



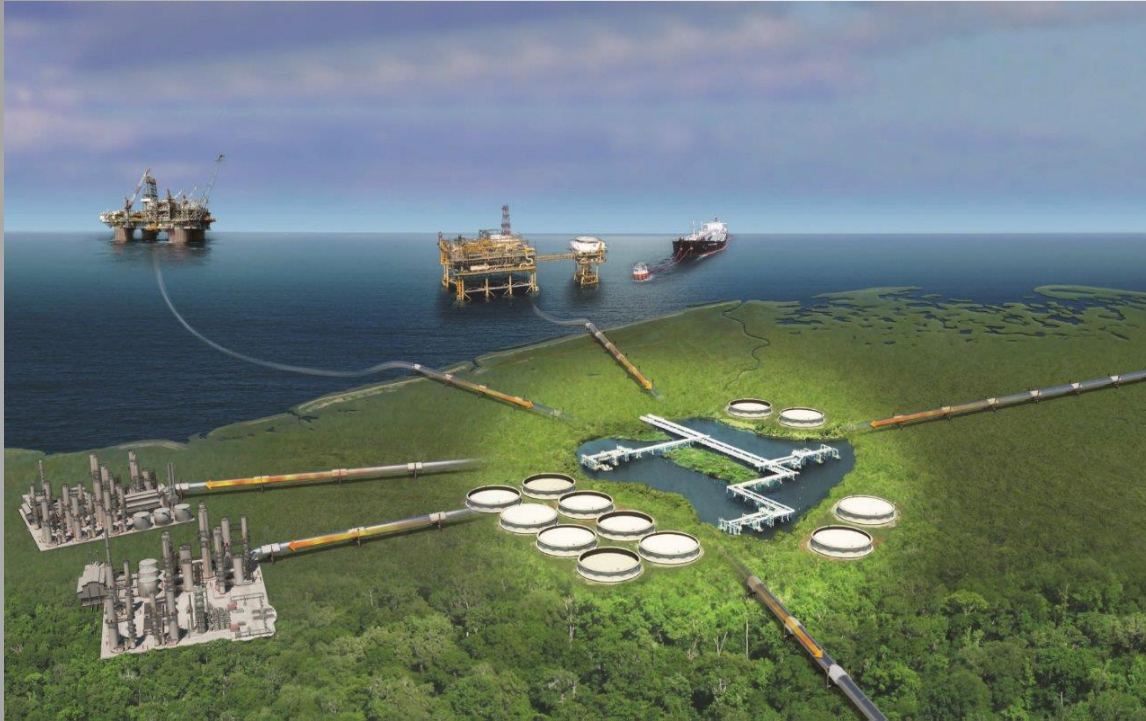
***COQA 2015 Fall Meeting***  
***LOOP Sour***

*October 22, 2015*

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# *Louisiana Offshore Oil Port*



- Headquartered in Covington, LA with facilities in Galliano and Fourchon, Louisiana as well as our Marine Terminal 18 miles offshore.
- Receive crude oil from vessels, offshore GOM production and the Ho-Ho pipeline.
- Connected to 2.4 Mbd of refining capacity
- LOOP has 15 above ground tanks and 8 salt caverns for storage



# 8 Caverns = 60 Million Barrels



Seg	Crude #1	Crude #2	Crude #3	Crude #4
Seg 5	Basrah Light			
Seg 11	Cascade/Chinook	Maya	Western Canadian Select	
Seg 14	Mars			
Seg 14	Mars			
Seg 17	Arabian Medium	Basrah Light	Kuwait	
Seg 20	Bonny Light	Forcados	Qua Iboe	Eagle Ford
Seg 26	Thunder Horse			
Seg 34	Mars	Poseidon	Seg 17	

Total of 70Mb of storage between tanks and caverns



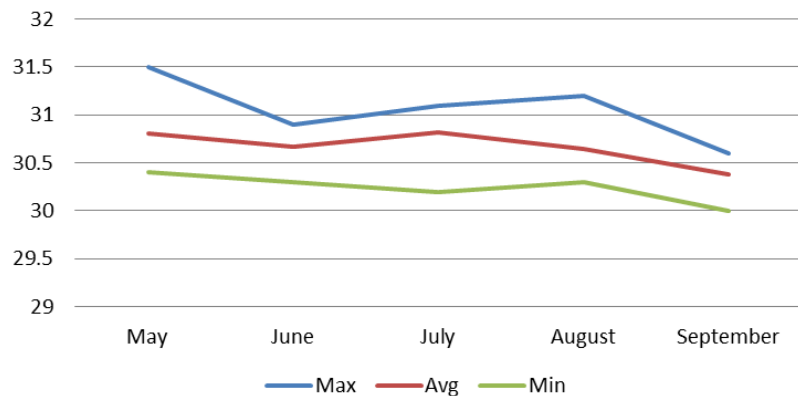
## *Seg 34, LOOP Sour*

- In March of 2015, the Chicago Mercantile Exchange (CME), in coordination with LOOP and NEO Markets launched two new futures contracts.
  - MB (LOOP Gulf Coast Sour Crude Oil Futures)
  - LPS (LOOP Crude Oil Storage Futures)
- MB is a new version of an existing CME contract. The crude grades that are allowed to be delivered into the MB contract consist of:
  - Poseidon
  - Mars
  - Seg 17 (Arabian Medium, Basrah Light, Kuwait)
- First physical delivery of LOOP Sour crude oil occurred in May of this year.
- For transparency around quality, LOOP published the quality of the crude and the volume of deliveries from the LOOP Sour cavern.

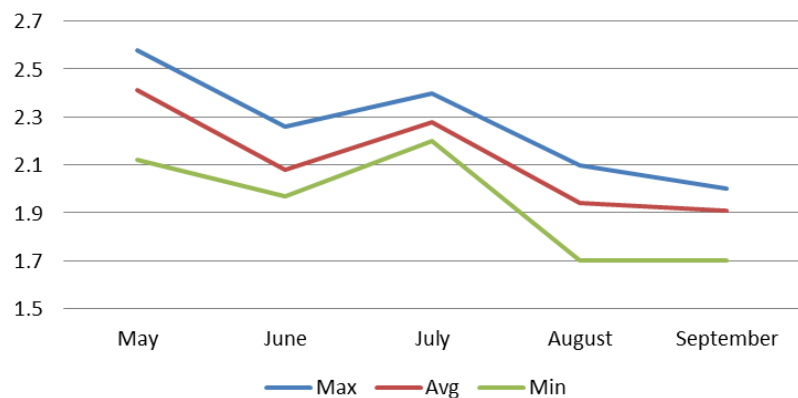


## Seg 34, LOOP Sour

### API Gravity



### Sulphur %



- LOOP has a Monthly Quality Message for LOOP Sour that may be found on its website under Announcements.
- It is published on or near the 1<sup>st</sup> of the month and is regarding the previous month.
- Monthly delivery volumes have been as low as 730,000 barrels and as high as 950,000 barrels.
- LOOP has not published any percentage makeup of volume in the cavern.
- Increasing interest in LOOP Sour Crude.





# *LOOP Crude Oil Storage (LPS)*

## Traditional Storage Model

- Traditional storage requires long term commitments which ties up the capital of shippers. This model disallows smaller crude traders and hedgers from entering the physical trading market.
- The small trader must always sell their crude contracts before delivery. Everyone in the market knows that the small trader must sell their crude contracts by a certain time, and the market prices skew on this information.

## New Storage Model

- This new concept in commodities brings the ability to store crude oil to a much larger market.
- Any trader can purchase LOOP storage at market based prices using a futures contract or bilateral trade.
- This gives the trader the new option to not sell out of their oil contract, but instead take physical delivery of crude oil, and then sell that oil at a later date that is most advantageous.



# *Creation of a New Commodity*

- Each storage contract represents 1,000 barrels of storage in the LOOP Sour Cavern for one calendar month.
- Therefore, if you purchased 100 contracts for January, you would have the right to bring in 100,000 barrels of LOOP Sour crude into the cavern during the month of January.
- The purchaser of storage is not obligated to store the oil.
- The purchaser may sell their contracts at any time to any willing buyer.
- The purchaser also has the ability to buy as much or as little storage and needed for as long as they desire.

## **But There is Only One Producer of This Commodity**

- Only LOOP produces LOOP Sour Storage.
  - There needed to be an equitable and open way for LOOP to offer storage to the market.
  - An auction was devised to accomplish this.
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# *Auctioning of LOOP Storage*

- On the first Tuesday of the month, from 11:00 – 11:30 am CT, NEO Markets hosts an auction to sell to the market LOOP Sour Storage.
- The auction is completely transparent --- a bidder can see the current price the market is willing to pay and the volume the market is demanding.
- The price for storage for a month is the lowest marginal price. Every bidder receives this price for storage.
- At the end of the auction, the winners are promptly notified of their position.







# *Auctioning of LOOP Storage*

	Bids for 2,000	\$0.25	Receives 2,000 Contracts
	Bids for 2,000	\$0.20	Receives 2,000 Contracts
	Bids for 2,000	\$0.15	Receives 2,000 Contracts
	Bids for 2,000	\$0.10	Receives 1,000 Contracts
		Selling Price of \$0.10	7,000 Contracts Sold



# Auctioning of LOOP Storage

- LOOP offers 7,000 storage contracts for auction every month. This equates to one of LOOP's caverns.
  - The LOOP Sour Cavern is ~8 million barrels
  - 7,000 contracts = 7,000,000 barrels
- LOOP is currently offering to the market storage contracts through Q4 2016.

		Tuesday, September 01, 2015		Tuesday, October 06, 2015		Tuesday, November 03, 2015		Tuesday, December 01, 2015		Tuesday, January 05, 2016	
		Future	PFA	Future	PFA	Future	PFA	Future	PFA	Future	PFA
Nov-15	7,000	900	1,274								
Dec-15	7,000	350	500	550	1,034						
Jan-16	7,000	300	500	300	500	350	1,336				
Feb-16	7,000	300	500	300	500	300	600	50	898		
Mar-16	7,000	300	500	300	500	150	700	100	600	100	330
Apr-16	7,000	150	400	150	400	600	100	600	100	600	100
May-16	7,000	150	400	150	400	600	100	600	100	600	100
Jun-16	7,000	150	400	150	400	600	100	600	100	600	100
Jul-16	7,000	150	400	150	400	500	200	500	200	500	200
Aug-16	7,000	150	400	150	400	500	200	500	200	500	200
Sep-16	7,000	150	400	150	400	500	200	500	200	500	200
Oct-16	7,000					300	300	300	300	300	300
Nov-16	7,000					300	300	300	300	300	300
Dec-16	7,000					300	300	300	300	300	300



# *Secondary LOOP Storage Market*

- Now that LOOP Sour Storage is in the open market, open trading for the storage exists.
- Trading is conducted with no restrictions through brokers or on the CME electronic exchange.
- This allows for continued price discovery and open access to customize storage needs.
- The secondary market has continuously grown as acceptance of LOOP Sour and Storage has increased.





## *Conclusion*

- LOOP, CME and NEO Markets held many meetings with refiners, traders and producers to find the most acceptable crude grades to constitute LOOP Sour.
- These same meetings were also used to create the architecture of a new commodity.
- LOOP has strived to be transparent in the qualities and believes this has quickly increased the acceptance of LOOP Sour crude.
- LOOP has acted on feedback to continuously improve LOOP Storage, which has grown in popularity.

## Questions?

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