

MIDSTREAM

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DCP Midstream's Historical Advantage

By Frank Nieto, Senior Editor



DCP Midstream LLC has been the largest gas processor and NGL producer in *Midstream Business'* rankings for the last two years and it's easy to see why when you look at the company's holdings: 64 processing plants and 67,500 miles of integrated pipelines that extend its reach to most of the country's most important liquids and gas plays.

Clearly a system this large doesn't come together overnight and DCP Midstream is no different. While DCP Midstream and its MLP, DCP Midstream Partners LP, have been in operations for a little under a decade, the history for the DCP enterprise—which includes its shareholders Phillips 66 and Spectra Energy Corp.—extends nearly 90 years.

“We are not the new kids on the block,” Wouter van Kempen, the chairman and CEO of DCP Midstream and DCP Midstream Partners, said during DCP Midstream’s investor and analyst conference on Oct. 7.

The company ranks as one of the top gas processors in the Permian, Midcontinent, Niobrara, Denver-Julesburg (D-J) Basin, and Eagle Ford due to its legacy holdings that have allowed the company to optimize its asset base rather than have to build new infrastructure to meet producer demands.

“We like to say that existing steel in the ground beats new steel every day,” Brian Frederick, president of DCP Midstream’s South and Midcontinent business units, said during the conference. This strategy has been most evident in the SCOOP (South Central Oklahoma Oil Province), the Mississippi Lime, and the Granite Wash.

In all the DCP enterprise has an enterprise value between \$15 billion to \$20 billion, which grows to more than \$100 billion when including Phillips 66 and Spectra Energy. This far-reaching asset base and lengthy history allow DCP to differentiate itself from other companies. “I always like to say to our customers that DCP is the one that builds [infrastructure] for you, DCP is the one that will operate [infrastructure] for you and DCP is the company that will dismantle the operation when it’s no longer needed in a couple of generations from now. We have been doing that for the last 90 years. That matters for our customers, especially in today’s environment,” van Kempen said.

He also highlighted DCP’s exemplary safety and reliability records, which he said are built into the company’s core and is reflected in its employee saying: Safety takes us home. “It really matters to us that every employee, every visitor, and every contractor makes it home safe every night ... [Reliability] drives our profitability and allows us to earn the right to grow. Our customers demand it, it pays dividends to everyone so we invest a lot of resources to continually improve reliability.”

These principles have helped DCP become a fully integrated midstream service provider in less than five years through a “growth-for-growth” strategy. “Since 2010, the DCP enterprise has been on a journey of strong self-funded growth, growing about 60% over the last four years,” van Kempen said. This has been achieved by dropping assets down from the general partnership (GP) into the partnership, which issues debt and equity for the acquisitions and then returns the proceeds from the dropdowns back to the GP.

This integration is now propelling the company’s further growth by maximizing the entire value chain, which is underpinned by its focus on capital efficiency. According to van Kempen, DCP Midstream paces its investments to align with customer demand in order to bring on infrastructure when it is needed, which creates long-term sustainable value. Working with customers has also benefited the company as it has ensured a focus on liquids-rich production.

In total, van Kempen said that DCP Midstream has identified \$4 billion to \$6 billion in organic growth opportunities that could be in place by the end of 2016 that would follow the \$4 billion the company invested from 2010 to the end of 2014.

The Permian Basin in particular is a focal point for DCP Midstream as it has quickly become one of the biggest and most active play in the U.S., according to Greg Smith, president of DCP Midstream's Permian and North business units.

From 2010 to 2013, the company focused on plant expansions in the region. Beginning last year it has been focusing on new plant construction in order to handle all of the activity in the region. These plants are then tied together with large gathering lines as well as the new Sand Hills NGL Pipeline.

"The growth shows no sign of stopping ... [and] is also helping DCP to modernize its gathering systems and optimize our processing fleet. We have large acreage dedications from our customers of about 10 million acres, almost the same size of Maryland and Connecticut combined and we forecast to spend up to \$1.5 billion between now and 2016," Smith said. These include two new processing plants: one in the Delaware Basin and the other straddling the Wolfberry and Wolfcamp plays.

DCP Midstream's large asset base also provides tremendous optionality to its customers by providing them access to multiple markets so they can secure premium netbacks. One example of this was the company's construction of the Southern Hills Pipeline, which allows Midcontinent production to reach the Mont Belvieu, Texas, market along the Gulf Coast.

While the Permian Basin has been garnering a great deal of attention, Smith stated that the D-J Basin is another "superstar" play that could support the development of a new processing plant every 18 months for the next few years. This would more than double the company's current processing capacity to more than 1 billion cubic feet per day (Bcf/d) with a capacity of 1.5 Bcf/d possible.

The Douglas, Wyo., system may also be targeted for growth as producers have increased activity in the nearby Powder River Basin in Wyoming. "This is a crude play that is beginning to catch the attention of E&P companies ... It's eye-opening when you cross the state line from Colorado into Wyoming and see the amount of activity [taking place]. It feels like producers are figuring out the science of extracting oil and rich gas from this area," Smith said.

This system currently gathers more than 50 million cubic feet per day of gas and is exploring the possibility of building a new processing plant in the region, which could double the system's capacity.

The company's web of assets also works to provide it access to plays where it isn't really active on paper. Case in point being the Marcellus Shale, where it has one of the largest NGL distribution networks, according to Don Baldrige, DCP Midstream's president of marketing and logistics. DCP Midstream is an active purchaser and transporter of Marcellus NGL to its network of terminals, storage and export facilities.

Clearly the integrated approach has been enormously successful for DCP Midstream and as more opportunities arise it is likely to continue its successful growth.

Reaching For Zero

By Caryn Livingston, Assistant Editor



In a conference call with members of the media on Sept. 30, American Petroleum Institute (API) President and CEO Jack Gerard outlined comments the association presented later that day to the U.S. Department of Transportation (DOT). The API and Association of American Railroads (AAR) were responding to proposed changes from DOT relating to shipment of crude by rail.

“Safety is a core value for America’s oil and natural gas industry, and our goal is always zero incidents,” Gerard told reporters. He said that while railroads have recently played a more significant role in the transport of crude oil, and that 99.998% of the time railroads perform that role without incident, the API and railroads are working together “to identify best practices and other things that would contribute to further squeezing out that 0.002%.”

Reaching the goal of zero incidents, Gerard said, requires a “comprehensive approach,” which he compared to a three-legged stool.

The first leg of the stool is prevention, Gerard said. “Looking at accident prevention, we support the use of enhanced braking capabilities for trains that carry large volumes of flammable liquids. We also encourage regulators to evaluate whether the development of new standards or processes could reduce the number of accidents that occur.”

The second leg is response to incidents. “PHMSA [Pipeline and Hazardous Materials Safety Administration, within DOT] currently does not provide the railroad companies the clarity they need to develop comprehensive and consistent plans for spill response,” said Gerard. “We encourage PHMSA to provide detailed guidance in this area so the railroads can assess their current plan and assure they meet or exceed the desired standards.”

In one of three sets of comments it sent to DOT, API said: “The current set of regulations provides vague requirements with no measurable outcome or standard of performance. While flexibility is always necessary and overly prescriptive measures rarely have the desired effect, some level of industry specific guidance should be provided to help companies determine whether their plans are adequate and effective.” The API went on to suggest that DOT work with the industry to gain a better understanding of the operating environment and the challenges specific to it, and that DOT consider adopting the “response zone” concept required for pipeline operators.

“The oil and natural gas industry has worked closely with the EPA [U.S. Environmental Protection Agency], the Department of Interior and the Coast Guard on these issues for decades. There’s a wealth of knowledge and experience from which PHMSA can pull, and we will gladly make our experts in spill response planning available to PHMSA to aid in this work,” Gerard said.

The third and final leg, Gerard said, is mitigation, to which the API has devoted the majority of its efforts. Mitigation includes proper testing and classification of crude oil being shipped, as well as tank car design. To this end, API recently published a new set of recommended practices for testing and classifying crude oil for rail shipment and loading into tank cars. The new set of standards, Gerard said, “was developed in just a few months by experts from the oil and natural gas industry, the railroad industry, our regulators, PHMSA, and Transport Canada. It represents the best thinking of both the private sector and regulators on the procedures that should be used to ensure proper classification in crude oil for rail shipment.

“We encourage PHMSA to incorporate this new industry standard into its regulations to ensure the greatest possible safety enhancements,” he said.

Gerard also said API disagreed with both the lowered speed limit PHMSA proposed for trains carrying crude oil and DOT’s claim that crude oil produced from the Bakken Shale is more volatile than other light crudes and should perhaps be subject to different shipping standards.

“We have talked with our colleagues in the rail community as well because we understand the impacts across the entire rail system, if you arbitrarily lower a speed without adding any real value or any real benefit to safety enhancement,” Gerard said. “To arbitrarily create a speed restriction doesn’t add to safety. We share the view of our rail colleagues that slowing the entire system down may be unnecessary. We’d need someone to demonstrate to us the safety enhancement that really creates.”

Tank car updates

Gerard said that the API worked with AAR to develop joint comments regarding tank car design. “Our commitment to safety has led us to build tank cars since 2011 to voluntary standards that exceed current requirements, and we support additional upgrades to the tank car fleet that will yield meaningful safety benefits,” he said.

According to Gerard, the joint comments emphasize recommended changes for both existing tank cars and newly constructed cars. Recommended changes for existing cars include:

Retrofitting with advanced pressure relief valves, with added protection for the valves on top and bottom; and

Addition of full-height head shields, jackets and thermal blankets to non-jacketed cars.

“For new construction, we support a car with these same features along with a one-half-inch thick shell,” Gerard said. This proposed shell thickness differs from PHMSA’s earlier proposal to require a nine-sixteenths-inch thick shell, which Gerard said the API considered, and came to the conclusion that “the unintended consequences would negate any additional safety benefit by requiring more trains to pull the same volume of crude.”

The most problematic part of PHMSA’s existing car retrofit plan, Gerard said, is its proposed timeline, which includes a phase out within two years of older DOT-111 tank cars. Due to limits of shop capacity and other resources needed to retrofit existing tank cars, the proposed timeline is “not feasible,” Gerard said.

“In fact, PHMSA’s timeline could harm consumers by disrupting the production and transportation of goods that play major roles in our economy, including chemicals, gasoline, crude oil and ethanol,” Gerard said. “A recent study by ICF International estimates that the consumer cost impact under the PHMSA rule could reach \$22.8 billion over 10 years. Now that’s assuming the Keystone XL Pipeline is approved. Without the Keystone XL Pipeline, the constraints are even more severe, and could cost consumers up to \$45.2 billion.

“It is no exaggeration to say that given the shop capacity limitations that exist, PHMSA’s current proposals could stifle North America’s energy renaissance and curtail substantial volumes of U.S. and Canadian oil production,” he said.

In response, the API developed a timeline Gerard called “aggressive, but achievable.” The proposal includes allowing facilities involved in the retrofit from six to 12 months to ramp up shop capacity in preparation for the retrofit. Then, DOT-111 tank cars would be retrofitted during the next three years, while newer CPC-1232 tank cars continue deliveries. Once the DOT-111 cars have been retrofitted, they can resume delivery while the CPC-1232 cars undergo retrofits.

Crude-By-Rail Traffic Still Climbing

By Paul Hart, Editor-In-Chief



Rail-shipped crude oil volumes may decline as new and repurposed pipeline infrastructure comes online. But crude-by-rail (CBR) is not dropping just yet.

The latest Association of American Railroads' (AAR) numbers show crude and petroleum product shipments on the major, Class I railroads for the week of Sept. 21-27 rose 24.9% from the year-earlier week to 16,759 cars. Year-to-date CBR shipments through Sept. 27 were up 12.5% to a total of 590,333 carloads from 2013 volumes and now average 15,137 carloads per week.

That was the second-largest, year-to-date increase for any commodity AAR tracks, following behind grain as the railroads struggle to move a record harvest out of the Midwest. Year-over-year U.S. grain carloadings have now risen for 12 months in a row, according to the rail trade group. Both 2013 and 2014 have been banner years for grain production.

Fifteen of the 20 commodity categories AAR monitors monthly saw year-over-year carload increases in September. For the year, one long-term railroad mainstay—coal—dropped by 0.1% while all other commodities and intermodal container traffic rose, year to date. Overall Class I freight traffic was up 4.4% from 2013 in the period, essentially through the third quarter.

“As has generally been the case in recent months, U.S. freight rail traffic in September was consistent with an economy that’s growing at a steady pace. We think that will probably continue for the foreseeable future,” John T. Gray, AAR senior vice president, said in announcing the weekly numbers.

Canadian CBR volumes also continue to rise. For the September week, Canadian railroads reported 7,904 carloads of petroleum and petroleum products, up 24.8% from the year-earlier week. Year-to-

date, shipments totaled 285,761 cars, a 12.5% increase. Those numbers include substantial U.S.-based operations of both Canadian National and Canadian Pacific railways.

Grain shipments and heavy CBR volumes continue to snarl all rail traffic in some regions, particularly the upper Great Plains. In one sign of the current, rail-based traffic jam, Amtrak announced it is re-routing its highly popular but perpetually late *Empire Builder* across North Dakota, where it travels on BNSF rails and must work around heavy freight traffic.

Linn Energy Divests \$2.3 Billion In Assets To Fund Devon Energy Deal

By Deon Daugherty, Associate Editor



In a move reflecting a recent market trend of trying to minimize costs while, at the same time, growing a larger footprint in a given basin, Linn Energy LLC is selling off \$2.3 billion in assets to fund its similarly sized deal with Devon Energy Corp.

Earlier this year, Linn CEO Mark Ellis outlined plans to improve the bottom line at the Houston-based MLP: realize value for its Midland Basin position; make accretive acquisitions; and reduce capital intensity while increasing efficiency and improving credit metrics.

The Devon deal was a good start, and Linn has just laid out plans to further its pledge with two newly announced transactions to fund the Devon buy, which included assets in five U.S. operating areas where production is roughly 275 million cubic feet per day (MMcf/d) with about 80% of that in natural gas. The asset package is composed of about 900,000 net acres across the Rockies, Midcontinent, East Texas, North Louisiana and South Texas regions with about 4,500 total wells. Linn has identified more than

1,000 future drilling locations and more than 600 recompletion opportunities, the company said in a statement.

That was in June. Fast forward to October, and Linn Energy has already come up with the money needed to make the Devon buy a wash. Linn's \$1.95 billion divestiture of its assets in the Western Anadarko Basin effectively gets the Houston-based MLP out of that play while establishing a large-scale footprint for the privately held Denver-based company, FourPoint Energy LLC.

The deal includes more than 170 miles of gas gathering and compression systems, liquid stabilization, associated water supply and disposal infrastructure, as well as an oil terminal in Wheeler County, Texas. These assets combined with the partnership's midstream assets in Hemphill and Roger Mills counties to provide price optionality and uninterrupted takeaways for the company's oil and gas volumes, as well as functioning as a potential platform for third-party volume growth.

But this sale doesn't take Linn out of the midstream business altogether. The company maintains its Jayhawk gas processing plant in southwestern Kansas, as well as infrastructure acquired in the Hugoton Basin through its trade with ExxonMobil Corp. in the Permian Basin.

For its part, FourPoint, an affiliate of EnerVest Ltd., acquired upstream assets from Linn that include an interest in 1,358 producing wells mostly in the Granite Wash, Tonkawa, Cleveland and Marmaton formations, which net 195 MMcf/d. The assets spread across more than 145,000 net acres throughout western Oklahoma and the Texas Panhandle, where 97% of the acreage is held by production.

Jefferies was the financial advisor to FourPoint Energy and EnerVest in connection with the \$1.95 billion transaction.

In the second October deal, Linn signed a definitive agreement with Fleur de Lis Energy LLC to sell its Wolfberry positions in Ector and Midland counties in the Permian Basin for \$350 million.

"One of our goals for 2014 was to maximize value for our Midland Basin and Granite Wash assets in order to reduce the capital intensity and decline rate within our portfolio," Ellis said, adding that the October transactions largely accomplish those goals. "When considered in light of the accretive acquisitions and trades we've announced this year, we are very excited about our business as we move into 2015," he said.

Frac Spread: Propane Prices Improve, But Corrections Could Be Coming

By Frank Nieto, Senior Editor



While the rest of the NGL barrel (bbl) has experienced price depreciations related to the shoulder season and decreased values for West Texas Intermediate (WTI) crude oil, propane prices improved the first week of October based on seasonal and LPG export demand.

The Conway price rose 5% to \$1.08/gal, its highest price since mid-April, as the Midcontinent market prepares for increased heating and crop drying demand. The Mont Belvieu price rose 1% to \$1.06 per gallon (/gal).

Last month, the U.S. Department of Agriculture forecast that U.S. farmers will harvest a record crop of corn and soybean, which should result in greater demand for propane for crop drying, especially if forecasts for cold and rainy weather in the Midcontinent prove to be true.

However, En*Vantage stated that propane could be facing a steep price correction if heating demand doesn't match the same levels as last year. "U.S. propane inventories hit another record high of 78 million bbl, with most of the surplus on the Gulf Coast. ... Even though crop drying demand should be strong, it is going to take strong winter fuel demand to work down excess propane inventories," the firm said in its *Weekly Energy Report* for Oct. 9.

Indeed, the U.S. Energy Information Administration (EIA) released its short-term energy outlook and stated Midwest propane inventories at the end of September were 15% greater than at the same time last year, which caused the agency to forecast significantly lower heating bills for Midwest homes this coming winter.

Consequently a price correction could occur even with strong LPG export demand, as En*Vantage anticipates 400,00 bbl/d of LPG export, but with a thinner arb to Europe and Asia based on lower crude prices and the narrowing of the Brent to WTI price spread.

Ethane, the other light NGL, is facing a more dire price outlook. There is little doubt that the market will remain challenged until early 2015 at the earliest after yet another ethane cracker—Chevron Phillips Chemical’s Sweeny, Texas, No. 22 plant—went down for unplanned repairs. This increased the percentage of total domestic cracking capacity currently offline to more than 12%. For the week, prices fell 3% to 19 cents/gal at Conway—the hub’s lowest price in two months—while the Mont Belvieu market held firm at 23 cents/gal.

Heavy NGL prices followed crude prices as they fell across the board at both hubs, aside from a very marginal price gain for Conway isobutane. The most significant price decreases were for C₅₊, which was down 3% at both hubs with a price of \$1.85/gal at Conway and \$1.92/gal at Mont Belvieu. Both were the lowest prices since July 2012 when Mont Belvieu was \$1.90/gal the week of July 25, 2012, and Conway was \$1.82/gal the week of July 11, 2012.

Despite these dramatic downturns, C₅₊ remained the most profitable NGL to make at both hubs with the Mont Belvieu price at \$1.50/gal and the Conway price at \$1.43/gal. This was followed, in order, by isobutane at 85 cents/gal at Mont Belvieu and \$1.06/gal at Conway; butane at 82 cents/gal at Mont Belvieu and 83 cents/gal at Conway; propane at 70 cents/gal at Mont Belvieu and 74 cents/gal at Conway; and ethane at negative 3 cents/gal at Mont Belvieu and negative 6 cents/gal at Conway.

Natural gas storage levels continued to increase as the EIA reported a 105 billion cubic feet increase for the week of Oct. 3. This pushed storage levels to 3.205 trillion cubic feet (Tcf) from 3.1 Tcf the previous week. Inventories are 10% below the 3.564 Tcf figure posted last year at the same time and 11% off the five-year average of 3.583 Tcf.

These storage levels are causing a depressed forecast for gas prices this winter as not only is there not much difference from last year’s levels, but the EIA also stated that there is likely to be less withdrawn from storage.

“Even if this winter is as cold as last year’s, the net withdrawal from natural gas inventories over the heating season would not be as large as last winter’s drawdown because domestic gas production this winter is expected to be significantly higher than it was last winter,” the agency said in its short-term energy outlook.

NGL PRICES						
Mont Belvieu	Eth	Pro	Norm	Iso	Pen+	NGL Bbl
Oct. 1 - 7, '14	23.18	105.86	122.54	123.50	192.40	\$38.96
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
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. 2 - 8, '13	25.08	109.62	145.18	147.98	206.10	\$42.47
Conway, Group 140	Eth	Pro	Norm	Iso	Pen+	NGL Bbl
Oct. 1 - 7, '14	18.97	108.18	122.40	143.24	185.06	\$38.80
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
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. 2 - 8, '13	20.90	105.80	144.40	150.82	196.62	\$40.97

CURRENT FRAC SPREAD (CENTS/GAL)				
October 10, 2014	Conway	Change from Start of Week	Mont Belvieu	Last Week
Ethane	18.97		23.18	
Shrink	24.93		25.66	
Margin	-5.96	-7.10%	-2.48	0.00%
Propane	108.18		105.86	
Shrink	34.44		35.45	
Margin	73.74	7.69%	70.41	2.03%
Normal Butane	122.40		122.54	
Shrink	38.99		40.13	
Margin	83.41	-0.27%	82.41	-0.53%
Isobutane	143.24		123.50	
Shrink	37.45		38.55	
Margin	105.79	0.51%	84.95	-1.21%
Pentane+	185.06		192.40	
Shrink	41.70		42.92	
Margin	143.36	-3.63%	149.48	-3.92%
NGL \$/Bbl	38.80	0.12%	38.96	-0.76%
Shrink	13.74		14.14	
Margin	25.06	0.78%	24.82	-1.19%
Gas (\$/mmBtu)	3.76	-1.05%	3.87	0.00%
Gross Bbl Margin (in cents/gal)	57.68	1.35%	57.36	-0.93%
NGL Value in \$/mmBtu (Basket Value)				
Ethane	1.04	-3.36%	1.28	0.00%
Propane	3.76	4.74%	3.68	1.34%
Normal Butane	1.32	-0.52%	1.32	-0.36%
Isobutane	0.89	0.10%	0.77	-0.84%
Pentane+	2.39	-3.06%	2.48	-3.07%
Total Barrel Value in \$/mmbtu	9.40	0.56%	9.52	-0.43%
Margin	5.64	1.67%	5.65	-0.72%

RESIN PRICES – MARKET UPDATE – OCTOBER 10, 2014					
TOTAL OFFERS: 14,123,988 lbs		SPOT		CONTRACT	
Resin	Total lbs	Low	High	Bid	Offer
LDPE - Film	2,698,852	0.835	0.92	0.81	0.85
HDPE - Blow Mold	2,294,600	0.795	0.835	0.75	0.79
PP Homopolymer - Inj	2,115,312	0.795	0.89	0.84	0.88
HDPE - Inj	1,941,312	0.795	0.88	0.75	0.79
LLDPE - Film	1,777,312	0.81	0.865	0.77	0.81
PP Copolymer - Inj	966,552	0.81	0.965	0.85	0.89
HMWPE - Film	925,932	0.835	0.885	0.77	0.81
LLDPE - Inj	829,380	0.82	0.885	0.77	0.81
LDPE - Inj	574,736	0.77	0.885	0.8	0.84

Source: Plastics Exchange – www.theplasticsexchange.com

Dominion Midstream Launches IPO

Delaware-based Dominion Resources Inc. subsidiary Dominion Midstream Partners LP launched its IPO of 17,500,000 common units representing limited partner interests pursuant to a Registration Statement on Form S-1 previously filed with the U.S. Securities and Exchange Commission. Dominion Midstream will also grant the underwriters a 30-day option to purchase up to an additional 2,625,000 common units at the IPO price. Dominion Midstream will list its common units on the New York Stock Exchange under the ticker symbol “DM,” subject to official notice of issuance.

The common units offered represent a 27.4% limited partner interest in Dominion Midstream, or a 31.5% limited partner interest if the underwriters purchase the additional common units. Dominion, through certain of its subsidiaries, will own the remaining 72.6% limited partner interest in Dominion Midstream, or 68.5% if the underwriters purchase the additional common units.

Barclays, Citigroup, J.P. Morgan, BofA Merrill Lynch, Goldman, Sachs & Co., UBS Investment Bank and Morgan Stanley are acting as joint book-running managers for the offering. RBC Capital Markets and Scotiabank/Howard Weil are acting as co-managers.

Union Pacific Will Move Forward With Proposed Texas Rail Yard

Union Pacific (UP) announced Oct. 2 it will proceed with plans for a new rail yard in Robertson County, Texas, near Hearne.

“This rail facility will connect the largest and fastest growing Texas markets to the state’s existing freight transportation infrastructure,” said Brenda Mainwaring, UP’s vice president of public affairs. “The development of this project will create more than 1,400 construction jobs over a two-year period. We estimate 200 permanent jobs will be needed to operate the site once it is completed. At full operation, this yard is also expected to contribute an additional 184 indirect regional jobs.”

The planned facility is known as a classification yard. It will sort rail cars by destination on separate tracks from inbound trains to create multiple outbound trains. The outbound trains will be fueled and inspected by a mechanical crew at the facility before departing to local and regional destinations.

Seven different UP rail lines meet in southern Robertson County, connecting the markets of Dallas/Fort Worth, Houston, Austin, San Antonio, the Gulf Coast and the rest of East Texas.

Targa Resources Partners Announces Permian, Williston Expansion Plans

Targa Resources Partners LP announced expansion plans for its gas gathering and processing capabilities in the Permian and Williston basins.

The company approved the purchase and installation of a new 300 million cubic feet per day (MMcf/d) cryogenic processing plant, a header pipeline running from the new plant into the southern portion of the Delaware Basin and related gathering and compression infrastructure. The new plant will be constructed in Winkler County, Texas, west of Targa Resources Partners’ Sand Hills processing plant. This new plant, in addition with the recent startup of the 200 MMcf/d High Plains plant, will increase the company’s Permian Basin capacity by about 500 MMcf/d to a total gross capacity of 1.1 billion cubic feet per day. The new plant is expected to enter service by the end of first-quarter 2016.

The company also approved the purchase of a 200 MMcf/d cryogenic processing plant to be located in the Williston Basin in McKenzie County, N.D. This will increase Targa Resources Partners’ processing capacity when all facilities are debottlenecked to about 300 MMcf/d over time in the Bakken and Three Forks shale plays. The plant is expected to enter service as early as the end of 2015.

US Agency Awards \$324-Million Loan Guarantee for LNG Ships

By Jack Peckham, Hart Energy

The U.S. Maritime Administration (MARAD) recently approved a \$324.6-million loan guarantee to Tote Shipholdings to finance construction of two container ships that will be fueled by LNG.

The vessels will be constructed at National Steel and Shipbuilding Co. (NASSCO) in San Diego, Calif., according to a September 22 MARAD announcement.

“As dual fuel vessels, primarily operating with LNG, but with light diesel as needed, the vessels will be the most environmentally friendly containerships in the world, with engines that reduce the discharge of particulates to well below the levels mandated by the U.S. Environmental Protection Agency,” according to MARAD.

“Expected to be delivered in 2015 and 2016, Tote will operate the vessels in Jones Act trade between the Port of Jacksonville and Puerto Rico, transporting containers, automobiles and other cargoes.”

MARAD currently has loan guarantees totaling \$1.7 billion for U.S. shipyard projects, according to the agency.

Pembina Pipeline To Build Diluent Terminal

Pembina Pipeline Corp. plans to begin construction of the Canadian Diluent Hub, a large-scale condensate and diluent terminal at its Heartland Terminal site near Fort Saskatchewan, Alberta.

The first phase of the terminal’s development is expected to cost CA\$350 million (US\$313.3 million) and will include 600,000 barrels (bbl) of above-ground storage, multiple inbound and outbound pipeline connections, and associated pumping and metering facilities. Pembina has also completed detailed engineering studies for the construction of additional rail facilities and underground cavern storage development as part of an expected second stage of development.

Pembina expects the terminal to become a new market hub for condensate and other diluents by offering customers:

Direct access to a growing and diverse diluent supply through Pembina and third-party pipeline connections;

A variety of condensate qualities, crude grades and synthetic crude oil;

Segregation infrastructure and flexibility to accommodate proprietary and premium diluent blends;

Direct connectivity to third-party market terminals and pipelines that supply and serve oil sands producers;

Marketing services to facilitate supply aggregation;

Above-ground and cavern storage services; and

Access to rail import facilities and future export connections.

Preparation for the terminal's construction started in late 2013. Subject to further regulatory and environmental approvals, Pembina expects it will phase-in incremental storage and pipeline connections to regional condensate delivery systems in 2016. Pembina said it hopes the hub will have full connectivity and be fully in-service by second-quarter 2017.

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