

Oil Transforming Corpus Christi

JENNIFER HILLER, San Antonio Express-News

CORPUS CHRISTI, Texas (AP) — It's a Monday afternoon at the edge of Texas, but this might as well be the center of the oil field. Although the Port of Corpus Christi moves everything from enormous wind turbine blades to military equipment, the Eagle Ford to its north and the field's various and sundry products — from steel pipe to sand — seem to touch everything here these days.

The drilling boom has launched billions of dollars in port construction projects, as well as a round-the-clock frenzy to move products in and out of the oil patch, and to coastal terminals and refineries.

There are warehouses filled with bulk bags of ceramic proppant, the perfectly spherical sand-size beads used in hydraulic fracturing. Tug boats push inland, and oceangoing barges carrying crude oil. Steel oil-field pipe from South Korea sits stacked near a cargo dock. Workers build new storage tanks. Construction cranes punctuate the sky.

The only vessels that seem to be bringing oil into this port are heading to the Citgo refinery, owned by the national oil company of Venezuela, a country with plenty of its own hydrocarbons.

"Pretty much everything else is moving out," port spokesman Jesse Samu told the San Antonio Express-News (<http://bit.ly/1clS9kK>).

Starting this summer, more crude oil left Corpus Christi for other U.S. ports and Canada than foreign oil arrived — a reversal no one saw coming.

There are other turnarounds. After years of outmigration, Jim Lee, professor of economics at Texas A&M University-Corpus Christi, said the city — and especially its port and refineries — has found luck in geography, and an influx of jobs and activity.

About 70 miles to the north, the massive Eagle Ford arcs across South Texas like a crooked smile. It's now one of the world's most profitable oil fields.

"Corpus Christi was considered at a disadvantage. We're at the dead end. You drive south from San Antonio and you hit the waterfront and it's the end," Lee said. "Now it's totally the other way around."

A map of the port, which includes land in Nueces and San Patricio counties, looks like an industrial Monopoly board. There's construction of a \$45.8 million rail yard and \$35 million in upgrades to public barge and dock facilities. But the other projects along the ship channel in Corpus Christi, Portland and Ingleside have more spectacular numbers.

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Land on this rectangle and it's a \$500 million construction project. Over there is a \$1 billion investment.

"It sounds like I'm just making numbers up," Port of Corpus Christi Executive Director John LaRue said. "I'm not."

China-based Tianjin Pipe Corp., called TPCO, is building a \$1.3 billion plant to manufacture oil-and-gas pipe.

A subsidiary of Switzerland-based Trafigura AG is spending \$500 million to build crude-oil and natural-gas storage tanks and docks.

Cheniere Energy plans a \$10 billion plant to liquefy natural gas and sell it abroad.

Abudi Zein, co-founder and CEO of ClipperData, which tracks deliveries to coastal refineries and terminals, said shale drilling has upended the midstream industry, the part of the oil and gas business that deals with transportation and storage.

"It's disrupting all the patterns. The import patterns are different. The way the refineries are run are different," Zein said. "The Port (of Corpus Christi), from a commodities point of view, has been a place where you're unloading crude oil, you're unloading products. It developed into an exporting port."

San Antonio-based NuStar is moving 200,000 barrels per day of Eagle Ford crude oil and wants to increase that to 490,000 barrels daily by 2017.

President and CEO Curt Anastasio said the company had the advantage of existing terminals and pipelines in South Texas, and exploited it.

"Corpus Christi is the most important location in our system, and it will continue to be," he said.

"We had a lot of assets already on the ground ready to go to accommodate this new production. We just had to repurpose them. Maybe they used to move gasoline. Now they're going to move crude oil. We had to change the direction of some of these. Maybe they used to move south to north, now they're going to move north to south."

Zein said many thought that, as more Eagle Ford pipelines have come into service, the shipment of crude oil from Corpus Christi would dip. But that hasn't happened.

The shipment of crude oil out of Corpus Christi has increased right along with rising production numbers in the oil field. The Eagle Ford is expected to cross the 1 million barrel mark for daily crude oil production sometime next year.

Most of the crude oil leaving Corpus Christi is going to ports in Morgan City, La., which received 4.2 million barrels in August. Houston received 2.3 million barrels that month. Beaumont, Freeport and Texas City also received more than 1 million

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barrels, according to ClipperData.

About a third of the crude oil leaving Corpus Christi goes by barge, steel vessels pushed by tugs on the Intracoastal Waterway.

"It's an economic decision," Zein said. "This is the cheapest way to do things."

While pipelines are considered the cheapest and safest ways to transport hydrocarbons, they take time to build. Trucking is the most expensive option. So rail and barge have emerged as a middle road for the midstream industry.

Between 2011 and 2012, the amount of crude oil moved on barges increased 53 percent, according to the Institute for Energy Research. Rail deliveries quadrupled.

But Corpus Christi suffered a long hangover in the wake of the 1980s oil bust and is trying not to forget its efforts to branch out beyond oil.

To diversify its port property beyond refining and oil shipments, it courted cruise ships. It added a minor league baseball park, Whataburger Field, and a meeting and banquet facility, the Ortiz Center, both with views of the ship channel and Harbor Bridge.

"The whole port has changed," said Steven Schmidt, terminal manager for NuStar Energy LP. "They struggled forever trying to figure out what would be the base of the port. What's the mix? Now I think they struggle a little bit with everything having to do with oil. They're afraid that might dry up. They don't want to lose all of the cargo space for oil storage."

Lee said everyone seems to have the 1980s on their mind.

"Everything is expanding all the time. I'm worried," Lee said. The recent surge at the port started with \$80 oil. "If it goes down to \$80 or \$70, what is going to happen?"

Several of the companies building or planning facilities at the port have nothing to do with oil and gas — although they will benefit from the historically low price of natural gas coming from U.S. shale gas fields.

The Italian chemical engineering and manufacturing company M&G Group is in the permitting stage for a \$1.3 billion plant for PET resin, the clear plastic used in water bottles.

Voestalpine, based in Austria, plans a \$700 million plant on the north shore of Corpus Christi Bay to import iron ore from Brazil and possibly Canada and Minnesota to make briquettes that will be shipped to European auto plants.

But Lee worries shale overshadows everything else.

"It took us years to think about, 'What else can we do other than oil?' Now we forgot

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all about it," Lee said.

The Sierra Club Coastal Bend Group also is looking at the cumulative effect of all of the port projects, because "while one project by itself may be neutral, the combination of several may be harmful," Chairwoman Lois Huff said by email.

"Another personal concern I have is that the risk of oil spills is increasing along with the increase in oil being shipped out, and I am not sure we are doing enough to let the Coast Guard and the port and the shippers know that they are accountable not only to the agencies that permit them, but to our coastal community and to our coastal environment."

Corpus Christi's first dredged its ship channel in the 1870s to export agricultural products, but by the 1930s the abundance of nearby oil became transformational. Deepwater docks were dredged and the refining industry anchored itself along the shores of Nueces Bay.

As Texas and other U.S. domestic oil production fell off as the decades went by, local refineries started importing oil instead.

"This is our second time around," Mike Carrell, port chairman, said at a recent Eagle Ford event.

The port is watching to see if Mexico will open its vast oil and gas fields to foreign investment.

"We're as close to Monterrey, Mexico, as we are to Dallas, Texas," La Rue said. "For our future, that's a tremendous possibility."

The Panama Canal expansion project could provide more business.

"A lot of communities throughout the United States are talking about the Panama. They're talking about imports. They're talking about bringing clothes and TVs," LaRue said. "The opportunity we see for Texas with the Panama Canal is all exports."

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