



# **Watco Companies, L.L.C.**

**NUTC – Oil Panel Discussion Terminal Perspective**

**Evanston, IL**

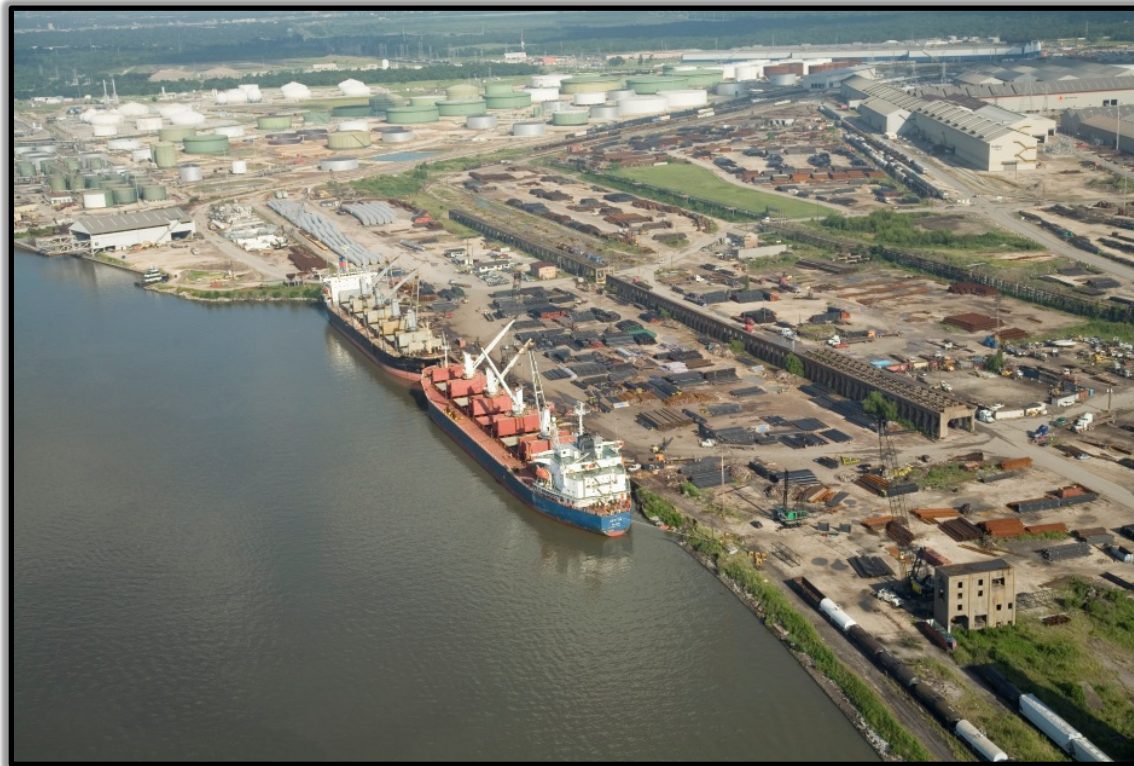
**June 11, 2014**

**Stefan Loeb – SVP Marketing & Strategic Development**

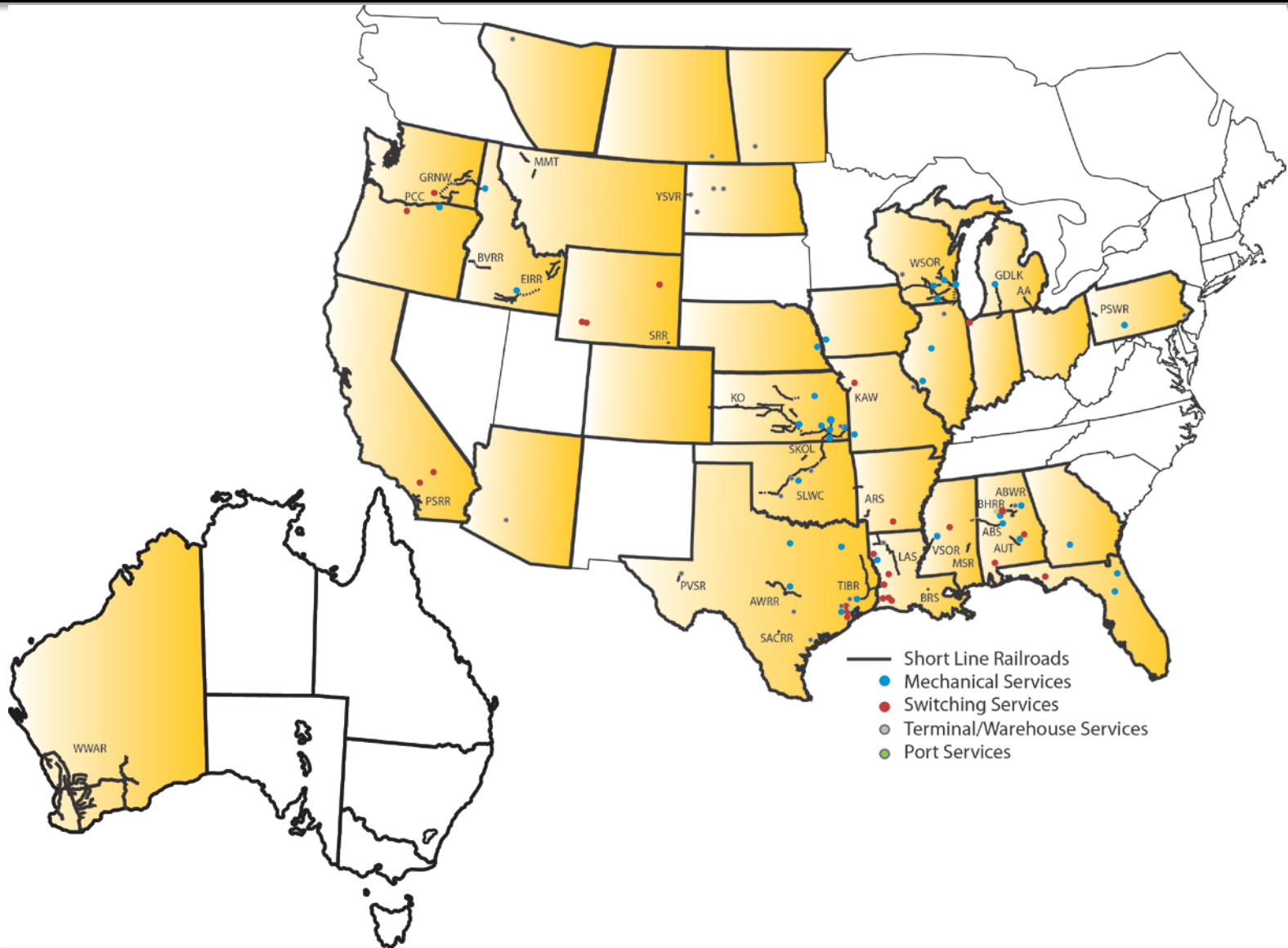
# Terminal Perspective: Watco Shale Opportunities

## CASE STUDIES:

- Origin Point Terminals: Bakken / Permian
- Endpoint Terminal: Greens Port Industrial Park
- Mechanical Shops: GBW JV



# Watco Properties



# Origin Point Terminals

- Bakken – 4 Terminals
  - 3 customer proprietary unit train loading facilities
    - Located on Class 1
    - In service prior to 2013 - including the first CBR load out
  - 1 open frac sand, pipe, and misc. transload facility
    - Located on shortline (since taken back via lease termination) - now industrial park RR
- Permian – 1 Terminal
- Niobrara – 1 Terminal
- Many Players
- Mature Model?



# Uniqueness / Differentiation: Why We See Opportunity

Inputs:

- Asset Diversification: Using non-traditional rail assets (ex: Ports/Shops)
- Customer Intel: Kinder Morgan Partnership – listen to the experts/customers
- Strategic Foresight (Luck?): Location Location Location
  - Greens Port Industrial Park (GPIP) – Houston
  - Leader in tank car qualified shops in US

Conclusion: Focus On...

- Endpoint Terminals with unique assets
  - State of the art unloading racks – Crude and Byproduct Play
  - Liquids dock development – Byproduct Play
- The Equipment: Tank Car Rebuilds via Greenbrier/Watco JV
  - DOT 111 retrofits

# End Point: Greens Port (GPIP) Introduction

## Industrial Park Features

- Largest private multi-tenant intermodal industrial park in the Gulf Coast market
- Deep water and barge docks
- 640 acres of land
- 3 million square feet of warehouse space
- Crane capabilities
- Mechanical shop on property
- 14 acres designated Foreign Trade Zone status
- Current tenants have long leasing history
- 24/7 security provided



# KW Express – Landside State of the Art Racks

## Development Overview

- On February 20, 2013, Watco and Kinder Morgan announced a definitive agreement for the development of a crude by rail facility at GPIP for Mercuria
- Facility capable of handling two inbound 105 car unit trains of crude per day and reloading one of those trains with condensate
- Key Features:
  - Developed on 24 acres of real estate at Greens Port
  - More than 10,000 feet of additional track
  - (1) 150,000 bbl tank (crude) and (1) 100,000 bbl tank (condensate)
  - 2x 35 car railcar unloading/loading racks
  - Pipe connectivity to the adjacent Magellan tank farm
  - Barge loading/unloading infrastructure at the GPIP barge dock
  - Environmental and safety components
    - Vapor Recovery Unit
    - 10,000 bbl Bladder Tank for vapors
  - Steam was added to the system to accommodate heavy Canadian crude (first of its kind)



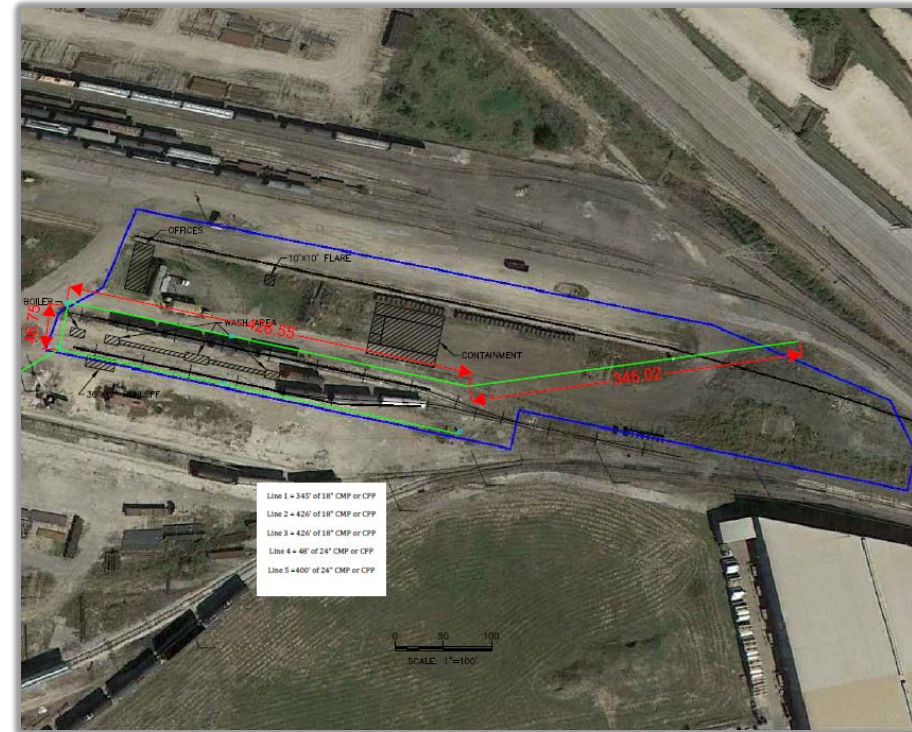
# How the Mercuria Deal Works

- The tanks at GPIIP accelerate the ability to unload trains at a faster pace (not for stagnant storage).
- The GPIIP assets are connected to the adjacent Magellan liquid tank farm where Mercuria has storage. Magellan is connected to the Houston area crude pipeline network.
- From the GPIIP tanks or the Mercuria tanks, Mercuria can load product outbound to Magellan's barge dock or the barge dock at GPIIP to hit barge served (non pipe connected) refineries. From the Magellan tanks, Mercuria can also distribute to the pipeline connected refineries.
- Outbound Condensate: At Mercuria's direction, crude trains that have been unloaded can be reloaded with condensate for outbound shipment.



# Unloading Rack Photos

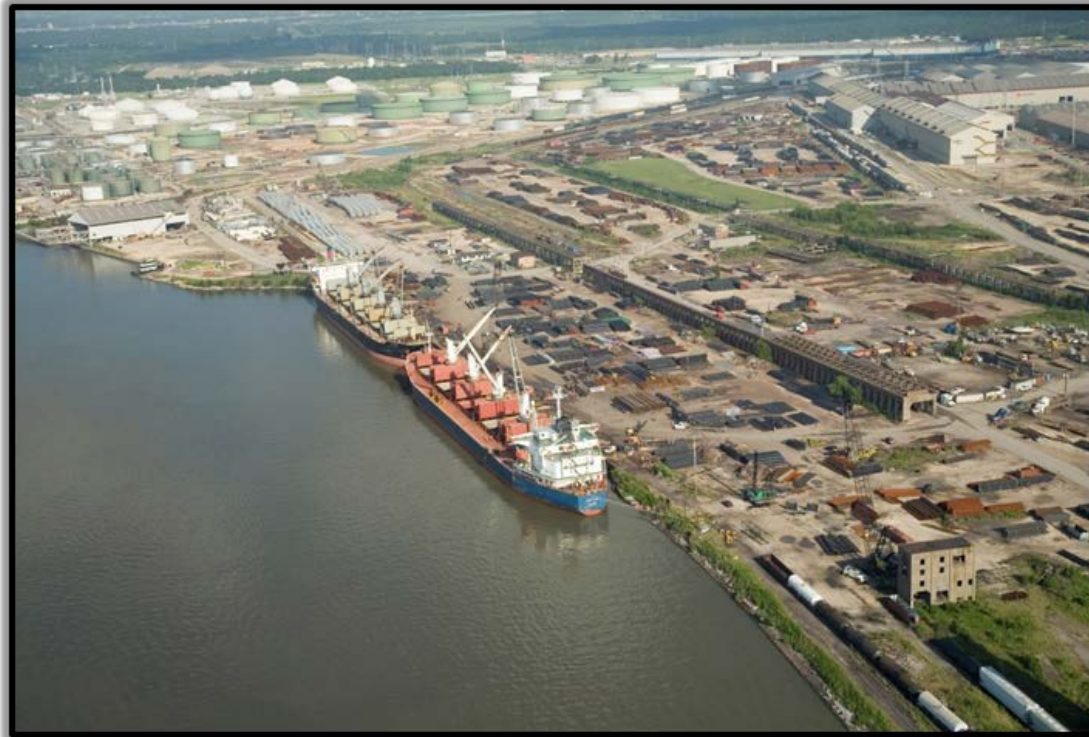
## Completed Improvements



# KM Liquids Dock Project

## ■ Dock Expansion:

- Kinder Morgan Galena Park and Pasadena Facilities – crude byproducts production
- Guaranteed volume
- Connects two major KM facilities to distribution network – Watco is THE outlet for KM

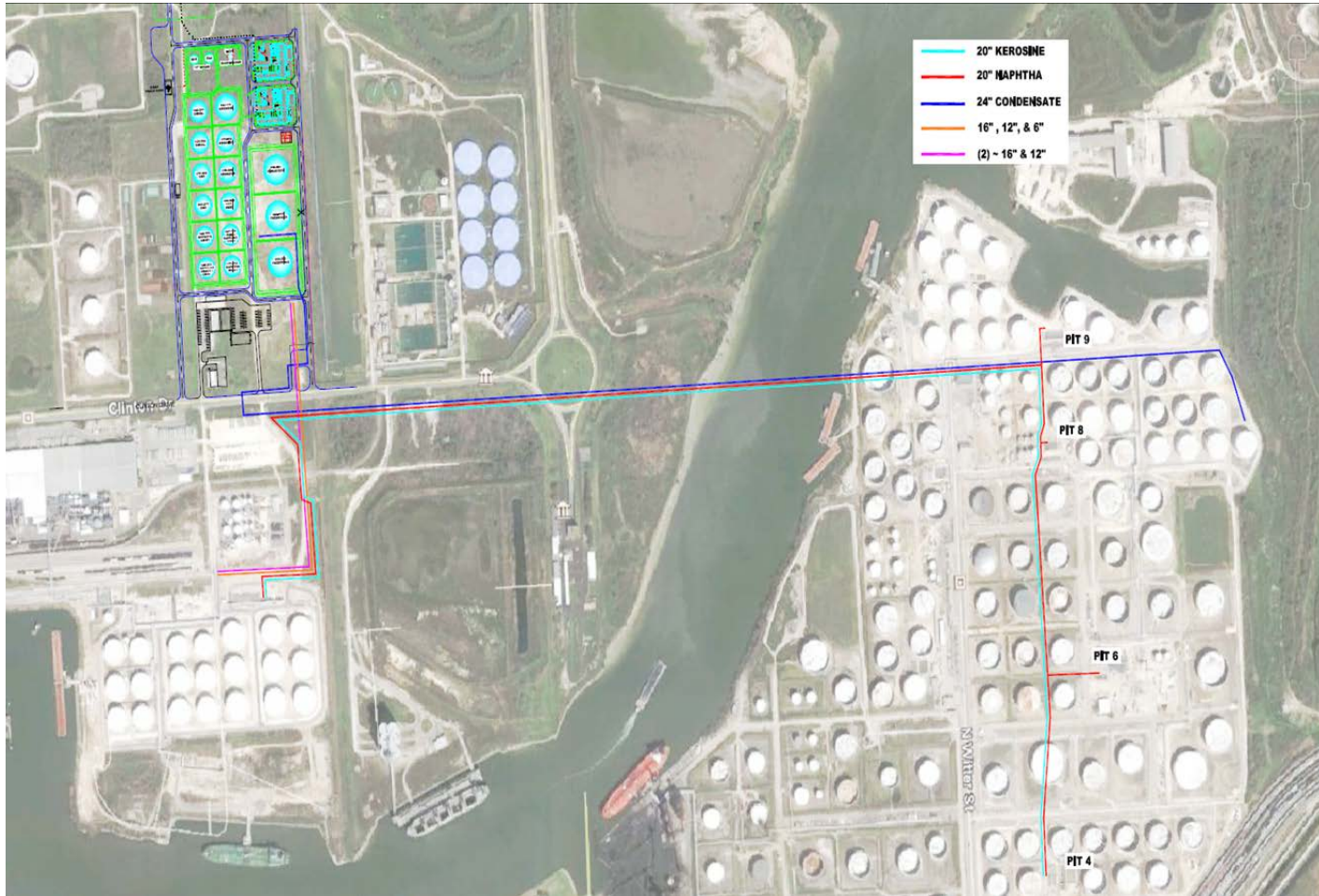


# How the KM Deal Works

- Condensate comes inbound via pipeline from the Eagleford Shale and goes to Pasadena.
- It is shipped cross channel to the splitter at Galena Park.
- The outputs from the splitter are then shipped back to Pasadena for storage in new tankage (\$71 million investment per KM's 2014 Analyst presentation).
- The output products will be loaded outbound by moving them via pipeline to Watco – GPIIP.
- KM investment to connect to Watco GPIIP is \$31 million (per KM's 2014 Analyst presentation).
- Watco GPIIP dock expansion (capital number private) work. Watco delivers product to market via the GPIIP Barge Dock
- Phase 1 – Projected Start Up March 2014
- Phase 2 – Projected Start Up January 2015



# KM Galena Park (L) and Pasadena (R)



# KM Galena Park Splitter Products

- **Y-Grade** - Trucked off site or blended back to Light Naphtha
- **Light Naphtha** - used for gasoline blending or diluent
- **Heavy Naphtha** – used for refinery intermediate
- **Kerosene** – filtered into tankage
- **Diesel** - for export market
- **Atmospheric Gas Oil** – refinery component



# Hot Off The Press: GBW Railcar Services

- Announced June 4, 2014
- Combines 37 railcar mechanical shops
  - 14 certified tank car shops
  - Perfectly positioned for DOT-111 and other equipment retrofits
  - Combine unique assets with need to retrofit and upgrade safety on the North American tank car fleet



# Conclusion

- Plenty of opportunity
- Look at all aspects of the supply chain
- Not just crude – byproducts, railcars
- Strategic relationships
- Unique assets
- Terminal of multiple moves: (rail/dock/tanks/pipe/racks)
- Be flexible – Heated racks



# Thank you for listening!

## Questions?

