Phillips 66
Form 10-K
February 19, 2016
Table of Contents
Index to Financial Statements

2015

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K

(Mark One)

[X]	ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended	December 31, 2015
	OR
[ ]	TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from	to

Commission file number: 001-35349

Phillips 66
(Exact name of registrant as specified in its charter)

Delaware	45-3779385
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

3010 Briarpark Drive, Houston, Texas 77042
(Address of principal executive offices) (Zip Code)
Registrant's telephone number, including area code:
281-293-6600

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, $.01 Par Value	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.	[X] Yes [ ] No
Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.	[ ] Yes [X] No
Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.	[X] Yes [ ] No
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).	[X] Yes [ ] No
Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.	[X]

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer [X]	Accelerated filer [ ]	Non-accelerated filer [ ]	Smaller reporting company [ ]

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). [ ] Yes [X] No

The aggregate market value of common stock held by non-affiliates of the registrant on June 30, 2015, the last business day of the registrant’s most recently completed second fiscal quarter, based on the closing price on that date of $80.56, was $43.3 billion. The registrant, solely for the purpose of this required presentation, had deemed its Board of Directors and executive officers to be affiliates, and deducted their stockholdings in determining the aggregate market value.

The registrant had 527,459,894 shares of common stock outstanding at January 31, 2016.

Documents incorporated by reference:

Portions of the Proxy Statement for the Annual Meeting of Stockholders to be held on May 4, 2016 (Part III).

Table of Contents
Index to Financial Statements

TABLE OF CONTENTS

Table of Contents
Index to Financial Statements

Unless otherwise indicated, “the company,” “we,” “our,” “us” and “Phillips 66” are used in this report to refer to the businesses of Phillips 66 and its consolidated subsidiaries. This Annual Report on Form 10-K contains forward-looking statements including, without limitation, statements relating to our plans, strategies, objectives, expectations and intentions that are made pursuant to the “safe harbor” provisions of the Private Securities Litigation Reform Act of 1995. The words “anticipate,” “estimate,” “believe,” “budget,” “continue,” “could,” “intend,” “may,” “plan,” “potential,” “predict,” “ “will,” “would,” “expect,” “objective,” “projection,” “forecast,” “goal,” “guidance,” “outlook,” “effort,” “target” and similar ex identify forward-looking statements. The company does not undertake to update, revise or correct any forward-looking information unless required to do so under the federal securities laws. Readers are cautioned that such forward-looking statements should be read in conjunction with the company’s disclosures under the heading “CAUTIONARY STATEMENT FOR THE PURPOSES OF THE ‘SAFE HARBOR’ PROVISIONS OF THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995.”

PART I

Items 1 and 2. BUSINESS AND PROPERTIES

CORPORATE STRUCTURE

Phillips 66, headquartered in Houston, Texas, was incorporated in Delaware in 2011 in connection with, and in anticipation of, a restructuring of ConocoPhillips resulting in the separation of its downstream businesses into an independent, publicly traded company named Phillips 66. The two companies were separated by ConocoPhillips distributing to its stockholders all the shares of common stock of Phillips 66 after the market closed on April 30, 2012 (the Separation). On May 1, 2012, Phillips 66 stock began trading “regular-way” on the New York Stock Exchange under the “PSX” stock symbol.

Our business is organized into four operating segments:

1) Midstream—Gathers, processes, transports and markets natural gas; and transports, fractionates and markets natural gas liquids (NGL) in the United States. In addition, this segment transports crude oil and other feedstocks to our refineries and other locations, delivers refined and specialty products to market, and provides terminaling and storage services for crude oil and petroleum products. The Midstream segment includes our master limited partnership, Phillips 66 Partners LP, as well as our 50 percent equity investment in DCP Midstream, LLC (DCP Midstream).

2) Chemicals—Manufactures and markets petrochemicals and plastics on a worldwide basis. The Chemicals segment consists of our 50 percent equity investment in Chevron Phillips Chemical Company LLC (CPChem).

3) Refining—Buys, sells and refines crude oil and other feedstocks at 14 refineries, mainly in the United States and Europe.

4) Marketing and Specialties (M&S)—Purchases for resale and markets refined petroleum products (such as gasolines, distillates and aviation fuels), mainly in the United States and Europe. In addition, this segment includes the manufacturing and marketing of specialty products, as well as power generation operations.

Corporate and Other includes general corporate overhead, interest expense, our investment in new technologies and various other corporate activities. Corporate assets include all cash and cash equivalents.

At December 31, 2015, Phillips 66 had approximately 14,000 employees.

Table of Contents
Index to Financial Statements

SEGMENT AND GEOGRAPHIC INFORMATION

For operating segment and geographic information, see Note 26—Segment Disclosures and Related Information, in the Notes to Consolidated Financial Statements, which is incorporated herein by reference.

MIDSTREAM

The Midstream segment consists of three business lines:

- Transportation—transports crude oil and other feedstocks to our refineries and other locations, delivers refined and specialty products to market, and provides terminaling and storage services for crude oil and petroleum products.
- DCP Midstream—gathers, processes, transports and markets natural gas and transports, fractionates and markets NGL.
- NGL—transports, fractionates and markets natural gas liquids.

Phillips 66 Partners LP

In 2013, we formed Phillips 66 Partners LP, a master limited partnership (MLP), to own, operate, develop and acquire primarily fee-based crude oil, refined petroleum product and NGL pipelines and terminals, as well as other transportation and midstream assets. At December 31, 2015, we owned a 69 percent limited partner interest and a 2 percent general partner interest in Phillips 66 Partners, while the public owned a 29 percent limited partner interest.

Headquartered in Houston, Texas, Phillips 66 Partners' assets and equity investments consist of crude oil, NGL and refined petroleum product pipelines, terminals, rail racks and storage systems that are geographically dispersed throughout the United States, most of which are integral to a Phillips 66-operated refinery.

During 2015, Phillips 66 Partners expanded its business by acquiring from us:

- One-third equity interests in DCP Sand Hills Pipeline, LLC (Sand Hills) and DCP Southern Hills Pipeline, LLC (Southern Hills), as well as a 19.5 percent equity interest in Explorer Pipeline Company (Explorer). This acquisition closed in March 2015.
- A 40 percent equity interest in Bayou Bridge Pipeline, LLC (Bayou Bridge). This acquisition closed in December 2015.

The operations and financial results of Phillips 66 Partners are included in either the Transportation or NGL business line, based on the nature of the activity within the partnership.

Transportation

We own or lease various assets to provide environmentally safe, strategic and timely delivery and terminaling and storage of crude oil, refined products, natural gas and NGL. These assets include pipeline systems; petroleum product, crude oil and liquefied petroleum gas (LPG) terminals; a petroleum coke handling facility; marine vessels; railcars and trucks.

Pipelines and Terminals

At December 31, 2015, our Transportation business managed over 18,000 miles of crude oil, natural gas, NGL and petroleum products pipeline systems in the United States, including those partially owned or operated by affiliates. We owned or operated 39 finished product terminals, 37 storage locations, 5 LPG terminals, 16 crude oil terminals and 1 petroleum coke exporting facility.

During 2015, we continued to invest in our Beaumont Terminal, the largest terminal in the Phillips 66 portfolio, which currently has 4.7 million barrels of crude oil storage capacity and 2.4 million barrels of refined product storage capacity. As of December 31, 2015, we had 2.0 million barrels of incremental crude storage capacity under construction, which is

Table of Contents
Index to Financial Statements

expected to be completed in the third quarter of 2016. In addition, we have initiated a variety of other projects aimed at increasing storage and throughput capabilities as we continue the expansion of the Beaumont terminal from its current 7.1 million barrels of storage capacity to 16 million barrels.

Construction progressed in 2015 on our two crude oil pipeline systems being developed by our joint ventures, Dakota Access LLC (DAPL) and Energy Transfer Crude Oil Company, LLC (ETCOP). Phillips 66 owns a 25 percent interest in each joint venture, with our co-venturer holding the remaining 75 percent interest and acting as operator of both the DAPL and ETCOP pipeline systems. The DAPL pipeline is expected to deliver 470,000 barrels per day of crude oil from the Bakken/Three Forks production area in North Dakota to market centers in the Midwest. The DAPL pipeline will provide shippers with access to Midwestern refineries, unit-train rail loading facilities to facilitate deliveries to East Coast refineries, and the Gulf Coast market through an interconnection in Patoka, Illinois, with ETCOP pipeline. The ETCOP pipeline will provide crude oil transportation service from the Midwest to the Sunoco Logistics Partners L.P. (Sunoco Logistics) and Phillips 66 storage terminals located in Nederland, Texas. The pipelines are expected to be operational in fourth-quarter 2016.

In the third quarter of 2015, Phillips 66 became a joint venture partner with a 40 percent equity interest in Bayou Bridge. Energy Transfer Partners, L.P. (ETP) and Sunoco Logistics each hold a 30 percent interest in the joint venture, with Sunoco Logistics serving as the operator. The joint venture was formed for the funding and development of the Bayou Bridge pipeline. The Bayou Bridge pipeline is a new-build 30” and 24” pipeline that will deliver crude oil from Nederland, Texas, to Lake Charles, Louisiana and on to St. James, Louisiana. Phillips 66 is constructing the segment to Lake Charles, which will be in service by the end of first-quarter 2016. The remaining section of the pipeline, which will be constructed by ETP, is scheduled for completion in the second half of 2017. Effective December 1, 2015, Phillips 66 Partners acquired Phillips 66’s 40 percent equity interest in Bayou Bridge.

In the fourth quarter of 2015, Phillips 66 Partners commenced operation of the Palermo Rail Terminal, which is located on a 710-acre site near Palermo, North Dakota. The crude terminal has an initial capacity of 100,000 barrels per day, with the flexibility to be expanded to 200,000 barrels per day. It is located on a railway with two mainline switches, allowing east- and west-bound deliveries. The terminal includes 6 truck unloading facilities and 206,000 barrels of operational storage, with permits allowing total storage capacity of up to 2.4 million barrels, as well as space for 6 additional truck unloading facilities. The terminal is owned by the joint venture Phillips 66 Partners Terminal LLC, of which Phillips 66 Partners holds a 70 percent interest, with Paradigm Energy Partners, LLC (Paradigm) owning the remaining 30 percent interest. Phillips 66 Partners is the operator.

In 2016, the Palermo Rail Terminal is anticipated to include a pipeline delivery and receipt connection to the 76-mile Sacagawea Pipeline, allowing the terminal to receive crude oil from areas in Dunn County and McKenzie County, North Dakota, and deliver it to terminals and pipelines located in Stanley, North Dakota. The Sacagawea Pipeline is owned by the joint venture Sacagawea Pipeline Company, LLC, of which Paradigm Pipeline LLC holds an 88 percent interest, with the remaining 12 percent interest owned by Grey Wolf Midstream, LLC. Phillips 66 Partners and Paradigm each own a 50 percent interest in Paradigm Pipeline LLC. Paradigm is constructing the pipeline and Phillips 66 Partners will be the operator.

Table of Contents
Index to Financial Statements

The following table depicts our ownership interest in major pipeline systems as of December 31, 2015:

Name	Origination/Terminus	Interest		Size	Length(Miles)	Gross Capacity (MBD)
Crude and Feedstocks						
Glacier	Cut Bank, MT/Billings, MT	79	%	8”-12”	865	126
Line 80	Gaines, TX/Borger, TX	100		8”, 12”	237	28
Line O	Cushing, OK/Borger, TX	100		10”	276	37
WA Line	Odessa, TX/Borger, TX	100		12”, 14”	289	104
Cushing	Cushing, OK/Ponca City, OK	100		18”	62	130
North Texas Crude	Wichita Falls, TX	100		2”-16”	224	28
Oklahoma Mainline	Wichita Falls, TX/Ponca City, OK	100		12”	217	100
Clifton Ridge †	Clifton Ridge, LA/Westlake, LA	71		20”	10	260
Eagle Ford Gathering †	Helena, TX	71		6”	6	20
Eagle Ford Gathering †	Tilden, TX/Whitsett, TX	71		6”, 10”	22	34
Louisiana Crude Gathering	Rayne, LA/Westlake, LA	100		4”-8”	80	25
Sweeny Crude	Sweeny, TX/Freeport, TX	100		12”, 24”, 30”	56	265
Line 100	Taft, CA/Lost Hills, CA	100		8”, 10”, 12”	79	54
Line 200	Lost Hills, CA/Rodeo, CA	100		12”, 16”	228	93
Line 300	Nipomo, CA/Arroyo Grande, CA	100		8”, 10”, 12”	56	48
Line 400	Arroyo Grande, CA/Lost Hills, CA	100		8”, 10”, 12”	147	40
Petroleum Products						
Harbor	Woodbury, NJ/Linden, NJ	33		16”	80	171
Pioneer	Sinclair, WY/Salt Lake City, UT	50		8”, 12”	562	63
Seminoe	Billings, MT/Sinclair, WY	100		6”-10”	342	33
Yellowstone	Billings, MT/Moses Lake, WA	46		6”-10”	710	66
Borger to Amarillo	Borger, TX/Amarillo, TX	100		8”, 10”	93	76
ATA Line	Amarillo, TX/Albuquerque, NM	50		6”, 10”	293	34
Borger-Denver	McKee, TX/Denver, CO	70		6”-12”	405	38
Gold Line †	Borger, TX/East St. Louis, IL	71		8”-16”	681	120
SAAL	Amarillo, TX/Abernathy, TX	33		6”	102	33
SAAL	Abernathy, TX/Lubbock, TX	54		6”	19	30
Cherokee South	Ponca City, OK/Oklahoma City, OK	100		8”	90	46
Heartland*	McPherson, KS/Des Moines, IA	50		8”, 6”	49	30
Paola Products †	Paola, KS/Kansas City, KS	71		8”, 10”	106	96
Standish	Marland Junction, OK/Wichita, KS	100		18”	92	72
Cherokee North	Ponca City, OK/Arkansas City, KS	100		10”	29	57
Cherokee East	Medford, OK/Mount Vernon, MO	100		10”, 12”	287	55
	Pasadena, TX/Galena Park, TX	71		20”	5	180

Cross Channel Connector †					
Explorer***†	Texas Gulf Coast/Chicago, IL	14	24”, 28”	1,830	660
Sweeny to Pasadena †	Sweeny, TX/Pasadena, TX	71	12”, 18”	120	294
LAX Jet Line	Wilmington, CA/Los Angeles, CA	50	8”	19	50
Torrance Products	Wilmington, CA/Torrance, CA	100	10”, 12”	8	161
Los Angeles Products	Torrance, CA/Los Angeles, CA	100	6”, 12”	22	112
Watson Products Line	Wilmington, CA/Long Beach, CA	100	20”	9	238
Richmond	Rodeo, CA/Richmond, CA	100	6”	14	26

Table of Contents
Index to Financial Statements

Name	Origination/Terminus	Interest	Size	Length (Miles)	Gross Capacity (MBD)
NGL					
Powder River	Sage Creek, WY/Borger, TX	100 %	6”-8”	705	14
Skelly-Belvieu	Skellytown, TX/Mont Belvieu, TX	50	8”	571	45
TX Panhandle Y1/Y2	Sher-Han, TX/Borger, TX	100	3”-10”	299	61
Chisholm	Kingfisher, OK/Conway, KS	50	4”-10”	202	42
Sand Hills**†	Permian Basin/Mont Belvieu, TX	24	20”	1,190	250
Southern Hills**†	U.S. Midcontinent/Mont Belvieu, TX	24	20”	940	175
Sweeny NGL	Brazoria, TX/Sweeny, TX	100	20”	18	204
LPG					
Blue Line	Borger, TX/East St. Louis, IL	100	8”-12”	688	29
Brown Line	Ponca City, OK/Wichita, KS	100	8”, 10”	76	26
Conway to Wichita	Conway, KS/Wichita, KS	100	12”	55	38
Medford	Ponca City, OK/Medford, OK	100	4”-6”	42	10
Sweeny LPG Lines	Sweeny/Mont Belvieu & Freeport, TX	100	10”-20”	246	842
Natural Gas					
Rockies Express	Meeker, CO/Clarington, OH	25	36”-42”	1,712	1.8 BCFD

†Owned by Phillips 66 Partners LP; Phillips 66 held a 71 percent ownership interest in Phillips 66 Partners LP at December 31, 2015.

*Total pipeline system is 419 miles. Phillips 66 has ownership interest in multiple segments totaling 49 miles.

**Operated by DCP Midstream Partners, LP; Phillips 66 Partners holds a direct one-third ownership in the pipeline entities.

***Phillips 66 Partners holds a 19.5 percent ownership in Explorer.

Table of Contents
Index to Financial Statements

The following table depicts our ownership interest in finished product terminals as of December 31, 2015:

Facility Name	Location	Interest		Gross Storage Capacity (MBbl)	Gross Rack Capacity (MBD)
Albuquerque	New Mexico	100	%	244	18
Amarillo	Texas	100		277	29
Beaumont	Texas	100		2,400	8
Billings	Montana	100		88	16
Bozeman	Montana	100		113	13
Colton	California	100		211	21
Denver	Colorado	100		310	43
Des Moines	Iowa	50		206	15
East St. Louis †	Illinois	71		2,085	78
Glenpool North	Oklahoma	100		366	19
Great Falls	Montana	100		198	12
Hartford †	Illinois	71		1,075	25
Helena	Montana	100		178	10
Jefferson City †	Missouri	71		110	16
Kansas City †	Kansas	71		1,294	66
La Junta	Colorado	100		101	10
Lincoln	Nebraska	100		219	21
Linden	New Jersey	100		429	121
Los Angeles	California	100		116	75
Lubbock	Texas	100		179	17
Missoula	Montana	50		368	29
Moses Lake	Washington	50		186	13
Mount Vernon	Missouri	100		363	46
North Salt Lake	Utah	50		657	41
Oklahoma City	Oklahoma	100		352	48
Pasadena †	Texas	71		3,210	65
Ponca City	Oklahoma	100		51	23
Portland	Oregon	100		664	33
Renton	Washington	100		228	20
Richmond	California	100		334	28
Rock Springs	Wyoming	100		125	19
Sacramento	California	100		141	13
Sheridan	Wyoming	100		86	15
Spokane	Washington	100		351	24
Tacoma	Washington	100		307	17
Tremley Point	New Jersey	100		1,593	39
Westlake	Louisiana	100		128	16
Wichita Falls	Texas	100		303	15
Wichita North †	Kansas	71		679	19

†Owned by Phillips 66 Partners LP; Phillips 66 held a 71 percent ownership interest in Phillips 66 Partners LP at December 31, 2015.

6

Table of Contents
Index to Financial Statements

The following table depicts our ownership interest in crude and other terminals as of December 31, 2015:

Facility Name	Location	Interest		Gross Storage Capacity (MBbl)	Gross Loading Capacity**
Crude					
Beaumont	Texas	100	%	4,704	N/A
Billings	Montana	100		270	N/A
Borger	Texas	100		721	N/A
Clifton Ridge †	Louisiana	71		3,410	N/A
Cushing	Oklahoma	100		700	N/A
Junction	California	100		523	N/A
McKittrick	California	100		237	N/A
Odessa	Texas	100		523	N/A
Palermo*	North Dakota	50		206	N/A
Pecan Grove †	Louisiana	71		142	N/A
Ponca City	Oklahoma	100		1,200	N/A
Santa Margarita	California	100		335	N/A
Santa Maria	California	100		112	N/A
Tepetate	Louisiana	100		152	N/A
Torrance	California	100		309	N/A
Wichita Falls	Texas	100		240	N/A
Petroleum Coke					
Lake Charles	Louisiana	50		N/A	N/A
Rail					
Bayway †	New Jersey	71		N/A	75
Beaumont	Texas	100		N/A	20
Ferndale †	Washington	71		N/A	30
Missoula	Montana	50		N/A	82
Palermo*	North Dakota	50		N/A	100
Thompson Falls	Montana	50		N/A	84
Marine					
Beaumont	Texas	100		N/A	13
Clifton Ridge †	Louisiana	71		N/A	48
Hartford †	Illinois	71		N/A	3
Pecan Grove †	Louisiana	71		N/A	6
Portland	Oregon	100		N/A	10
Richmond	California	100		N/A	3
Tacoma	Washington	100		N/A	12
Tremley Point	New Jersey	100		N/A	7

†Owned by Phillips 66 Partners LP; Phillips 66 held a 71 percent ownership interest in Phillips 66 Partners LP at December 31, 2015.

*Owned by Phillips 66 Partners Terminal LLC; Phillips 66 Partners holds a 70 percent ownership interest in Phillips 66 Partners Terminal LLC.

**Rail in thousands of barrels daily (MBD); Marine in thousands of barrels per hour.

Rockies Express Pipeline LLC (REX)

We have a 25 percent interest in REX. The REX natural gas pipeline runs 1,712 miles from Meeker, Colorado, to Clarington, Ohio, and has a natural gas transmission capacity of 1.8 billion cubic feet per day (BCFD), with most of its system having a pipeline diameter of 42 inches. Numerous compression facilities support the pipeline system. The REX pipeline was originally designed to enable natural gas producers in the Rocky Mountain region to deliver natural gas supplies to the Midwest and eastern regions of the United States. During 2015, as a result of east-to-west expansion projects, the REX Pipeline began transporting natural gas supplies from the Appalachian Basin to Midwest markets.

Table of Contents
Index to Financial Statements

Marine Vessels
At December 31, 2015, we had 12 double-hulled, international-flagged crude oil and product tankers under term charter, with capacities ranging in size from 300,000 to 1,100,000 barrels. Additionally, we had under term charter three Jones Act compliant tankers and 66 tug/barge units. These vessels are used primarily to transport feedstocks or provide product transportation for certain of our refineries, including delivery of domestic crude oil to our Gulf Coast and East Coast refineries.

Truck and Rail
Truck and rail operations support our feedstock and distribution operations. Rail movements are provided via a fleet of more than 12,300 owned and leased railcars. Truck movements are provided through approximately 170 third-party truck companies, as well as through Sentinel Transportation LLC, in which we hold a 20 percent equity interest.

DCP Midstream

Our Midstream segment includes our 50 percent equity investment in DCP Midstream, which is headquartered in Denver, Colorado. As of December 31, 2015, DCP Midstream owned or operated 64 natural gas processing facilities, with a net processing capacity of approximately 8.0 BCFD. DCP Midstream's owned or operated natural gas pipeline systems included gathering services for these facilities, as well as natural gas transmission, and totaled approximately 68,000 miles of pipeline. DCP Midstream also owned or operated 12 NGL fractionation plants, along with natural gas and NGL storage facilities, a propane wholesale marketing business and NGL pipeline assets.

The residual natural gas, primarily methane, which results from processing raw natural gas, is sold by DCP Midstream at market-based prices to marketers and end users, including large industrial companies, natural gas distribution companies and electric utilities. DCP Midstream purchases or takes custody of substantially all of its raw natural gas from producers, principally under contractual arrangements that expose DCP Midstream to the prices of NGL, natural gas and condensate. DCP Midstream also has fee-based arrangements with producers to provide midstream services such as gathering and processing.

DCP Midstream markets a portion of its NGL to us and CPChem under existing 15-year contracts, the primary commitment of which began a ratable wind-down period in December 2014 and expires in January 2019. These purchase commitments are on an "if-produced, will-purchase" basis.
During 2015, DCP Midstream and DCP Midstream Partners, LP (DCP Partners), the MLP formed by DCP Midstream, completed or advanced the following growth projects:

- The Sand Hills laterals were placed into service in the second and third quarters of 2015. The Sand Hills pipeline capacity expansion is underway and expected to be in service in the middle of 2016.
- In March 2015, construction began on a gathering system in the Denver-Julesburg (DJ) Basin, named the Grand Parkway gathering project, with expected completion in the first quarter of 2016.
- The expansion of the Keathley Canyon natural gas gathering pipeline system, which is part of DCP Partners' Discovery joint venture, was placed into service in the first quarter of 2015.
- The Lucerne 2 plant was placed into service in mid-2015.

Table of Contents
Index to Financial Statements

NGL

Our NGL business includes the following:

- The 100,000 barrels-per-day (BPD) Sweeny Fractionator One is located in Old Ocean, Texas. The fractionator is supported by 250 miles of new pipelines and the Clemens Caverns storage facility located near Brazoria, Texas, with connectivity to local petrochemical customers, the Mont Belvieu market hub and our marine terminal in Freeport, Texas.

- A 22.5 percent equity interest in Gulf Coast Fractionators, which owns an NGL fractionation plant in Mont Belvieu, Texas. We operate the facility, and our net share of its capacity is 32,625 barrels per day.

- A 12.5 percent equity interest in a fractionation plant in Mont Belvieu, Texas. Our net share of its capacity is 30,250 barrels per day.

- A 40 percent interest in a fractionation plant in Conway, Kansas. Our net share of its capacity is 43,200 barrels per day.

- Phillips 66 Partners owns a direct one-third interest in both Sand Hills and Southern Hills, whose pipelines connect Eagle Ford, Permian and Midcontinent production to the Mont Belvieu, Texas market.

In December 2015, operations began at Sweeny Fractionator One. Sweeny Fractionator One is located adjacent to our Sweeny Refinery and supplies purity ethane and LPG to the petrochemical industry and heating markets. Raw NGL supply to the fractionator is delivered from nearby major pipelines, including the Sand Hills pipeline.

The fractionator is supported by significant new infrastructure including connectivity to two NGL supply pipelines, a 180,000 BPD bi-directional pipeline to the Mont Belvieu market center and a multi-million barrel salt dome storage facility with access to our marine terminal in Freeport, Texas.

During 2015, construction progressed on the Freeport LPG Export Terminal located at the site of our existing marine terminal in Freeport, Texas. The terminal expansion will leverage our transportation and storage infrastructure to supply petrochemical, heating and transportation markets globally. In addition, a 100,000 BPD unit to upgrade domestic propane for export is being installed near the Sweeny Fractionator One. The terminal will have an initial export capacity of 150,000 BPD of LPG with a ship loading rate of 36,000 barrels per hour. The terminal is currently exporting 10,000 to 15,000 BPD of natural gasoline (C5+) from Sweeny Fractionator One.

The LPG produced at Sweeny Fractionator One is being delivered via pipeline to local petrochemical customers, as well as to the market hub at Mont Belvieu, Texas. We will have the capability to place the LPG into global markets upon completion of our Freeport LPG Export Terminal in the second half of 2016. Sweeny Fractionator One and the Freeport LPG Export Terminal represent a combined capital investment of more than $3 billion.

CHEMICALS

The Chemicals segment consists of our 50 percent equity investment in CPChem, which is headquartered in The Woodlands, Texas. At the end of 2015, CPChem owned or had joint-venture interests in 34 manufacturing facilities and two research and development centers located around the world.

We structure our reporting of CPChem's operations around two primary business segments: Olefins and Polyolefins (O&P) and Specialties, Aromatics and Styrenics (SA&S). The O&P business segment produces and markets ethylene and other olefin products; the ethylene produced is primarily consumed within CPChem for the production of polyethylene, normal alpha olefins and polyethylene pipe. The SA&S business segment manufactures and markets aromatics and styrenics products, such as benzene, styrene, paraxylene and cyclohexane, as well as polystyrene and styrene-butadiene copolymers. SA&S also manufactures and/or markets a variety of specialty chemical products including organosulfur chemicals, solvents, catalysts, drilling chemicals and mining chemicals.

The manufacturing of petrochemicals and plastics involves the conversion of hydrocarbon-based raw material feedstocks into higher-value products, often through a thermal process referred to in the industry as “cracking.” For example, ethylene can be produced from cracking the feedstocks ethane, propane, butane, natural gasoline or certain refinery liquids, such as naphtha and gas oil. The produced ethylene has a number of uses, primarily as a raw material for the production of plastics, such as polyethylene and polyvinyl chloride. Plastic resins, such as polyethylene, are manufactured in a thermal/catalyst process, and the produced output is used as a further raw material for various applications, such as packaging and plastic pipe.

CPChem, including through its subsidiaries and equity affiliates, has manufacturing facilities located in Belgium, China, Colombia, Qatar, Saudi Arabia, Singapore, South Korea and the United States.

The following table reflects CPChem’s petrochemicals and plastics product capacities at December 31, 2015:

	Millions of Pounds per Year	
	U.S.	Worldwide
O&P		
Ethylene	8,030	10,505
Propylene	2,675	3,180
High-density polyethylene	4,205	6,500
Low-density polyethylene	620	620
Linear low-density polyethylene	490	490
Polypropylene	—	310
Normal alpha olefins	2,335	2,850
Polyalphaolefins	105	235
Polyethylene pipe	590	590
Total O&P	19,050	25,280
SA&S		
Benzene	1,600	2,530
Cyclohexane	1,060	1,455
Paraxylene	1,000	1,000
Styrene	1,050	1,875
Polystyrene	835	1,070
K-Resin® SBC	—	70
Specialty chemicals	430	550
Nylon 6,6	—	55
Nylon compounding	—	20
Polymer conversion	—	130
Total SA&S	5,975	8,755
Total O&P and SA&S	25,025	34,035

Capacities include CPChem’s share in equity affiliates and excludes CPChem’s NGL fractionation capacity.

In 2015, CPChem continued construction of a world-scale ethane cracker and polyethylene facilities in the U.S. Gulf Coast region. The project will leverage the development of the significant shale resources in the United States. CPChem’s Cedar Bayou facility, in Baytown, Texas, will be the location of the 3.3 billion-pound-per-year ethylene unit. The polyethylene facility will have two polyethylene units, each with an annual capacity of 1.1 billion pounds, and will be located near CPChem's Sweeny facility in Old Ocean, Texas. The project is expected to be completed in 2017.

In the second quarter of 2015, CPChem completed construction and started commercial operations of a 220-million-pounds-per-year expansion of normal alpha olefin (NAO) production capacity at its Cedar Bayou plant. NAO and its derivatives are used extensively as polyethylene co-monomers, synthetic motor oils, lubricants, automotive additives and in a wide range of specialty applications.

Table of Contents
Index to Financial Statements

Saudi Polymers Company (SPCo), a 35-percent-owned joint venture company of CPChem, owns an integrated petrochemicals complex adjacent to S-Chem (two 50/50 SA&S joint ventures) at Jubail Industrial City, Saudi Arabia. SPCo produces ethylene, propylene, polyethylene, polypropylene, polystyrene and 1-hexene.

In association with the SPCo project, CPChem committed to build a nylon 6,6 manufacturing plant and a number of polymer conversion projects at Jubail Industrial City, Saudi Arabia. The projects were undertaken through CPChem’s 50-percent-owned joint venture company, Petrochemical Conversion Company Ltd. The projects started operations in stages during 2014 through 2015, with the nylon 6,6 project achieving commercial production in December 2015.

Table of Contents
Index to Financial Statements

REFINING

Our Refining segment buys, sells, and refines crude oil and other feedstocks into petroleum products (such as gasolines, distillates and aviation fuels) at 14 refineries, mainly in the United States and Europe.

The table below depicts information