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Oil Industry Economics

From Wellhead to Gas Pump

Presented by Energy Management Institute
April 29-30, 2014 | Regus Conference Center | Denver, CO



Understand the economic principles necessary to navigate the volatile waters of the international and domestic oil complex!



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In 2008 oil prices rose to \$145 – a level never seen before. Since then prices have collapsed to \$33 and rebounded to \$80 and it all comes down to economics. Don't miss this chance to understand the market drivers underlying the wild volatility of today's market.

Why You Should Attend

EMI's *Oil Economics: From Wellhead to Gasoline Pump* will help you understand the factors that establish the price of crude oil in the upstream and every facet of the downstream. When will the market fully recover from the global recession of 2008? Who's making the money in the oil complex? What are the economic drivers for price? What is the short-term and long-term outlook for pricing? And you'll leave this course with the knowledge you need to make informed, smart economic decisions, from both a strategic and tactical perspective.

What You Will Learn

The oil industry is very complex and international, with economics driving every aspect and every decision. This course will delve into the detailed economics from the wellhead to the final consumption points around the world. With this course, you will be able to understand the myriad of the normal everyday economics decisions from both a strategic and tactical perspective.

Some of the areas the course will focus on are:

- Exploration and producing economics
- The economics of producing or temporarily shutting in oil
- Economics of gathering oil
- Economics of moving oil to the manufacturing sector from all major methods... truck, rail, pipeline and ever- increasing waterborne
- Economics of the new freight markets
- Basic refining economics of various types of refiners and refineries.
- Refinery economic optimization
- Economics of various crudes
- Netback analysis
- Cracks and beyond
- Economics of various export refiners
- Economics of moving refined products to various spot markets by various methods...truck, rail, pipeline, barges and ocean-going vessels
- Economics of moving products to wholesale & retail levels
- How the economics relate to various pricing methods at each level
- Economics of storing crude oil
- Economics of storing refined products
- All about the economics of crude oil arbitrage trading
- Macro economics of worldwide energy complex
- Current geopolitical factors impacting price
- Internal determinants affecting price

Course Times

9am - 4pm, April 29
9am - 4pm, April 30

Venue Location

Regus Conference Center
Denver Place
999 18th Street, Suite 3000
Denver, CO 80202
303.534.6060

Registration Fees

1st delegate: \$1,995
2nd delegate: \$1,795
3rd delegate: \$1,600

Fee includes full course, expert instruction, course materials, continental breakfast & lunch.

3 Easy Ways to Register

1 Call PMA Conference Management at 201.871.0474 or send email to: register@pmaconference.com.

2 Complete & fax this form to 253.663.7224.

3 Complete & mail the form to: PMA Conference Management, POB 2303, Falls Church, VA 22042.

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Who Should Attend

- Major Oil & Large Independent:
 - Refiners
 - Marketers
 - Supply & Distribution personnel
 - Exchange Personnel
 - Terminal managers
 - Risk Managers
 - Wholesale and Commercial managers
 - Traders
- Wholesale/Marketing Companies
- Jobbers/Diesel Fuel Distributors
- Every Level of the Trading Community, both Physical and Financial
- Truck Stop & Retail Chain Operators:
 - Fuel purchaser
 - Hedgers
 - Marketers
- End-Users:
 - Trucking Companies
 - Barge and Shipping Companies
 - Commercial and Private Airline Fleets
 - Government Agencies – Federal – State-Municipal
 - Shipping Companies
 - Lenders to the Oil Industry
 - Futures & OTC Brokers
 - Media Companies
 - Oil Reporters
 - Oil Analysts

CPE Credits



This course earns 13 CPE credits. EMI awards credit hours towards CPE and Certified Purchasing Manager status (CPM).



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Course Syllabus: DAY ONE

Session 1: Upstream Economics

This session will cover both off-shore & land-based drilling and producing economics. We will review the cost of drilling, the economics of producing a find, as well as the economics of some of the most interesting existing oil areas around the world. This session will also highlight the break-even economics of many major producing areas around the world. The question as to when to produce and when to shut in will be presented.

Session 2: Crude Oil Transportation

This session will detail the economics of moving oil from the well to the first phase in the distribution process --- the refinery. The vast majority of this phase of the operation is via truck, rail and pipeline. A significant amount of physical oil also moves via ocean-going vessel to refineries all over the world. This aspect of the business has changed significantly over the last 30 years. It has moved from a business that was dominated by the majors to one now dominated by entrepreneurial ship owners. We'll look at various tanker options and their impact on price and how those decisions are affected by global chokepoints. This session will also explore freight trading activity and discuss the emerging forward freight market and the use of forward freight agreements (FFAs).

Session 3: Refinery Operations

Once the refiner accumulates all of their crude oil feedstocks, what are the economics of getting it into usable, marketable products? How is it done and how do economics and government-mandated specifications intermix? What are the economics of various types of refineries? What are the economics that have motivated companies like Valero to grow to the largest independent refiner in the US? Why have major integrated companies reduced their refinery exposure? These are just a few of the questions that will be discussed about the topic of refinery economics.

Session 4: Refinery Optimization

This discussion will lead to the second part of this session regarding the valuation of crude oil. We will discuss crude oil netbacks and refinery optimization using linear programming models, and how refiners ultimately select the optimum slate of feedstock's to maximize the profit of the oil products sold from the refinery. Since all of the physical crude oil that is produced must be refined, a tremendous amount of physical oil trading is centered on the refinery. This session will also delve into how the economics impact trading and supply and where those concepts meet in this arena.

Session 5: Refinery Opportunities

International/export refiners are becoming increasingly major players in this evolving part of the oil infrastructure. This session will delve into the economics of major existing refining centers around the world, like Singapore, as well as newly emerging centers like India. What are the economics that make building refineries in various places around the world interesting enough to supply markets like the US & China, the two largest consumers of refiner products in the world.

Session 6: Downstream Distribution

Now that the crude oil has been transformed into useable products we must get them to the consumer. This session will begin the process of delving into the economics of moving gasoline, diesel, jet fuels, etc. to the various levels of the downstream oil infrastructure...spot, wholesale and retail. We will compare the economics of moving product by truck, rail, pipeline, Jones Act vessels and international flag ocean-going transports. This session is mostly focused on the economics of refined product movements to the large bulk consumers and large oil resellers.



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Course Syllabus: DAY TWO

Session 1: Wholesale Economics – Seller's Perspective

This session will now focus on the economics of the wholesale level of the infrastructure from the perspective of those selling product. The vast majority of oil that is consumed in places like the US move to the wholesale (or rack) system before they reach the final retail consumer. We will detail the economics of product at wholesale and the market factors that influence price levels. Finally how do financial markets influence the economics of refined products at these points in the distribution network. Our examination highlights the seller's motivations in this process.

Session 2: Wholesale Economics – Buyer's Perspective

Buyer's have several options for procuring product in the wholesale market. Refined products can be purchased based on indices pegged to various levels of the energy infrastructure – spot, wholesale, NYMEX. This session will approach the methodologies of index-based purchasing from the buyer's perspective. We will look at the economics involved with the various practices used by small, medium, and large wholesale buyers.

Session 3: Retail Economics

The last level of the downstream oil industry is the retail gasoline pump. It would seem that this level would have the most economic transparency since prices are so visibly displayed. However there is a great deal of misunderstanding and distrust at the retail level. Fuel is sold at well over 100,000 locations including traditional service stations, truck stops, and convenience stores. We'll breakdown the economics at these different types of operations and see who's making money and who isn't. This session will detail the final components of price between the wholesale terminal and the retail pump.

Session 4: Trade & Hedge Economics

Throughout the Oil Economics course, the concepts of trading and hedging enter into the discussion at many points. This session will dig deeper into the concepts and their related economics. Trading and hedging is incorporated into every level of the market from the upstream protection of crude values; crack spreads at the refinery; refined product in transit, and retail margins. Exchange traded financial markets are the overriding umbrella that provide stability and surety of economics one day and white knuckle volatility the next.

Session 5: Storage Economics

This session will cover the economics of storing crude oil prior to the manufacturing process as well as storing various refined products after the refining process is over. Before we delve into the economics we will elaborate on who stores oil and why they do it. We will differentiate storing oil from a logistic viewpoint versus an opportunistic economic perspective. This session will introduce you to all of the economic aspects of storing oil and what it is telling us about the marketplace.

Session 6: State of the Energy Complex

This session will delve into the dynamic and evolving aspects of the world's geopolitics that influence economics. Why are energy prices where they are? History will help understand some of the reason. What are causes for high prices and what are simply symptoms? Why are geopolitics and security of supply so important today and significantly less important just 10 years ago? What is the energy price model and what does that mean for the next few years? This session will delve into the major market drivers with a detailed description as to what to expect going forward.



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Learn From the Experts that Experts Trust

EMI experts are frequent editorial contributors to petroleum magazines & are trusted by today's leading news sources.

Our experts have been featured in:

Futures Magazine • The Wall Street Journal • USA Today • The New York Times • The Washington Post • Journal of Commerce • CNN • NBC • CBS • ABC • Bloomberg • Reuters

EMI's leading industry experts have an average of over 30 years of knowledge and experience in:

**Energy • Commodity trading • Risk management
• Education • Consulting • Financial services**

Plus many years of managing marketing, international trading, manufacturing, consulting, start-up operations and project finance operations of well-known companies; integrated major oil companies as well as international trading companies.

EMI's industry experts have also provided risk and value management analysis, advice, information, and services to a variety of companies in the electric power industry. Clients have included power marketers, integrated utilities, retail power providers, hedge funds, and power plants.

Highlights of our instructors' experience include: • Developing a suite of models for a variety of power markets that quantify value and risk • Managing spark spread portfolios for hedge funds in the power markets • Operating in futures trading pits as a market observer in the power markets • Developing working papers for investigations and performing compliance audits in the power industry • Helping Texaco initiate its first use of futures exchanges as an integral part of hedging/trading strategy • Chief Operating Officer of Triwell Marketing and refining • Director of OPIS, Oil Price Information Service, a management-consulting and educational services group that solely focused on the downstream energy industry • Member of Board of Directors of Longview Refinery • Member of the New York Mercantile Exchange Petroleum Advisory Board • Expert witness for a hearing before the subcommittee on surface transportation for the Commerce, Science, and Transportation Committee of the US Senate • Supplied expert testimony to a US Senate sub-committee hearing on diesel petroleum product pricing • Supplied testimony to the Federal Highway Administration regarding fuel tax evasion • Expert witness in a MTBE litigation against the major oil companies • Publishers of The Daily Hedger, BTU's Daily Gas Wire and BTU's Daily Power Report, which advise thousands of petroleum professionals daily.

Our instructors are frequent expert speakers for numerous petroleum industry events and trade associations including: • DOE DESC World Energy Conference • OPIS Fleet Fueling • NYMEX • Fuel Management University • NATSO • ATA • AAA • Dairy Distribution • eyeforEnergy eCommerce • OPIS Supply Summit • CIOMA • American Society of Mechanical Engineers • American Society of Lubricating Engineers • Ambrust Aviation • NACHA.

Over the years EMI has developed a series of intensive courses covering all aspects of Energy from production all the way to managing the impact price and volatility on the margin of end-users, resellers, traders, marketers, shippers, retailers and refiners. Our instructors have had the privilege to instruct thousands of professionals representing all aspects of the energy industry, including every major oil company (i.e. Exxon Mobil, BP, Shell, Equilon, Motiva) major power utilities (i.e. Sempra, Edison Mission, Berkley, Toronto Hydro, Dominion, Conectiv) small marketers (i.e. Sprague, Getty, Southern Counties, Western Petroleum) trucking fleets from 50 to 10,000 (i.e. UPS, U.S. Postal Service, Yellow, Pepsi, Werner), gasoline-powered fleets hyper-markets (i.e. The Pantry, Wawa, BJs Wholesale) and many fortune 500 energy consumers.



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REGISTRATION FORM

Registration Fees

\$1,995 for full program

This fee includes expert instruction, course materials and lunch.

Discount for Additional Attendees

2nd delegate: \$1,795

3rd delegate: \$1,600

Enrollment Information (Please Print Clearly)

First Name: _____ Last Name: _____

Company Name: _____

Address: _____

City: _____ State: _____ Zip: _____

Phone: _____ Fax: _____

Email Address: _____

Payment Method

Please invoice my company (payment must be received prior to course date)

Mastercard Visa American Express

Card Number: _____ Expiration Date: / /

Card Holder Name: _____

Card Holder Signature: _____

Refund/Cancellation Policy

Attendees may reschedule for a different date or course with no penalty. Attendees may substitute a colleague in place of themselves as long as prior notice is given to EMI. Course fees are 100% refundable up to 14 days prior to course date, 80% refundable up to 5 days prior to course date and 50% refundable up to 2 days prior to course date. Cancellations are non-refundable thereafter.

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