MIDSTREAM Monitor

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Midterm Election Results Favor Energy Industry

By Frank Nieto, Senior Editor

This week's midterm elections provided an outline for where the country is headed politically for the next two years and the results are largely positive for the oil and gas industry. According to Scott Segal, founding partner at Bracewell & Guiliani, the results, which saw the Republican Party take control of the U.S. Senate while maintaining control of the House of Representatives, represent a return to the regular order of business.

During a webinar held by the law firm to discuss the results and their ramifications on legislation and regulation, Segal said that this regular order meant that members will once again offer amendments and legislation rather than trying to stymie the opposition party. This includes taking up some of the legislation that passed the House in the Senate. While this doesn't sound like such a big change, it is when you consider that the current Senate only took up a total of seven amendments.

"This election demonstrates a nationalization of the electorate. It was a vote on President Obama and, to a lesser extent, on Senate Majority Leader Harry Reid," Segal said. "In fact, Sen. Reid's concept of protecting his voters in the Senate from hard votes and protecting and conserving President Obama's political capital by not forcing him to issue any vetoes. … What this did was deprive those marginal senators—the fiscally conservative Democrats—from the ability to be relevant … and allowed moderate Democrats to be characterized as being in 100% agreement with the President because there were no votes to distinguish themselves on things like carbon emissions or Keystone XL."

The reason these results are likely to result in smoother legislative sailing is not just because of one party controlling both the House and Senate, but because of the expected new Senate Majority Leader, Sen. Mitch McConnell of Kentucky.

According to Segal, McConnell's decades of experience and status as a long-time student of the Senate will help him keep order while also reaching across the aisle to see legislation get through the Senate.

Indeed, during his victory speech on Nov. 4, McConnell said, "We can have a two-party system without constant conflict." However, Segal noted that the biggest challenge for the Republican leadership will be overreach as well as the possibility that some factions within the Republican Party may seek to widen their divide.

Segal stated that while it isn't yet known what will be the main focus for the new Senate, it is likely that energy legislation, including LNG exports to non-free trade agreement (FTA) countries and the Keystone XL Pipeline, will be focal points based on their place in the Republican agenda. It is expected that the Senate will vote on legislation that previously passed the House that seeks approval for the Keystone XL, but the timing for such a vote is unknown as of yet.

The current geopolitical landscape in which Russia is flexing its muscles in Eastern Europe by attempting to force countries to bend to its political will in order to secure supplies of natural gas may move the issue of LNG exports further up the Senate's agenda.

"There has been a lot of frustration the past few years over the pace of approvals of LNG export terminals to non-FTA states," Eric Washburn, former staffer for Tom Daschle and principal at Bracewell & Guiliani, said during the webinar. "Two events have happened over the last six months that have sharpened the focus on LNG exports: Russia showing aggression in the Ukraine, which has increased the debate over how the EU can lessen its dependence on Russia for its gas supplies, and the change in power of the U.S. Senate."

The question is now, can the leaders in the 114th Congress help to speed these approvals up? Washburn acknowledged it is difficult to tell if the Obama administration will help with this, but there should be more oversight of the process with new legislation.

Salo Zelermyer, former senior counsel at the U.S. Department of Energy and senior counsel at Bracewell & Guiliani, said that while the U.S. has been quick to grant licenses to export LNG to FTA countries, licenses to non-FTA countries are especially important as they don't cover all of our allies, including Japan and the Ukraine.

"Prior to [Nov. 4], this administration has been resistant to including things like energy exports into trade negotiations," Zelermyer said, but added that LNG could jump ahead of the Keystone XL if Russia continues to act in a bullying fashion.

This could create an interesting scenario in which decisions would have to be made for Senators that support the Keystone XL Pipeline, but oppose increased exports as coalitions may not be as strong and sides may have to be picked between the two.

In addition, Zelermyer questioned what President Barack Obama would do if a bill seeking to speed up LNG export licenses to non-FTA countries came to his desk. "Thus far the administration's arguments against legislation to accelerate the regulatory process has largely been about the process and not actual opposition to exports. Will the president veto a bill that is so important to our allies over a process and not the substance?"

Another topic gaining support in Congress is the allowance of crude exports, but it contains more potential political landmines. "Crude exports occupy an interesting place both from a political and policy standpoint. This is one of the topics that can provide a bipartisan opportunity to address both energy and economic issues," Josh Zive, senior counsel at Bracewell & Guiliani, said during the webinar.

"The current policy really is a remnant of a different era. The current crude export restrictions were adopted in 1975 in the wake of the OPEC oil embargo and are explicitly based on a domestic shortfall situation."

As oil production has boomed, there has been a renewed call on the option to export some volumes that may not have a natural home in the U.S. This call certainly hasn't been uncontroversial as it touches on a number of issues politically: the implications for gasoline prices, implications for continued production of oil and gas if we don't export some volumes and international implications for crude prices, he said.

In the next few months, this debate will take on a much higher profile as Sen. Lisa Murkowski (R-Alaska) will head the Senate Energy and Natural Resources committee. She has been most vocal member urging exports and is committed to having a public debate on the matter. Zive added that this debate won't just focus on crude exports, it will also cover other artificial price inflators on crude, including Jones Act Ships.

Looking ahead to the 2016 elections, Republicans will face a harder road as the majority party as they will now be defending seats while also having a higher voter turnout with a presidential election. Additionally, incumbent Senators will also have to campaign with established legislative records since Senate Majority Leader McConnell will introduce more legislation for votes which could hamper any truly controversial legislation from reaching the floor.

Midstream Acquisitions Activity Suggests Busy Fourth Quarter

By Deon Daugherty, Associate Editor

Announcing a $6 billion deal in which it would acquire Oiltanking Partners LP on Oct. 1, Houston-based Enterprise Products Partners LP set the bar for the rest of the year in midstream acquisitions fairly high.

And midstream companies, hungry for acquisitive, immediately accretive growth didn’t disappoint. By the time Halloween rolled around, any fear that midstream companies were spooked by the market had faded into the mist.

During this single month, we saw Western Gas Partners LP announce its purchase plan for Nuevo Midstream at $1.5 billion. ONEOK Partners LP acquired NGL Pipelines from Chevron Corp. affiliates for close to $800 million. Williams Partners LP and Access Midstream Partners LP reached a supersized $50 billion merger agreement. Tesoro Logistics LP acquired QEP Resources Inc.’s midstream assets for a cool $2.5 billion. And, American Midstream Partners LP proclaimed its plan to take on Costar Midstream LLC for $470 million.

As John England, vice chairman and U.S. oil and gas leader at Deloitte LLP, noted in an interview with *Midstream Business* in August, transactions in the midstream space moved at a snail’s pace during the early part of 2014, but even then, he expected deals to pick up. With the flurry of acquisitions and divestitures in the midstream space throughout October, England is proving prescient.

“I expect there to be activity there,” he said at the time. “I expect deals to start getting done, but I’ve been expecting that for a while. I do think there’s a lot of private equity money looking to do deals in the midstream, and I think there’s a lot of need, so eventually, the parties will come together, and we’re going to see some deal flow in the latter half of 2014.”

Jed Shreve, a principal at Deloitte, told *Midstream Business* it almost appeared that when Kinder Morgan Inc. announced that it would roll up its MLPs into a single, far less complex organization, that other companies were spurred into action.

“These transactions didn’t get negotiated the next day. These things take time. There were a lot of things in the background going on, so I hate to say the Kinder Morgan deal opened the floodgates, but I think it definitely helped,” he said. “So, I’d say, just like every year, the third and fourth quarter are going to be higher than the first and second quarter of the year. When the dust settles at the end of 2014, we’re going to say it’s—for the midstream sector—probably the best year in the last 10 years.”

Also driving the deal-making in the midstream space is traditional merger and acquisition (M&A) activity and IPOs, Shreve said.

“We continue to see the monetization of these midstream assets in these more integrated companies,” he said. “You’re continuing to see M&A activity, and there are just a lot of things favoring this market right now that we think will continue.”

As for what might be driving the rush at the end of the year, Shreve said it’s probably got something to do with human nature.

“We tend to live in a January to December mindset, and you’ve got the holidays at the back end of the year and you set goals in January, and you look up, and here it is—the first half of the year flew by so fast and, ‘Oh, we’ve got to go execute some of these goals we had, and we’re running out of time at the end of the year’,” he said, adding, “I think you could always interject political implications: Is it an election year or not? Is there tax legislation around the corner? I think it’s a combination of all those things.”

Time To Assess Global Energy Risks

By Joseph Markman, Associate Editor

As the LNG export era dawns, the global energy dynamic is experiencing a tectonic shift that is unleashing abundant opportunities and risks.

"The growing surplus of resources in one part of the world and rising demand in the other has led to a major shift in the oil and gas industry," Deloitte said in its "Oil and Gas Reality Check 2014." "This changing supply-demand pattern will rearrange the order of fuels in the global energy mix in favor of natural gas."

The North American energy revolution—and the shale boom in particular—plays a pivotal role.

"Some fear this growing feeling of independence will translate into greater isolationism and a reluctance to remain engaged in international affairs," Deloitte said. "However, we believe that this scenario is unlikely as new sources of supply and greater competition for demand, particularly in Asia Pacific, reshape the global geopolitical landscape and create greater, not fewer, interdependencies among nations."

Managing megaprojects

The study focuses on expansion and contraction on several fronts:

Dominance amongst suppliers;

Shift from regionalization to globalization in natural gas markets, coupled with the reverse in oil markets;

Growth in some fuels, decline in others;

Capital projects swelling to "mega" proportions; and

Opening and closing of borders as a result of geopolitical concerns and changes in supply and demand.

"Balancing the global supply and demand for both oil and gas amidst these trends will require a different approach to managing megaprojects in new frontiers," Deloitte's study said.

A megaproject refers to a project with reserves totaling more than 1 billion barrels of oil equivalent (Boe). Deloitte splits megaprojects into traditional (onshore, shallow water, heavy oil); unconventional (shale, tight oil, oil sands); and new-age (LNG, gas-to-liquids, deepwater, Arctic).

Traditional reserves showed limited growth prospects during the economic boom of the early 2000s, which led to a funneling of cash into new-age projects. However, "a series of delays and cost overruns deflated the industry's enthusiasm for these efforts," Deloitte said, pointing to Australia's Gorgon LNG project—40% over original cost estimates—as an example, along with Qatar's Pearl GTL project and the giant Kashagan project on the Caspian Sea that is estimated to cost $136 billion.

Deloitte believes this "tough phase" will pass, however, and that new-age projects "will continue to remain an integral part of the oil and gas industry's growth strategy over the long-term as conventional fields decline and shale growth moderates."

But the study warns that new-age projects require modern project management strategies to succeed. These include:

Enhanced upfront engineering and planning;

Agile project monitoring and evaluation methodology;

Increased integration and collaboration among project participants; and

A system of emerging technologies, tools and experiential knowledge to promote operational excellence.

Energy nationalism

Deloitte lists three major drivers driving the tug-of-war over resources:

Greed: The desire for wealth as resources are monetized;

Fear: The desire for energy security because modern societies are so dependent on energy; and

Pride: The desire to maintain sovereignty over natural resources for purposes of national development.

Macro-factors that shape energy nationalism and rebalance those drivers include: technology, which Deloitte refers to as the great equalizer, opens up new resources in shale and deep-water exploration, including floating LNG (FLNG) facilities like Shell's *Prelude*, which will deploy in Australia; energy efficiency, which has slowed demand growth in developed countries and will someday do the same in emerging economies; and population growth and a rising middle class that pulls oil and gas toward large, growing economies in Asia.

“Overall, greed and fear are on the rise, and pride is on the wane,” Deloitte declares. Formerly fearful countries are becoming more confident as a result of their newfound resources, while those with energy deficits must diminish their pride to enhance their security.

“The U.S. opposes selling its resources outright, although that may change for coal, and continues to view export of its resources with some caution, hence the slow pace of LNG export approvals and sluggish momentum for crude oil exports,” Deloitte said. “Rather than outright ownership, more [national oil company] participation in foreign ventures is expected.”

Pioneer Plans Eagle Ford Midstream Sale To Fund Permian Growth

By Emily Moser, Hart Energy

Pioneer Natural Resources Co. said Nov. 4 it plans to sell its majority stake in EFS Midstream LLC, an Eagle Ford Shale midstream business.

The move is projected by analysts to generate more than $1 billion in proceeds, which will be put to use by Dallas’ Pioneer in the Permian Basin.

Pioneer holds a 50.1% interest in EFS Midstream and is the operator of the business. The subsidiary of India-based Reliance Industries Ltd., Reliance Holding USA Inc., also plans to pursue the divestment of its 49.9% share in a joint process with Pioneer.

Pioneer's stake in EFS is expected to generate $100 million in cash flow in 2015, said Gordon Douthat, CFA, senior analyst, Wells Fargo Securities LLC, in a report.

Douthat said the sale "would result in $1-1.5 billion in proceeds at a 10-15x multiple—likely an asset not factored into net asset values."

Pioneer currently doesn't plan to divest its upstream assets in the Eagle Ford Shale, Scott D. Sheffield, Pioneer chairman and CEO, in a statement.

The company expects to use the proceeds to fund development and infrastructure investments in the Spraberry/Wolfcamp play in West Texas, Sheffield said.

“The sale of EFS Midstream would allow us to strategically redeploy capital to our core, oil-rich Spraberry/Wolfcamp assets in the Permian Basin of West Texas, where we are successfully transforming the substantial resource potential we delineated in 2013 into strong production growth,” he said.

Pioneer placed 73 Permian horizontal wells on production during the third quarter of 2014, the company said.

Its third-quarter production from the Spraberry/Wolfcamp averaged 103 thousand barrels of oil equivalent per day (Mboe/d) with 66 Mboe/d produced from horizontal wells.

In addition, Pioneer announced an equity offering of 5.75 million shares to fund growth in the Spraberry/Wolfcamp play—specifically to construct a front-end loaded infrastructure.

"Together, asset sale and equity proceeds more than cover total infrastructure investments over 2015/2016, which are expected to cost $1.4-1.6 billion with additional $300 million beyond 2016," Douthat said.

The EFS Midstream business was formed in 2010 to construct facilities to provide gathering and handling services for condensate and natural gas produced from wells on dedicated acreage in the Eagle Ford Shale.

The EFS Midstream system consists of 10 central gathering plants (CGPs) and roughly 460 miles of pipelines. The system gathers and separates produced condensate from produced gas. It also stabilizes the condensate, where necessary, and treats the gas.

The business provides services for the Eagle Ford Shale upstream joint venture operated by Pioneer (Pioneer 46%, Reliance 45% and Newpek LLC 9%) and for various third parties.

"The sale of EFS Midstream is not expected to impact our ability to export processed Eagle Ford condensate,” Sheffield said.

The company continues to forecast annual production growth from continuing operations of 16%-21% through 2016.

Pioneer expects to open a data room in December for the EFS Midstream sale.

Frac Spread: Crude Oil's Price War

By Frank Nieto, Senior Editor

Crude oil prices continued to tumble the first week of November as Saudi Arabia announced price cuts to U.S. customers in order to maintain market share. This helped to drive the West Texas Intermediate price down to $78 per barrel (/bbl).

Based on the response by OPEC members toward tumbling prices, it appears that a price war of sorts is taking place in an inverse situation from the 1970s when OPEC first flexed its global muscles. At that time, OPEC declared an oil embargo to drive prices up. We are now seeing OPEC respond to increased oil production out of non-OPEC nations, specifically the U.S. and Canada, by playing a game of Russian roulette. This wouldn't be so troublesome if it weren't for the fact that OPEC members have extremely low production costs with Barclays Capital reporting that Saudi Arabia has production costs as low as $4/bbl.

The investment firm said in a Nov. 5 research note that it anticipated most tight oil producers will continue ahead with production through the end of the year, but should prices remain at $80/bbl throughout 2015, "it could compromise the significant potential new volumes that are needed to offset declines from existing wells. This new, higher-breakeven volume is small in 2015, but becomes much larger in 2016," the note said.

While Barclays Capital anticipates a crude oil price rebound in the second half of 2015, roughly half of proven and probable remaining U.S. tight oil reserves would be challenged if prices fell to $70/bbl for all of 2015 with fewer new volumes being produced in the second half of 2015 and all of 2016.

"On a net basis, that implies a reduction to growth of about 100,000 bbl/d for 2015 as a whole. A growth impact of 100,000 bbl/d is a drop in the bucket in the context of total non-OPEC growth of around 1.5

million bbl/d. Thus, we expect downward price pressure to mount unless OPEC supplies less [oil] or demand rebounds," according to the note.

En*Vantage said that the downward trend for oil prices is likely to result in upward price pressure as it leads to further instability in the Middle East.

There is still a question over whether lower crude prices could support the U.S. lifting its nearly 40-year ban on crude exports. Although not a certainty of being lifted, there is a very strong likelihood that this topic will at least be debated in Congress next year.

OPEC actions indicate it is seeking to hurt the U.S.'s nascent tight oil industry by lowering its profits on a short-term basis to limit competition. The case can be made that such actions actually support opening up access to new markets for U.S. producers in order to help support the growth of this industry.

Already U.S. crude exports reached their highest levels in 57 years, according to the U.S. Energy Information Administration (EIA) as the country exported 401,000 bbl/d in July, which was also the second highest monthly export volume since 1920. However, these exports are something of a misnomer as the bulk of them are re-exports from Canada.

In a recent research report, the EIA stated that typically crude exports are sourced domestically and sent only to Canada, but since April these volumes have included "modest amounts" of bbl produced in Canada and re-exported to Switzerland, Spain, Italy and Singapore.

There is room for U.S. exports as the report said that companies must obtain licenses from the U.S. Department of Commerce's Bureau of Industry and Security to export crude. These licenses are generally approved if they seek to export from the Cook Inlet in Alaska; export to Canada for consumption within that country; export in connection with refining or exchange of strategic petroleum reserve oil; exports consistent with international energy supply agreements; exports of foreign-origin crude; exports of California heavy crude up to an average of 25,000 bbl/d; and temporary exports or exchanges.

In addition, the U.S. allows the export of Alaska North Slope crude. For the first time in more than 10 years, the U.S. exported crude from this region as volumes were exported from the North Slope to South Korea last month.

"Alaska North Slope shipments abroad must use U.S. coastwise-compliant ships for transport, and market analysts estimate that [this crude] would need to trade at a discount of $5/bbl to Brent to make such a movement economical. Although Alaskan crude production has recently been declining, the recent retirement of the remaining 79,000 bbl/d crude distillation unit capacity at the Flint Hills refinery in North Pole, Alaska, which had been running North Slope crude, means that North Slope producers may consider sending additional volumes to export markets," the report said.

Based purely on economics, U.S. crude may have a difficult time competing with OPEC crude in the open marketplace, but when politics are factored in the situation could alter. Additionally, RBN Energy LLC stated in a recent blog posting on its site that some U.S. shale production would remain profitable at $50/bbl.

"So if indeed it is the intent of Saudi Arabia or other OPEC members to starve out U.S. shale production, we suggest this will not be easy. For starters even if drilling slowed dramatically, there would be a lag time before production declined. Second low prices will just encourage more rigs to move to basins where rates of return are higher and that could lead to another surge in production," the company said.

While the crude market remains in flux, the NGL and natural gas markets showed improvements as heating and crop-drying demand are expected to increase in the coming weeks. In fact, the only NGL to experience a price decrease was C_{5+} due to its close relationship with crude oil. The product fell 1% to its lowest prices in years. The Conway price of $1.61 per gallon was the lowest at the hubs in more than four years, while the Mont Belvieu price of $1.68/gal was its lowest price in more than three years.

The biggest gainer this week was ethane, which improved 8% at Mont Belvieu and 4% at Conway. However, margins remain firmly negative. This is expected to continue throughout the remainder of the year even as cracking capacity comes back online. Prices and margins should experience further improvements as excess volumes are worked off and balance is restored to the marketplace in early 2015.

The theoretical NGL bbl price improved 3% at both hubs with the Conway price up to $34.77/bbl with a 4% improvement in margin to $21.18/bbl. The Mont Belvieu price rose to $34.31/bbl with a static margin of $20.28/bbl.

The most profitable NGL to make at both hubs was C_{5+} at $1.20/gal at Conway and $1.25/gal at Mont Belvieu. This was followed, in order, by isobutane at 91 cents/gal at Conway and 75 cents/gal at Mont Belvieu; butane at 74 cents/gal at Conway and 71 cents/gal at Mont Belvieu; propane at 61 cents/gal at Conway and 55 cents/gal at Mont Belvieu; and ethane at negative 5 cents/gal at Conway and negative 3 cents/gal at Mont Belvieu.

The stop-and-start nature of heating demand this season continued the week of Oct. 31, the most recent data available from the EIA, as gas storage levels increased by 91 billion cubic feet to 3.571 trillion cubic feet (Tcf) from 3.480 Tcf in what is ostensibly the heating season. This was 6% below the 3.809 Tcf posted last year at the same time and 7% below the five-year average of 3.832 Tcf.

The National Weather Service's forecast for the week of Nov. 12 anticipates colder-than-normal temperatures around the country, which should result in both higher gas prices as well as a pull on storage levels.

NGL PRICES						
Mont Belvieu	Eth	Pro	Norm	Iso	Pen+	NGL Bbl
Oct. 29 - Nov. 4, '14	22.34	89.62	110.82	112.78	167.60	**$34.31**
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**
October '14	21.83	94.21	113.04	114.47	176.33	**$35.53**
September '14	23.16	106.29	125.24	127.18	205.79	**$40.15**
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. 30 - Nov. 5, '13	24.65	116.90	141.60	146.96	207.08	**$43.12**
Conway, Group 140	Eth	Pro	Norm	Iso	Pen+	NGL Bbl
Oct. 29 - Nov. 4, '14	19.50	95.24	112.22	128.12	161.00	**$34.77**
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**
October '14	19.40	97.19	113.57	133.12	169.66	**$35.78**
September '14	21.84	105.44	124.74	139.34	199.45	**$39.94**
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. 30 - Nov. 5, '13	19.90	117.16	140.84	142.58	196.02	**$41.71**

CURRENT FRAC SPREAD (CENTS/GAL)				
November 7, 2014	Conway	Change from Start of Week	Mont Belvieu	Last Week
Ethane	19.50		22.34	
Shrink	24.66		25.46	
Margin	-5.16	10.43%	-3.12	6.80%
Propane	95.24		89.62	
Shrink	34.08		35.17	
Margin	61.16	7.35%	54.45	3.37%
Normal Butane	112.22		110.82	
Shrink	38.58		39.82	
Margin	73.64	5.64%	71.00	1.75%
Isobutane	128.12		112.78	
Shrink	37.05		38.25	
Margin	91.07	0.35%	74.53	0.88%
Pentane+	161.00		167.60	
Shrink	41.25		42.59	
Margin	119.75	-1.02%	125.01	-2.97%
NGL $/Bbl	34.77	2.47%	34.31	2.51%
Shrink	13.59		14.03	
Margin	21.18	3.56%	20.28	0.35%
Gas ($/mmBtu)	3.72	0.81%	3.84	5.79%
Gross Bbl Margin (in cents/gal)	48.58	3.92%	46.63	0.60%
NGL Value in $/mmBtu (Basket Value)				
Ethane	1.07	4.28%	1.23	7.82%
Propane	3.31	4.91%	3.11	4.31%
Normal Butane	1.21	3.93%	1.20	3.17%
Isobutane	0.80	0.49%	0.70	2.49%
Pentane+	2.08	-0.56%	2.16	-0.89%
Total Barrel Value in $/mmbtu	8.47	2.88%	8.40	3.09%
Margin	4.75	4.56%	4.56	0.93%

RESIN PRICES – MARKET UPDATE – NOVEMBER 7, 2014					
TOTAL OFFERS: 13,210,432 lbs		SPOT		CONTRACT	
Resin	Total lbs	Low	High	Bid	Offer
HDPE - Inj	3,811,128	0.79	0.86	0.73	0.77
HDPE - Blow Mold	2,257,312	0.71	0.82	0.73	0.77
HMWPE - Film	2,174,140	0.775	0.86	0.75	0.79
LDPE - Film	2,097,736	0.785	0.89	0.78	0.82
PP Homopolymer - Inj	786,276	0.79	0.89	0.81	0.85
LLDPE - Film	745,380	0.815	0.835	0.75	0.79
PP Copolymer - Inj	698,092	0.77	0.92	0.82	0.86
LLDPE - Inj	366,368	0.81	0.85	0.75	0.79
LDPE - Inj	274,000	0.75	0.785	0.78	0.82

Source: Plastics Exchange – www.theplasticsexchange.com

Spectra Energy Partners Joins PennEast Pipeline Project

PennEast Pipeline Co. LLC announced that Spectra Energy Partners has joined in the development of its PennEast Pipeline. The proposed interstate pipeline will transport natural gas to New Jersey and Pennsylvania.

Spectra Energy Partners is the sixth member of the PennEast Pipeline Co. It joined AGL Resources; NJR Pipeline Co., a subsidiary of New Jersey Resources; PSEG Power LLC; South Jersey Industries; and UGI Energy Services, a subsidiary of UGI Corp. Spectra Energy Partners has a 10% interest in PennEast. UGI Energy Services is the project manager for the pipeline's development and will operate the pipeline.

The 108-mile, 36-inch diameter PennEast Pipeline will transport one billion cubic feet of clean, natural gas per day – enough to serve approximately 4.7 million homes. It will run from Luzerne County, Pa., to Transco's pipeline interconnect in Pennington, N.J.

PennEast has initiated the Federal Energy Regulatory Commission pre-filing process and plans to file a formal application in third-quarter 2015. Pending regulatory approval, PennEast expects the pipeline to enter service in November 2017.

ONEOK Partners Completes More Than $500 Million In Projects

ONEOK Partners LP announced the completion of more than $500 million in capital-growth projects. The projects are part of the company's previously announced $8.3 billion to $9 billion capital-growth program through 2016, consisting of about $4.5 billion for gas gathering and processing projects and about $4.1 billion for NGL projects. The completed projects include:

The 100 million cubic feet per day (MMcf/d) Garden Creek III natural gas processing facility and related infrastructure in McKenzie County, N.D.;

Expansion of the 600-mile Bakken NGL Pipeline, which increases the pipeline's capacity from 60,000 barrels per day (bbl/d) to 135,000 bbl/d. The pipeline transports unfractionated NGL from the Bakken Shale to the company's 50% owned Overland Pass Pipeline, a 760-mile NGL pipeline from southern Wyoming to Conway, Kan.; and

The Niobrara NGL Lateral, which connects ONEOK Partners' Sage Creek gas processing facility in the Niobrara Shale formation in Wyoming's Powder River Basin to the Bakken NGL Pipeline.

All of the projects in ONEOK Partners' planned capital-growth program are expected to generate adjusted EBITDA of 5X to 7X. The incremental earnings from these projects are expected to increase distributable cash flow and value to unitholders in the form of higher distributions.

Plains, Enterprise Announce Eagle Ford JV Pipeline Expansion

Plains All American Pipeline LP and Enterprise Products Partners LP will construct a new condensate gathering system into their Three Rivers terminal and double the mainline capacity on the Eagle Ford Joint Venture (JV) Pipeline from Three Rivers to Corpus Christi, Plains said in a statement. The expansions are supported by a long-term production commitment and have an expected in-service date in third-quarter 2015.

The Eagle Ford JV Pipeline system is a 50:50 joint venture between Plains and Enterprise. It delivers crude oil and condensate via pipeline from Gardendale in La Salle County, Texas, to the Three Rivers and Corpus Christi refineries, as well as to other markets via marine transport facilities at Corpus Christi. The pipeline also supplies the Houston-area market through a connection to the Enterprise Crude Pipeline terminal at Lyssy in Wilson County, Texas.

As part of the expansion, the companies will build a new gathering system with about 55 miles of gathering and trunkline pipeline to connect Karnes County and Live Oak County production areas to the Three Rivers terminal. The companies will also construct an additional 70 mile, 20-inch pipeline from Three Rivers to Corpus Christi and storage and pumping capacity expansions at Three Rivers. Combined with a previously announced expansion, this project loops the Eagle Ford JV Pipeline from Gardendale to Corpus Christi and increases the JV system capacity to more than 600,000 barrels per day. The Eagle Ford JV Pipeline will connect with the Cactus Pipeline, which Plains is building from the Permian Basin at McCamey to the Eagle Ford JV Pipeline at Gardendale.

Plains and Enterprise are also planning construction of a new terminal on the Corpus Christi Ship Channel to support the increased volumes to be shipped via pipeline to the region. The dock will be able to handle a variety of ocean-going vessels and is planned to enter service by 2017.

Aux Sable Plans $130 Million Expansion

Aux Sable Liquid Products LP, which is owned by Enbridge Inc., Veresen Inc. and Williams Partners LP, announced plans to increase the fractionation capacity of its extraction and fractionation facilities in Channahon, Ill., by about 24,500 barrels per day (bbl/d). The expansion is expected to cost $130 million.

Currently, the company’s Channahon facilities are capable of processing 2.1 billion cubic feet per day of natural gas and can produce about 107,000 bbl/d of specification NGL products. The expansion will increase the NGL production to 131,500 bbl/d.

The expansion will be supported by long-term rich gas premium agreements, and has a target in-service date of mid-2016.

Antero Midstream Partners Prices Upsized IPO

Antero Resources Corp. announced pricing of its Antero Midstream Partners LP IPO of 40 million common units representing limited partner interests in the new partnership at $25 per common unit.

The partnership was initially offering 37.5 million common units at an estimated price range of $19 to $21 per common unit. The partnership granted underwriters a 30-day option to purchase up to an additional 6 million common units. The common units began trading Wednesday on the New York Stock Exchange under the ticker symbol “AM.”

The partnership will initially own gathering and compression assets that service Antero’s production. The offering is expected to close Nov. 10, subject to the satisfaction of customary closing conditions.

Upon conclusion of the offering, the public will own 26.3% of the 151,881,914 outstanding common and subordinated units (or 30.3% if the underwriters exercise in full their option to purchase additional common units). Antero and its affiliates will own the remaining 73.7% limited partner interest in the partnership (or 69.7% if the underwriters exercise in full their option to purchase additional common units). Antero Midstream Management LLC, a wholly owned subsidiary of Antero's controlling stockholder, will serve as the general partner of the partnership and will own the partnership's incentive distribution rights.

Total gross proceeds from the offering will be $1 billion and net proceeds will be about $947 million (or about $1.1 billion if the underwriters exercise in full their option to purchase additional common units), and the partnership intends to use about $1 million to pay finance structuring costs in connection with its new revolving credit facility, about $458 million to repay outstanding indebtedness it will assume from Antero and about $238 million (or about $380 million if the underwriters exercise in full their option to purchase additional common units) to make a distribution to Antero as reimbursement for certain capital expenditures incurred. The partnership will retain $250 million of the net proceeds for general partnership purposes.

Barclays and Citigroup are acting as joint book-running managers and structuring agents for the offering. Wells Fargo Securities, Credit Suisse, J.P. Morgan and Morgan Stanley are also acting as joint book-running managers.

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