



# ENERGY ASSURANCE DAILY

Monday Evening, May 16, 2016

## Major Developments

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### Update: Fort McMurray Fire Continues to Burn Out of Control; Threatens Enbridge's Cheecham Terminal May 16 – Alberta Premier

Alberta Premier Rachel Notley announced on Monday, May 16 that the Fort McMurray wildfire continues to burn out of control at roughly 285,000 hectares (approximately 704,250 acres) and was located southeast of the community about 7 miles from the Saskatchewan border. While work has been progressing to restore critical infrastructure and emergency services in Fort McMurray, hot spots continue to threaten parts of the community due to rapidly changing winds and drier weather conditions. Although Enbridge announced the return of operations at its Cheecham terminal on Wednesday evening, May 11, Notley said on Monday that fires have spread to within 0.6 miles of the terminal's tank farm, and that provincial firefighters as well as specialized firefighting crews hired by Enbridge have directed significant resources and efforts to protect the tank farm. Since Wednesday, May 4, Canadian oil sands companies shut approximately 1.07 million b/d of production. During the week ending Friday, May 13, some companies reported restarting operations at significantly reduced capacity, focusing on maintaining the safety and security of sites, and restoring manpower. The northern Alberta oil sands region normally produces roughly 2.2 million b/d and has more than 20 oil production operations clustered within a 60-mile radius of Fort McMurray, according to government data. The following list of companies details the most recent status update from impacted companies, which began on Wednesday, May 4. The red text indicates an update to the wildfire impacts reported in last Friday's EAD publication.

- **Suncor Energy** officials said as of Wednesday, 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, May 12. 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 on Monday, May 16 that it was continuing to deploy employees to its Mildred Lake and Aurora oil sands sites to support restoration efforts. As of Sunday, May 15, several hundred employees were working to assess and ensure the safety of the sites; prepare for start-up by inspecting units and equipment; and commissioning the re-start of operations in a staged manner. Syncrude shut its 315,000 b/d Aurora bitumen mine by Saturday, May 7 while other projects were operating at minimal levels. A power generator was restarted at its Aurora bitumen mine by Tuesday, May 10. Syncrude is an oil sands project owned by a consortium of companies, including majority owner Suncor.
- **Shell Canada** said on Sunday, May 15 that its sites remain safe and secure. On Monday, May 9, the company restarted production at a reduced rate at its 255,000 b/d Albion 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 (CNOOC Ltd)** said on Saturday, May 14 that its emergency response team had responded to a possible hydrogen sulfide gas leak at the company's Long Lake facility, which was reported by the Alberta Energy Regulator on Friday, May 13. All tests for hazardous gas have come back negative. The company performed an aerial site assessment on Thursday, May 12, which revealed main facility and surrounding well pads were intact, however the camp site had been destroyed. The Long Lake operation, which was shut on Wednesday, May 4, can produce approximately 50,000 b/d of synthetic crude but had been operating at reduced rates since late January due to an explosion at the plant.
- **ConocoPhillips** said on Friday, May 13 that 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 had not advanced since the morning of Thursday, May 12, 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 Thursday, May 5.

- **Husky Energy** on Sunday, 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 Thursday, May 5 it was restoring production at its Great Divide operation back up to 8,000 b/d, after cutting output to 4,000 b/d on Wednesday, May 4. The Great Divide operation, which is located 50 miles south of Fort McMurray, produced 14,000 b/d during the fourth quarter of 2015.
- **Canadian Natural Resources Ltd** cut output by an unspecified amount at its Horizon project by Sunday, May 8. The Horizon project produced approximately 129,000 b/d of synthetic crude oil during the fourth quarter of 2015.
- **Statoil ASA** said on Friday, May 13 that it had initiated start-up of its Lesimer Project. The company hopes to increase manpower and restore production to typical levels during the week ending Friday, May 20. Statoil said on Sunday, May 8 that it was suspending all production at its 20,000 b/d Leismer facility located south of Fort McMurray.
- **Athabasca Oil Corp** said on Thursday, May 5 that it evacuated and shut its Hangingstone project. The project was expected to produce 12,000 b/d by the fourth quarter 2016.
- **Imperial Oil Ltd** said on Sunday, May 8 that it completed a controlled shutdown of its Kearl oil sands mining project. The project was expected to produce 12,000 b/d by the fourth quarter 2016.
- **Cenovus** said on Friday, May 6 that essential staff were maintaining full production at its Christina Lake oil sands site. The company said it would return non-essential site staff beginning on Thursday, May 12.
- **MEG Energy and Japan Canada Oil Sands Ltd** said their operations near Fort McMurray were not affected.
- **Enbridge Inc** said on Friday, May 13 that it was working to restore 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 the evening of Wednesday, May 11, which is located about 47 miles southeast of Fort McMurray and receives crude from production sites to be shipped on the Enbridge pipeline network. By the evening of Thursday, May 12, 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 from the Cheecham terminal to the Edmonton and Hardisty markets, respectively.
- **Inter Pipeline** on Wednesday, May 4 shut its 346,000 b/d Corridor pipeline system and a section of its 540,000 b/d Polaris diluent pipeline system near Fort McMurray. The company resumed operations on the Polaris pipeline system on Thursday, May 5, and said that the Corridor system was ready to restart as soon as Shell's oil sands site restore production.
- **Pembina's** Algar to Cheecham Lateral remains fully operational as of Thursday, May 5, 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 was about 12 miles west of the current wildfire.

<http://www.alberta.ca/premier.cfm>

<http://fingfx.thomsonreuters.com/gfx/rngs/1/1706/2971/index.html>

<http://www.syncrude.ca/our-news/syncrude-insights/2016/syncrude-continues-to-implement-safe-restart-plan/v>

<http://www.shell.ca/en/aboutshell/employee-help-site.html>

<http://www.nexencnoocld.com/en/AboutUs/MediaCentre/FortMcForestFires.aspx>

<http://www.conocophillips.ca/newsroom/Pages/Fort-McMurray-Fire.aspx>

<https://twitter.com/StatoilASA/status/731200671542706176>

<https://www.atha.com/news/releases.html>

[http://www.imperialoil.ca/Canada-English/about\\_media\\_releases.aspx](http://www.imperialoil.ca/Canada-English/about_media_releases.aspx)

<http://www.cenovus.com/news/news-releases/2016/20160504-Fort-McMurray-fire-response.html>

<http://www.enbridge.com/wildfires-in-fort-mcmurray>

<http://www.pembina.com/media-centre/news-releases/>

## Western Canada Crude Stocks Drop Nearly 1 Million Barrels Due to Wildfires May 6

Western Canadian crude stocks dropped by almost 1 million barrels last week and could decrease further due to the Fort McMurray, Alberta wildfire that shut down nearly half of oil sands output, energy intelligence firm Genscape said on Friday. Data from the week ending May 6 showed crude inventories monitored by Genscape in Edmonton and Hardisty, Alberta, and Kerrobert, Saskatchewan, fell to 25.6 million barrels, down 4 percent from the previous week and 10 percent from record levels a month earlier. The majority of projects affected by the wildfire are still offline or in the process of restarting operations.

Reuters, 16:32 May 13, 2016

## **Update: Alberta Oil Sands Cogeneration Capacity Increases to 604 MW May 16 as Imperial Oil's Kearl Plant Restarts – AESO**

Cogeneration electric plants around Fort McMurray in Alberta increased their electricity and steam production over the weekend with the restart of Imperial Oil's Kearl plant, the Alberta Electric System Operator said on Monday. The 84 MW Kearl plant was operating at 35 MW of capacity on Monday morning after an outage that began by May 8 ended on Friday. With the Kearl restart, total cogeneration production around Fort McMurray increased to 604 MW Monday morning from 537 MW Friday afternoon. There is about 2,215 MW of power cogeneration capacity serving the oil sands industry in Alberta, with about two-thirds located in the Fort McMurray area. Before the wildfires, the Fort McMurray units were producing about 1,300 MW of power, according to local media reports. Since the fire started on May 1, generators shut the MacKay River plant on May 4, the 510 MW Syncrude plant on May 7, the 84 MW Kearl and 473 MW Firebag plants by May 8, according to the AESO. The Syncrude plant returned to service on May 10, while Firebag returned on May 13.

Reuters, 8:18 May 16, 2016

## ***Electricity***

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### **Dominion's 1,130 MW Millstone Nuclear Unit 3 in Connecticut Shut Due to Hydrogen Leak May 15**

The Nuclear Regulatory Commission (NRC) was investigating a hydrogen gas leak that shut unit 3 from 75 percent on Sunday morning. The NRC said the leak in a turbine building occurred after a sealant plug for hydrogen in the main generator came lose. Workers responded by manually shutting down the reactor and successfully vented out the hydrogen, a spokesman for the NRC said. The reactor recently returned to operation after a scheduled outage for refueling and the NRC is trying to determine whether the leak may have been related to work done during that refueling.

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

<http://www.nrc.gov/reading-rm/doc-collections/event-status/event/2016/20160516en.html>

Reuters, 11:46 May 16, 2016

### **Update: TVA's 1,155 MW Browns Ferry Nuclear Unit 1 in Alabama at Full Power by May 14**

On the morning of May 13 the unit was operating at 62 percent, reduced from full power in May 12.

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

### **High Desert Power's 830 MW Aggregate Gas-fired Unit in California Shut by May 15**

The unit entered an unplanned outage.

<http://content.caiso.com/unitstatus/data/unitstatus201605151515.html>

### **Termoelectrica De Mexicali's 625 MW Gas-fired Unit in California Shut by May 15**

The unit entered an unplanned outage.

<http://content.caiso.com/unitstatus/data/unitstatus201605151515.html>

### **NCPA's 303 MW Lodi Gas-fired Unit in California Shut by May 15**

The unit entered an unplanned outage.

<http://content.caiso.com/unitstatus/data/unitstatus201605151515.html>

### **BHE Renewables' 276 MW Solar Star Unit 2 in California Shut by May 14**

The unit entered an unplanned outage.

<http://content.caiso.com/unitstatus/data/unitstatus201605141515.html>

### **Mirant's 317 MW Pittsburg Gas-fired Unit 6 in California Reduced by May 13**

The unit entered an unplanned curtailment of 177 MW.

<http://content.caiso.com/unitstatus/data/unitstatus201605131515.html>

### **Calpine's 620 MW Russell City Gas-fired Unit in California Reduced by May 13**

The unit entered an unplanned curtailment of 321 MW.

<http://content.caiso.com/unitstatus/data/unitstatus201605131515.html>

## **Xcel Energy Files Documents with PUC for Its 600 MW Rush Creek Wind Project in Colorado May 13**

Xcel Energy on Friday filed documents with the Public Utilities Commission (PUC) for the Rush Creek Wind Project, which would use 300 2-MW turbines to generate energy. A 90-mile, 345-kV transmission line also will be constructed. If the PUC approves, construction would begin in late 2017 and the wind farm would be in service by late 2018, an Xcel spokesman said.

[https://www.xcelenergy.com/company/about\\_xcel\\_energy/media\\_room/news\\_releases/xcel\\_energy\\_files\\_for\\_rush\\_creek\\_wind\\_project](https://www.xcelenergy.com/company/about_xcel_energy/media_room/news_releases/xcel_energy_files_for_rush_creek_wind_project)

## ***Petroleum***

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### **Update: Coast Guard, Shell Continue Response to 2,100 Barrel Oil Spill in Gulf of Mexico; Production Resumes at Brutus Field May 15**

The Coast Guard and Shell were continuing joint efforts to respond to a 2,100 barrel oil spill, which occurred on May 12, from a segment of flow line at the Glider Field located in the Gulf of Mexico, approximately 90 miles south of Timbalier Island, Louisiana. Joint efforts have recovered approximately 1,229 barrels of oily-water mixture. Shell on Sunday resumed production at its offshore Brutus field and received approval from the U.S. Bureau of Safety and Environmental Enforcement (BSEE) to begin repairs at Glider. Glider and other subsea tieback fields remain shut, Shell said. Shell contracted air resources have been mobilized to provide aerial assessment of the affected area. The reported trajectory is in a westerly direction with no expected shoreline impact at this time and there have been no reported impacts to wildlife.

<http://www.uscgnews.com/go/doc/4007/2821702/>

<http://www.shell.us/media/2016-media-releases/update-4-shell-gulf-of-mexico-response.html>

Reuters, 12:54 May 16, 2016

### **Update: Motiva Restarts Coker Unit after Snag at Its 238,000 b/d Norco, Louisiana Refinery May 14 – Sources**

Motiva Enterprises on Saturday restarted the 25,000 b/d coking unit at its Norco, Louisiana refinery after a malfunction on Thursday night delayed the unit's return, said sources familiar with plant operations. The Thursday night malfunction was due to problems with a valve on the unit. Motiva plans to complete a planned overhaul of the 40,000 b/d catalytic reformer, 55,000 b/d diesel hydrotreater, and a sulfur unit on about May 24, the sources said.

Reuters, 20:15 May 14, 2016

Reuters, 16:57 May 13, 2016

### **Shell Restarting FCCU at Its 316,000 b/d Deer Park, Texas Refinery over Weekend May 14 – Sources**

Royal Dutch Shell Plc was restarting the 70,000 b/d fluidic catalytic cracking unit (FCCU) at its joint-venture Deer Park, Texas refinery over the weekend, sources familiar with plant operations said on Saturday. The FCCU was expected to be back in operation sometime on Sunday after shutting on April 18 due to the breakdown of a key component called the expander, sources said.

Reuters, 16:18 May 14, 2016

### **Valero Reports Flaring at Its 200,000 b/d Corpus Christi West, Texas Refinery May 14**

Valero Energy Corp on Saturday reported flaring at its Corpus Christi West, Texas refinery, according to a message on a community alerting system on Saturday.

Reuters, 22:06 May 15, 2016

### **Alon Shuts GOH Unit at Its 70,000 b/d Big Spring, Texas Refinery after Thunderstorm May 15**

Alon USA Energy reported on Saturday a gas oil hydrotreater (GOH) was shut at its Big Spring, Texas refinery following an upset during a thunderstorm, according to a filing with the Texas Commission on Environmental Quality. The upset that occurred late Friday lasted until early Saturday and the unit will remain down until the issue is resolved, the company said in the filing.

Reuters, 22:53 May 15, 2016

### **Southern Union Reports SRU Shut at Its 140 MMcf/d Keystone Gas Plant in Texas May 15**

Southern Union reported the sulfur recovery unit (SRU) was taken down due to blown packing on the recycle blower. The packing on the recycle blower was replaced and the fuel valve on auxiliary burner was adjusted. The SRU will remain down until the therminol leak can be identified.

<http://www2.tceq.texas.gov/oce/eer/index.cfm?fuseaction=main.getDetails&target=233221>

### **ExxonMobil Reports Units Shut Due to Power Failure at Its 65 MMcf/d Dollarhide Gas Plant in Texas May 14**

ExxonMobil reported a power failure shut the Cat-12, 11, 13, 14, 7, 5, 4, P-9, P-12, P-17, and Wauk Units. A bad fuse was removed and repairs were underway. All available wells were shut in to reduce and mitigate emissions.

<http://www2.tceq.texas.gov/oce/eer/index.cfm?fuseaction=main.getDetails&target=233212>

### **Williams Announces Open Season for Transco's 400 MMcf/d Northeast Supply Enhancement Project from Pennsylvania to New York May 16**

Williams Partners L.P. announced today that it is initiating a binding open season from May 16 to June 9, 2016 for the Northeast Supply Enhancement project, an expansion of the Transco interstate pipeline to provide incremental firm natural gas transportation capacity to markets in the Northeast. Transco plans to place the project into service for the 2019/2020 winter heating season. The Northeast Supply Enhancement project will transfer firm natural gas from Transco's Compressor Station 195 in York County, Pennsylvania, to the Rockaway Transfer Point, an existing interconnection between the Lower New York Bay Lateral and the Rockaway Delivery Lateral in offshore New York. Subject to approval by the Federal Energy Regulatory Commission, the Northeast Supply Enhancement project will consist of adding looping and compression to existing Transco pipeline facilities. In order to minimize potential environmental impacts, the proposed project corridor will maximize the use of Transco's existing pipeline right-of-way. Williams does not anticipate that the project scope will change based on the outcome of the open season.

<http://investor.williams.com/press-release/williams/williams-partners-announces-open-season-transco-northeast-supply-enhancement->

## **Other News**

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Nothing to report.

## **International News**

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### **Update: Shell Says Nigerian Pipeline Repair 'Not Straightforward'; Oil Output Falls to 1.4 Million b/d – Oil Minister**

Royal Dutch Shell's head of operations in Nigeria on Sunday said he did not know when the Forcados oil terminal will reopen as the repairs to an underwater pipeline damaged by a blast are not straightforward. Shell shut the 250,000 b/d terminal in February after an attack on an underwater pipeline claimed by a militant group, part of a wave of attacks on oil facilities in the Niger Delta in the past three months. The work is a delicate exercise that requires temporary wrapping of the damaged section of the line with a special material prior to safe evacuation of the residual crude oil currently trapped in the line, the head of operations said. The damaged pipeline is in 4-6 meters of water depth in open seas and it requires damming the water to hold the sea back so that repairs can be safely done, he continued. Nigeria's oil minister on Monday said oil production has fallen by almost 40 percent to 1.4 million b/d due to militant attacks on pipelines and other facilities.

Reuters, 12:00 May 15, 2016

Reuters, 10:24 May 16, 2016

### **Update: Aruba, Citgo Negotiate Deal to Reopen Shuttered 209,000 b/d Oil Refinery**

The Aruban government and Venezuela's Citgo Petroleum Corp. are finalizing an agreement to reopen an oil refinery that has been shuttered since 2009. Aruba's Energy Minister said the accord calls for the rehabilitation of the facility and provides the U.S.-based subsidiary of Venezuelan state oil company PDVSA with a 15-year operational lease and a 10-year extension option.

Reuters, 20:31 May 14, 2016

## Update: ExxonMobil Expected to Ramp up Nigeria's Qua Iboe Crude Oil Output This Week – Trading Sources

ExxonMobil is expected to ramp up its production of Nigeria's Qua Iboe crude oil this week, trading sources said on Monday. The company declared force majeure on exports of the grade late last week after a drilling rig damaged a pipeline. Sources said the issue cut the company's production by as much as 250,000 b/d. Traders said that ExxonMobil is expected to increase production as early as Tuesday and issue a new loading program later in the week. Traders expect exports to be delayed by about 10 days. Exports of Qua Iboe were scheduled at roughly 306,000 b/d for May.

Reuters, 12:55 May 16, 2016

## Iraq Gas Plant Attacked by Islamic State May 15

An Islamic State attack on the state-run Taji gas plant near Baghdad on Sunday killed at least 11 people, and forced two power stations it supplied to suspend electricity production. A spokesman for Baghdad Operations Command said three of the facility's gas storages were set alight before security forces were able to bring the situation under control. Iraq's Oil Ministry said the attack had not disrupted the plant's production of gas for cooking and electricity production. But the Electricity Ministry said two nearby power stations had halted operations due to a cut in gas supplies from the Taji plant. It was not clear how long it would take to restore flow to the power stations, which provided 153 MW to the already overstretched national grid before the attack.

<http://www.reuters.com/article/us-mideast-crisis-iraq-blast-idUSKCN0Y6052>

## Energy Prices

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| U.S. Oil and Gas Prices                                              |       |          |          |
|----------------------------------------------------------------------|-------|----------|----------|
| May 16, 2016                                                         |       |          |          |
|                                                                      | Today | Week Ago | Year Ago |
| <b>CRUDE OIL</b><br><b>West Texas Intermediate U.S.</b><br>\$/Barrel | 47.71 | 43.40    | 59.37    |
| <b>NATURAL GAS</b><br><b>Henry Hub</b><br>\$/Million Btu             | 1.96  | 1.84     | 2.87     |

Source: Reuters

## Links

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***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](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>

Please direct comments and questions to: [ead@oe.netl.doe.gov](mailto:ead@oe.netl.doe.gov)