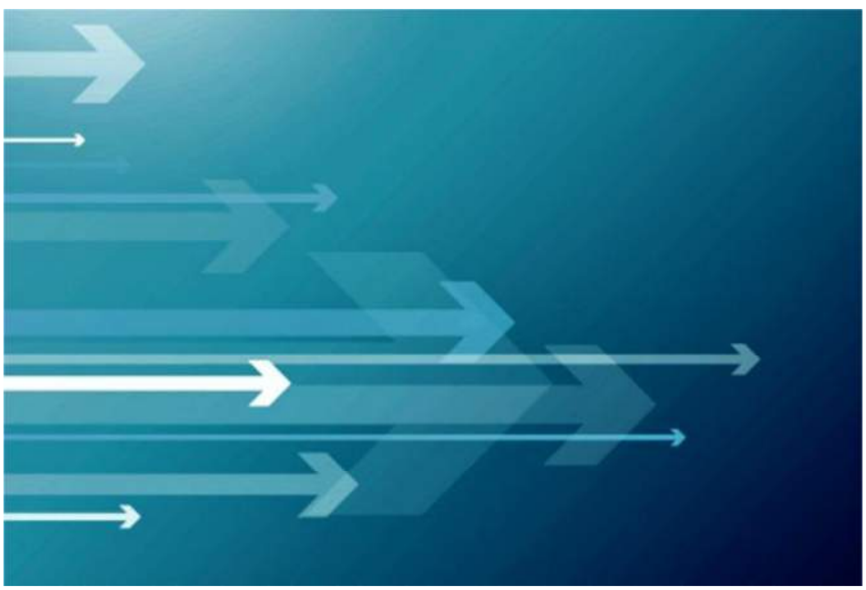
MIDSTREAM Monitor

Oct. 3, 2014 | Volume 32 | Issue 39

Consolidation Now?

By Frank Nieto, Senior Editor



When Kinder Morgan Inc. announced earlier this year that it was planning on leaving the MLP space by acquiring and moving all of its companies under one corporate umbrella, the first question many had was "Has the MLP bubble burst?" followed by "Is the age of energy consolidation finally upon us?"

Prior to the economic downturn of 2008, there was growing buzz about the possibility of consolidation in the midstream. It isn't that difficult to understand why: There's a tremendous amount of money to be made in the sector because of its size, but ironically this size can also serve as a hindrance to growth as it matures by limiting the potential for growth outside of merger and acquisition (M&A) activity.

As the economy has improved and the midstream sector has matured, consolidation movements have begun to take shape. UBS analyst Shneur Z. Gershuni anticipates these moves to continue going forward.

“M&A activity has certainly picked up in 2014 and we believe it is poised to continue as the sector is ripe for consolidation. Rich Kinder hinted that he is looking to be a consolidator following the announcement of Kinder Morgan Energy Partners [LP], Kinder Morgan Management [LLC] and El Paso Pipeline Partners by Kinder Morgan Inc. with his comment, ‘a fertile field to do a little grazing in.’ We concur with Mr. Kinder and also believe more is to come,” Gershuni said in a report titled, “M&A To Be or Not to Be?”

Most of the largest midstream companies utilize the MLP format to grow their companies, but this sector requires consistent growth and many large MLPs are now approaching the end of their rapid growth cycles.

The report also stated that several other factors that could lead to consolidation: the potential for interest rates to rise; the potential for Kinder’s comments to set off an “arms race” where management teams consider whether they want to be the acquiring company or the acquired company in future consolidation agreements; and the depreciation benefits at the C corp level. Additionally, there remains the potential for strategic M&A deals that allow for existing assets to expand into new product offerings or into new territories.

Another question remains for the possibility of “the age of MLP consolidation”: was the Kinder Morgan deal similar to Pennsylvania State University’s entry into the Big Ten in 1990, which turned out to be a harbinger for major collegiate athletic conference realignment that was some time away, or is it akin to the University of Nebraska-Lincoln joining the Big Ten in 2011, which helped create an 18-month period of seemingly constant additions and departures from major conferences?

Should it prove to be the latter, then UBS anticipates that the following MLPs could be ripe for acquisition based on a quantitative ranking screen and fundamental overlay. Based on this formula, the report noted that the top candidates to make acquisition moves as either an acquirer or a target for acquisition include:

Kinder Morgan, which stated that one of the reasons for its consolidation was to improve the cost of capital to improve the ability to make acquisitions;

NGL Energy Partners LP, which has experienced rapid growth from acquisitions and may try once again to acquire TransMontaigne Partners LP’s general partner (GP) after having a deal fall through in August;

Energy Transfer Equity LP has also been a consolidator in recent years and attempted to acquire Targa Resources Corp. this summer, which could be restarted in the next year especially for a company looking to gain exposure into LPG exports. “Energy Transfer’s ability to dissect an acquisition and direct assets to the most appropriate affiliate MLP provides a unique advantage when considering acquisition opportunities,” the report said;

Magellan Midstream Partners LP may also seek to make acquisitions in order to fuel growth and maintain momentum, according to UBS. “We believe it will be increasingly difficult to find internal growth projects large enough to sustain the high-teen distribution growth rate beyond 2016,” the report said. Under its current metrics, the investment firm anticipates Magellan’s growth capex to decline 3% over the next three years after growing 8% over the previous three years;

SemGroup Corp. could be both an acquirer and a target for acquisition by a larger diversified MLP or GP, according to the report. The company has indicated that it would seek to use proceeds from recent asset sales for acquisitions; however, UBS stated its low valuation and diverse portfolio make it a potential acquisition target on its own;

PBF Logistics LP could become active in the acquisition market in order to replace the decreasing dropdowns from its GP;

Boardwalk Pipeline Partners LP may become an acquisition target for its GP, Loews Corp., if Loews sees opportunities to acquire gas pipelines in the Marcellus and Utica that it could connect with the Boardwalk network. “While Loews has promised to provide financing to Boardwalk for growth projects, given the current leverage at Boardwalk it could be difficult to make a large acquisition at the MLP level and consolidating into the GP could be financially beneficial,” UBS said;

Enable Midstream Partners LP could become a player in the acquisition market based on the newly formed MLP’s investment grade credit rating, size and multiple;

Crestwood Midstream Partners LP’s integration challenges and high cost of capital may make it a potential target for acquisition, especially since its assets could fill a gap for potential acquirers;

MarkWest Energy Partners LP could be a potential acquisition target due to its assets in the Marcellus Shale; and

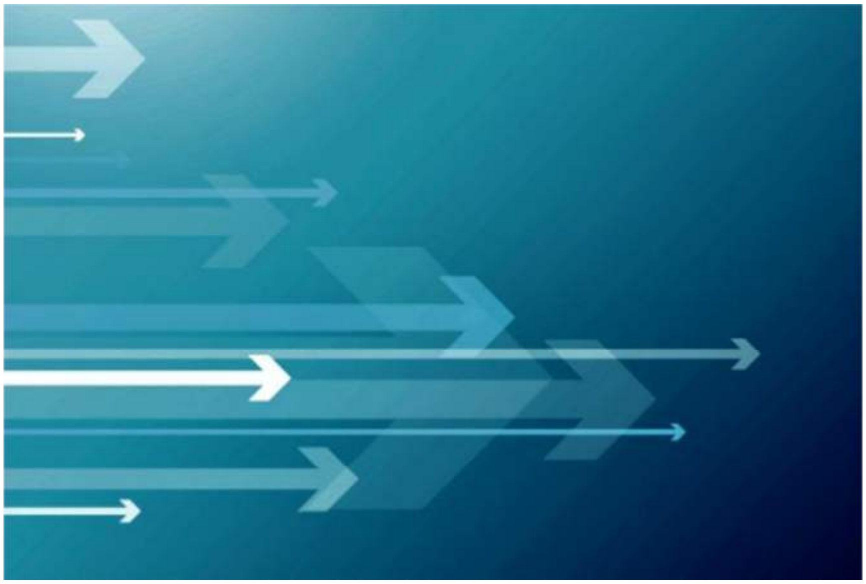
Enterprise Products Partners LP could be a strategic acquirer in order to further its growth.

The report noted that two companies were screened as potential acquisition targets, but removed based on their strategies or those of their GP: MPLX LP remains focused on acquiring assets from Marathon Petroleum Corp., its GP. Similarly Midcoast Energy Partners LP operates as an MLP dropdown vehicle for its GP, Enbridge Energy Partners LP’s gas assets.

It is difficult to predict when, or if, the MLP sector will begin a period of consolidation, but should it begin there won’t be a shortage of potential targets or acquisition companies ready to move.

Consolidation Now?

By Frank Nieto, Senior Editor



When Kinder Morgan Inc. announced earlier this year that it was planning on leaving the MLP space by acquiring and moving all of its companies under one corporate umbrella, the first question many had was “Has the MLP bubble burst?” followed by “Is the age of energy consolidation finally upon us?”

Prior to the economic downturn of 2008, there was growing buzz about the possibility of consolidation in the midstream. It isn’t that difficult to understand why: There’s a tremendous amount of money to be made in the sector because of its size, but ironically this size can also serve as a hindrance to growth as it matures by limiting the potential for growth outside of merger and acquisition (M&A) activity.

As the economy has improved and the midstream sector has matured, consolidation movements have begun to take shape. UBS analyst Shneur Z. Gershuni anticipates these moves to continue going forward.

“M&A activity has certainly picked up in 2014 and we believe it is poised to continue as the sector is ripe for consolidation. Rich Kinder hinted that he is looking to be a consolidator following the announcement of Kinder Morgan Energy Partners [LP], Kinder Morgan Management [LLC] and El Paso Pipeline Partners by Kinder Morgan Inc. with his comment, ‘a fertile field to do a little grazing in.’ We concur with Mr. Kinder and also believe more is to come,” Gershuni said in a report titled, “M&A To Be or Not to Be?”

Most of the largest midstream companies utilize the MLP format to grow their companies, but this sector requires consistent growth and many large MLPs are now approaching the end of their rapid growth cycles.

The report also stated that several other factors that could lead to consolidation: the potential for interest rates to rise; the potential for Kinder’s comments to set off an “arms race” where management teams consider whether they want to be the acquiring company or the acquired company in future consolidation agreements; and the depreciation benefits at the C corp level. Additionally, there remains the potential for strategic M&A deals that allow for existing assets to expand into new product offerings or into new territories.

Another question remains for the possibility of “the age of MLP consolidation”: was the Kinder Morgan deal similar to Pennsylvania State University’s entry into the Big Ten in 1990, which turned out to be a harbinger for major collegiate athletic conference realignment that was some time away, or is it akin to the University of Nebraska-Lincoln joining the Big Ten in 2011, which helped create an 18-month period of seemingly constant additions and departures from major conferences?

Should it prove to be the latter, then UBS anticipates that the following MLPs could be ripe for acquisition based on a quantitative ranking screen and fundamental overlay. Based on this formula, the report noted that the top candidates to make acquisition moves as either an acquirer or a target for acquisition include:

Kinder Morgan, which stated that one of the reasons for its consolidation was to improve the cost of capital to improve the ability to make acquisitions;

NGL Energy Partners LP, which has experienced rapid growth from acquisitions and may try once again to acquire TransMontaigne Partners LP’s general partner (GP) after having a deal fall through in August;

Energy Transfer Equity LP has also been a consolidator in recent years and attempted to acquire Targa Resources Corp. this summer, which could be restarted in the next year especially for a company looking to gain exposure into LPG exports. “Energy Transfer’s ability to dissect an acquisition and direct assets to the most appropriate affiliate MLP provides a unique advantage when considering acquisition opportunities,” the report said;

Magellan Midstream Partners LP may also seek to make acquisitions in order to fuel growth and maintain momentum, according to UBS. “We believe it will be increasingly difficult to find internal growth projects large enough to sustain the high-teen distribution growth rate beyond 2016,” the report said. Under its current metrics, the investment firm anticipates Magellan’s growth capex to decline 3% over the next three years after growing 8% over the previous three years;

SemGroup Corp. could be both an acquirer and a target for acquisition by a larger diversified MLP or GP, according to the report. The company has indicated that it would seek to use proceeds from recent asset sales for acquisitions; however, UBS stated its low valuation and diverse portfolio make it a potential acquisition target on its own;

PBF Logistics LP could become active in the acquisition market in order to replace the decreasing dropdowns from its GP;

Boardwalk Pipeline Partners LP may become an acquisition target for its GP, Loews Corp., if Loews sees opportunities to acquire gas pipelines in the Marcellus and Utica that it could connect with the Boardwalk network. “While Loews has promised to provide financing to Boardwalk for growth projects, given the current leverage at Boardwalk it could be difficult to make a large acquisition at the MLP level and consolidating into the GP could be financially beneficial," UBS said;

Enable Midstream Partners LP could become a player in the acquisition market based on the newly formed MLP's investment grade credit rating, size and multiple;

Crestwood Midstream Partners LP's integration challenges and high cost of capital may make it a potential target for acquisition, especially since its assets could fill a gap for potential acquirers;

MarkWest Energy Partners LP could be a potential acquisition target due to its assets in the Marcellus Shale; and

Enterprise Products Partners LP could be a strategic acquirer in order to further its growth.

The report noted that two companies were screened as potential acquisition targets, but removed based on their strategies or those of their GP: MPLX LP remains focused on acquiring assets from Marathon Petroleum Corp., its GP. Similarly Midcoast Energy Partners LP operates as an MLP dropdown vehicle for its GP, Enbridge Energy Partners LP's gas assets.

It is difficult to predict when, or if, the MLP sector will begin a period of consolidation, but should it begin there won't be a shortage of potential targets or acquisition companies ready to move.

Gulf Coast Will Soar As NGL Demand Rises

By Joseph Markman, Associate Editor

Demand for NGL is moving into balance with supply in the U.S., which translates into good news for market pricing and great news for the energy industry-friendly Gulf Coast, Bradley Olsen, managing director for midstream research at Tudor, Pickering, Holt & Co., said at the Platts 4th Annual NGLs Conference in Houston.

"As it's become increasingly challenging to build pipelines and infrastructure on the densely populated east and west coasts, you've really seen in the oil market, in the gas market and the NGL market what is effectively a continental-size funnel down to the Gulf Coast," said Olsen, who serves on the *Midstream Business* advisory board. "Really, the Gulf Coast has proved over the past few years to be by far the most welcoming of infrastructure of any of the three coasts in North America."

All about the pipes

That's because Texas and Louisiana offer fewer regulations and a lower cost of construction than other regions. Moving NGL via pipelines makes the most economic sense and lines to the Gulf Coast already exist. Despite a plethora of announcements, other regions are moving slowly to catch up.

"While Keystone [XL] has taken a lot of attention in infrastructure and energy markets, the fact is we haven't seen any major projects take root in Canada to the east or west coasts that relies on a long-haul pipeline," Olsen said. "In the U.S., it's basically the same story. We've yet to see a West Coast pipeline proposal fully committed. On the East Coast, we've seen some smaller-scale NGL export projects, but really, over 90% of pipelines are headed toward the Gulf Coast. The extension projects of the pipelines we've seen built have only enhanced that general trend heading toward Texas and Louisiana to clear the market."

Illustrating the trend is Kinder Morgan Energy Partners LP's Cochin Reversal Project, which turned the Cochin Pipeline, formerly Canada's main NGL outlet to the U.S. Midwest, into a 1,500-mile mover of condensate for diluents purposes from Kankakee County, Ill., to Fort Saskatchewan, Alberta. Canada turned its back on this propane export option because of persistently weak NGL prices. The result, Olsen noted, is 100,000 barrels per day (bbl/d) of announced NGL export projects on Canada's West Coast.

"The challenge with the West Coast of Canada is that, very similar to California or New York or any of our densely populated coastal areas, there hasn't been a lot of appetite in Canada, specifically on the British Columbia coast, to build much in the way of export infrastructure," Olsen said.

The bigger NGL story, though, is the takeaway concern in the U.S. Northeast, despite major projects like Enterprise Product Partners LP's 1,230-mile ATEX pipeline ($1.2 billion), Sunoco Logistics and MarkWest Liberty Midstream & Resources LLC's Mariner West and Mariner East pipelines.

"Producers in the Northeast were really concerned about being shut in due to too much ethane content in their producing wells, so their first concern was to dispose of it and basically, figure out a way to get rid of all that excess ethane," Olsen said. "As a result, they signed up for some robust—on the midstream side of things, but if you're a producer you just call them expensive—projects to get ethane out of the market."

In some cases, he said, 50% of revenues from ethane production are absorbed by the cost of the ethane pipelines. And while that takes care of ethane, producers are left with figuring out what to do with LPG, propane, butane, isobutane and natural gasoline. The region is almost to the point of overproducing local demand for propane and butane and confounded as what to do with the excess.

“Mariner East [which is designed to move product from the Marcellus Shale to the Marcus Hook, Pa., processing facility] is a 30,000 to 40,000 bbl/d propane solution, but when you’re talking about 400,000 bbl/d potentially, of propane and other NGLs getting produced, 40,000 bbl/d is just a drop in the bucket,” Olsen said.

But is there a satisfactory answer for the ethane issue? Never say never, Olsen told conference attendees, but “ethane in the Northeast will never be economic.”

“I know it sounds dramatic,” he continued, “but you’re looking at your marginal takeaway provided by a pipeline, ATEX, which is effectively a 15 cent per gallon takeaway solution that is equivalent on a gas BTU basis, of paying $2.25 per takeaway out of the Northeast. You’ll notice that that is far above and beyond any other transport costs to get gas out of the Northeast, so you have a much larger incentive to blend as much ethane into your gas stream as possible and avoid using an ethane-specific pipeline if you can avoid it.”

‘Big markets tend to get bigger’

Which leads back to the Gulf Coast, long a mighty magnet to attract the nation’s hydrocarbons. Cutting through the hype, Olsen’s team at Tudor, Pickering sees realistic proposals for chemical projects in the Northeast that total no more than 170,000 bbl/d.

“I think our count of chemical projects [between now and 2020] is much more conservative than other ones you see out there, but among the projects that have any likelihood of proceeding, we see about 1.2 million bbl/d of petrochemical demand on the Gulf Coast, almost all of which is ethane and propane,” he said. “The only question that’s left in our minds is whether we have enough engineering and construction resources here on the Gulf Coast to absorb all of this demand for new facilities.”

In addition to delivering warm fuzzies to Houston-area homeowners hoping for a jolt in property values, these projects have a global impact.

“The fact is, we’ve got $100 billion of announced Gulf Coast projects,” Olsen said. “I think the important point here is that, with all of these engineering and construction projects located in such a small radius, it gives me even more reason to be cautious or hesitant around what the potential is to build major chemical complexes outside the Gulf Coast. Because the fact is, I don’t really know—I don’t think anyone has a good idea—because we’ve never tried to build four LNG terminals next to five world-scale petrochemical plants in history anywhere. And so, what the Gulf Coast labor market, what the construction market is going to look like, is really anyone’s guess, but it’s going to be very competitive.”

For those trying to wrap their minds around the sheer size of the plans, consider Olsen’s mantra: “Big markets tend to get bigger.”

"Whether or not we see every chemical plant get built, we think the demand will be there in exports if not in chemicals," he said. "There's obviously a strong case to be made that the U.S. has a long-term cost advantage in NGL and we will be the market of choice for any incremental NGL-consuming petchem plant around the world."

Concentrating On Condensate

By Deon Daugherty, Associate Editor

While speaking at Hart Energy's recent DUG Eagle Ford conference Raymond James associate analyst Cory Garcia said that for the condensate export market to grow, more clarity on the federal government's definition of condensate would be necessary. Source: Hart Energy.

When it comes to simple basis differentials such as the infrastructure of pipelines and roadways in and out of the Eagle Ford, some folks might say that the enigmatic play is relatively predictable.

"They have kept the horse in front of the cart in many instances," Raymond James associate analyst Cory Garcia said recently at Hart Energy's 2014 DUG Eagle Ford conference. "They have two million barrels per day of pipeline capacity. Whether it's heading down to Corpus Christi or to Houston, you just haven't seen the gluts that you've seen in a lot of different basins."

But it's when the condensate discussion heats up in Washington, DC and across plays throughout North America that the South Texas region takes on new and interesting questions about how it can serve places that lack infrastructure.

"From a pricing standpoint, we're still focused on condensate: how to handle it, and the infrastructure and pricing as it's going forward," he said, explaining that federal regulators haven't provided concise parameters on how condensate differs from crude. "We still need some definition constraints, particularly when we're talking about crude exports, or condensate exports, longer term."

But what makes condensate such a big deal, anyway, for midstream and refining folks? It's the fact that it's such a growing piece of the puzzle, Garcia said.

"We can see for the prior 10 years, pretty steady [production of condensate] at 500,000 barrels per day. This is U.S. condensate production, not just Eagle Ford. But obviously, the Eagle Ford is the primary driver of this growth. We're forecasting by 2020 overall condensate production could exceed 2 million barrels a day. Arguably, two-thirds to three-quarters of that is going to come out of the Eagle Ford, so trying to handle that amount of volume growth–what is still deemed to be a different type of crude–is going to be interesting to watch over time," he said. "The unknowns have dominated the conversation."

In addition, Garcia said, "A lot of the cokers and a lot of the infrastructure that has been built on the Gulf Coast is [designed] to handle heavy sour crude from Venezuela, Saudi Arabia and Canada. So they weren't adequately suited to run light sweet crude, which is your typical sort of 40 API gravity, let alone 45+ like you see in the Eagle Ford. The third point is just the sheer amount of variability between different fields, between even two miles in different fields."

A refiner looks at things in terms of stability, Garcia said. "It's manufacturing business to its core; you impact the yields of a refinery when you impact the crude slate, when you drive different crudes from it. They won't necessarily admit today they run a lot of condensate because a lot of the barrels that come to their door are blended barrels. They add a little bit of condensate with something that's sub-40 [API gravity] to get an optimal quality. But the refinery appetite is something very much to keep an eye on: how are they going to handle, not just crude, but condensate over the next several years."

Frac Spread: NGL Price Pushback

By Frank Nieto, Senior Editor

NGL prices took a downturn as September came to a close. The shoulder season is firmly entrenched and infrastructure outages continue to plague the industry.

Ethane cracking capacity has been hampered by planned and unplanned turnarounds this year. Both The Williams Cos. Inc.'s Geismar, La., cracker and Chevron Phillips Chemical Co.'s Port Arthur, Texas, plants remain down, but ExxonMobil Corp.'s Baytown, Texas, Olefins Plant No. 2 undertook an unplanned 40-day turnaround the first week of October.

It is anticipated that all three facilities will be back online by the end of the month or beginning of November. However, at least three more plants will undergo turnarounds in fourth-quarter 2014 and first-quarter 2015. These include the 800 million pound per year expansion of LyondellBasell Industries NV's La Porte, Texas, plant that is scheduled to be in-service in the fourth quarter; Formosa Plastics Corp.'s Point Comfort, Texas, Olefins 1 cracker, which moved back its five-week turnaround from early September to late October; Chevron Phillips Chemical's Cedar Bayou cracker in Baytown is likely to push back its planned turnaround into next year; Dow Chemical Co. is also expected to postpone the planned turnaround for its LHC-8 cracker in Freeport, Texas, from mid-October to first-quarter 2015.

Given the number of outages, it is likely that domestic cracking capacity will remain challenged until early next year. Further pushback on ethane prices this week was felt after the U.S. Energy Information Administration (EIA) announced that ethane stock levels increased more than 1.8 million barrels (bbl) to nearly 40 million bbl in July, the most recent data available. This represented an all-time high inventory level, which may be broken this fall and will require time to work off.

Conway E-P mix took the biggest hit since the hub has a limited market for the product on a normal basis, so constraints are especially rough. The price fell 12% to 20 cents per gallon (/gal), its lowest price in nearly two months. This resulted in the frac spread falling by more than twice in value to negative 6 cents/gal.

Mont Belvieu ethane fared better with a 2% drop in value to 23 cents/gal, which is in the range it has been trading for much of the past three months. The 15% drop in frac spread value also wasn't as bad as it was in the Midcontinent.

Propane prices took a 3% tumble at both hubs, but it appears that crop drying demand has begun. "Reports from the major corn growing states indicate that the harvest is just underway and that the corn crop in some states has a high moisture content," according to En*Vantage's *Weekly Energy Report* for Oct. 2. The company estimates that nearly 13 million bbl of propane will be needed to meet crop drying demand this season with peak demand hitting in mid to late October.

Once demand kicks into gear it is likely that Conway prices will have a premium over Mont Belvieu prices, which could run throughout the winter heating season as propane makes up a larger heating market in the Midwest. As it currently stands, Mont Belvieu prices have a slightly greater value—the Gulf Coast price was $1.05/gal compared to $1.03/gal at Conway.

En*Vantage cautions that price improvements will only take hold with a normal or cold winter due to the record storage levels for propane. "If winter fuel demand for propane falls short, the only hope is that Sunoco Logistics [Partners LP]'s Nederland, Texas, propane export terminal is at its 200,000 bbl/d capacity when it comes online in the first quarter of 2015," the report said.

Crude prices are now just above $90/bbl, which is having a negative impact on heavy NGL prices. The downturn in crude is due to increased production out of the Middle East and Africa along with improvements in the U.S. dollar. However, there are indications of improvements on the horizon, namely low U.S. storage levels for crude and the likelihood that production will drop in foreign markets while demand will increase.

Should crude prices rally, C_{5+} will follow suit and surge past $2.00/gal. As it stands, C_{5+} prices fell below that threshold at both hubs and are in danger of falling below $1.90/gal as well without improvements in crude prices.

The theoretical NGL bbl price fell 3% at both hubs with the Conway price at $38.75/bbl with a 5% drop in margin to $24.87/bbl and the Mont Belvieu price at $39.26/bbl with a 4% drop in margin to $25.12/bbl.

The most profitable NGL to make at both hubs remained C_{5+} despite its downturn with the Conway margin at $1.49/gal and the Mont Belvieu margin at $1.56/gal. This was followed, in order, by isobutane at $1.05/gal at Conway and 86 cents/gal at Mont Belvieu; butane at 84 cents/gal at Conway and 83 cents/gal at Mont Belvieu; propane at 69 cents/gal at Conway and Mont Belvieu; and ethane at negative 6 cents/gal at Conway and negative 3 cents/gal at Mont Belvieu.

Natural gas storage levels increased 112 billion cubic feet to 3.1 trillion cubic feet (Tcf) from 2.988 Tcf the week of Sept. 26, the most recent data available from the EIA. This was 11% below the 3.473 Tcf figure posted last year at the same time and 11% below the five-year average of 3.499 Tcf. However, heating demand should remain challenged the week of Oct. 8 as the National Weather Service's forecast anticipates warmer-than-normal temperatures throughout much of the country.

NGL PRICES						
Mont Belvieu	**Eth**	**Pro**	**Norm**	**Iso**	**Pen+**	**NGL Bbl**
Sept. 24 - 30, '14	23.18	104.46	122.98	124.54	198.50	**$39.26**
Sept. 17 - 23, '14	23.71	107.98	127.00	128.44	203.42	**$40.41**
Sept. 10 - 16, '14	23.43	108.36	126.30	127.84	207.02	**$40.60**
Sept. 3 - 9, '14	22.46	105.18	125.22	128.04	212.88	**$40.42**
September '14	23.16	106.29	125.24	127.18	205.79	**$40.15**
August '14	22.06	101.67	121.58	126.86	210.87	**$39.58**
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**
4th Qtr '13	26.76	119.81	142.56	145.02	210.66	**$44.03**
Sept. 25 - Oct. 1, '13	24.71	105.62	138.90	141.14	207.92	**$41.55**
Conway, Group 140	**Eth**	**Pro**	**Norm**	**Iso**	**Pen+**	**NGL Bbl**
Sept. 24 - 30, '14	19.63	103.28	123.04	143.10	190.90	**$38.75**
Sept. 17 - 23, '14	22.23	106.00	126.18	138.56	196.16	**$39.90**
Sept. 10 - 16, '14	23.33	108.14	125.34	138.32	201.34	**$40.64**
Sept. 3 - 9, '14	22.23	105.04	124.64	138.84	208.28	**$40.54**
September '14	21.84	105.44	124.74	139.34	199.45	**$39.94**
August '14	18.98	103.50	121.95	135.64	204.66	**$39.35**
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**
4th Qtr '13	20.19	122.54	144.49	147.58	205.01	**$43.33**
Sept. 25 - Oct. 1, '13	20.08	102.32	135.46	143.46	200.46	**$40.02**

CURRENT FRAC SPREAD (CENTS/GAL)				
September 26, 2014	**Conway**	**Change from Start of Week**	**Mont Belvieu**	**Last Week**
Ethane	19.63		23.18	
Shrink	25.19		25.66	
Margin	-5.56	-116.82%	-2.48	-15.42%
Propane	103.28		104.46	
Shrink	34.81		35.45	
Margin	68.47	-4.56%	69.01	-4.49%
Normal Butane	123.04		122.98	
Shrink	39.41		40.13	
Margin	83.63	-4.30%	82.85	-4.28%
Isobutane	143.10		124.54	
Shrink	37.85		38.55	
Margin	105.25	3.89%	85.99	-4.02%
Pentane+	190.90		198.50	
Shrink	42.14		42.92	
Margin	148.76	-3.83%	155.58	-2.86%
NGL $/Bbl	38.75	-2.88%	39.26	-2.84%
Shrink	13.88		14.14	
Margin	24.87	-5.22%	25.12	-3.98%
Gas ($/mmBtu)	3.80	1.60%	3.87	-0.77%
Gross Bbl Margin (in cents/gal)	56.91	-5.26%	57.90	-4.06%
NGL Value in $/mmBtu (Basket Value)				
Ethane	1.08	-11.70%	1.28	-2.24%
Propane	3.59	-2.57%	3.63	-3.26%
Normal Butane	1.33	-2.49%	1.33	-3.17%
Isobutane	0.89	3.28%	0.78	-3.04%
Pentane+	2.46	-2.68%	2.56	-2.42%
Total Barrel Value in $/mmbtu	9.35	-3.22%	9.57	-2.87%
Margin	5.55	-6.27%	5.70	-4.25%

RESIN PRICES – MARKET UPDATE – OCTOBER 3, 2014					
TOTAL OFFERS: 14,374,816 lbs		SPOT		CONTRACT	
LDPE - Film	**2,955,128**	**0.82**	**0.91**	**Bid**	**Offer**
LDPE - Film	2,712,484	0.835	0.92	0.81	0.85
HDPE - Blow Mold	2,650,968	0.775	0.855	0.75	0.79
HDPE - Inj	2,158,140	0.795	0.88	0.75	0.79
LLDPE - Film	1,909,588	0.81	0.865	0.765	0.805
PP Homopolymer - Inj	1,638,668	0.8	0.89	0.84	0.88
HMWPE - Film	925,932	0.835	0.885	0.77	0.81
LLDPE - Inj	917,564	0.81	0.885	0.77	0.81
PP Copolymer - Inj	886,736	0.81	0.94	0.85	0.89
LDPE - Inj	574,736	0.77	0.885	0.8	0.84

Source: Plastics Exchange – www.theplasticsexchange.com

Enterprise Products Acquires Interests In Oiltanking Partners, Proposes Merger

Enterprise Products Partners LP announced on Oct. 1 that it acquired the general partner and related incentive distribution rights, 15,899,802 common units and 38,899,802 subordinated units in Oiltanking Partners LP from Oiltanking Holding Americas Inc. Enterprise paid total consideration of about $4.41 billion to Oiltanking Holding, made up of $2.21 billion in cash and 54,807,352 Enterprise common units. Enterprise also paid $228 million to assume notes receivable issued by Oiltanking Partners. Enterprise funded the cash consideration from cash on hand and borrowings under its commercial paper facility and a new $1.5 billion 364-day revolving credit facility. The facility matures in September 2015.

Enterprise also submitted a proposal to the conflicts committee of the general partner of Oiltanking Partners to merge Oiltanking Partners with and into Enterprise. Under the terms of the proposal, Enterprise would exchange 1.23 Enterprise common units for each Oiltanking Partners common unit. This proposed consideration represents an at-market value for Oiltanking Partners common units based upon the volume weighted average trading prices of both Oiltanking Partners and Enterprise on Sept. 30. Total consideration for this proposal would be $1.4 billion.

Dominion Receives FERC Approval For Cove Point LNG Project

Dominion received the Federal Energy Regulatory Commission's (FERC's) approval to site, build and operate the Cove Point LNG liquefaction and export project in Lusby, Md., the company announced on Sept. 29.

The next step is for Dominion to review and accept the order. Once the review is complete, Dominion will file an implementation plan detailing how it will comply with conditions set forth in the order. Dominion then expects to ask FERC for a "Notice to Proceed," and to start construction when the notice is received. It is expected that the process will take several weeks.

It is expected that construction of the project will cost between $3.4 billion and $3.8 billion, it will create thousands of skilled construction jobs and 75 permanent jobs and it will add $40 million per year in tax revenue to Calvert County, Md.

Dominion supplied FERC with its pre-filing application in June 2012, notifying the commission of the company's intention to add export capability at its Cove Point terminal. Dominion filed its application in April 2013. In May, FERC issued an environmental assessment of the project, declaring that it can be built and operated safely without significant impact to the environment. Cove Point is the fourth LNG export project to receive approval to site, construct and operate, and the first such project on the East Coast to receive FERC approval.

NiSource To Separate Into Two Publicly Traded Companies

NiSource Inc. announced that its board of directors approved its plan to separate into two publicly traded companies—NiSource Inc., a fully regulated gas and electric utilities company, and Columbia Pipeline Group Inc., an MLP with expected initial assets including a 14.6% interest in CPG OpCo LP, which will own about all of NiSource's gas transmission, midstream and storage assets.

Columbia Pipeline Partners filed a registration statement with the U.S. Securities and Exchange Commission for an IPO of its common units. Columbia Pipeline Partners plans to list its common units on the New York Stock Exchange under the ticker symbol "CPPL."

TransCanada Sells 30% Interest In Bison Pipeline

TransCanada Corp. agreed to sell its remaining 30% interest in Bison Pipeline LLC to its MLP TC PipeLines LP (TCP), TransCanada announced on Oct. 1. The sale is expected to close the same day, with a purchase price of US$ 215 million in cash proceeds.

"The Bison transaction advances our previously stated commitment to sell the remainder of TransCanada's U.S. natural gas pipeline assets to the partnership," said Russ Girling, TransCanada's president and CEO. "We intend to drop down the remainder of those assets on a more sizeable, frequent basis over the coming quarters and years. This will provide TransCanada with significant cash proceeds to help fund our capital program and enhance the size and diversity of the partnership's asset base, positioning it with visible, high quality future growth."

The Bison Pipeline is a 487-kilometer (303-mile) gas pipeline that connects Rocky Mountain gas supply to downstream markets through the Northern Border Pipeline system. The pipeline entered service in January 2011.

Remaining U.S. natural gas pipeline assets available to be sold into TCP include:

30% interest in the Gas Transmission Northwest system;

44.5% and 61.7% interest in Iroquois and Portland, respectively; and

100% and 53.6% interest in ANR Pipeline Co. and Great Lakes Gas Transmission system, respectively.

Including the Bison transaction, these assets are expected to generate US$500 million of EBITDA in 2016 and beyond.

In August, TCP began an at-the-market unit issuance program, which will give it the ability to raise equity of up to US$200 million on a continuous basis. Management for TransCanada believes TCP can complete dropdowns of more than US$1 billion per year going forward.

TransCanada, through its subsidiaries, currently holds a 28% interest in TCP, a U.S. MLP, which was formed to acquire, own and participate in the management of U.S. gas pipelines and related assets.

Enbridge Delays Sandpiper Pipeline

Enbridge Inc. announced a delay in its Sandpiper Pipeline's expected in-service date from early 2016 to 2017, according to Tudor, Pickering, Holt & Co. The change in schedule is due to permitting delays in Minnesota.

The Sandpiper Pipeline is expected to be a more than 600-mile pipeline with a planned transport capacity of 225,000 barrels per day (bbl/d). It will transport Bakken crude oil from Tioga, N.D., to terminals in Clearbrook and Superior, Wis. With expected production for 2017 estimated at about 1.6 million bbl/d, the delay leaves opportunities available for crude-by-rail transport to continue to have a large role in Bakken takeaway until 2016 to 2017, when other pipeline projects are expected to come online, Tudor Pickering said.

Contact Information:

FRANK NIETO Senior Editor
fnieto@hartenergy.com

HARTENERGY

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