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Louisiana Offshore Oil Port storage center, one of the nation's largest, getting even bigger

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FOR PHOTO GO TO THE WEBSITE. Photo courtesy of Louisiana Offshore Oil Port -- A network of pipes and structures are all that's visible of the Louisiana Offshore Oil Port LLC's underground storage facility at Clovelly. Storage includes eight salt caverns. LOOP is adding three above-ground oil tanks and 1.1 million barrels of storage capacity.

Clovelly Hub will hold 10.1 million barrels in above-ground storage

BY RICHARD THOMPSON

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The Louisiana Offshore Oil Port is adding three new above-ground oil tanks and 1.1 million barrels of storage capacity to its Clovelly Hub, one of the nation's largest oil trading and distribution centers.

The new tanks will increase Clovelly's above-ground storage to 10.1 million barrels. LOOP also has 60 million barrels of underground storage.

"We are expanding to meet the changing needs of our industry," said Tom Shaw, president of LOOP LLC, which owns and operates the Clovelly Hub. "Expanding North American production has made the Clovelly Hub an even more attractive destination for crude producers and shippers demanding high-volume storage and ready access to refiners."

The project is estimated to cost more than $25 million and is set to be finished by late next summer, said Terry Coleman, LOOP's vice president of business development.

The hub receives domestic and international crude via ships and pipelines, temporarily storing the oil before sending it on to U.S. refineries. The Clovelly Hub receives oil from wells in Texas, the Gulf of

Mexico and the U.S. mid-continent.

"Last year was the first time in 34 years that we received, stored and distributed more domestic crude oil than foreign," Shaw said.

LOOP, which has a staff of about 205 full-time employees, opened in 1981 to accommodate large crude oil carriers from across the globe. But that's changed over time: imports at LOOP have fallen to almost half the 1 million barrels a day that the facility managed in 2008.

Meanwhile, U.S. daily oil production continues to rise, having hit 9.5 million barrels a day in May, up from 8.6 million barrels a day a year ago, according to the federal Energy Information Administration. Brent crude, a benchmark for international oils used by many U.S. refineries, rose $1.80 to close Monday at $50.41 in London, but down to more than half the price a year ago.

Having the additional storage space at LOOP — already the largest privately owned repository for crude oil destined for refineries in the U.S. — is good for the state, said Don Briggs, president of the Louisiana Oil & Gas Association.

"It gives us more capacity, more reserve, and more capabilities to bring in additional crude," Briggs said. "What drives a lot of this new storage — not just here, but in other parts of the world — is the fact that oil prices are so low. When you have cheaper oil prices, it's a good time to be able to buy, but it doesn't do you any good to buy if you don't have a place to put it."

Eric Smith, an associate director of the Tulane Energy Institute, said LOOP's decision to expand its above-ground storage makes sense given that the U.S. has imported less foreign crude oil in recent years.

"This has opened up space, if you will, in their physical facilities both offshore and onshore, and they're trying to figure out ways to monetize that capacity," Smith said. "One way is to rent it out to other people."

With that new capacity will come new opportunity for some traders, he said.

"People are saying, 'I can buy this crude really cheap right now in this low price scenario; it's not sustainable, it can't go on forever,' " Smith said. " 'If I buy it, put it in storage, pay the storage fee to LOOP and sell it two years from now, I'll make a lot of money.' That's the basic economic rationale for doing it."

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