MIDSTREAM Monitor

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VIDEO

Midstream's Market Comeback

JESSICA MORALES
HART ENERGY

Hart Energy's Jessica Morales discussed the outlook for public midstream companies in the stock market at the Marcellus-Utica Midstream conference in January in Pittsburgh with Tara Dziedzoc, head of BD Global Listings, New York Stock Exchange; and Welles Fitzpatrick, managing director, equity research, at SunTrust Robinson Humphrey.

Their outlook was positive.

"When you look at the pipeline—pun intended—of companies coming to market, we have a lot of confidential filers, which is great," Dziedzoc said. "The Jobs Act in 2012 really encouraged companies to test the waters and do confidential filings to see if their companies are IPO-ready. We're really happy to see a nice backlog of companies across the energy sector."

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Is OPEC Losing Its Midas Touch?

The game has changed because of newer, more efficient technology.

The power OPEC once held in the oil market has now dissipated as it no longer holds the role of being the swing producer since the U.S. ramped up their production.

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OPEC's effect on the prices of Brent and WTI crude oil is less pronounced compared to a decade ago, said Patrick DeHaan, a senior petroleum analyst for GasBuddy.com, a Boston-based provider of retail fuel pricing information and data.

"OPEC absolutely does still have power, but far less than 10 years ago," he said.

Nowadays, the strength of OPEC can be calculated by the strength of U.S. relationships with non-OPEC members.

"It's no mystery that U.S. and Russia ties are strained. Russia has little incentive to go against OPEC's oil production cut that took effect to start 2017," DeHaan said. "However, OPEC's previously unabated control of oil markets ended with a major gaffe—allowing oil prices to rise unchecked to $150/bbl, which pushed oil companies to invest in other forms of drilling and into fracking."

The game has changed because of newer, more efficient technology and while OPEC's power is diminished, it still wield some measure of control.

Since OPEC reigned in oversupply, oil prices rebounded and doubled from their 2016 low.

—**ELLEN CHANG** | CONTRIBUTOR

FRAC SPREAD

Ethane Price Just Keeps Getting Stronger

JOSEPH MARKMAN | HART ENERGY

Ethane had a pretty good week, even if its sister NGL struggled.

The Mont Belvieu, Texas, price rose above 26 cents per gallon (gal) for the first time since late January and the margin widened by almost 5% last week to 8.55 cents/gal.

CURRENT FRAC SPREAD (CENTS/GAL)

APRIL 6, 2018	Conway	Change from Start of Week	Mont Belvieu	Last Week
Ethane	14.60		26.47	
Shrink	17.30		17.92	
Margin	-2.70	97.89%	8.55	4.83%
Propane	63.94		78.58	
Shrink	23.91		24.76	
Margin	40.03	-11.79%	53.82	-6.78%
Normal Butane	72.38		82.69	
Shrink	27.07		28.03	
Margin	45.31	-10.78%	54.66	-5.94%
Isobutane	87.91		88.57	
Shrink	26.00		26.92	
Margin	61.91	-5.07%	61.65	-5.26%
Pentane+	146.00		144.25	
Shrink	28.94		29.97	
Margin	117.06	-2.53%	114.28	-6.10%
NGL $/Bbl	26.07	-3.22%	29.93	-2.98%
Shrink	9.53		9.87	
Margin	16.53	-7.93%	20.05	-5.56%
Gas ($/mmBtu)	2.61	6.18%	2.70	2.73%
Gross Bbl Margin (in cents/gal)	37.40	-8.43%	46.52	-5.61%
NGL Value in $/mmBtu (Basket Value)				
Ethane	0.80	-2.21%	1.46	3.40%
Propane	2.22	-5.83%	2.73	-3.98%
Normal Butane	0.78	-5.11%	0.89	-3.17%
Isobutane	0.55	-2.00%	0.55	-2.97%
Pentane+	1.88	-0.92%	1.86	-4.39%
Total Barrel Value in $/mmbtu	6.24	-3.50%	7.49	-2.56%
Margin	3.63	-9.45%	4.79	-5.31%

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.

The January spike in ethane was tied to the blast of cold weather that drove natural gas prices skyward, **En*Vantage** said. Unlike that rise, the increase in ethane prices now is driven by demand, specifically new ethane crackers like Chevron Phillips Chemical Co. LP's new **Cedar Bayou** facility in Baytown, Texas, and increased exports from Morgan's Point on the Houston Ship Channel.

Also putting pressure on prices is that exports are restricted to Morgan's Point while sinkholes in Pennsylvania keep the Mariner East 1 pipeline shut down. This week, Sunoco Pipeline LP, the unit of Energy Transfer Partners LP (NYSE: **ETP**) that operates the NGL pipe, **relocated five families** in Chester County, Pa., whose backyards were damaged by sinkholes that developed along the path of the pipeline, leaving the pipe exposed, Philly.com reported.

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"The longer Mariner East 1 remains down, ethane exports from Morgan's Point should stay high, further pulling ethane from storage at Mont Belvieu," En*Vantage said.

The shutdown, once expected to be for 10 to 14 days, will now likely extend into May.

En*Vantage has been projecting ethane at 30 cents/gal by mid-year and 35 cents/gal by year-end, and it says that fundamentals continue to support that forecast. Ethane cracking demand is expected to increase by about 200,000 barrels per day (Mbbl/d) between March and September while inventories decrease.

By the end of the third quarter, ethane inventories could slip below 40 million barrels, or less than a 25-day supply. Historically, that level of storage has bumped ethane's frac spread into the range of 10 to 15 cents/gal, En*Vantage said.

The elevation of crude oil prices, spurred by the nomination of Mike Pompeo to secretary of state and appointment of John Bolton to national security adviser, eased. Traders were concerned about the impact of possible sanctions renewed against Iran and more sanctions against Venezuela as a more hawkish national security team took shape.

Growth Highlights Spring PIOGA Meeting

PITTSBURGH—The Pennsylvania Independent Oil and Gas Association (PIOGA) recently held its annual spring meeting at the Rivers Casino in Pittsburgh. There was a sense of "togetherness" at the event, reinforced by the proudly displayed "We Are All In" banners. Roughly 275 people were in attendance from midstream and upstream companies, engineering firms, universities, government agencies, legal and ancillary service companies that support the shale industry.

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The "All In" meeting kicked off the event by launching this year's theme, "a new year brings new opportunities for growth in our industry. It's time to go all in!"

Gary Slagel, government affairs specialist at Steptoe & Johnson PLLC, and PIOGA board chairman, welcomed attendees by reiterating and reinforcing the "new opportunities for growth in the oil and gas industry" theme.

He told Hart Energy at the meeting he foresees creating a positive relationship with communities who are concerned about how regulatory changes will affect expansion and infrastructure of the industry via pipelines and drilling in the Northeast region. "Some of the more onerous regulatory programs and policies at the federal level have been, or are being revised or delayed—while this can be viewed as positive news for the industry, it does not lessen industry's environmental and safety responsibilities," he said. "These changes at the federal level improve, in many respects, the approval and operational aspects for the industry; the industry must now show that those restrictions and requirements are not necessary to operate in an environmentally safe and effective manner. **—ELIZABETH DE MAAGD |** CONTRIBUTOR

Keep on truckin' (more efficiently) with in-cab mobile printers

Rolfson Oil's mission is to meet the fuel needs of companies engaged in oil drilling and hydraulic fracturing operations in North Dakota's Bakken Shale region. Delivering a range of fuels and drilling fluids round-the-clock to crews moving swiftly from well to well over rough terrain – often in extreme weather – is no easy task. To keep pace, the firm has more than 150 drivers and field technicians and supports about 40 delivery trucks with capacities ranging up to 11,000 gallons.

Each time an order is fulfilled, Rolfson drivers issue a proof-of-delivery ticket ensure to ensure accurate invoicing and accounting. Prior to implementing mobile technology, tickets were pre-printed at a central office before each fuel run. That meant if an order changed or was re-routed to a new destination, as frequently happened, the driver had to recalculate the receipt at the delivery site – a process prone to human error.

Now, thanks to an automated mobile system designed by Rolfson's IT team, drivers use an Apple iPad mini tablet to calculate the load and distance and create an accurate proof-of-delivery ticket at the site in real-time. Each driver also has a **Brother RuggedJet wireless mobile printer** with AirPrint to instantly generate 4" wide tickets without the need for downloads. **(Sponsored Content)**

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