 70,000 b/d Big Spring, Texas Refinery May 12

Alon USA Energy reports emissions at its Big Spring, Texas refinery, according to a filing with the Texas Commission on Environmental Quality.
Reuters, 17:55 May 12, 2016

Natural Gas

Nothing to report.

Other News

EPA Releases First-Ever Standards to Cut Methane Emissions from Oil, Gas Sector May 12

The U.S. Environmental Protection Agency (EPA) on Thursday announced comprehensive steps to address methane emissions from both new and existing sources in the oil and gas sector. For new, modified and reconstructed sources, EPA is finalizing a set of standards that will reduce methane, volatile organic compounds (VOCs), and toxic air emissions in the oil and natural gas industry. EPA is also starting the process to control emissions from existing sources by issuing for public comment an Information Collection Request (ICR) that requires companies to provide the information that will be necessary for EPA to reduce methane emissions from existing oil and gas sources. The final standards will significantly curb methane emissions from new, reconstructed and modified processes and equipment, along with reducing VOC emissions from sources not covered in the agency's 2012 rules. These sources include hydraulically fractured oil wells, some of which can contain a large amount of gas along with oil, and equipment used across the industry that was not regulated in the 2012 rules.

<https://www.epa.gov/newsreleases/epa-releases-first-ever-standards-cut-methane-emissions-oil-and-gas-sector>
<https://www3.epa.gov/airquality/oilandgas/actions.html>

International News

Update: ExxonMobil Declares Force Majeure on Nigerian Qua Iboe Crude Oil May 13

ExxonMobil on Friday said it declared force majeure on Nigerian Qua Iboe crude exports after output was reduced on Thursday when a drilling rig damaged a pipeline. This brings the total Nigerian crude outage to about 700,000 b/d, a traders said. The outage adds to production problems at two of the other largest crude streams, Bonny Light and Forcados, which have already taken Nigeria's output to a 22-year low. A trader said that output of Qua Iboe had stopped completely and that it was unclear when it would restart. Nigeria's oil production has fallen to 1.65 million b/d due to militant attacks, the Finance Minister said, from 2.2 million b/d. If outages at Qua Iboe and other streams are prolonged, Nigerian output could fall to around 1.2 million b/d, according to Reuters calculations. This would be the lowest output since 1970, according to BP's statistical review.

http://www.rigzone.com/news/oil_gas/a/144495/Exxon_Declares_Force_Majeure_On_Nigerian_Qua_Iboe_Crude#thash.R0hEU5qo.dpuf

Reuters, 8:26 May 13, 2016

Blast Hits Chevron Oil Well, Pipeline in Nigeria's Delta Region – Security Source

An explosion rocked a Chevron oil well and pipeline in Nigeria's Delta region on Friday, a security source said—the second blast at a Chevron oil facility within a week. The source said a blast occurred from a Chevron oil well at the Marakaba pipeline in Warri. Last week, militants calling themselves the Niger Delta Avengers claimed an attack on a Chevron Platform in the Delta. The group has warned oil firms to leave the region within two weeks and says it is fighting for independence for Delta. It had earlier said it wanted a greater share of oil revenues and an end to oil pollution. The swamps of the southern Delta have been hit by a series of militant attacks on pipelines and other oil and gas facilities in recent weeks that have reduced Nigeria's output by 300,000 b/d and closed a major export port as well as two refineries. The attacks have driven Nigerian oil output to near a 22-year low. Chevron had no immediate comment, while Nigeria's army, which has stepped up its presence in the region, could not immediately be reached for comment.

Reuters, 15:19 May 13, 2016

OPEC Increases Oil Production after April Freeze Talks Fail

The Organization of the Petroleum Exporting Countries (OPEC) pumped 32.44 million b/d in April, the exporter group said in a monthly report on Friday citing secondary sources, up 188,000 b/d from March. OPEC and non-member producers including Russia failed at an April 17 meeting to agree to freeze output in a bid to tackle a supply surplus that has weighed on prices. The April output figure is OPEC's highest since at least 2008, according to a Reuters review of past OPEC reports. OPEC's report points to a 950,000 b/d excess supply on average in 2016 if the group keeps pumping at April's rate, up from 790,000 b/d implied in last month's report.

Reuters, 6:43 May 13, 2016

Energy Prices

U.S. Oil and Gas Prices			
May 13, 2016			
	Today	Week Ago	Year Ago
CRUDE OIL			
West Texas Intermediate U.S. \$/Barrel	46.17	44.53	60.93
NATURAL GAS			
Henry Hub \$/Million Btu	2.01	2.05	2.86

Source: Reuters

Links

This Week in Petroleum from the U.S. Energy Information Administration (EIA)

<http://www.eia.gov/oog/info/twip/twip.asp>

Updated every Wednesday.

Weekly Petroleum Status Report from EIA

http://www.eia.gov/oil_gas/petroleum/data_publications/weekly_petroleum_status_report/wpsr.html

Updated after 10:30 AM & 1:00 PM ET every Wednesday.

Natural Gas Weekly Update from EIA

<http://www.eia.gov/oog/info/ngw/ngupdate.asp>

Updated after 2:00 PM ET every Thursday.

ENERGY ASSURANCE DAILY

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<http://www.oe.netl.doe.gov/ead.aspx>

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