MIDSTREAM Monitor

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Steady In The Midstream

By Caryn Livingston, Assistant Editor

It's a good time to be in the midstream sector, according to Michael Grande, director, midstream energy & MLP ratings team for Standard & Poor's Ratings Service (S&P). Midstream capital spending is "extremely robust" and is expected to remain that way at least through 2016, he said at S&P's 2014 Midstream Energy and MLP Breakfast Briefing in Houston recently.

The ratings firm looked at 23 midstream companies for its forecast, according to Grande. "There's spending for the next couple years across several ratings categories for the representative companies," he said. "Those 23 companies connect us to $25 billion—the midstream issuance year-to-date has been very significant. …As long as this continues, we're going to see continued buildout of capex in the midstream space."

Much of this buildout will occur on the crude logistics side, Grande said, where a look at existing and planned pipelines demonstrates there is an "incredible amount of projects that are underway."

"If you think back a number of years when the gas shale boom was in full stride, and the buildout of infrastructure to serve the supply and demand needs there, now we're definitely seeing it on the crude side," he said. S&P expects the need for infrastructure buildout in the midstream to benefit the credit profiles of crude and refined products logistics companies, giving those companies the best credit outlook in the industry.

As to what sorts of activity those strong credit profiles will lead to, Grande doesn't expect much merger and acquisition growth from the big players in the near future.

"I think the one thing here is you'll see the larger players doing a lot of organic growth and not really having the need to focus so much on acquisitions, although for the right acquisition, [as] we've seen with Enterprise [Products Partners LP]'s recent purchase of Oiltanking Partners [LP], that sets them up very well for additional refined product exports, and even potentially crude exports if that happens in the future," he said.

Supply and demand

Warren Waite, senior energy analyst for Bentek Energy, told the breakfast's attendees that "growing pains" are a common theme in the U.S. and Canada. U.S. production growth is outpacing demand growth and creating problems for crude oil, natural gas and NGL outlooks.

According to Waite, in 2010 U.S. crude production was at 8.3 million barrels per day (MMbbl/d). Since then, production has grown by about 4 MMbbl/d, and by 2020 it's expected to grow another 5.2 MMbbl/d. He attributed most of that growth to increased production of light crude.

So far, the U.S. has handled the surge in production by backing out nearly 3 MMbbl/d of crude imports and increasing refinery utilization by roughly 5% to 10%, to about 90% total utilization, he said. A large increase in planned and existing midstream infrastructure buildout has assisted these efforts.

"Traditionally, a lot of the crude would make its way to Cushing [Okla.] and get stuck, and it really didn't have the means to get down to the U.S. Gulf Coast where pretty much all the refinery capacity exists," Waite said. "In January, Seaway—that 450,000 [barrels] a day pipeline—came on, and that's helping connect Cushing to the U.S. Gulf Coast refinery complex. Then, really by the end of this year, BridgeTex, Permian Express [II] and Cactus [will take] Permian crude, which is lighter, to the Gulf Coast, and in Cactus' case to Corpus [Christi, Texas, where] a lot of that is barged up to PADD IA in the Northeast."

Future exports?

While projects connecting new supplies to areas that allow for processing and further transport can keep the production and demand balance in check for now, Waite warned that "really significant downward prices" are on the horizon unless longer-term measures are taken to bring demand more in line with U.S. production.

"I can expand my refineries, I can displace more of my sweet [crude] … I can displace my light sours and then I can increase my refinery utilization runs. I also can blend some of my lights, my heavies and have more of a medium barrel," he said, but "there's only a limited amount of that I can do."

"What we're quickly going to realize is there's going to be a day, a day of reckoning as some people have termed it, that we hit this equilibrium point where I don't have a demand for this lighter barrel," Waite said.

With conservative refinery capacity expansion and light crude displacements, supply could outpace demand as soon as 2016, Waite said. Even with aggressive efforts, it's expected that by 2018 production will exceed U.S. demand and refining capacity, which will lead to drastic price decreases by 2019 and a large price differential between global benchmark Brent and West Texas Intermediate (WTI).

According to Waite, the effects of the oversupply of light crude are already observable. "Earlier this summer, [WTI price per barrel] really started tanking. We were over $105 to $110 [per barrel]. Now we're at $88 or $87. A couple of weeks ago we were at $90. So there's a lot of downward pressure starting to show."

Waite concluded with an emphasis on crude oil exports being mandatory to maintain balance, though he remained skeptical that U.S. policy on crude exports would change anytime soon.

"The key in all of this is export markets—the ability to actually send gas, NGL or crude overseas," he said. "It's needed, it's crucial, to balance the supply and demand equation."

Twin Trends Skew US, World Energy Markets

By Paul Hart, Editor-In-Chief

Terrorism and warfare blare from daily headlines now—but crude oil prices drop. In years past, even hints at geopolitical instability caused crude price spikes.

What's going on?

Thank parallel trends of rising U.S. production alongside sluggish domestic and world demand, according to a pair of new reports that analyze how the energy business has changed. The worldwide oil and gas industry has undergone a fundamental shift in the last few years. But one result will be U.S. energy independence in the next decade, one study predicted, pointing out the U.S. role on the world's energy stage has fundamentally changed.

Crude prices peaked for 2014 in June, then started to soften during the third quarter. That trend has continued into the fourth quarter—and may linger.

"The fact that crude prices declined while geopolitical concerns continue to rise speaks to the truly transformative potential and impact of increasing U.S. crude production," said Deborah Byers, oil and gas leader for Ernst & Young LLP in the U.S. "Similarly, the lack of oil demand growth continued to be an influential story both globally and in the U.S."

Ernst & Young projected the situation may continue for several years.

“While the latest [U.S.] Department of Energy forecasts project continued increases in U.S. oil production over the next five to seven years, recent IEA [International Energy Agency] estimates predict lower global oil demand growth than previously expected. As a result of this supply and demand spread, Brent prices during the third quarter dropped by approximately $14 per barrel (bbl) while WTI [West Texas Intermediate] prices lowered by around $12/bbl,” it said in the report.

The firm said during the past four years, WTI prices fluctuated but have stayed within a narrow range between $95/bbl to $100/bbl. But during the third quarter, both global and U.S. crude prices weakened significantly as U.S. supply increased while global demand remained flat.

Ernst quoted IEA projections that world oil demand will grow only 0.9% this year with just slightly higher growth projected for 2015. That contrasts to growth exceeding 3% as recently as 2010.

“Despite sluggish global demand, North American oil production continued to grow,” Ernst noted. “Notably, three unconventional basins—the Eagle Ford, the Bakken and the Permian—accounted for about 90% of the nearly 3.8 million bbl/d increase since the beginning of 2007.”

The current trends could threaten growth in U.S. oil output, noted Jim Franks, oil and gas advisory leader at Ernst & Young. “A continuing slide in oil prices would, however, threaten some of the expected growth in U.S. oil production, as some cash-starved and higher-cost producers start to dial back their development plans,” he said.

Separately, Wood Mackenzie’s Global Trends Service found the same higher-supply/slack-demand trends in a new report. But the report added the trends could be good news in the long run.

“The U.S. will achieve energy independence by 2025, which will mark the first time since 1952 that the U.S. will export more energy than it imports,” it said.

“A country can achieve energy independence through two channels, it can either produce more or consume less, and the U.S. is doing both,” said James Brick, Wood Mackenzie senior analyst. “Over the last seven years, the U.S. has added 3 million bbl/d of tight oil and 27.5 billion cubic feet per day of shale gas to the global energy mix, a spectacular 42% increase in U.S. oil and gas production.”

Meanwhile, oil demand has decreased, primarily due to efficiency gains in the nation’s transport sector, Brick added.

Wood Mackenzie indicated uncertainties facing the U.S. energy market fall into two broad categories: those that make it more likely the U.S. will achieve energy independence before 2025, and those that will delay it. “The key uncertainties that can speed up U.S. energy independence include a lifting of the U.S. crude oil export ban, higher tight oil production and lower demand in the transport sector,” the firm said .

By lifting the crude export ban, Wood Mackenzie said the price realized by upstream producers would increase as they access higher priced international markets. If crude oil exports resulted in U.S. producers receiving an additional $5/bbl, production could increase by 350,000 to 450,000 bbl/d. But the industry would need to invest around $5 billion to retool its infrastructure and take full advantage of open exports.

“Not all companies would actually benefit from lifting the crude oil export ban,” added Brick. “It’s likely that upstream producers would generally benefit the most via increased volumes and higher prices. Oil field service companies and rig manufactures would also benefit from the additional investment.”

Even if the export ban stays in place, the U.S. could produce more tight oil than is currently anticipated.

“Tight oil and shale gas plays are still evolving and there are many opportunities for the application of new production techniques,” Brick said. “Production could be up to 3 million bbl/d higher than our view of 10.3 million bbl/d [by] 2030 as a result of the application of technologies such as enhanced oil recovery (EOR) and refracturing. EOR techniques currently being tested are especially promising and early indicators suggest recovery rates could double.”

Three uncertainties that could stall energy independence include delays in developing export facilities, environmental regulations and energy policies that would encourage greater use of natural gas for power generation.

“If local or national regulation that discourages fracking is passed, oil and gas production will be lower,” added Brick. “Also, if U.S. energy policy is enacted to reduce carbon dioxide emissions, it is likely gas used by the power sector will increase.

“Irrespective of the timing of independence, the U.S. has started its transformation from energy consuming giant to prominent exporter,” said Brick. “With this role shift comes obvious economic benefits but also shifting risks and new responsibilities.”

Kinder Morgan Project Backlog Highlights Strength

By Frank Nieto, Senior Editor

The deal which will formally consolidate Kinder Morgan Inc. into one company is expected to close before the Thanksgiving holiday (Nov. 27) in the U.S., chairman and CEO Richard Kinder said during a recent conference call to discuss third-quarter 2014 earnings.

This deal, estimated at $71 billion, is designed to simplify the Kinder Morgan entity while also helping improve its cost of capital, which will help the company develop the multitude of projects in its backlog.

“We went from $17 billion in backlog at the beginning of the third quarter to $17.9 billion at the end of the quarter even after deducting about $1.1 billion of projects that were completed and placed in service during the quarter and removed from the backlog,” Kinder said.

“To me this growth demonstrates once again the demand for midstream energy infrastructure in North America and the size of our backlog together with the enormous footprint of our pipeline and terminal assets is the best predictor of future growth at Kinder Morgan,” he added.

A sizable portion of this backlog is attached to the natural gas market with about $4.4 billion in backlog projects related to natural gas with a large portion focusing on LNG and Mexico exports. LNG export projects are divided into two parts: first party which consists of the company’s own $1.6 billion Elba Island, Ga., terminal and its related transportation expansions, and second party projects in which

Kinder Morgan invests in infrastructure to serve other companies' LNG facilities. Such projects total about $750 million. Projects related to Mexico add another $900 million.

More impressive for the outlook of the gas sector is that this backlog doesn't include power conversion, industrial and petrochemical projects, which are recognized by many industry observers as having the most potential for growth in the midstream.

Further growth is anticipated in the storage sector, according to Steve Kean, president and COO of Kinder Morgan Energy Partners LP. He noted that with all of the increased activity that storage can be expected to pick up interest.

The strong backlog in gas projects isn't diminishing the potential for NGL and crude projects even after Kinder Morgan completed its Cochin Pipeline as liquids-related projects make up the bulk of the company's backlog.

Kean said that $600 million of Kinder Morgan's project backlog is related to crude-by-rail projects, $400 million associated with the buildout of American Petroleum Tankers marine transport vessels, and another $1.4 billion for liquids, tankage, dock and piping infrastructure.

"We expect to continue to see growth in demand for the liquids infrastructure. I think that demand also extends to our existing assets in Houston and Edmonton where we continue to see nice renewal rates as well as expansions," Kean said.

The $310 million Cochin project reversed about 1,500 miles of the 1,900-mile system to allow 95,000 barrels per day (bbl/d) of light condensate to be transported from Kankakee County, Ill., to Fort Saskatchewan, Canada.

The company held an open season for the Utica-To-Ontario (UTOPIA) Pipeline, which will transport NGL 240 miles from Harrison County, Ohio, to the Cochin Pipeline where it will be shipped to Windsor, Canada.

Another proposed pipeline is the Utica Marcellus Texas Pipeline (UMTP), which would ship Y-grade NGL from the Utica-Marcellus region to the Texas Gulf Coast by converting more than 1,000 miles of the company's Tennessee Gas Pipeline running from Mercer, Pa., to Natchitoches, La., from gas to NGL service while building 220 miles of new pipe from Natchitoches to Mont Belvieu, Texas.

Kinder Morgan has failed to secure enough commitments to proceed with this project, but Kean said that each time the company surveys the field and market they generate more interest in the project than the previous period.

"We are actively pursuing its development as a reset to … say what does the market really need out there? We think the market really needs a 2018 in-service date. There's been a lot of talk for a while about [a] 2017 [in-service date], but there doesn't seem to be much harm in a 2018 in-service date. So we've adjusted our spend and development work," Kean said.

Kinder also discussed the proposed $4.5 billion to $5 billion Northeast Energy Direct project, which was proposed by its Tennessee Gas Pipeline subsidiary to upgrade its existing pipeline system in New York, Pennsylvania, Massachusetts, New Hampshire and Connecticut in order to meet increased demand for natural gas in Northeast markets. The project, which completed a successful open season in March, will transport between 800 million cubic per day and 2.2 billion cubic feet per day and is projected to be in-service by November 2018. The company is currently working to add Maine to the project.

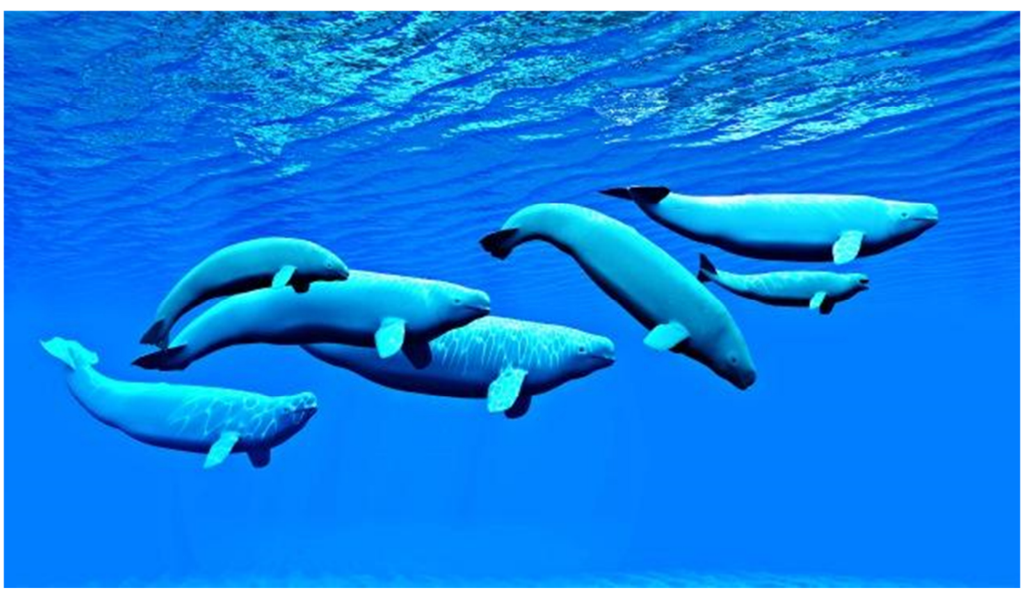
“We’re working towards critical mass. We haven’t put the project in the backlog yet and won’t until we get that critical mass. We’re working with a number of customers for additional capacity and the project certainly looks like it’s needed for New England. We’re also seriously looking at our ability to reroute certain parts of it to obviate some of the uproar we’ve had in the Berkshires [region in Massachusetts and Connecticut] about where our pipeline is running. We think we found solutions to route the great bulk of it along [existing] right-of-way which would not be as disturbing [to the region] as the original plan,” Kinder said while adding that the company has not yet filed the final route.

Clearly Kinder Morgan has a great deal of potential organic growth, but there is definite room for acquisitions thanks to its improved cost of capital should the right deals come along, especially if Kinder Morgan deemed these potential acquisitions as being undervalued.

One way or the other consolidation seems to be able to improve optionality for Kinder Morgan in the coming years as the midstream continues to expand and improve.

A Whale Of A Delay

By Deon Daugherty, Associate Editor



TransCanada Corp.'s $11 billion Energy East Pipeline encountered a problem in Quebec, where public opposition to the pipeline's timeline is building in response to the presence of endangered beluga whales calving their young in the St. Lawrence River.

According to *The Globe and Mail*, the Canadian company had intended to return to work after a temporary court injunction on Oct. 13 was lifted. However, a Quebec Superior Court judge then issued an injunction preventing additional work after environmental groups convinced the court the ministry had not followed appropriate protocols, including an evaluation of the pipeline's impact on the belugas that spend time in the area. TransCanada has submitted a revised plan to protect the belugas, but it is still under review by Quebec's environment ministry, according to the newspaper.

Oct. 15 is the traditional end of the belugas' calving season; TransCanada's work permit was set to expire at the end of November. The company is expected to file for additional regulatory approvals in October.

However, according to CBC News, the Quebec government said no agreement has been reached to resume surveys to build an oil terminal off Cacouna, which is just outside of Rivière-du-Loup and near the opening of the Gulf of St. Lawrence River. The area is a breeding ground for the beluga whales, a species protected by the Species At Risk Act.

The Ministry of Sustainable Development, Environment and the Fight Against Climate change said the company's most recent proposal was unsatisfactory and seismic testing would not be permitted to continue yet. Environment Minister David Heurtel said the ministry is waiting for a new proposal from the company.

The Energy East Pipeline Project is a system from the west to east side of Canada, crossing 2,858 miles to carry 1.1 million barrels of crude oil each day from Alberta to Saskatchewan to the refineries in eastern Canada. The pipeline is expected to be in service in 2018.

According to information on TransCanada's website, the project includes converting an existing natural gas pipeline into an oil transportation pipeline; constructing new lines in Alberta, Saskatchewan, Manitoba, Eastern Ontario, Quebec and New Brunswick to connect with the converted pipe; and construction of the associated facilities, pump stations and tank terminals required to move crude oil from Alberta to Quebec and New Brunswick, including marine facilities that provide access to other shipping markets.

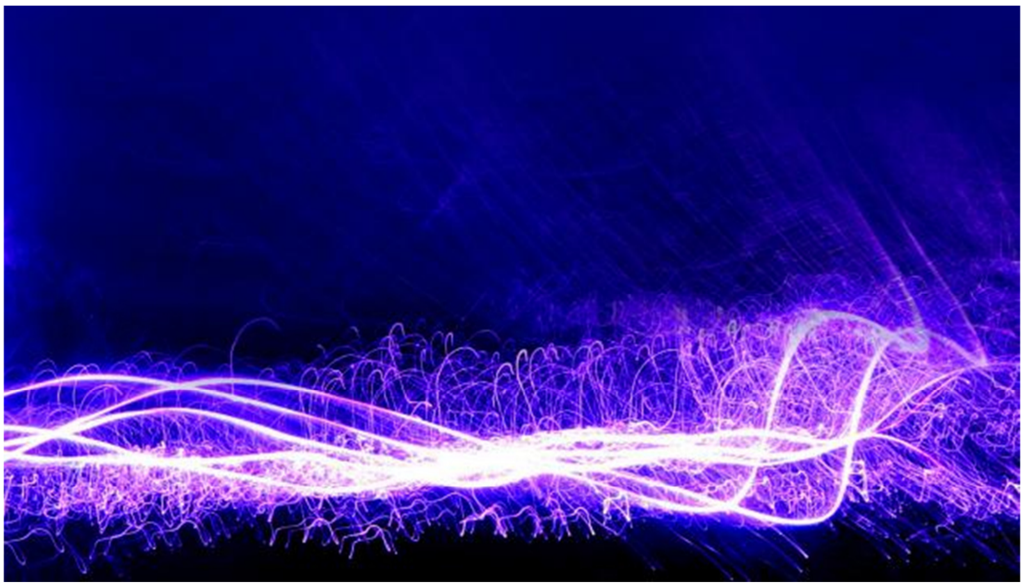
The exact route of the pipeline is still under public and regulatory review, but the planned starting point is in Hardisty.

A spokesman for TransCanada was not immediately available for comment, but the company told the newspaper it had voluntarily increased the exclusion zone for the belugas before it received notice of non-compliance from Canadian officials.

Environmental groups have said the area is in the "heart of the belugas' vital habitat," and that the project could be fatal for the marine mammals. Michael Belanger, president of Nature Quebec said the belugas' numbers have diminished from 10,000 at the beginning of the 20th century to about 880.

Frac Spread: Crude Price Shock Waves Impact NGL Market

By Frank Nieto, Senior Editor



Though natural gas and NGL prices have been decoupling from oil prices for the past several years as the shale revolution helped increase the relationship between U.S. markets with their global counterparts, the sudden downturn in crude prices have pulled the entire hydrocarbon sector down with it.

This downturn was caused by macroeconomic concerns, primarily based on an unequal supply and demand equation caused by increased production out of the Middle East and Africa and lower economic growth rates in Europe that have caused the U.S. dollar to strengthen. "Because oil is denominated in dollars, a stronger dollar leads to lower oil prices," Moody's Investors Service said in a recent research report.

West Texas Intermediate (WTI) crude closed the week of Oct. 20 a shade above $80.00 per barrel (/bbl), its lowest value in more than two years. It is too early to tell whether this price downturn is a short-lived event or one that will have a longer-lasting impact on the market. Moody's anticipates that current prices will be improved upon on a long-term basis, but stated that they could fall further.

"Despite growing supply, particularly in the U.S., longer-term pricing should remain north of $80, primarily due to expected growth in global demand. However, over the next several months we could easily see prices dip into the $70s," the rating agency said in the report. The agency's price assumptions of $85/bbl for WTI and $90/bbl for Brent along with its stress case price of $60/bbl remain unchanged.

As the week drew to a close there were positives on this front as the Dow Jones Industrial Average gained nearly 217 points, the NASDAQ Index gained 70 points and the S&P 500 Index gained 24 points on Oct. 23 after corporate earnings were reported at a higher-than-expected rate. In addition, fears over the possible spread of Ebola in the U.S. have subsided and lessened fears that travel could be restricted and lead to lower fuel demands.

NGL prices plunged along with crude prices, but still remain the petrochemical industry's preferred feedstock over naphtha. This is a situation that is likely to remain the same unless WTI prices fall below $70/bbl.

Ethane prices were largely unchanged at 21 cents per gallon (/gal) at Mont Belvieu and 20 cents/gal at Conway as the market remains in flux until full cracking capacity resumes early next year. Cracking capacity was increased as ExxonMobil Corp. brought its Baytown Olefins Plant No. 2 back online after a 40-day scheduled maintenance. It is expected that Chevron Phillips Chemical Co.'s Unit 22 plant in Sweeny, Texas, will return to service the week of Oct. 27.

Record LPG exports have not been able to overcome strong propane storage builds as prices have been decreasing the last few weeks with heating and crop-drying demand yet to firmly take hold. The Mont Belvieu price fell 8% to 90 cents/gal, its lowest price since it was 88 cents/gal the week of July 3, 2013. The Conway price was a little stronger as it fell 7% to 92 cents/gal, its lowest price since it was 91 cents/gal the week of July 31, 2013.

Natural gas prices are experiencing their own price decreases as heating demand is limited and supplies continue to steadily grow. The Conway price fell 6% to $3.44 per million Btu (/MMBtu) while the Mont Belvieu was down 5% to $3.54/MMBtu. Although prices are expected to climb this coming winter with the stronger-than-normal heating demand, the season isn't expected to be as cold as this past winter, according to Barclays Capital.

"As we march towards the winter, seasonal weather-driven shifts in demand sources will be critical, and in the near term, warmer weather in the West and Southwest could be offset by cooler weather in the Northeast toward the end of near-term weather forecasts," the investment firm said in its *Natural Gas Market Outlook* for Oct. 17, 2014 while noting that this coming winter is expected to be 2% to 3% cooler than normalized winters.

Lower gas prices helped to soften the blow of weaker NGL prices on frac spread margins as the largest drop in margin was for propane at less than a 10% decrease at both hubs. The most profitable NGL to make at both hubs was C_{5+} at $1.26/gal at Conway and $1.30/gal at Mont Belvieu. This was followed, in order, by isobutane at 94 cents/gal at Conway and 74 cents/gal at Mont Belvieu; butane at 74 cents/gal at Conway and 72 cents/gal at Mont Belvieu; propane at 61 cents/gal at Conway and 58 cents/gal at Mont Belveiu; and ethane at negative 3 cents/gal at Conway and negative 2 cents/gal at Mont Belvieu.

Natural gas storage levels increased 94 billion cubic feet to 3.393 trillion cubic feet (Tcf) the week of Oct. 17 from 3.299 Tcf the previous week according to the U.S. Energy Information Administration. This was 9% below the 3.729 Tcf reported last year at the same time and the five-year average of 3.731 Tcf.

NGL PRICES						
Mont Belvieu	Eth	Pro	Norm	Iso	Pen+	NGL Bbl
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**
Sept. 24 - 30, '14	23.18	104.46	122.98	124.54	198.50	**$39.26**
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. 16 - 22, '13	25.68	115.88	153.38	155.76	215.22	**$44.56**
Conway, Group 140	Eth	Pro	Norm	Iso	Pen+	NGL Bbl
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**
Sept. 24 - 30, '14	19.63	103.28	123.04	143.10	190.90	**$38.75**
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. 16 - 22, '13	20.87	111.50	153.16	164.22	209.44	**$43.33**

CURRENT FRAC SPREAD (CENTS/GAL)				
October 24, 2014	**Conway**	**Change from Start of Week**	**Mont Belvieu**	**Last Week**
Ethane	19.50		21.20	
Shrink	22.81		23.47	
Margin	-3.31	15.05%	-2.27	3.69%
Propane	92.12		90.00	
Shrink	31.51		32.43	
Margin	60.61	-7.52%	57.57	-9.21%
Normal Butane	109.12		108.26	
Shrink	35.67		36.71	
Margin	73.45	-5.47%	71.55	-6.45%
Isobutane	128.40		109.30	
Shrink	34.26		35.26	
Margin	94.14	-5.70%	74.04	-5.95%
Pentane+	164.10		169.32	
Shrink	38.15		39.26	
Margin	125.95	-3.55%	130.06	-5.16%
NGL $/Bbl	34.46	-5.30%	34.07	-5.99%
Shrink	12.57		12.93	
Margin	21.89	-5.19%	21.14	-6.83%
Gas ($/mmBtu)	3.44	-5.49%	3.54	-4.58%
Gross Bbl Margin (in cents/gal)	50.14	-5.37%	48.68	-7.03%
NGL Value in $/mmBtu (Basket Value)				
Ethane	1.07	-3.66%	1.17	-4.68%
Propane	3.20	-6.84%	3.12	-7.60%
Normal Butane	1.18	-5.47%	1.17	-5.83%
Isobutane	0.80	-5.64%	0.68	-5.52%
Pentane+	2.12	-4.01%	2.18	-5.03%
Total Barrel Value in $/mmbtu	8.37	-5.43%	8.32	-6.11%
Margin	4.93	-5.38%	4.78	-7.21%

RESIN PRICES – MARKET UPDATE – OCTOBER 24, 2014					
TOTAL OFFERS: 11,051,856 lbs		SPOT		CONTRACT	
Resin	Total lbs	Low	High	Bid	Offer
HDPE - Blow Mold	2,723,956	0.785	0.835	0.74	0.78
LDPE - Film	2,005,472	0.79	0.89	0.8	0.84
LLDPE - Film	1,871,736	0.825	0.865	0.76	0.8
PP Homopolymer - Inj	1,319,564	0.79	0.885	0.83	0.87
HDPE - Inj	1,015,024	0.795	0.84	0.74	0.78
PP Copolymer - Inj	746,368	0.805	0.895	0.84	0.88
HMWPE - Film	542,736	0.805	0.86	0.76	0.8
LDPE - Inj	447,000	0.77	0.865	0.79	0.83
LLDPE - Inj	380,000	0.815	0.815	0.76	0.8

Source: Plastics Exchange – www.theplasticsexchange.com

QEP Resources Sells Midstream Business

QEP Resources Inc. announced that its wholly owned subsidiary QEP Field Services Co. entered into a definitive agreement to sell its midstream business, including its ownership interest in QEP Midstream Partners LP, to Tesoro Logistics LP. The sale will be an all-cash transaction valued at $2.5 billion, including $230 million to refinance debt at QEP Midstream. QEP Resources will maintain ownership of Field Services' Haynesville Gathering System.

The transaction is subject to customary closing conditions and regulatory approvals, and is expected to close before the end of the year.

Deutsche Bank Securities Inc. and Goldman, Sachs & Co. are acting as financial advisors to QEP and Latham & Watkins LLP and Wachtell, Lipton, Rosen and Katz are serving as legal advisors.

Shell Midstream Partners Launches IPO

Shell Midstream Partners LP, a limited partnership formed by Royal Dutch Shell Plc (Shell), launched its IPO of 37,500,000 common units representing limited partner interests. The common units are expected to be listed on the New York Stock Exchange under the ticker symbol "SHLX." Underwriters of the offering will have a 30-day option to purchase up to an additional 5,625,000 common units from the partnership.

The common units offered represent a 27.2% limited partner interest in Shell Midstream Partners, or a 31.3% interest if the underwriters fully exercise their option to purchase additional common units. Shell, through certain of its subsidiaries, will own the remaining limited partner interest in the partnership, as well as its 2% general partner interest.

Barclays, Citigroup, Morgan Stanley and UBS Investment Bank are acting as book-running managers for the offering. Credit Suisse, Goldman Sachs, JP Morgan, Wells Fargo, RBC Capital Markets and Credit Agricole are acting as co-managers.

Phillips 66 Partners Acquires Logistics Assets

Phillips 66 Partners agreed to acquire two newly constructed crude oil rail-unloading facilities and certain assets associated with the Cross-Channel Connector Pipeline from Phillips 66, the partnership said in a statement. The unloading facilities are located in Linden, N.J., and Ferndale, Wash., and are being acquired for $330 million. The assets associated with the pipeline will be acquired for an additional $10 million. The acquisition is expected to close in early December and to be immediately accretive to unitholders.

Assets to be acquired include:

The Bayway Rail-Unloading Facility in the Phillips 66 Bayway Refinery, which is able to unload 120 railcars simultaneously and has a crude-unloading capacity of 75,000 barrels per day (bbl/d);

The Ferndale Rail-Unloading Facility adjacent to the Phillips 66 Ferndale Refinery, which is scheduled to enter service in November with an expected unloading capacity of 54 railcars simultaneously and 30,000 bbl/d of crude oil; and

Cross-Channel Connector Pipeline assets including an active 2.5-mile, 20-inch diameter refined products pipeline and an idled, 2.6-mile, 20-inch diameter refined products pipeline that runs under the Houston Ship Channel. The active segment transports refined products between Phillips 66 Partners’ Pasadena Terminal and Kinder Morgan’s Pasadena Terminal.

At closing, Phillips 66 Partners expects to use the Cross-Channel Connector Pipeline assets to develop a new organic project to provide shippers access from its Pasadena Terminal to third-party systems north of the Houston Ship Channel. The project has expected additional capital costs of $12.4 million and is underwritten by long-term transportation agreements with multiple shippers. It has a planned initial capacity of up to 180,000 bbl/d and an expected in-service date in second-quarter 2015.

In connection with the closing, Phillips 66 and Phillips 66 Partners will enter into 10-year terminal services agreements for all of the available rail-unloading capacity. The partnership will finance the acquisition with $28 million from its revolving credit facility, assumption of a five-year, $244 million note payable to a subsidiary of Phillips 66 and the issuance to Phillips 66 of 1,066,412 common and 21,764 general partner units valued at $68 million.

EnLink Midstream Drops Down E2 Assets

EnLink Midstream LLC (ENLC) dropped down its equity interests in E2 Appalachian Compression LLC and E2 Energy Services LLC to EnLink Midstream Partners LP (ENLK), ENLK announced on Oct. 22. Total consideration for the transaction is about $193 million, which includes $163 million cash and about 1 million ENLK units. ENLC intends to use most of the cash from the transaction to repay debts. This is the first dropdown from ENLC to ENLK as part of ENLK's strategic growth strategy, the statement said.

E2's assets include five condensate stabilization and natural gas compression stations with combined capacities of 19,000 barrels per day of condensate stabilization and 580 million cubic feet per day of gas compression. The assets are located in the Utica/Marcellus region, where EnLink Midstream plans to have invested about $700 million by the end of 2015. Three of the five E2 stations are currently operational, and the other two are expected to enter service in the first half of 2015. All of the assets are supported by a long-term, fee-based contract with Antero Resources. Once all of the assets are operational, they are expected to generate adjusted EBITDA of about $20 million to $25 million per year.

Freeport LNG, Port Freeport Start Channel-Widening Project

Freeport LNG announced Oct. 21, 2014, that it entered into an agreement on Aug. 29, 2014, with Great Lakes Dredge & Dock Co. LLC to widen sections of the Port Freeport Ship Channel. Freeport LNG is serving as project manager for Port Freeport's channel-widening project, which entails the widening of the entrance and jetty sections of the ship channel from the current 400 feet wide to 600 feet wide.

To complete the project, Great Lakes Dredge & Dock Co. will remove about 3.2 million cubic yards of material, about 300,000 cubic yards of which is beach-quality sand, the company's statement said. The sand will be placed on sections of the beach on Quintana Island, Texas. The work is expected to be completed in May 2015.

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