MIDSTREAM Monitor

Jan. 16, 2015 | Volume 33 | Issue 2

Ethane Will 'Never Walk Alone'

By Frank Nieto, Senior Editor

To many sports fans there are certain "cursed" sports franchises like the Chicago Cubs and the Cleveland Browns that seem to snatch defeat from the jaws of victory. Then there are franchises that are historically successful, but have fallen on hard times and can't seem to catch a break to reverse that fortune such as Liverpool Football Club.

This storied club was the most successful in English football (né, soccer to all of us Americans), but has not won a domestic league title since 1990. To make matters worse, in those 24 years the club has seen its bitter rival, Manchester United Football Club, win 13 titles and usurp their throne as the most successful in the land.

For such a successful club it is somewhat surprising that one of the theme songs that its fans sing is the Gerry & The Pacemakers' version of Rodgers & Hammerstein's, "You'll Never Walk Alone." This song implores the listener to brave through challenging times in order to come out stronger.

When you walk through a storm, hold your head up high
And don't be afraid of the dark
At the end of the storm, there's a golden sky
And the sweet, silver song of a lark

The story of Liverpool F.C. and the advice in that song are a message that seem to parallel that of the U.S. ethane market. Ethane has traditionally been the feedstock of choice to crack ethylene. However, the NGL has found itself battling constant headwinds for much of the past three years that have kept it from duplicating its lofty past levels. As 2015 begins the NGL has fallen behind propane and butane as the most preferred feedstock for ethylene, whose very name indicates how close a relationship it has traditionally had with ethane.

In 2014, ethane was held back by diminished cracking capacity as many crackers were in the midst of expansion or undergoing maintenance. This resulted in an oversupply situation as demand was not able to keep up with supply. By the end of the year, cracking capacity reached its highest level, but the downturn in crude prices hasn't led to the faster turnaround forecast earlier in the year.

Morgan Stanley Research expects West Texas Intermediate prices to average $58 per barrel (bbl) and Brent prices to be $65/bbl in 2015 as the current downturn is largely supply-driven and not a reflection of a widespread downturn in demand. "While many moving parts still need to settle out in terms of where 2015 consensus estimates land, lower oil price levels will clearly have a negative impact on U.S. petrochemical prices and margins, U.S. NGL prices, U.S. E&P earnings and—selectively and more moderately—U.S. midstream names in 2015," the firm said in a Jan. 6 research note.

While 2015 will still present challenges to the ethane industry, the positive is that cracking capacity is at a high and the domestic petrochemical industry is growing in order to take advantage of the cheap and plentiful supplies of ethane.

The U.S. ethane advantage should continue through 2017 as it will be extremely difficult for naphtha to reach parity with ethane as naphtha co-product credits with Brent need to break down or U.S. natural gas prices need to improve to the high single digits, according to Morgan Stanley.

On a short-term basis ethane will remain oversupplied, but balances will even out and likely make a turnaround in the 2017 to 2019 period due to decreased crude production. "U.S. oil production creates [about] 60% of existing ethane supply. With U.S. ethane demand expected to grow by [about] 47% in 2017 to '19, both existing supply and further supply growth will be key to ethane's overall supply and demand balance," the report said. It will take a few quarters for production to effectively decrease, which Morgan Stanley said means that the key period for ethane supply and demand will be 2017 to 2018. Crackers should still have enough ethane supplies to operate well as crude prices should be high enough to encourage further production.

Post-2017, $90/bbl prices are needed to encourage the development of six new ethane crackers along the Gulf Coast. These new facilities will each require about 90,000 bbl/d, or a total of 630,000 bbl/d, of incremental ethane. “With oil at $70 to $75/bbl, we anticipate 57% of new ethane supply … to come from oil-based shale plays (Eagle Ford, Bakken, Permian, Niobrara and the Rockies) and 43% of this increase coming from gas-based shale plays (Marcellus, Utica, Mississippi Lime and Barnett Combo),” the report said.

Changes in oil prices going forward will also impact the ethane supply-and-demand picture in 2020 in the following ways:

Prices of $95 to $100/bbl would encourage an increase in production to the point where ethane would be oversupplied by 175,000 bbl/d;

Prices of $80 to $85/bbl would have supply-and-demand in a delicate balance;

Prices of $70 to $75/bbl would have the market undersupplied by 200,000 bbl/d;

Prices of $60 to $64/bbl would leave the market undersupplied by 320,000 bbl/d; and,

Prices of $50 to $55/bbl would leave the market undersupplied by 630,000 bbl/d.

Supply-and-demand logistics will play a major role in whether companies choose to invest in these crackers or not as greater margins will help to pay off the projects sooner. For example, Morgan Stanley stated that ethylene margins of 40 cents per pound (lb) would generate more than $1.2 billion in annual EBITDA on a 1.5 million ton cracker. This would allow the project to be paid off in less than four years. However, if ethylene margins were 10 cents/lb, the annual EBITDA would be $320 million and result in a payback of about 15 years. Though still attractive, the report anticipates new cracker builds to slow in lower IRR scenarios.

Ethane may still have some challenges to overcome, but once they are it is likely that the domestic market will be much stronger for it with improved supply-and-demand functionality that will ensure success for years to come.

Tanker Buoyancy May Help Lift Crude Market

By Caryn Livingston, Assistant Editor

When it comes to looking past the short-term crude oil price dip, some oil traders are seizing the opportunity to turn a profit by hiring supertankers to serve as temporary storage until prices rebound.

Freight brokers and shipping sources told *Reuters* that trading firms Trafigura Beheer BV and The Vitol Group, along with Royal Dutch Shell Plc, booked crude tankers for up to 12 months. This sort of long-term booking activity is unusual, which suggests that the firms are using the vessels for storage rather than immediate delivery.

The fixture list obtained by *Reuters* showed that Vitol booked mega-ship *TI Oceania*, an Ultra Large Crude Carrier with 3 million barrels (3 MMbbl) of crude capacity as well as the 2 MMbbl *Maran Corona* Very Large Crude Carrier (VLCC). Swiss-based Trafigura hired at least one VLCC, the *Nave Synergy*, while Shell booked the *Xin Run Yang* and *Xin Tong Yang* VLCCs.

Booking rates for VLCCs generally don’t come cheap—*Bloomberg* reported that tankers shipping the benchmark route, bringing Middle East oil to Japan, earned $83,853 a day on Jan. 13. However, this strategy still makes sense given that the market is currently in contango, with prices for deliveries in the future well above expected future spot prices. It also seems traders are getting a great deal on these bookings, under $40,000 a day, by agreeing to take older, less fuel-efficient carriers under long-term contracts, according to *Reuters*.

While this is a smart financial move for the commodities traders, it has also been a boon for supertanker owners. Morgan Stanley raised its average 2015 rate forecast for VLCCs to $45,000 a day on Jan. 12, a $10,000 increase from the previous estimate, citing potential demand for floating storage.

"This is going to tighten the market and make the entire market move higher," Fotis Giannakoulis, an analyst at Morgan Stanley in New York, told *Bloomberg*. "If contango keeps deepening it wouldn't be a surprise" for the biggest tankers to earn more than $100,000 a day, he said, although for the rate to get that high "a very steep contango" would be necessary.

The tanker booking rate hasn't been above $100,000 a day since July 30, 2008, *Bloomberg* reported. An increase to that level during 2015 would likely only be temporary because the contango "cannot" stay high enough to drive up storage for "too long," Giannakoulis said.

Even with that likely price ceiling in mind, it's all good news for owners of VLCCs. Frontline Ltd., Nippon Yusen Kaisha and Dynacom Tankers Management Ltd., which control a combined 11% of the fleet, indicated that orders for storage tankers have been multiplying, and Morgan Stanley and investment banking advisory firm Evercore Partners Inc. told *Bloomberg* they expect the highest shipping rates since 2009, when about 5.5% of the global fleet was used for crude storage. Giannakoulis said the maximum amount of its capacity the fleet can use for storage is about 10%, or 215 MMbbl. With *Reuters* reporting that current bookings for floating storage have only reached between 12 MMbbl and 15 MMbbl, there's still a lot of room for the tanker storage market to grow in 2015.

Analysts at Vienna-based JBC Energy said in a recent note that the increase in storage may also lead to some relief for the crude market during the coming weeks, *Reuters* reported.

"This will not only release some pressure on front-end prices, but also allow for the physical market to clear somewhat," the note said. "The physical market could also turn temporarily supportive over the coming months thanks to the balancing effect of floating storage."

Deloitte: US Energy Industry Can Weather The Storm

By Deon Daugherty, Associate Editor

Although the U.S. energy industry—which has soared to unexpected heights in recent years—is facing one of its first major hurdles since the heady days at the start of the shale revolution, analysts at Deloitte LLP are optimistic about the field ahead.

Since the summer of 2014, West Texas Intermediate and Brent prices have dropped more than 40%, potentially driving problems throughout the energy value chain from upstream through the downstream.

However, John England, vice chairman and U.S. oil and gas leader at Deloitte, said that during the global recession that started in 2008, the U.S. continues to benefit significantly from the North American energy renaissance, which lowered manufacturing costs, boosted employment and attracted investment to the U.S. economy.

In a white paper for the *Deloitte Center for Energy Solutions*, England said, “The North American energy renaissance and U.S. shale revolution are more resilient to price pressures than commonly understood.”

During the last two years, the industry has produced more innovative technology and better economics: specifically, new wells are drilled faster, completion times have decreased and completed wells are more productive.

Integrated companies will benefit from their vertical integration in the downstream, he said.

“The supermajors have the ability to take a longer view than the current price cycle. Over the longer term, the price reverts to the mean and having been through boom and bust price cycles before, they are able to plan beyond price fluctuations and invest today to bring tomorrow’s production to market,” he said. “With that in mind, the current price cycle should not significantly impact their long-term plans.”

U.S. crude production was on track to reach 9 million barrels per day in December 2014, the highest level since 1985, and despite the volatile commodities market, producers are set to push production even higher in 2015, he said.

All of which could set the stage for a stronger case by those pressuring the administration to consider crude exports.

“It strengthens the case made by producers—that their production should be able to find the most optimally priced market,” he said. “However, U.S. refiners will remain opposed to lifting the ban on crude exports. Although refiners are struggling to find an export scenario with overall benefits, over the long run they may not find it as disadvantageous as currently feared.”

Ultimately, it will be up to the president and Congress to decide whether to lift, or lessen, the ban on crude exports, England said, “but the antipathy between the two sectors of the industry on exports may be overstated.”

New Texas Regulator Ready To Take On The World

By Joseph Markman, Associate Editor

New Texas Railroad Commissioner Ryan Sitton explains his vision of Texas as global energy leader to pipeline executives in Houston. Source: Hart Energy

Just four days after being sworn in as commissioner of the Texas Railroad Commission, Ryan Sitton shared his aspirations for world domination with pipeline industry executives.

The new commissioner, one of three elected to lead the state's oil and gas regulatory agency, told members of the Texas Pipeline Association on Jan. 9 in Houston that he envisions a global leadership shift in the next five to 10 years if the state's industry can continue to grow in what he termed a short-term price challenge environment.

"I am not just talking about energy influence," he said. "I'm talking about all around the world, people not just responding to what OPEC does but to what Texas does."

An engineer by training and co-founder with his wife of Pinnacle AIS, an integrity and reliability company based in Pasadena, Sitton assured the group that he was aware of the implications of oil's steep drop into the $40s.

"Obviously, our producers are going to be pulling capital off the market," he said. "They're going to be slowing down drilling operations, everybody knows that."

But slower growth for the moment does not erase the massive ramp-up of production—200% since 2007—that the Texas has realized through recent development of shale plays like the Eagle Ford and Permian Basin, and opportunity for the midstream beckons.

"What was the match in pipeline construction? Not even close," Sitton said. "In that same time period, pipelines in the state of Texas went from 300,000 miles of pipeline to about 420,000 miles."

"We have a transportation problem," he emphasized. "In order for the state of Texas and our oil to compete on a global scale, we've got to be able to get that oil to market, and the pipeline industry is going to be our way to do that."

Sitton's strategy for accomplishing this involves improved engagement with citizens to foster support for the industry. He cited the recent election results for the North Texas city of Denton, in which voters supported Republican Gov.-elect Greg Abbott and himself at roughly the same ratio that they approved a ban on hydraulic fracturing.

"Was it a bunch of hippy environmentalists voting for this ban?" he asked. Rather, it was a citizenry concerned about perceived health issues stemming from drilling technology that it did not understand operated by an industry that was out of touch. He noted that only 3% of the state's citizens even knew that the oil and gas industry was regulated by the Texas Railroad Commission.

"We've got to do so much outreach that when questions come up, it does not become political," he said. "We can answer questions in the language of science, technology and data. We've got to do it in a way that is much more public."

In addition to enforcing best practices, Sitton sees the role of the commission as defender of the state's industry.

"When a federal regulatory agency oversteps its bounds, ultimately it's the job of the attorney general in the state of Texas to file a lawsuit," he said. "We should be in a position to be their chief expert witness. We should be able to explain why what we are doing not only is sound, but is industry approved. We should be able to explain why other states and nations follow our lead."

Frac Spread: Another Type Of Shoulder Season

By Frank Nieto, Senior Editor

While not a cause for celebration, NGL, natural gas and crude oil prices holding firm the week of Jan. 7 provided some needed relief to the marketplace as producers are hopeful that the pricing floor was finally met.

We frequently discuss shoulder seasons—basically the early fall and spring periods between winter and summer when heating/cooling demand are at their lowest. In 2015, we're in the midst of another form of shoulder season: one in the center of the market's nominal peak demand season, but instead experiencing lower prices due to an oversaturated market.

The outlook for crude prices has been mixed, with several analysts, notably Goldman Sachs, stating that values could fall below $40 per barrel (bbl). However, other firms, such as Barclays Capital, En*Vantage and Global Hunter Securities are targeting prices above this threshold in 2015.

According to En*Vantage, geopolitical risks in economically weak oil producing nations could cause production declines or disruptions. "There is no way that geopolitical risks are not increasing in these countries and yet the market has completely wiped out the price risk premium for crude disruptions or declines in these unstable regions. We look for crude prices to retrace some of the gains that were achieved [this week] and hope to see some consolidation in the $45 to $50 range over the next several weeks," the firm said in its *Weekly Energy Report* for Jan. 15.

Barclays Capital also anticipates crude prices will consolidate, as it retained a neutral outlook. "While the absence of bottoming patterns in price makes us reluctant to call for a base, we do expect a period of consolidation. … We expect prices to acclimatize at lower levels and would only turn bearish again on a

break below support in the $45.37/bbl area. Such an instance would signal a further downside squeeze towards the $32.50/bbl area, the lows of 2008. For now, sideways chop is most likely as investors catch their breath," the investment firm said in a Jan. 13 research note.

Global Hunter Securities anticipates a near-term drop in values with West Texas Intermediate prices falling to the mid-$40s/bbl, which is roughly its current value of $46.28/bbl as of Jan. 15. Gasoline demand has been increasing while prices fall to five-year lows as drivers are adding more mileage and, increasingly, buying less fuel-efficient vehicles such as trucks and SUVs.

Though many analysts have concluded that the increased sale of these vehicles is directly tied to the downturn in crude and gasoline prices, Jeep reported that it was on track to achieve its record sales level even before this turnaround. In addition, Ford's F-150 has long been the nation's best-selling vehicle.

"When we were still at $3.80 per gallon (gal), we were still up 38% year-over-year. We ended the year up 41%. So our growth story was happening prior to the lows we're seeing today," Fiat Chrysler CEO Sergio Marchionne told the Associated Press. This indicates that there is still room for North American consumer demand even if, and when, crude prices improve in the future.

Even if buyers begin to shy away from SUV buying in the coming years, this buying spree—caused from a combination of the need to replace older vehicles and the cold winters experienced the past two years—will help to increase gasoline demand as the lower fuel efficiency these vehicles provide will remain with customers for at least five years on average.

The cold temperatures being experienced in the Midwest and Northeast are helping to increase heating demand, which should begin to support gas and propane prices. These demands resulted in Conway prices, which are more susceptible to heating demand, to improve. However, Mont Belvieu prices took a downturn as LPG export demand is falling as the arb for Asia and Europe is less than transportation costs based on forward prices. This could lead to delivery cancellations in March, according to En*Vantage.

Though the outlook for propane is gloomy, ethane is at last undergoing its turnaround (see *this week's story*). After a rough 18 months, the combination of ethane rejection and increased cracking capacity is having a positive impact on the market. Prices rebounded 3% at Conway to 17 cents/gal and 6% at Mont Belvieu to 19 cents/gal. Though the Mont Belvieu price is 10 cents/gal lower than at the same time last year, the Conway price is nearly level. Both are indications of an improving market when you factor in the large downturns being experienced by other NGL prices in the same 12-month period.

The theoretical NGL bbl price improved at both hubs with the Mont Belvieu price up slightly to $19.63/bbl with a 1% increase in margin to $8.27/bbl while the Conway price rose 3% to $19.53/bbl with a 4% improvement in margin to $8.61/bbl.

The most profitable NGL to make at both hubs was C_{5+} at 62 cents/gal at Conway and 58 cents/gal at Mont Belvieu. This was followed, in order, by isobutane at 43 cents/gal at Conway and 34 cents/gal at Mont Belvieu; butane at 35 cents/gal at Conway and 31 cents/gal at Mont Belvieu; propane at 13 cents/gal at Conway and 17 cents/gal at Mont Belvieu; and ethane at negative 3 cents/gal at Conway and negative 2 cents/gal at Mont Belvieu.

Frigid winter temperatures saw gas storage withdrawals go sky high the week of Jan. 9 as the U.S. Energy Information Administration reported that storage was down 236 billion cubic feet to 2.853 trillion cubic feet (Tcf) from 3.089 Tcf the previous week. This was 11% above the 2.571 Tcf posted last year at the same time and 4% below the five-year average of 2.966 Tcf.

NGL PRICES

Mont Belvieu	Eth	Pro	Norm	Iso	Pen+	NGL Bbl
Jan. 7 - 16, '15	18.94	45.08	63.54	64.68	92.58	**$19.63**
Dec. 31, '14 - Jan. 6, '15	17.95	46.15	63.08	64.00	93.00	**$19.59**
Dec. 24 - 30, '14	18.16	51.50	68.25	69.68	105.48	**$21.53**
Dec. 17 - 23, '14	18.31	55.12	70.30	72.10	109.56	**$22.43**
December '14	17.25	55.54	72.72	74.08	116.89	**$23.00**
November '14	23.50	88.90	111.20	112.90	164.60	**$34.22**
4th Qtr '14	20.22	76.90	96.73	98.28	149.25	**$30.10**
3rd Qtr '14	23.19	103.92	123.69	128.39	212.20	**$40.27**
2nd Qtr '14	29.26	106.55	124.12	130.23	222.81	**$42.31**
1st Qtr '14	34.50	129.51	137.62	141.49	212.60	**$46.16**
Jan. 8 - 14, '14	29.35	127.32	139.46	144.68	207.64	**$44.95**
Conway, Group 140	**Eth**	**Pro**	**Norm**	**Iso**	**Pen+**	**NGL Bbl**
Jan. 7 - 16, '15	17.03	40.70	66.36	72.32	95.48	**$19.53**
Dec. 31, '14 - Jan. 6, '15	16.50	39.35	65.28	69.38	93.68	**$19.03**
Dec. 24 - 30, '14	18.25	46.15	79.40	81.73	106.73	**$22.08**
Dec. 17 - 23, '14	19.27	51.86	83.76	82.00	111.60	**$23.49**
December '14	16.52	53.04	83.35	86.00	117.65	**$23.68**
November '14	20.00	95.80	113.00	129.00	156.50	**$34.68**
4th Qtr '14	18.69	78.64	102.72	113.19	146.37	**$30.77**
3rd Qtr '14	20.38	104.99	123.51	140.07	207.90	**$40.18**
2nd Qtr '14	26.26	105.44	121.26	163.00	221.62	**$42.62**
1st Qtr '14	25.46	169.48	132.08	147.10	216.86	**$49.93**
Jan. 8 - 14, '14	16.80	140.50	136.78	148.28	203.50	**$44.43**

CURRENT FRAC SPREAD (CENTS/GAL)				
January 16, 2015	Conway	Change from Start of Week	Mont Belvieu	Last Week
Ethane	17.03		18.94	
Shrink	19.82		20.62	
Margin	-2.79	8.66%	-1.68	38.61%
Propane	40.70		45.08	
Shrink	27.39		28.49	
Margin	13.31	7.98%	16.59	-5.57%
Normal Butane	66.36		63.54	
Shrink	31.01		32.25	
Margin	35.35	1.92%	31.29	1.83%
Isobutane	72.32		64.68	
Shrink	29.78		30.98	
Margin	42.54	6.35%	33.70	2.37%
Pentane+	95.48		92.58	
Shrink	33.16		34.49	
Margin	62.32	2.22%	58.09	-0.53%
NGL $/Bbl	19.53	2.66%	19.63	0.20%
Shrink	10.92		11.36	
Margin	8.61	4.35%	8.27	0.92%
Gas ($/mmBtu)	2.99	1.36%	3.11	-0.32%
Gross Bbl Margin (in cents/gal)	18.72	4.67%	18.56	0.77%
NGL Value in $/mmBtu (Basket Value)				
Ethane	0.94	3.21%	1.04	5.52%
Propane	1.41	3.43%	1.57	-2.32%
Normal Butane	0.72	1.65%	0.69	0.73%
Isobutane	0.45	4.24%	0.40	1.06%
Pentane+	1.23	1.92%	1.19	-0.45%
Total Barrel Value in $/mmbtu	4.75	2.80%	4.89	0.43%
Margin	1.76	5.34%	1.78	1.78%

RESIN PRICES – MARKET UPDATE – JANUARY 16, 2015					
TOTAL OFFERS: 21,776,800 lbs		SPOT		CONTRACT	
Resin	Total lbs	Low	High	Bid	Offer
HDPE - Blow Mold	4,670,556	0.6	0.76	0.61	0.65
LLDPE - Film	4,297,520	0.675	0.775	0.64	0.68
HDPE - Inj	3,836,004	0.56	0.77	0.64	0.68
PP Homopolymer - Inj	2,961,404	0.69	0.76	0.65	0.69
LDPE - Film	2,425,060	0.69	0.785	0.63	0.67
HMWPE - Film	1,675,496	0.645	0.755	0.63	0.67
PP Copolymer - Inj	1,249,380	0.685	0.77	0.66	0.7
LLDPE - Inj	529,104	0.775	0.785	0.66	0.7
LDPE - Inj	132,276	0.735	0.735	0.68	0.72

Source: Plastics Exchange – www.theplasticsexchange.com

Marlin To Acquire Gathering System, Azure To Acquire Marlin GP

Marlin Midstream Partners LP announced that Marlin, its sponsor NuDevco Midstream Development LLC and Azure Midstream Energy LLC entered into definitive agreements that will result in Azure owning 100% of Marlin's general partner. Azure will own 90% of the total outstanding incentive distribution rights in Marlin. Azure's Legacy gathering system will also be contributed to Marlin for $162.5 million. NuDevco will retain all of its 10.7 million LP units, or 59.2% ownership stake, in Marlin, subject to an option granted to Azure to acquire 20% of such units from NuDevco to align interests and incentivize unit holder value creation.

The Legacy system includes about 658 miles of high- and low-pressure gathering lines that serve about 100,000 dedicated acres, mostly in the Cotton Valley formation in east Texas and northern Louisiana. The gathering lines are primarily under fixed-fee contracts, and have access to seven major downstream markets. Acquisition of the system is expected to be immediately accretive to Marlin's distributable cash flow and the cash portion of consideration is expected to be fully funded under Marlin's $225 million amended credit facility. The proposed transactions will result in a partnership with a total enterprise value of more than $500 million.

API Creates Midstream Department

The American Petroleum Institute (API) created a midstream department, the trade group said in a Jan. 13 statement. Harry Pefanis, president and COO of Plains All American Pipeline LP, will chair the committee made up of API member company representatives that will oversee the department's work.

The midstream department will encompass API's policy work on the transportation of oil and natural gas by pipelines, rail, ship and other methods, which were previously split between API's upstream and downstream departments. Robin Rorick will lead the department as group director of midstream and industry operations. Rorick joined API in 1996 and served as its director of marine and security during the last five years.

NuStar Buys Out Refined Products Terminal In New York Harbor

By Emily Moser, Hart Energy

NuStar Energy LP said Jan. 9 that it has acquired full ownership of a refined products terminal in Linden, N.J., which is located in the New York Harbor.

NuStar, based in San Antonio, had 50% ownership of the facility. NuStar purchased the remaining ownership interest from Linden Holding Corp., a subsidiary of NIC Holding Corp., for $142.5 million.

NuStar owns 82 terminals and has been active in South Texas in the Eagle Ford Shale. In 2012, the company acquired five storage terminals and 140 miles of crude transmission and gathering lines in the Eagle Ford for about $325 million. The company has reactivated, reversed and constructed new pipelines to serve the area.

The Linden acquisition is projected to contribute about $20 million of incremental EBITDA in 2015. The terminal was previously operated as a joint venture with Linden.

The deal should give NuStar greater efficiency between the terminal and the Linden NuTop terminal the company already owns, said Brad Barron, NuStar president and CEO, in a statement.

The Linden terminal's storage capacity of 4.3 million barrels holds refined products such as gasoline, jet fuel and fuel oils. It has a deepwater ship dock and one barge dock that are used for inbound and outbound shipments. The terminal also has inbound pipeline connections to the Colonial and Sun pipelines, and an outbound connection to the Buckeye Pipeline.

The NuTop terminal has 389,000 barrels of refined product storage capacity and receives shipments via truck and pipeline and delivers product via its eight-bay truck loading rack.

The terminals are located adjacent to each other, Barron said.

“I am very pleased that we are starting 2015 with a strategic acquisition that will contribute significantly to our earnings this year and in the years to come,” he said. “Having sole ownership of the terminal further strengthens our presence in the New York Harbor and the East Coast market, and it may provide opportunities for expansion as well.”

Enbridge To Provide Crude Pipeline For Deepwater Gulf Of Mexico

Enbridge Inc. will build, own and operate a crude oil pipeline in the Gulf of Mexico to connect Hess Corp.’s planned Stampede development to an existing third-party pipeline system. The lateral pipeline is expected to cost about $130 million and be operational in 2018. The Stampede development was sanctioned by Hess and its project co-owners in October 2014.

The Stampede lateral will originate in Green Canyon Block 468, about 220 miles southwest of New Orleans, La. It will be about 16 miles in length and 18 inches in diameter. Water depth at the planned location is about 3,500 feet.

Enbridge’s offshore pipelines transport about 40% of the gas produced in the deepwater Gulf of Mexico, and 45% of ultra-deep gas production. Its offshore assets include interests in 11 gas gathering and transmission pipelines and one crude oil pipeline in four major pipeline corridors off the coasts of Louisiana and Mississippi.

EnLink Midstream Will Acquire Permian Crude Oil Logistics Company

The EnLink Midstream companies EnLink Midstream Partners LP (ENLK) and EnLink Midstream LLC (ENLC) announced that a subsidiary of ENLK signed a definitive agreement to acquire LPC Crude Oil Marketing LLC. LPC has crude oil gathering, transportation and marketing operations in the Permian Basin. The purchase price is about $100 million, subject to certain adjustments.

LPC currently purchases, transports and sells about 60,000 barrels per day of crude oil. The acquisition will expand EnLink’s service offerings in the Permian Basin, adding crude oil first purchasing and logistics capabilities to its natural gas gathering and processing services.

LPC's assets include:

13 pipeline and refinery injection stations in the Permian Basin;

A fleet of about 43 tractor trailers;

Six crude oil gathering systems totaling 67 miles of pipeline; and

An extensive crude oil first purchasing operation.

The transaction value represents a multiple of about eight times current run-rate adjusted EBITDA. EnLink expects the acquisition will generate follow-on investment opportunities that will lower the acquisition multiple over time. The transaction is subject to the satisfaction of customary closing conditions, including the receipt of applicable regulatory approvals, and is expected to close in the first quarter. After closing, LPC will operate as an indirect subsidiary of ENLK. The management team and employees of LPC will remain with EnLink.

Contact Information:

FRANK NIETO Senior Editor
fnieto@hartenergy.com

Contributing Editors: Velda Addison, Darren Barbee, Nissa Darbonne, Deon Daugherty, Rhonda Duey, Caroline Evans, Bethany Farnsworth, Dale Granger, Leslie Haines, Mary Hogan, Paul Hart, Susan Klann, Caryn Livingston, Mike Madere, Joseph Markman, Richard Mason, Emily Moser, Jack Peckham, Erin Pedigo, Larry Prado, Jennifer Presley, Chris Sheehan, Bryan Sims, Kristie Sotolongo, Steve Toon, Theresa Ward, Scott Weeden, Peggy Williams

Graphic Designer: Felicia Hammons

ORDER TODAY!
Call: **1-212-608-9078** I Fax: **1-212-608-9357**

HARTENERGY
1616 S. Voss, Suite 1000 • Houston TX 77057-2627 • USA

Copyright 2015. All rights reserved. Reproduction of this newsletter, in whole or in part, without prior written consent of Hart Energy is prohibited. Federal copyright law prohibits unauthorized reproduction by any means and imposes fines up to $100,000 for violations. Permission to photocopy for internal or personal use is granted by Hart Energy provided that the appropriate fee is paid directly to Copyright Clearance Center, 222 Rosewood Drive, Danvers, MA 01923. Phone: 978-750-8400; Fax 978-646-8600; E-mail: info@copyright.com.

Copyright © 2015 HARTENERGY