MIDSTREAM Monitor

Oct. 31, 2014 | Volume 32 | Issue 43

Midstream Mergers Keep On Rolling

By Deon Daugherty, Associate Editor

The Kensington Gas Processing Plant in the Utica Shale. *Source: Access Midstream*

Following a string of mergers and consolidations that analysts have predicted in recent months, The Williams Cos. Inc., Williams Partners LP and Access Midstream Partners LP have announced the details of their own merger agreement.

According to the terms of the agreement, the MLPs will merge in a unit-for-unit exchange at a ratio of 0.86672 Access common units per Williams Midstream common unit held by the MLP unitholders.

Prior to completion of the merger, which was originally announced in June, Access will create a subdivision of its common units and each public unitholder of Access will receive 0.06152 additional Access common units for each Access common unit they hold. In aggregate, the public unitholders of Access will receive about 6.3 million new Access common units worth about $281 million, or about $3.74 per public Access common unit.

Williams, prior to the merger, will hold about 306.4 million Williams common units and about 101.8 million Access common units.

Upon completion of the merger, Williams is expected to hold about 353.3 million Access common units, representing about 58.8% of the limited partner interest in the merged MLP.

Williams will continue to own 100% of the general partner interested and related incentive distribution rights and will continue to control the merged MLP.

“This is another big step toward our goal of becoming the leading natural gas infrastructure provider in North America,” Williams’ CEO Alan Armstrong said in a statement. “The combination of Access Midstream Partners’ intense focus on natural gas gathering with Williams Partners’ broader service offerings along the value chain is yielding even more robust growth opportunities. Additionally, the people at both partnerships bring valuable skills, experiences and best practices that will strengthen the combined partnership’s ability to execute and grow. This transaction advances our strategy to connect the best supplies to the best markets by allowing us to provide even more service and market options for our customers."

The merger is expected to close by early 2015, and the company expects the newly formed MLP will be one of the largest and fastest-growing MLPs with the expected 2015 adjusted EBITDA worth about $5 billion with an industry leading 10% to 12% unit distribution growth rate through 2017.

Cash distributions for 2015 are expected to total $3.65 per limited partner unit, up 50% and 30% over Access’ 2014 and 2015 distribution guidance, respectively. The merged MLP expects to pay a regular cash distribution in first-quarter 2015 in the amount of 85 cents per unit, up 53% over the Access’ distribution paid in the first quarter of the prior year, according to the statement.

“Both Access and Williams Partners are experiencing robust growth, and this growth will benefit both our customers and our employees,” said Access’ CEO Mike Stice. “We expect customers to benefit from the expanded organizational capability and enhanced national scale that the combined business provides. We’re already seeing employees benefit from opportunities for advancement and from the additional benefits of being a member of the larger Williams family.”

The merged MLP will feature large-scale positions across three key components of the midstream sector, including gas pipelines, gathering and processing and NGL and petrochemical services, including:

The Transco, Northwest and Gulfstream gas pipelines;

Large-scale positions in growing natural gas supply areas in major shale and unconventional producing areas, including the Marcellus, Utica, Piceance, Four Corners, Wyoming, Eagle Ford, Haynesville, Barnett, Midcontinent and Niobrara. Additionally, the merged MLP's business would include oil and natural gas gathering services in the deepwater Gulf of Mexico; and

NGL and petrochemical services on the Gulf Coast and in western Canada provides differentiated long-term growth.

The merged MLP will be named Williams Partners LP and it will be based in Tulsa with major offices in Oklahoma City, Houston, Pittsburgh, Salt Lake City and Calgary.

Pure play

Williams intends to complete its transition to a pure-play general partner holding company and drop down its remaining NGL and petrochemical services assets and projects by late 2014 or early 2015. The company anticipates investing about $600 million in the dropdown assets by year-end 2014. The dropdown will be subject to committee analysis and approval.

Williams was advised in this transaction by UBS Investment Bank, Barclays, Citi and Gibson Dunn. The conflicts committee was advised by Robert W. Baird & Co. Inc. and Baker Botts LLP. The Access conflicts committee was advised by Evercore and Richards, Layton & Finger. Access was advised by Latham & Watkins.

At the helm

J. Mike Stice is expected to continue as a director of the general partner of the merged MLP. Stice, who currently serves as Access' CEO, will retire as an officer of the company upon the closing of the merger.

Robert S. Purgason, current COO of the general partner of Access, is expected to join Williams as senior vice president overseeing the Access operations. Purgason will report directly to Williams' president and CEO Alan Armstrong. When the merger is complete, it is expected that Purgason also will serve the merged MLP as one of its general partner's senior vice presidents, rather than as its COO, according to a statement from Williams.

David C. Shiels, currently CFO of the general partner of Access, will leave the company to pursue other opportunities after the merger closes. He will continue in his current role until the merger is complete.

Upon the closing of the merger, it is expected that Alan Armstrong and Donald Chappel will serve the merged MLP as its general partner's CEO and CFO, respectively. Chappel currently serves as CFO of Williams and Williams Partners.

ExxonMobil CEO Provides Global Energy Perspective

By Caryn Livingston, Assistant Editor

ExxonMobil's CEO Rex Tillerson accepted the Huffington Award at a recent Asia Society luncheon in Houston. *Source: Asia Society*

During his recent acceptance of the Huffington Award from the Asia Society Texas Center in Houston, ExxonMobil Corp. CEO Rex Tillerson sat down with former White House Chief of Staff Andrew Card, Jr., to discuss the role ExxonMobil and North America will have in the global energy industry during the next several decades.

Between now and 2040, ExxonMobil expects a 35% increase in energy demand worldwide, Tillerson said. Recognizing the enormity of that growth can be a challenge for the public and for policymakers, Tillerson said, which is “like adding the entire energy demand of Russia, India, Africa, Latin America and the Middle East combined.”

Meeting that demand is further complicated by the fact that providing necessary infrastructure is a long-term process that must begin before the fact.

“In our business we have to look forward multiple decades because finding, developing and delivering energy is not something you do just overnight, it’s not something you do within a year or two,” he said. “Much of the energy that we’re delivering today is the result of discoveries we made, some of them as far back as the 1970s, they’re only now finding their way to the consumer. So you have to look at very long-term time frames.”

The good news, Tillerson said, is that “we have a lot of tools we can draw on, we have a lot of human ingenuity and capacity” available to meet that demand.

“As we are now witnessing, a significant portion of the world’s energy supply is right here in North America. It’s here in the United States with the transformational impact with the development of unconventionals, whether it’s unconventional natural gas or it’s tight oil,” he said. “Technology has opened that window of supply to the world.”

Advances in E&P technology are benefitting Canada and Mexico as well as the U.S., Tillerson said, making North America an integrated system.

“Enormous oil resources in Canada that are being developed today and much more that can be developed … with newer technologies, are being developed in ways that are much more sensitive to the environmental impacts of developing those resources,” he said. “Now Mexico, through their constitutional reform, has recognized that they need to, for their own benefit, for their own people, for their own economic well-being, participate more broadly in these global markets.

“There’s a lot of brain-power, know-how, that exists right here, and a labor force that knows how to do this, so I would say North America has an enormously important role to play today and in the years to come.”

Free trade

For North America to fully live up to its potential as a global energy supplier, U.S. regulations forbidding crude oil exports must be “relegated to the dustbin,” Tillerson said. “It’s not helping us, it’s holding us back.”

“There have been numerous economic studies done by independent think tanks, academic institutions and in fact … the GAO (Government Accountability Office) also just completed its own independent assessment, and every single assessment says allowing the U.S. to export crude is beneficial to the U.S. economy and beneficial to the U.S. consumer because the projected impact is that it lowers the overall cost of crude oil for the world,” he said.

According to Tillerson, concerns that the U.S. must first stop importing any crude oil before allowing exports are unfounded. Allowing crude oil exports under current conditions would be a way to “optimize the cost of [the U.S.] energy slate to [its] economy,” by putting all crude that is produced in the U.S. on the global market and allowing refiners the selection, giving them the chance to select lower-cost oil produced in the U.S. We should continue imports, he said, because, “If we’re going to optimize we should have access to all those qualities of crude that fit the investments that have been made here.”

In addition to the economic advantages to the U.S., Tillerson stressed the importance of allowing exports in building strong relationships with foreign countries.

“I think free trade is so enormously important to lubricating the global economic machine,” he said. “It connects economies, which therefore connects countries. As we all know, the world is a much more

interdependent world today from its economies. Economic [interdependence], I've always viewed, is enormously healthy for government relations, for people understanding each other. If you have economic and business ties between countries, a lot of problems that come up get solved more quickly, because there's too much at stake, economically."

If the U.S. lifts restrictions on crude exports, Tillerson said, the rest of the world would take its cue from that move. "We are the largest, most successful economy in the world, built on the principles of open and free markets, and so whenever we take a position that's contrary to free trade, that sends a very, very chilling message to the rest of the world."

Cultural understanding

Promoting free trade would be especially beneficial to regions trying to develop their economies like the Asia-Pacific region, Tillerson said. "The Trans-Pacific Partnership, TPP, I think would be the most visible, powerful signal the U.S. could make to the Asian-Pacific region."

ExxonMobil expects the Asia-Pacific region will account for 60% of the expected growth in energy demand between now and 2040, so U.S. trade relations with the region are paramount.

The countries involved in the TPP, Tillerson said, "want to know they've got a strong partner in the United States," which he said is not an alternative or a counter to China's rapid growth, but a balance to China. "If lesser countries in the Asia-Pacific region are going to grow and improve their economies and improve the quality of life for their people, they have to know they have options available to pursue what's best for them," he said.

When approaching trade relations with other cultures, Tillerson had a clear message: "Don't assume you know anything about [that] place."

Rather than entering trade communications with assumptions about another culture, Tillerson said he spends a lot of time learning about the history of the people he's working with.

"Everybody…[is] a product not of today—we are a product of what we were…once upon a time. That's who we are today. And I think, as I have approached different cultures, I have spent time trying to understand, what is the journey this person, whether it's an oil minister or a chairman of a national oil company, what's the journey that he or she has been on in their country and in their culture? Because I can deal with them as they are today, but that won't really let me understand what's going to motivate them, what's going to speak to them."

Knowing how to communicate across cultures, whether in partnerships or in adversarial settings, is key, Tillerson said. "We've got to arrive at a point where we're together."

Report: New England Heating Demand Outlook Improved From Last Year

By Frank Nieto, Senior Editor

Despite two major power plant retirements, heating and power generation options for the taxed New England market are expected to improve this winter due to lower oil prices, according to a Morningstar Commodities Research report.

Lower oil prices are allowing power generators to fill their reserve tanks for this coming winter at lower costs with less demand from other buyers. In addition, LNG is expected to be more readily available via pipeline from the Distrigas terminal in Everett, Maine, due to Gaz Metro-GDF Suez's agreement to deliver up to 1 billion cubic feet per day (Bcf/d) of LNG from Canada to New England LNG storage units.

While last winter the New England market was plagued by limited fuel sources, the outlook for this coming winter is vastly different, according to the report. "We believe fuel competition will increase the elasticity of gas demand this winter and pipeline expansions south of New England will help alleviate fear-buying from New York generators," Morningstar said.

Along with the lower prices, ISO New England's Winter Reliability Program will help ensure that the region will be able to clear prices lower than current forward prices this winter through the 1,100-mile Algonquin Pipeline.

The report also stated that some panic buying led to the large price spikes on the spot market this past winter were caused by some companies that failed to hedge their supplies, which is unlikely to occur a second year in a row.

“While the retirement of Vermont Yankee [nuclear power plant] and Salem Harbor [coal-fired power plant] will constrain the gas and power markets this winter in New England, we feel that the 2014-15 Winter Reliability Program is more robust this year and will be more heavily subscribed given the lack of gas available last winter,” the report said.

The investment firm said that this program is also likely to be used more this year as power generators will be reimbursed for any unused oil or LNG in their tanks. This includes any supplies unused after the refilling of their tanks. Already a total of 77 power units have announced their intent to participate in the program, which will have an auction to participate. The program’s goal is to secure 3.5 million barrels of oil and up to 6 Bcf of LNG for the season.

“Although the Winter Reliability Program will compensate oil inventory at $18 per million Btu (/MMBtu), current spot oil prices at NY Harbor are trading around $12.5/MMBtu as of late October because of the recent crash in oil prices. If spot oil prices are trading at a significant discount to the $18/MMBtu inventory compensation level, come winter we think this will add even more downside pressure to Algonquin gas prices, as fuel switching will occur at lower gas prices,” the report said.

Somewhat surprisingly, the biggest price driver wasn’t as much from the New England market as it was from the New York market bidding the price up. Morningstar found that on extreme days when prices were much greater than $30/MMBtu, they were also greater on the TETCO-M3 Pipeline which caused generators from New York City to seek gas supplies from northern points. The firm anticipates this demand to lessen due to Spectra Energy Corp.’s Team 2014 expansion along the TETCO-M3 and Williams Co.’s Inc. Rockaway Lateral Project that will expand the Transco-Z6 system into Brooklyn, N.Y. Both of these projects are set to be completed in November.

Another aspect that portends well for the New England market not facing such harsh gas prices as last winter is that while heating degree days were well above the five-year average, total gas demand was right around the five-year average. According to the report, total average daily gas demand for November-March was only 2.9% greater than the five-year average with the January-February daily demand only 1.7% greater than the five-year average.

Watch Out For Details In The Data

By Joseph Markman, Associate Editor

Corporate executives are inundated with so much information in the digital age that leveraging it fully has become a major challenge. This is especially the case when profitable growth opportunities veer onto a collision course with profitable growth risk, a team of energy business management experts said during a recent webinar.

"From the shale revolution to operating model changes to product demand and price volatility, these factors really have a significant impact on every one of the industry segments—upstream, midstream, downstream and oil field services," said Glenn Babich, New York-based director in PriceWaterhouseCooper's (PwC's) energy advisory services.

"Given the pricing dynamics, you need to be more sophisticated, more targeted to ensure you're making the right investments, structuring the cost models properly and making sure all your commercial activities are really drawn to the highest potential market opportunities," he said. "Across the board, understanding and having a transparent view of the costs associated with supporting the wells, the distribution of NGLs, delivering products and pricing them to the rack, along with delivering and servicing oil-service application, are very critical."

"In our philosophy," Babich said, "if you can't measure it, it's very difficult to manage it."

Measuring requires getting a handle on what you already have.

"We see that many companies are not making full use of the data that already exists within their organizations and they're not getting it into the hands of decision makers to maximize the value that's created," said Mike Scheller, Chicago-based director for PwC's energy advisory services and moderator for the session.

Michelle Turner, Houston-based PwC manager, offered a case study of effective analysis of midstream data. In it, two wellheads, A and B, had similar gross margins. However the company experienced an EBITDA loss with Wellhead B.

The mystery of the disappearing earnings was solved by digging deeper into the data and breaking down the process.

"Profitability modeling can ultimately provide EBITDA down to the individual wellhead level, pulling in wellhead gross margin data, flow data and breaking down or allocating costs down to the individual networking component—gathering lines, compressor stations and processing plants—and then gain visibility to profitability at various points within the network," Turner said.

Examining the data closely revealed that compression costs were much higher at Wellhead B than at Wellhead A, shedding light on how profits were being drained.

"This visibility, in combination with a structured performance improvement process, can then support and drive more consistent data-driven decisions for operations and commercial folks in the field," Turner said.

PwC found that its clients were typically unhappy with their existing data because the level of detail did not explain bottom line incongruities, such as why one wellhead would outperform another even though both had similar gross margins.

"Once you have that foundational data that people have confidence in, that provides the level of detail and transparency—so that you truly can understand the economics and impact of all the operational decisions that are made every second of every hour of every day—how do we use that to support decision-making processes in terms of tools that we get to look at, what is the process to set daily rack or street prices?" Babich asked.

It's a matter of developing policies and processes from the hard numbers to guide key players in the organization who make decisions, he said. By making that information transparent to all involved, the company will ultimately gain advantages not just in its operational and strategic spheres, but on the financial side.

Frac Spread: NGL, Crude Prices Hold Firm

By Frank Nieto, Senior Editor

NGL prices continued to suffer in the final week of October as heating demand was limited by warmer-than-normal temperatures throughout much of the country and depressed crude prices.

West Texas Intermediate crude prices held at about $80 per barrel (/bbl) throughout the week. It remains to be seen whether this price represents the floor for the oil market or if there is more room for prices to drop until a brief recovery to close out this year.

The depressed nature of the market is likely to resume in the first half of the year, according to Barclays Capital. The investment firm anticipates the largest supply overhang for crude on the global market to take place in second-quarter 2015, which is normally the weakest period for crude demand. This has resulted in Barclays lowering its outlook for Brent crude from $87 to $88/bbl to $78 to $80/bbl in the first half of next year.

However, prices are expected to strongly recover in the second half of 2015. “Given that long-term marginal costs in oil production are well over $100/bbl and that the weak prices of the past four months have already resulted in several project cancellations/postponements, it seems extremely unlikely that oil prices will remain below $100 for very long, especially as we expect to see a combination of several factors contributing to an improvement in global oil balances by the second half of 2015,” the firm said in a recent research note.

These factors include the likelihood that OPEC will adjust to changing market dynamics, including decreased demand and increased production from non-OPEC nations, by lowering its own production. While the cartel has indicated that it will not be cutting back on production with prices below the $100/bbl threshold it previously set for cutbacks, the report noted that Saudi Arabian crude exports

have decreased with more cuts likely as it shutters the 300,000 bbl/d oilfield in the neutral zone shared with Kuwait.

Another factor that will impact global balances is a decrease in tight oil production out of the U.S. due to lower prices that make unconventional drilling less economically sound. The lessened production out of the U.S. and OPEC nations should help improve demand growth, according to the report.

While natural gas prices improved during the week despite the limited heating demand, the NGL market is facing more headwinds than the gas market. These headwinds are not only in the form of lower crude prices, but also infrastructure outages—specifically ethane crackers being offline due to planned and unplanned maintenance.

Although these facilities are starting to come back online, a year of reduced capacity in the domestic petrochemical market has created a tremendous product overhang that will take months to work off even after the industry returns to full capacity.

Surprisingly, ethane prices have remained relatively firm despite the challenges they face. The Mont Belvieu price dropped 2% to 21 cents per gallon (/gal) and the Conway price fell 4% to 19 cents/gal, but both were in the range they've traded in since the start of the third quarter.

The other light NGL, propane, also experienced price depressions with the price falling 1% at Conway and 5% at Mont Belvieu, but the market should begin to experience an uptick with the start of the winter heating season. The U.S. Energy Information Administration (EIA) reported that propane inventories fell by more than 1 million bbl, although they are still above the five-year average.

Heavy NGL prices remained flat as they followed the same trajectory as crude prices. This left C_{5+} as the most profitable NGL to make at $1.21/gal at Conway and $1.29/gal at Mont Belvieu. This was followed, in order, by isobutane at 91 cents/gal at Conway and 74 cents/gal at Mont Belvieu; butane at 70 cents/gal at both hubs; propane at 57 cents/gal at Conway and 53 cents/gal at Mont Belvieu; and ethane at negative 6 cents/gal at Conway and negative 3 cents/gal at Mont Belvieu.

Natural gas storage levels increased by 87 billion cubic feet to 3.48 trillion cubic (Tcf) the week of Oct. 24 from 3.393 Tcf the previous week, according to the EIA. This was 8% below the 3.774 Tcf figure posted last year at the same time and the five-year average of 3.79 Tcf.

Storage levels should further increase, despite the calendar indicating that the heating season should be upon us, as the National Weather Service's forecast for the first week of November indicates much warmer-than-normal temperatures throughout the country. This is likely to result in reduced heating demand while also not causing much of an increase in cooling demand due to the time of year.

NGL PRICES						
Mont Belvieu	**Eth**	**Pro**	**Norm**	**Iso**	**Pen+**	**NGL Bbl**
Oct. 22 - 28, '14	20.72	85.92	107.42	110.04	169.10	**$33.47**
Oct. 15 - 21, '14	21.20	90.00	108.26	109.30	169.32	**$34.07**
Oct. 8 - 14, '14	22.24	97.40	114.96	115.68	178.28	**$36.24**
Oct. 1 - 7, '14	23.18	105.86	122.54	123.50	192.40	**$38.96**
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**
Oct. 23 - 29, '13	25.55	115.54	146.32	150.98	207.36	**$43.47**
Conway, Group 140	**Eth**	**Pro**	**Norm**	**Iso**	**Pen+**	**NGL Bbl**
Oct. 22 - 28, '14	18.70	90.78	107.98	127.50	161.90	**$33.93**
Oct. 15 - 21, '14	19.50	92.12	109.12	128.40	164.10	**$34.46**
Oct. 8 - 14, '14	20.24	98.88	115.44	136.08	170.96	**$36.39**
Oct. 1 - 7, '14	18.97	108.18	122.40	143.24	185.06	**$38.80**
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**
Oct. 23 - 29, '13	20.00	113.54	145.93	151.32	199.78	**$42.05**

CURRENT FRAC SPREAD (CENTS/GAL)				
October 31, 2014	**Conway**	**Change from Start of Week**	**Mont Belvieu**	**Last Week**
Ethane	18.70		20.72	
Shrink	24.46		24.07	
Margin	-5.76	-74.31%	-3.35	-47.43%
Propane	90.78		85.92	
Shrink	33.80		33.25	
Margin	56.98	-5.99%	52.67	-8.52%
Normal Butane	107.98		107.42	
Shrink	38.27		37.64	
Margin	69.71	-5.08%	69.78	-2.48%
Isobutane	127.50		110.04	
Shrink	36.75		36.15	
Margin	90.75	-3.60%	73.89	-0.21%
Pentane+	161.90		169.10	
Shrink	40.92		40.26	
Margin	120.98	-3.95%	128.84	-0.94%
NGL $/Bbl	33.93	-1.52%	33.47	-1.76%
Shrink	13.48		13.26	
Margin	20.45	-6.56%	20.21	-4.39%
Gas ($/mmBtu)	3.69	7.27%	3.63	2.54%
Gross Bbl Margin (in cents/gal)	46.75	-6.76%	46.35	-4.80%
NGL Value in $/mmBtu (Basket Value)				
Ethane	1.03	-4.10%	1.14	-2.26%
Propane	3.15	-1.45%	2.98	-4.53%
Normal Butane	1.17	-1.04%	1.16	-0.78%
Isobutane	0.79	-0.70%	0.68	0.68%
Pentane+	2.09	-1.34%	2.18	-0.13%
Total Barrel Value in $/mmbtu	8.23	-1.64%	8.15	-2.11%
Margin	4.54	-7.85%	4.52	-5.55%

RESIN PRICES – MARKET UPDATE – OCTOBER 31, 2014					
TOTAL OFFERS: 11,051,856 lbs		SPOT		CONTRACT	
Resin	Total lbs	Low	High	Bid	Offer
HDPE - Inj	3,370,208	0.79	0.86	0.73	0.77
LLDPE - Film	2,444,932	0.815	0.865	0.75	0.79
HDPE - Blow Mold	2,018,208	0.71	0.835	0.73	0.77
HMWPE - Film	1,909,588	0.775	0.86	0.75	0.79
LDPE - Film	1,560,012	0.785	0.88	0.78	0.82
PP Homopolymer - Inj	1,273,380	0.75	0.885	0.81	0.85
PP Copolymer - Inj	914,368	0.805	0.965	0.82	0.86
LLDPE - Inj	556,368	0.815	0.85	0.75	0.79
LDPE - Inj	457,000	0.75	0.865	0.78	0.82

Source: Plastics Exchange – www.theplasticsexchange.com

Western Gas Partners To Acquire Nuevo Midstream For $1.5B

Western Gas Partners LP will acquire Nuevo Midstream LLC for $1.5 billion in cash. The transaction is expected to close by the end of the year, pending the completion of customary regulatory approvals and closing conditions.

Formed in April 2011 with an initial $65 million equity commitment from EnCap Flatrock Midstream and management, Nuevo is a pure-play midstream company focused on developing and operating natural gas gathering, compression, processing, treating, transportation and marketing services to oil and gas producers in the Delaware Basin in West Texas and southeast New Mexico. Equity commitments to Nuevo ultimately reached more than $300 million from a group of investors led by EFM Funds I and II, management and Wells Fargo Energy Capital. Western Gas is a growth-oriented MLP formed by Anadarko Petroleum Corp. to own, operate, acquire and develop midstream energy assets to serve Anadarko and other third-party producers and customers.

Pembina Closes Vantage Pipeline Acquisition

Pembina Pipeline Corp. completed its previously announced acquisition of the Vantage pipeline system and Mistral Midstream Inc.'s interest in the Saskatchewan Ethane Extraction Plant (SEEP) from entities affiliated with Riverstone Holdings LLC.

Pursuant to the Transaction, Pembina acquired all of the equity interests of Vantage Pipeline Canada ULC, Vantage Pipeline US LP and Mistral and repaid Vantage's bank indebtedness of about $224 million in a transaction valued at about $650 million. Pembina paid $395 million in cash and 5.61 million common shares worth about $255 million to fund the transaction. Pembina funded the cash portion in part with proceeds from its previously announced bought-deal preferred share issuance, which closed on Sept. 11, and with existing credit capacity.

Given the transaction's effective date of Aug. 1, 2014, Pembina will reimburse the seller for about $23 million that was spent to advance the construction of SEEP between the effective date and the transaction's closing date. Pembina also reached an agreement to acquire the remaining 10% interest in SEEP, which is expected to close shortly after the transaction. At that time, Pembina will own 100% of the facility, which has a processing capacity 60 million cubic feet per day.

Phillips 66, Energy Transfer Form Bakken Crude Pipeline JVs

Energy Transfer Equity LP, Energy Transfer Partners LP and Phillips 66 formed two joint ventures (JVs) to develop the Dakota Access Pipeline (DAPL) and Energy Transfer Crude Oil Pipeline (ETCOP) projects. Energy Transfer holds a 75% interest in each JV and will operate both pipeline systems. Phillips 66 owns the remaining 25% interests and will fund its proportionate share of the construction costs. The projects are expected to enter service in fourth-quarter 2016.

Based on current contractual commitments, DAPL is expected to deliver more than 450,000 barrels per day of crude oil from the Bakken/Three Forks area in North Dakota to market centers in the Midwest. DAPL will give shippers access to Midwestern refineries, unit train rail loading facilities for deliveries to East Coast refineries and the Gulf Coast market through a Patoka, Ill., interconnection with ETCOP. ETCOP will provide crude transport service from the Midwest to the Sunoco Logistics Partners and Phillips 66 storage terminals in Nederland, Texas.

In September, Energy Transfer announced the commencement of a binding open season to assess additional shipper interest in the projects. Subject to the terms and conditions of open season, potential shippers can secure expansion transportation service from the Bakken/Three Forks area to the Midwest and Gulf Coast, as well as to the hub in Cushing, Okla.

ONEOK Partners Acquires NGL Pipelines From Chevron

ONEOK Partners LP agreed to acquire NGL pipelines and related assets from Chevron Corp. affiliates for about $800 million, subject to customary post-closing adjustments.

Included in the transaction is an 80% interest in the West Texas LPG Pipeline Limited Partnership and 100% interest in the Mesquite Pipeline, which together consist of about 2,600 miles of NGL gathering pipelines from the Permian Basin in southeastern New Mexico to East Texas and Mont Belvieu, Texas. The acquisitions will add about 230,000 barrels per day of unfractionated LNG supply to ONEOK Partners' NGL systems.

After the transaction closes, ONEOK Partners will operate both pipelines. The remaining 20% of West Texas LPG is owned by Martin Midstream Partners LP. The assets are expected to generate about $40 million in annual adjusted EBITDA in 2014 with significant growth potential. The acquisition is expected to close in fourth-quarter 2014. The transaction is subject to customary closing conditions including antitrust clearance from the Federal Trade Commission under the Hart-Scott-Rodino Act. Financing is expected to come from cash on hand or borrowing under the company's $1.7 billion commercial paper program or existing $1.7 billion credit facility.

Shell Midstream IPO Raises $920 Million

Bloomberg

Shell Midstream Partners LP, the pipeline company backed by Europe's biggest oil company, raised $920 million in its IPO in the U.S., pricing shares above the marketed range, Bloomberg said Oct. 29.

Shell Midstream sold 40 million shares for $23 each, after offering 37.5 million shares for $19 to $21 apiece, according to a statement Oct. 28. The shares, listed on the New York Stock Exchange under the ticker "SHLX," will start trading Oct. 29.

The Houston-based company will use proceeds from the share offering to make a payment to Royal Dutch Shell Plc, which remains its largest shareholder with about 71% of the company. Shell's CEO, Ben Van Beurden, who took the helm this year, is looking to shed about $15 billion in assets through 2015 to focus on projects with the highest investor returns.

Shell Midstream owns stakes in assets including the Houston-to-Houma (Ho-Ho) pipeline, an offshore pipeline to the Mars Field in the Gulf of Mexico and two that deliver fuel through the eastern U.S. The Hague-based Shell operates the pipelines.

Shell Midstream will operate as a MLP, which is exempt from federal taxes and returns almost all income to shareholders. The Ho-Ho pipeline is expected to account for 62% of cash available for distribution, the largest contribution, in the year through September 2015, the filing shows.

Barclays Plc and Citigroup Inc. managed the sale.

Shell Midstream's CEO, Peggy Montana, formerly an executive vice president at Shell Downstream Inc., was appointed in May.

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 2014. 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.