

# MIDSTREAM

## Monitor

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## The Progress And Potential Of The Eagle Ford

*By Paul Hart, Editor-In-Chief*



While speaking at Hart Energy's DUG Eagle Ford conference, Tim Murray, managing director for GSO Capital Partners LP, said he first feared the Eagle Ford would be another Austin Chalk - a play that gave high hopes before dropping off. He now considers the play closer to the Niobrara in revitalizing a tired region. Source: Hart Energy.

The sprawling Eagle Ford Shale has a lot going for it—great geology, close access to excellent midstream infrastructure and downstream markets, supportive landowners, and a favorable regulatory environment. But challenges lie ahead as the big unconventional play continues to evolve.

That was the message of three industry experts during a wide-ranging roundtable discussion of the play at Hart Energy's 5<sup>th</sup> annual DUG Eagle Ford conference in San Antonio this week.

Josh Weber, senior vice president, commercial and business development for Howard Midstream Energy Partners LLC; Tim Murray, managing director for GSO Capital Partners LP; and Phil Mezey, executive vice president, Southcross Energy Partners LP; started off by recounting their first exposure to the Eagle Ford following its late-2008 discovery.

Murray recalled the Eagle Ford early-on provoked "bittersweet memories of the Austin Chalk" for him, an earlier Texas play that spurred a lot of industry excitement in the 1980s and 1990s before falling out of favor.

"That was a pretty wild pony," he said of the Austin Chalk. "You had some very high rates that fell off very quickly. Mix that with volatile oil prices and it made for a wild ride."

However, he added the Eagle Ford has proved to be more akin to the Niobrara, "an established basin where there are other producing horizons that are a little tired and it has brought in new excitement."

Considering the Eagle Ford from a financial perspective, Murray added "the calculus has changed" for the play following the initial "land grab" for leases, followed now by producers' establishment of long-term, capital-intensive development plans. "It's been an interesting five to six years," he said.

Mezey said he saw the Eagle Ford close up from its start. He said the firm he was with at the time, which was chasing the Austin Chalk, had acreage adjacent to the Petrohawk discovery in the fall of 2008 that started the Eagle Ford on its way. "We were already having problems getting oil out and we realized right away there were going to be some constraints" on midstream capacity. He was involved in building an initial Eagle Ford crude gathering system that was sold to NuStar Energy LP. The Petrohawk well was good but as horizontal wells got longer and fracking programs became bigger, "every well we saw was getting better and better," he added.

Weber said he had been focused on the Fayetteville Shale when the Eagle Ford started up and didn't become active in the South Texas unconventional play until 2011 "when it was already in full swing." He found the booming Eagle Ford a switch from other plays he had worked.

The panelists agreed that all of those positives for the Eagle Ford have combined to make it a world-class play that now produces some 1.5 million barrels oil per day.

"It has been a great place to work," Mezey said. "We know what the rules are and they are consistent." That has been a contrast to plays in other states where regulation has been constraining and public support weak.

The panel also agreed that the best may be yet to come for the unconventional play. Weber pointed to the growing market for Eagle Ford gas in nearby Mexico, a promising market that now looks even better with that nation's recent revamping of its energy law.

That demand could help open up the dry gas-prone, southern side of the formation that has seen little activity in recent years due to low gas prices. The central and northern portions of the play, typically producing more lucrative NGL-rich natural gas and crude oil, have been the scene of most Eagle Ford drilling. However, those wells typically have good associated gas production.

Development of new midstream infrastructure on the Texas Coast, in particular improvements to the Houston Ship Channel and new processing, storage and docks at Freeport and Corpus Christi, will be a plus for the growing waterborne exports. The light liquids and rich gas typical of Eagle Ford wells feed into the growing export market for NGLs and the promise of condensate exports. New condensate splitter capacity is another plus for the play, the panelists agreed.

Mezey discussed the variables that could make the Eagle Ford export market even stronger, including Mexican and Caribbean demand and the prospect of new Asian customers following completion of the Panama Canal expansion.

Exports are the key to the Eagle Ford's future progress, Murray said. If current strict limits on crude exports remain in place, the play "could hit a brick wall a year from now with all this light crude." Gulf Coast refineries have been geared to run heavy and sour imports and processing the Eagle Ford's light, sweet crude and condensate isn't economic. That production should be allowed to seek its own market, he added.

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## Petrochemical Buildout Could Face Headwinds

*By Frank Nieto, Senior Editor*



For much of this year, the NGL market has been focused on new ethane cracker builds and expansions to work off the supply overhang created by increased shale production. For some time, the relief was expected to begin this fall, but several projects have experienced delays that pushed back their restart dates until the winter. According to Wells Fargo Securities, more projects could face delays due to a tight Gulf Coast job market.

The investment firm noted that with several large energy and industrial projects set to complete in the same 2016 to 2018 time frame and high demand for labor, cost overruns and delays are possible. “A number of large-scale petrochemical projects have already announced cost overruns, including Royal Dutch Shell [Plc]’s gas-to-liquids project in Louisiana, Chevron Phillips Chemical [Co.]’s Gulf Coast ethylene and polyethylene plants, and LyondellBasell’s Channelview, Corpus Christi and La Porte [Texas] expansions,” Wells Fargo Securities noted in its August *NGL Snapshot*.

In the case of Shell’s \$20 billion GTL project, the company chose to cancel construction due to potential cost overruns. Chevron Phillips Chemical officials also announced that the costs for its proposed plants could be 20% over-budget at \$6 billion, up from its proposed \$5 billion, due to labor costs. In addition, LyondellBassel officials stated that the costs for its plants are now estimated to be 36% greater at \$1.3 billion.

“According to Louisiana’s Workforce Commission, the Gulf Coast market will need 86,000 skilled workers to support the construction of \$60 billion of projects planned through just 2016, alone. Companies may need to look for workers outside of the local market, in our view,” the report said, while noting that Industrial Info Resources Inc. anticipates 36,000 new workers will be needed for these new projects—with the unemployment rate in Texas and Louisiana at nearly 1% lower than the national average.

Currently, the investment firm is forecasting the possibility for the ethane market to rebalance by 2017 and be undersupplied by 2018, but if any crackers are delayed into 2019 then the market is likely to remain oversupplied in 2017 and 2018.

These projects represent the best chance for the overabundance of NGL supplies to be worked off since the bulk of NGL demand is driven by the petrochemical industry. The report stated that the petrochemical market represented 45% of NGL demand in the U.S. with the remaining demand coming from the heating and fuel markets at 15%, refiners at 17% and exports at 24%.

The correlation between lower NGL prices and petrochemical demand is visible in the nearly 8% decrease in demand on a year-on-year basis, which is tied to the downturn in cracking capacity. Wells Fargo Securities stated that petrochemical demand for NGL supplies was 1.43 million barrels per day (bbl/d) in July.

The report noted that according to data from the U.S. Energy Information Administration, the NGL market was oversupplied by a total of 78,000 bbl/d in May compared to being undersupplied by 79,000 bbl/d the prior year.

Much of this supply overhang was caused by the light NGL market. Ethane was oversupplied by 59,000 bbl/d in May compared to an undersupply of 2,000 bbl/d the previous year. Propane was oversupplied by 12,000 bbl/d compared to an undersupply of 136,000 bbl/d in May 2013.

“Unlike ethane consumption, which is driven almost entirely by the petrochemical industry, propane demand is driven by multiple factors, including the residential market for heating and cooking, petrochemical demand, commercial/industrial/agricultural and exports. The residential market primarily uses propane as a heating fuel and thus, experiences higher demand and prices during the heating season, which lasts from Oct. 1 through March 31,” the report said.

Heating demand could be down this coming winter as the National Oceanic and Atmospheric Administration (NOAA) forecast anticipates temperatures 10% warmer than last year’s frigid weather and 5% warmer than normal winter temperatures.

The good news for producers is that petrochemical demand was above the five-year average of 1.4 million bbl/d while ethane consumption rose by 10% in July from the previous year.

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## Midstream Investment Part Of Pemex’s Transformation

*By Joseph Markman, Associate Editor*



The \$5.5 billion that Petróleos Mexicanos (Pemex), the state-owned energy giant, recently announced it will invest in midstream and downstream upgrades is just the beginning, CEO Emilio Lozoya Austin promises.

The 39-year-old former investment banker told the *Financial Times* that he intends to transform the reputation of the \$123 billion company from inefficient, corrupt monopoly into nimble, efficient competitor. Lozoya believes he can save billions “by becoming more agile in the way we shorten the time it takes to plan, develop and extract hydrocarbons.”

Pemex plans to invest a total of \$2.5 billion into the second phase of Los Ramones Pipeline to carry natural gas from the U.S. to central Mexico. Construction began earlier in September on the project, which by itself is expected to expand the country’s pipeline network by 40%. Operations are expected to begin in December 2015.

The investment package includes 42.8 billion to upgrade five refineries, enabling them to produce ultralow sulfur diesel that meets global fuel quality standards and will help fight the country’s chronic air pollution problem. Expectations are that the new clean fuel will constitute 60% of all diesel consumed in Mexico by mid-2015, and that all fuel will meet low-sulfur guidelines by 2017.

Pemex expects overall investment in 2014 to hit \$27.7 billion.

Mexico’s energy reform legislation, signed into law in August, effectively ended Pemex’s monopoly. As a result, the U.S. Energy Information Administration dramatically readjusted its outlook for the country’s long-term petroleum production, increasing its forecast to 3.7 million barrels a day by 2040.

The reform legislation provides three new types of contracts for foreign investors:

**Profit-sharing:** Companies receive a percentage of the profits from oil and natural gas development;

**Production-sharing:** Companies will own title to a percentage of resource volumes as they are produced; and

**Licenses:** Companies can be paid in the form of oil and natural gas extracted from each project.

While about 40% of Mexicans surveyed remain opposed to reform, enthused foreign operators are exploring partnership possibilities with Pemex. “We have been approached as a partner of choice,” Lozoya told the *Financial Times*, though he would disclose names of suitors.

Pemex’s mission for Los Ramones is to develop four pipelines with a combined length of about 620 miles and build two compressor stations with a capacity of over 80,000 horsepower. In Phase II, the pipeline will cross the states of Nuevo León, Tamaulipas, San Luis Potosí, Querétaro and Guanajuato. The goal is be able to bolster imports until its domestic gas production has grown sufficiently.



# Conglomerates Drawn To LNG Sector

By Leslie Haines, Hart Energy



It's not just money-center banks, hedge funds and investors who follow the money. Big conglomerates go where the money is too. And right now, that is in oil and gas. In a "chilling" new scenario, GE, for one example, is getting more active in the U.S. LNG export industry. GE Oil & Gas, which is on a fast-growth track for the parent company, announced it is fueling Cheniere Energy's Sabine Pass LNG plant on the Louisiana coast at the Texas border. It will supply gas turbines to power the facility's first two liquefaction trains. These two trains need about 1 billion cubic feet per day (Bcf/d) of gas. The plant is supposed to go into service by year-end 2015.

GE has been remaking itself over the past two years under a broad strategy to shift away from consumer products to focus on the big industrial, medical, electric--and energy--sectors. In its latest move, the conglomerate announced it will sell its appliance business to Sweden's Electrolux brand for \$3.3 billion. However, the same week it announced this divestiture, it unveiled the Cheniere deal. GE is active in LNG projects around the world.

It's no wonder conglomerates are paying attention to opportunities in energy generally, and LNG specifically. LNG exports from U.S. shores are set to begin to grow significantly beyond 2017, possibly reaching 6 Bcf/d by 2020, according to a recent gas update from Bernstein Research.

What is more important to the exploration and production (E&P) universe, however, is this nugget from the report: "Over the past five years, gas has consistently traded below marginal cost, even at low or normal storage levels, indicating producers on the high end of the cost curve destroyed value seeking growth."

Which brings us to one of our favorite subjects, the future of natural gas demand. Investors and E&P executives continue to be wary of what oil prices will be, thanks to the production surge—North Dakota

already produces 1.1 million barrels a day--but the outlook is less clear on natural gas. I am starting to hear a more positive tone regarding the gas outlook, offsetting the bears. The problem is, numbers are based on long-term forecasts of increased use by industrials, coal-fired power plants throwing in the towel and switching to gas, and finally and most important, LNG exports.

The future might turn out to be bright, but that doesn't help this year and next. Production keeps surprising to the upside. For example, a January 2013 Barclays report forecast that the growth in U.S. natural gas output would slow in 2013 to just an incremental 180 MMcf/d year-over-year. In fact, production rose by another 810 MMcf/d.

Subsequently, Barclays reported, "The relationship between drilling activity and natural gas production seems to have broken completely. For the third year in a row, in 2013 production continued to grow despite a drop in gas-directed drilling ... Lower 48 dry gas production dropped ... but it grew in the Marcellus, Utica, Bakken and Eagle Ford."

Simmons & Co. International now expects 2015 prices to stay below \$4, and thinks gas production will grow 3.5 Bcf/d this year and another 2 Bcf/d next year.

Bernstein Research just brought its 2015 gas price down from \$4.50/Mcf to \$4 and leaves it there through 2016. It also models a supply hike of 3 Bcf/d in 2015. Equally concerning, it sees limited growth in domestic demand, with residential and commercial gas demand flattish, and power and industrial demand growing by about 1 or 2 Bcf/d per year "for the next few years."

To put all this into perspective, Marcellus-Utica output has increased by more than 4 Bcf/d so far this year, offsetting declines elsewhere such as in the Haynesville Shale. The EIA said production in the Marcellus-Utica was at 15 Bcf/d in July, with the Utica now reaching 1.4 Bcf/d and that by October, the Marcellus-Utica combined will be at 17.5 Bcf/d.

Overall, U.S. production rose 4.1 Bcf/d in first-half 2014. If oil prices stay strong, even more associated gas is on the way from the Bakken, Permian and Eagle Ford.

Individual companies and joint ventures alone in the Utica could top analysts' current forecasts for the entire play. The joint venture of EnerVest, Chesapeake Energy Corp. and Total will be producing 800 MMcf/d out of the Utica by the end of this year, according to EnerVest chairman John B. Walker, speaking at our A&D Strategies & Opportunities Conference recently.

Gastar reported its first Utica-Point Pleasant well recorded more than 29 MMcf/d over a 48-hour test, and on Magnum Hunter Resources' 18-well Stalder pad, its first Utica well tested 32.5MMcf/d. Higher flows are expected soon on its West Virginia pads.

At press time, the Ohio Department of Natural Resources reported 504 horizontal wells in the Utica-Point Pleasant play and overall production of 103.5 Bcfe to date.



And in the Bakken Shale, natural gas production in July reached 1.3 Bcf a day, an all-time high.

Natural gas closed on Nymex at only \$4.08 for the three-year close. But in the oil and gas business, hope springs eternal--as does out-spending cash flow.

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## Long-Term Gas Price Struggles Will Help Support Frac Spread Margins

*By Frank Nieto, Senior Editor*



Natural gas prices improved the second week of September ahead of the end of the summer season, and the anticipated start of the heating season. The Conway price rose 4% to \$3.90 per million Btu (/MMBtu) and the Mont Belvieu price improved 5% to \$4.07/MMBtu. These increases are surprising given that heating demand usually doesn't kick in until late in the fall; hence, the "shoulder season" phrase used to describe the period when cooling and heating demand have both subsided in the early fall and spring seasons.

Although cooler temperatures supported the spot price increase, there are challenges ahead for a sustained price rally. Namely, a larger-than-expected storage build caused from the mild summer, anticipated normal winter temperatures and increased production.

This week both Barclays Capital and Raymond James & Associates lowered their price forecasts for the remainder of 2014. Both investment firms previously forecasted prices well above \$4.00/MMBtu with Raymond James anticipating \$4.70/MMBtu in fourth-quarter 2014 and Barclays Capital anticipating prices of \$4.30/MMBtu for the second-half of the year. Raymond James reduced its fourth-quarter forecasted price to \$3.85/MMBtu while Barclays Capital's forecast was reduced to \$3.95/MMBtu for the same time period.

“The reality is that U.S. gas producers are finding ways to bring online staggering amounts of natural gas at prices well below \$4.50. More importantly, these lower gas drilling breakeven costs are likely to fall even further over the next few years as operators continue to drive better gas production efficiencies,” Raymond James said in a research note. Ultimately these drilling efficiencies will keep gas prices at \$4.25/MMBtu or lower throughout the remainder of this decade, according to the note.

Lower gas prices will ultimately support strong frac spread margins if NGL prices hold firm or improve from their current levels. As it stands the only NGL with a negative margin is ethane, which has struggled for much of the past three years.

This week was no different despite solid price improvements for ethane at both hubs. The Conway price rose 5% to 23 cents per gallon (/gal), its highest price since the first week of July when it was 24 cents/gal, and the Mont Belvieu price increased 4% to 23 cents/gal. However, ethane margins were firmly negative at both hubs due to the increase in gas prices.

Propane prices rose 3% to \$1.08/gal at both Conway and Mont Belvieu as LPG export levels remain strong. Additionally, crop drying demand is expected to be strong this season. This price rally is impressive in light of the storage build reported by the U.S. Energy Information Administration (EIA). According to the EIA, propane stock levels are 74.2 million barrels (MMbbl), which is 13 MMbbl more than last year at the same time and 12 MMbbl above the five-year average.

Butane prices are benefitting from increased LPG exports as well as winter-grade gasoline blending. Both hubs experienced 1% improvements with the Conway price increasing to \$1.25/gal and the Mont Belvieu price improving to \$1.26/gal. While isobutane and C<sub>5+</sub> prices retained greater values, both NGL were down at Conway and Mont Belvieu as they followed the downward movements of West Texas Intermediate crude prices.

The theoretical NGL bbl price was only moderately improved at both hubs due to the 3% decrease in C<sub>5+</sub> prices as the rest of the bbl experienced improvements. The Mont Belvieu price rose 1% to \$40.60/bbl with a 2% drop in margin to \$25.73/bbl while the Conway price increased slightly to \$40.64/bbl with a 2% decrease in margin to \$26.39/bbl.

The most profitable NGL to make was C<sub>5+</sub> at \$1.58/gal at Conway and \$1.62/gal at Mont Belvieu. This was followed, in order, by isobutane at \$1.00/gal at Conway and 87 cents/gal at Mont Belvieu; butane at 85 cents/gal at Conway and 84 cents/gal at Mont Belvieu; propane at 72 cents/gal at Conway and 71 cents/gal at Mont Belvieu; and ethane at negative 3 cents/gal at Conway and negative 4 cents/gal at Mont Belvieu.

Natural gas storage levels continued to exceed normal injection levels for this time of year—they increased by 90 billion cubic feet to 2.891 trillion cubic feet (Tcf) the week of Sept. 12 from 2.801 Tcf the previous week, according to the EIA. This was 12% below the 3.292 Tcf posted last year at the same time and 13% below the five-year average of 3.335 Tcf.

This injection occurred despite a cooler-than-normal week in the Northeast last week. However, the weather wasn't cold enough to create heating demand and limited cooling demand to primarily the West Coast. This should be the case once again as the National Weather Service's forecast for the week of Sept. 24 anticipates cooler-than-normal temperatures in the Northeast with warmer-than-normal temperatures in California, the Rockies and parts of the Midwest.

<b>NGL PRICES</b>						
<b>Mont Belvieu</b>	<b>Eth</b>	<b>Pro</b>	<b>Norm</b>	<b>Iso</b>	<b>Pen+</b>	<b>NGL Bbl</b>
Sept. 10 - 16, '14	23.43	108.36	126.30	127.84	207.02	<b>\$40.60</b>
Sept. 3 - 9, '14	22.46	105.18	125.22	128.04	212.88	<b>\$40.42</b>
Aug. 27 - Sept. 2, '14	22.90	102.28	121.88	126.20	211.90	<b>\$39.85</b>
Aug. 20 - 26, '14	22.30	101.80	121.20	126.43	210.95	<b>\$39.61</b>
August '14	22.06	101.67	121.58	126.86	210.87	<b>\$39.58</b>
July '14	24.23	103.70	124.12	130.93	219.53	<b>\$40.99</b>
2nd Qtr '14	29.26	106.55	124.12	130.23	222.81	<b>\$42.31</b>
1st Qtr '14	34.50	129.51	137.62	141.49	212.60	<b>\$46.16</b>
4th Qtr '13	26.76	119.81	142.56	145.02	210.66	<b>\$44.03</b>
3rd Qtr '13	24.87	102.65	132.06	134.86	215.56	<b>\$41.21</b>
Sept. 11 - 17, '13	24.85	112.46	133.64	135.04	233.50	<b>\$43.68</b>
<b>Conway, Group 140</b>	<b>Eth</b>	<b>Pro</b>	<b>Norm</b>	<b>Iso</b>	<b>Pen+</b>	<b>NGL Bbl</b>
Sept. 10 - 16, '14	23.33	108.14	125.34	138.32	201.34	<b>\$40.64</b>
Sept. 3 - 9, '14	22.23	105.04	124.64	138.84	208.28	<b>\$40.54</b>
Aug. 27 - Sept. 2, '14	20.80	101.78	122.60	136.25	206.70	<b>\$39.63</b>
Aug. 20 - 26, '14	19.43	102.23	121.15	135.83	203.50	<b>\$39.16</b>
August '14	18.98	103.50	121.95	135.64	204.66	<b>\$39.35</b>
July '14	20.34	105.92	123.77	144.80	218.92	<b>\$41.17</b>
2nd Qtr '14	26.26	105.44	121.26	163.00	221.62	<b>\$42.62</b>
1st Qtr '14	25.46	169.48	132.08	147.10	216.86	<b>\$49.93</b>
4th Qtr '13	20.19	122.54	144.49	147.58	205.01	<b>\$43.33</b>
3rd Qtr '13	20.80	99.22	129.23	142.77	209.94	<b>\$40.07</b>
Sept. 11 - 17, '13	20.33	110.40	131.12	135.08	215.06	<b>\$41.56</b>

<b>CURRENT FRAC SPREAD (CENTS/GAL)</b>				
<b>September 19, 2014</b>	<b>Conway</b>	<b>Change from Start of Week</b>	<b>Mont Belvieu</b>	<b>Last Week</b>
Ethane	23.33		23.43	
Shrink	25.86		26.98	
<b>Margin</b>	-2.53	4.01%	-3.55	-13.48%
Propane	108.14		108.36	
Shrink	35.72		37.28	
<b>Margin</b>	72.42	2.44%	71.08	1.80%
Normal Butane	125.34		126.30	
Shrink	40.44		42.21	
<b>Margin</b>	84.90	-1.00%	84.09	-1.29%
Isobutane	138.32		127.84	
Shrink	38.84		40.54	
<b>Margin</b>	99.48	-1.98%	87.30	-2.56%
Pentane+	201.34		207.02	
Shrink	43.25		45.14	
<b>Margin</b>	158.09	-5.16%	161.88	-4.81%
NGL \$/Bbl	40.64	0.25%	40.60	0.45%
Shrink	14.25		14.87	
<b>Margin</b>	26.39	-1.67%	25.73	-2.23%
Gas (\$/mmBtu)	3.90	4.00%	4.07	5.44%
Gross Bbl Margin (in cents/gal)	60.39	-1.41%	59.29	-1.97%
<b>NGL Value in \$/mmBtu (Basket Value)</b>				
Ethane	1.28	4.95%	1.29	4.32%
Propane	3.75	2.95%	3.76	3.02%
Normal Butane	1.35	0.56%	1.36	0.86%
Isobutane	0.86	-0.37%	0.80	-0.16%
Pentane+	2.60	-3.33%	2.67	-2.75%
Total Barrel Value in \$/mmbtu	9.85	0.85%	9.88	1.01%
<b>Margin</b>	5.95	-1.11%	5.81	-1.88%

<b>RESIN PRICES – MARKET UPDATE – SEPTEMBER 11, 2014</b>					
<b>TOTAL OFFERS: 15,440,748 lbs</b>		<b>SPOT</b>		<b>CONTRACT</b>	
<b>LDPE - Film</b>	<b>2,955,128</b>	<b>0.82</b>	<b>0.91</b>	<b>Bid</b>	<b>Offer</b>
LLDPE - Film	2,685,428	0.815	0.905	0.82	0.86
HDPE - Blow Mold	2,680,968	0.72	0.855	0.78	0.82
HDPE - Inj	2,112,232	0.775	0.83	0.75	0.79
HMWPE - Film	1,190,484	0.84	0.885	0.75	0.79
PP Copolymer - Inj	1,044,000	0.88	0.96	0.78	0.82
PP Homopolymer - Inj	966,828	0.79	0.88	0.82	0.86
LLDPE - Inj	925,932	0.8	0.875	0.81	0.85
LDPE - Inj	879,748	0.77	0.885	0.78	0.82
LLDPE - Inj	264,552	0.8	0.86	0.8	0.84

Source: Plastics Exchange – [www.theplasticsexchange.com](http://www.theplasticsexchange.com)

## **Carib Energy Receives DOE Authorization For Export LNG**

The Department of Energy (DOE) issued the final authorization to Carib Energy LLC to export domestically produced LNG to countries in Central America, South America or the Caribbean that do not have a Free Trade Agreement (FTA) with the U.S. Carib is authorized to export up to the equivalent of 40 million cubic feet per day of gas for 20 years from the proposed liquefaction facility in Martin County, Fla., using approved ISO LNG containers.

Following the recent announcement of the procedural change, the DOE evaluated the Carib and application after the company completed the environmental review required by the National Environmental Policy Act.

## Atlas Pipeline Partners Starts Up Edward Plant

Atlas Pipeline Partners LP announced the successful startup of its 200 million cubic feet per day (MMcf/d) Edward processing plant in the Permian Basin. The Edward plant raises the name-plate processing capacity of Atlas Pipeline's WestTX system to 655 MMcf/d.

The initial utilization of the Edward plant has already exceeded Atlas Pipeline's preliminary expectations, according to a statement from the company. The WestTX system is currently processing more than 515 MMcf/d, and the company expects that amount to increase through 2014 and the first half of 2015 to full system capacity by mid-2015. Around that time, the previously announced Buffalo plant would enter service, which would add another 200 MMcf/d of capacity to the WestTX system. Expected costs for both of the systems are expected to be about \$100 million to \$120 million each, not including field compression, gathering pipeline and well connection costs. Atlas Pipeline plans to add an incremental 200 MMcf/d processing plant each year for the next five years.

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## Spectra Energy, Northeast Utilities Plan New England Pipeline

Spectra Energy Corp., Spectra Energy Partners and Northeast Utilities announced details of the Access Northeast project, designed to meet natural gas demand in New England. The pipeline expansion project will enhance the Algonquin and Maritimes pipeline systems and be capable of delivering more than 1 billion cubic feet per day of natural gas, the companies said in a statement.

The project proposal includes:

A scalable expansion of existing pipeline infrastructure, which is attached to about 60% of ISO-NE's natural gas generation capacity;

Partnering with existing regional storage assets to provide firm services to electric power plants with guaranteed natural gas supplies on peak days and to enable quick response to sudden power output changes;

An environmentally responsible approach to minimize impact by using existing asset footprints; and

Additional Algonquin and Maritimes delivery points for local distribution companies to access gas resources where necessary.

The project is estimated to cost about \$3 billion and has an expected in-service date of November 2018. Spectra Energy and Northeast Utilities will be equal partners in the project.





## Western Refining To Acquire ConocoPhillips Idled Wingate Plant

Western Refining Inc. entered into an agreement to acquire the 25,000 barrel per day idled Wingate fractionation plant in Gallup, N.M. The plant is currently owned by ConocoPhillips Co. It includes rail loading and offloading capabilities, storage facilities and NGL fractionation capability. The transaction is expected to close in early October. Terms were not disclosed.

“The strategic location of the Wingate facility is a great addition to the logistical assets of Western,” said Jeff Stevens, Western’s president and CEO, in a statement. “It is conveniently located near our Gallup Refinery. This transaction will afford Western greater flexibility in the Four Corners region as it will provide approximately 125,000 barrels of pipeline-connected seasonal NGL storage for our Gallup Refinery; crude oil loading and transportation capabilities, both east and west, through the rail loading terminal; and pipeline connectivity to Western Refining Logistics LP assets.”

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## Buckeye Closes \$860 Million Acquisition

Buckeye Partners LP completed its \$860 million purchase of an 80% interest in Buckeye Texas Partners LLC from Trafigura AG. Buckeye Texas Partners and its subsidiaries, which are jointly owned with Trafigura, will own and operate an integrated system of midstream assets. The assets include: a deepwater, high-volume marine terminal on the Corpus Christi Ship Channel; a condensate splitter and LPG storage complex in Corpus Christi, Texas; and three crude oil and condensate gathering facilities in the Eagle Ford Shale.

Trafigura will be the main customer of the acquired assets under fee-based, take-or-pay seven- to 10-year minimum volume throughput, storage and tolling agreements. In a statement, Buckeye Partners Chairman and CEO Clark C. Smith said, “We expect this acquisition to be highly accretive to our distributable cash flow per limited partner unit beginning in 2016 and to position Buckeye for acceleration of distribution growth.”

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