MIDSTREAM Monitor

APRIL 21, 2017 | VOLUME 35 | ISSUE 16

EagleClaw Midstream Ventures LLC

EagleClaw's East Toyah natural gas processing complex in Reeves County, Texas.

Blackstone Buys EagleClaw For $2B

By **DARREN BARBEE**, Hart Energy

Blackstone Energy Partners LP will buy EagleClaw Midstream Ventures LLC for $2 billion cash, the companies said April 17 as the Permian Basin's infrastructure A&D shows signs of picking up.

EagleClaw, the largest privately held midstream operator in the Delaware Basin in West Texas, operates natural gas pipelines and a gathering system that zigzag across Reeves, Ward and Culberson counties, Texas, for more than 375 miles. The Midland, Texas-based company is backed by EnCap Flatrock Midstream.

See BLACKSTONE on Page 3

BLACKSTONE from Page 1

EagleClaw's processing capacity includes 320 million cubic feet per day (MMcf/d) with an additional 400 MMcf/d under construction. The company, which will retain its leadership team and name, has long-term natural gas commitments from oil and gas operators producing from more than 220,000 acres.

Click here
to read more of this story online.

Blackstone's acquisition follows NuStar Energy LP's (NYSE: **NS**) entry into the Midland Basin on April 11 with an agreement **to buy Navigator Energy Services LLC for $1.5 billion**.

Some analysts have said that takeaway capacity, particularly for liquids, could be problematic in the Permian by the end of 2017. E&Ps have expressed confidence that won't be the case.

Blackstone's transaction is expected to close by July. The purchase includes debt financing by Jefferies LLC of about $1.25 billion.

Bob Milam, EagleClaw president and CEO, said the transaction advances the company's growth after a five-year relationship with EnCap Flatrock of San Antonio, Texas. EnCap backed EagleClaw with $350 million.

"As we begin a new chapter, we will continue to deliver the same outstanding level of service our customers expect while we work with Blackstone to deploy additional capital and to expand our footprint in the Delaware Basin," Milam said. "Blackstone has a deep understanding of the compelling fundamentals of the upstream and midstream economics in the Permian, an outstanding reputation as an investor in the energy sector and the scale to take EagleClaw to the next level."

Why Geopolitics Is Certain To Impact Global Energy Market

FORT WORTH, Texas—Ongoing political and social unrest in the Middle East, ever-increasing domestic oil production, and unpredictability in President Donald Trump's administration are all shaping a fluid geopolitical environment that will certainly impact the global energy market, according to Tom Petrie, chairman of Petrie Partners, an investment banking and advisory services firm to the oil and gas industry.

Click here
to read more of this story online.

Petrie made his comments during Hart Energy's recent DUG Permian Basin conference. He said the fluctuating dynamics of the global energy marketplace could result in the U.S. becoming an even bigger player on the world stage.

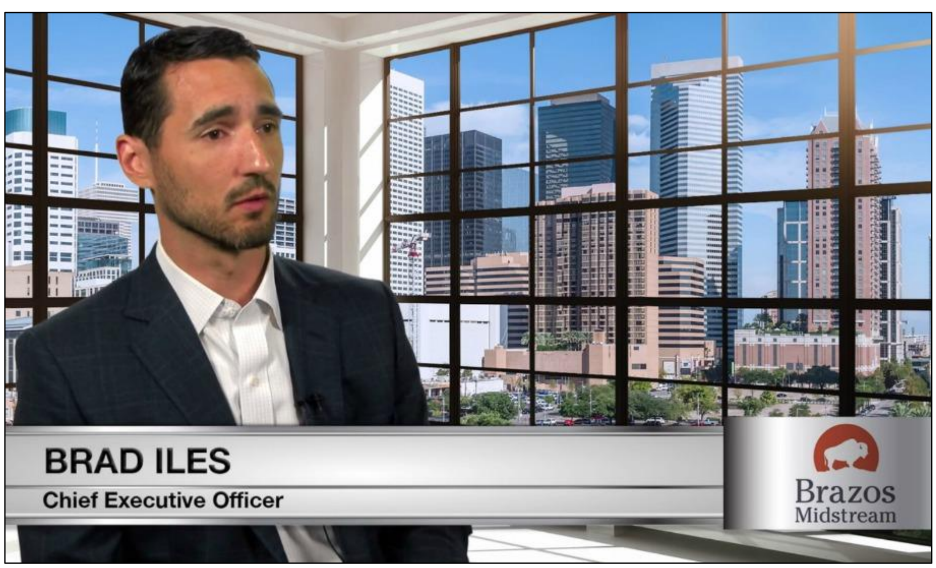
"A new oil world is unfolding, and the U.S. is on the verge of becoming a key driver in the global oil supply equation," Petrie said. **— BRIAN WALZEL,** Hart Energy

MIDSTREAM CONNECT VIDEO

Keeping Up In The Permian

Brad Iles, CEO of Fort Worth, Texas-based Brazos Midstream, discusses the challenges brought about by the transition in the Permian Basin from small private producers to large public companies.

Click here
to read more of this story online.



FRAC SPREAD

NGL Prices Rise, Along With LNG Worries

By **JOSEPH MARKMAN**, Hart Energy

The three-week rally in prices has lifted the hypothetical NGL barrel by 12.6% at Mont Belvieu, Texas, and 14.1% at Conway, Kan., returning them to the levels of late February.

The barrels were on a similar upswing a year ago, digging themselves out of much deeper holes in the mid-teens. Last week's prices at both hubs were 37% above the price at this time last year.

CURRENT FRAC SPREAD (CENTS/GAL)

APRIL 21, 2017	Conway	Change from Start of Week	Mont Belvieu	Last Week
Ethane	21.10		24.14	
Shrink	19.56		20.50	
Margin	1.54	9.10%	3.64	19.59%
Propane	64.47		68.42	
Shrink	27.02		28.33	
Margin	37.45	16.46%	40.09	11.44%
Normal Butane	79.94		81.67	
Shrink	30.59		32.07	
Margin	49.35	15.89%	49.60	17.10%
Isobutane	86.44		82.75	
Shrink	29.38		30.80	
Margin	57.06	7.06%	51.95	11.15%
Pentane+	116.31		115.24	
Shrink	32.72		34.30	
Margin	83.59	3.46%	80.94	1.43%
NGL $/Bbl	25.53	3.30%	26.18	3.09%
Shrink	10.78		11.30	
Margin	14.75	9.53%	14.88	8.57%
Gas ($/mmBtu)	2.95	-4.16%	3.09	-3.33%
Gross Bbl Margin (in cents/gal)	33.49	10.28%	34.43	8.93%
NGL Value in $/mmBtu (Basket Value)				
Ethane	1.16	-3.30%	1.33	-0.45%
Propane	2.24	6.83%	2.38	4.81%
Normal Butane	0.86	7.30%	0.88	8.13%
Isobutane	0.54	2.97%	0.52	5.28%
Pentane+	1.50	1.20%	1.49	-0.03%
Total Barrel Value in $/mmbtu	6.30	3.20%	6.59	3.04%
Margin	3.35	10.68%	3.49	9.43%

Price, Shrink of 42-gal NGL barrel based on following: Ethane, 36.5%; Propane, 31.8%; Normal Butane, 11.2%; Isobutane, 6.2%; Pentane+, 14.3%, Fuel, frac, transport costs not included. Conway gas based on Midwest region, Mont Belvieu based on Houston region. Shrink is defined as Btus that are removed from natural gas through the gathering and processing operation.

Ethane and C$_{5+}$ held fairly steady at both hubs, but propane and the butanes registered strong gains. All components of the barrel saw wider margins at both hubs.

While midcontinent natural gas prices moved within a limited range last week, prices at the Houston Ship Channel increased 5.1%. What to make of strong gas prices? "Too much of a good thing never lasts," **En*Vantage** said.

Click here to read more of this story online.

En*Vantage is concerned about the potential dimming of a bright spot in the U.S. natural gas market—specifically, LNG exports. Analysts are worried that the spread with the U.K. arbitrage is too narrow.

With startup looming for Train 4 at Cheniere Energy Inc.'s (NYSE MKT: **LNG**) Sabine Pass, La., terminal and Dominion's (NYSE: **D**) Cove Point LNG facility now more than 80% complete, the risk of a short-term LNG glut increases. Sure, there are Asian markets, but the longer distance increases the cost of shipping. And the longer the ships are at sea, the smaller the available fleet capacity.

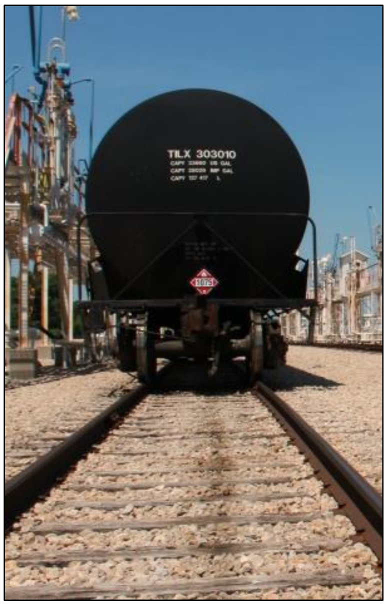
For now, exports are holding up. Enterprise Products Partners LP (NYSE: **EPD**) said last week that combined exports and imports of hydrocarbons across its marine terminals, including 18 deepwater docks along the Texas Gulf Coast, totaled 146 million barrels—with NGL, crude oil, refined products and petrochemicals making up 62% of that—during first-quarter 2017.

NGL traffic at Enterprise facilities rose by 25% compared to first-quarter 2016, and the company's investments in dock expansions position it for further growth, especially at the Port of Houston.

THE INTERVIEW

Report: Western Canada Crude Surge Will Have To Rely On Rail

Western Canadian crude production is on course to increase by 1 million barrels per day (MMbbl/d) to 4.8 MMbbl/d by 2020, which will likely lead to a resurgence in the crude-by-rail sector, IHS Markit said in a new report.



That conclusion is predicated on the region's constrained pipeline systems' inability to keep up with supply despite planned major projects—Alberta Clipper Expansion, Keystone XL, Energy East and Trans Mountain Expansion.

Western Canadian producers turned to railroads to move their product to market in 2012, IHS Markit said in its **"Pipelines, Prices, and Promises"** report. Rail transportation peaked at 230 Mbbl/d in 2014 (of the North American total of 1.2 MMbbl/d) before the global oil price collapse led to a decline in production.

Click here

to read more of this story online.

But those rail volumes will rise again, even if the four pipeline projects with total capacity of 2.9 MMbbl/d come into service between 2019 and 2022.

"None of these proposed pipelines change the likelihood that a resurgence of crude by rail out of western Canada is expected through the end of the decade," the report said. "With the earliest of any proposed pipelines potentially online in 2019, western Canadian supply growth seems destined to overtake available capacity, and increasing movements of crude by rail are expected—and with that prices should decline. — **JOSEPH MARKMAN,** Hart Energy

TOP STORIES

BP Accuses Monroe Energy Of Wrongfully Terminating Contract

BP Plc has accused Monroe Energy of wrongfully terminating a crude supply contract in 2016, costing the oil major at least $59 million in damages, according to a federal court filing.

BP said in the filing that Monroe Energy, a subsidiary of Delta Air Lines Inc, terminated the contract after misinterpreting a provision regarding the blending of crude oils.

BP declined to comment further on the case and Monroe could not be immediately reached. Monroe has yet to respond to the allegations in court.

— REUTERS

Contact Information:

JOSEPH MARKMAN Senior Editor
jmarkman@hartenergy.com

Contributing Editors: Velda Addison, Darren Barbee, Nissa Darbonne, Rhonda Duey, Brandy Fidler, Annie Gallay, Leslie Haines, Paul Hart, Richard Mason, Emily Patsy, Erin Pedigo, Larry Prado, Jennifer Presley, Chris Sheehan, Steve Toon, Len Vermillion, Brian Walzel, Peggy Williams

HARTENERGY
1616 S. Voss, Suite 1000 • Houston TX 77057-2627 • USA