Tortoise QuickTake Podcast with Rob Thummel

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Welcome to the Tortoise QuickTake podcast. Thank you for joining us. Today, a senior member of Tortoise provides a timely update on trending topics in the market.

Hello. I am Tortoise Managing Director and Portfolio Manager Rob Thummel with this week's Tortoise QuickTake podcast highlighting the top energy events of last week.

It was another great week for energy stocks. Oil prices rose by 8.5% and energy stocks extended their October rally. Oil and gas producer stocks, represented by the Tortoise North American Oil and Gas Producers Index℠, increased by 14% last week while MLPs represented by the Tortoise MLP Index® were up 6.5%.

The natural question is what is up with the rise in oil prices? Last week, news coming out of Russia and Saudi Arabia drove the rise in oil prices. Russia, who is not a member of OPEC, but does produce approximately 10% of total worldwide production, stated that they would be willing to consult with OPEC about current oil prices. Saudi Arabia also ordered a series of cost-cutting measures showing the strain that low oil prices are causing. From a fundamental perspective, the U.S. rig count fell for the sixth consecutive week. The oil rig count is now at 605 rigs. To put this in perspective, the oil rig count has dropped by over 1,000 rigs from a year ago. The rig count hasn't been this low since July 2010. Tune in to our update call at the end of the month. We will have some interesting analysis on which U.S. oil fields are being impacted the most. Lastly, related to oil prices, Mark Papa, the former CEO of EOG Resources, which is recognized by its peers as one of the best operators in the U.S., gave a presentation in London. The Papa bear stated that $45 was too low to give an incentive to invest in new production. Prices above $90 brought too much shale but $75 oil is just "about right".

Taking a closer look at performance, the strong stock performance last week meant that only one stock in our Tortoise North American Oil and Gas Producers Index℠ was down for the week and it only fell by 1%. On the other hand, the strongest performer in the index last week was up 59% in one week. This stock was Canadian Oil Sands Limited that received an exchange offer to be acquired by Suncor at a price that equates to $8.84 per share based on closing prices of Canadian Oil Sands and Suncor shares on October 2. The offer price represented a 43% premium to the share price on October 2nd. However, the average stock price of Canadian Oil Sands during 2015 is $9.34. Therefore, Suncor's offer is actually 5.5% below the average price of the Canadian Oil Sands stock price this year. Regardless, some believe this $6 billion transaction will be flame to ignite the M&A market in the E&P sector.

Weekly performance across MLPs also varied with the weakest in the Tortoise MLP Index® delivering a negative 2% return while the strongest performer rose by 35% for the week. There were some signs of short covering as 3 of the highest 5 performing MLPs last week were stocks where the days to close out all of the short positions exceeded 10 days. From a fundamental perspective, new midstream projects have continued to get announced with two joint ventures formed last week. Gulfport Energy and Rice partnered to develop natural gas gathering and water services assets to support growing Utica Shale development. Additionally, Targa and Sanchez Energy are joining forces to build a new natural gas processing plant to serve the Eagle Ford shale. Last but not least, we are entering one of the four most wonderful times of year for MLP investors. Its distribution season. We are off to a good start with all four midstream MLPs including Enterprise, Genesis, Tallgrass, and Plains All American announcing distribution increases. On the flip side, making it very clear that not all MLPs are created equal, Linn Energy, which is an oil and gas producing MLP, not a midstream MLP, suspended its distribution last week.

Finishing up with some interesting regulatory news. Last week, the energy industry moved one step closer to ending a 40+ year ban on crude oil exports with the House voting in favor of ending the ban on oil exports. The next step is the Senate where approval is likely more challenging. Nevertheless, removing the ban would be beneficial for U.S. producers and energy infrastructure operators.

Those are the highlights from last week. Thanks for listening. We will talk to you next week.

Thank you for joining us. And stay tuned for our next cast. Have topics you want covered or other feedback to share? Write us at info@tortoiseadvisors.com

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