MIDSTREAM Monitor

AUGUST 4, 2017 | VOLUME 35 | ISSUE 31

FEATURES

The Oil Sands Question

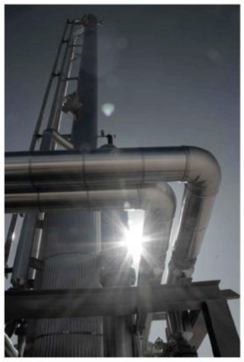
By **MARKHAM HILSOP,** Contributor

Could help be on the way for the beleaguered Alberta oil sands, which are set to increase output this year by 200,000 barrels per day (bbl/d)? With a persistent glut in global inventories and prices that can't maintain traction over $50, oil sands producers may be worrying about what to do with extra oil.

But as the Trump Administration fires another warning shot across the bow of Venezuela, which competes with Canada in the U.S. Gulf Coast (USGC) market, Canada may be a beneficiary, especially if the U.S. imposes further sanctions.

See ALBERTA, Page 3

ENERGY: **POLITICS**:



PODCAST ABOUT **ENERGY** AND **POLITICS**:

HARTENERGY
POLITICAL SIDETRACK
(((PODCAST)))

HEAR.

HERE: iTunes

ALBERTA from Page 1

The U.S. Treasury Department has slapped sanctions on Venezuelan President Nicholas Maduro, who on July 30 replaced the National Assembly with a "constituent assembly" that U.S. President Donald Trump says is a precursor to dictatorship. Maduro's assets in the U.S. jurisdiction are frozen and American citizens are prohibited from doing business with him, according to a U.S. Treasury statement.

Venezuela is already in serious trouble. Its economy is on the verge of collapse and its national oil industry is unable to pay its debts to foreign service companies, which have already taken hundreds of millions in write-downs. State-owned oil company PDVSA depends on those write-downs.

The country also owes $55 billion to key allies Russia and China but is months behind on its oil-for-loans payments.

Rangeland Energy Brings Skill Set To New Frontiers

Exiting the Bakken Shale didn't stop midstream operator Rangeland Energy LLC from pursuing new opportunities. The private-equity-backed company has focused on the Permian's Delaware Basin while extending its reach into western Canada and to Corpus Christi, Texas, along the Gulf of Mexico (GoM).

Formed in 2009 by Chris Keene, president and CEO, and Steve Broker, executive vice president and COO, Rangeland Energy is based in Sugar Land, Texas, and backed by equity capital commitments from EnCap Flatrock Midstream.

The company's most notable success story includes its COLT crude oil distribution system located in North Dakota's Bakken and Three Forks shale oil producing region. The COLT system came into service in May 2012, and by November 2012, the company sold the business for $425 million to Inergy Midstream LP, now Crestwood Equity Partners LP.

The COLT System served as a point of liquidity for the distribution of Bakken crude oil across multiple North American markets, providing customers with crude oil storage, connectivity to Berkshire Hathaway's BNSF Railway, and various inbound and outbound pipeline systems, according to the company.

—BRANDY FIDLER, Hart Energy

A Changing LNG Market On The Horizon

*This excerpt is from a report that is available to subscribers of **Stratas Advisors' Global LNG service**.*

Two of the most influential players in the global LNG market are looking beyond their core businesses in response to the changing market dynamics of the last few years.

Qatargas, the world's largest single exporter, is looking to develop new markets by investing in floating storage and regasification terminals (FSRU) in several growing regions. On the other side of the spectrum, Tokyo Gas, one of the oldest and largest global importers, has announced a project to deliver LNG to energy-starved Southeast Asian islands.

These developments are the plainest indicators of the changing LNG market. The industry's first 50 years were characterized by the presence of large exporters and importers in mostly developed nations across Asia and Europe. The liquefaction facilities were multi-train with capacities in the tens of millions of tonnes; similarly, regasification facilities were land-based with huge capacities of their own. Decades-long contracts linked these two, with the natural ebb and flow of oil and gas prices being curbed by price links with averages of five or more years.

—STRATAS ADVISORS

FRAC SPREAD

NGL ‘Barrel’ Jumps To Highest Level In Five Months

By **JOSEPH MARKMAN**, Hart Energy

The hypothetical NGL barrel jumped to its highest level in more than five months at both the Mont Belvieu, Texas, and Conway, Kan., hubs in the past week as margins expanded in double figures for all components but one.

Ethane at Mont Belvieu pushed toward 26 cents per gallon (gal) as it reached its highest level since the first week of the year. At Conway, the average price over the last week surpassed 22 cents/gal for the first time since early February.

CURRENT FRAC SPREAD (CENTS/GAL)

AUGUST 4, 2017	Conway	Change from Start of Week	Mont Belvieu	Last Week
Ethane	22.38		25.73	
Shrink	18.40		18.84	
Margin	3.98	156.07%	6.89	27.31%
Propane	69.35		72.86	
Shrink	25.43		26.03	
Margin	43.92	20.18%	46.83	19.55%
Normal Butane	83.98		85.25	
Shrink	28.79		29.47	
Margin	55.19	18.27%	55.78	17.68%
Isobutane	91.15		89.10	
Shrink	27.65		28.30	
Margin	63.50	12.41%	60.80	18.31%
Pentane+	110.00		110.34	
Shrink	30.79		31.52	
Margin	79.21	3.88%	78.82	11.44%
NGL $/Bbl	26.23	6.57%	26.97	7.64%
Shrink	10.14		10.38	
Margin	16.09	14.99%	16.59	16.71%
Gas ($/mmBtu)	2.78	-4.53%	2.84	-4.26%
Gross Bbl Margin (in cents/gal)	36.86	15.85%	38.69	17.11%
NGL Value in $/mmBtu (Basket Value)				
Ethane	1.23	7.44%	1.42	2.55%
Propane	2.41	9.77%	2.53	9.80%
Normal Butane	0.91	9.32%	0.92	9.04%
Isobutane	0.57	6.67%	0.55	10.07%
Pentane+	1.42	1.38%	1.42	6.45%
Total Barrel Value in $/mmbtu	6.53	7.08%	6.84	7.45%
Margin	3.76	17.64%	4.00	17.66%

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.

U.S. crude oil inventories have declined by almost 10% since the start of the second quarter, which is the steepest drop in that time frame in the past 20 years, **En*Vantage** said in a recent report. The Cushing, Okla., hub’s stocks are more than 14% below its level at the same point in 2016 and En*Vantage expects the U.S. crude inventory to slide by another 14 million barrels over the next four weeks.

The analysts attribute oil’s recent strength to export cuts by Saudi Arabia and the assumption that Libya and Nigeria are nearing or have hit their production ceilings. Venezuela remains difficult to gauge following the recent vote to rewrite the country’s constitution and **the threat of sanctions by the U.S. government**.

Click here to read more of this story online.

While the average weekly price of ethane is up 39.1% at Mont Belvieu over the price of a year ago, and 57.1% higher at Conway, its rise at both hubs since the start of the second quarter has been more modest—9.8% at Mont Belvieu and 16.7% at Conway. Prices are constrained at the high end by record-high inventories and supported at the low end by strong cracking and export demand, En*Vantage explained.

Propane rose 9.8% in the last week at both hubs and its Mont Belvieu price is 72% above what it was last year at this time. U.S. propane stocks are tight and it is selling at a 60% ratio to West Texas Intermediate crude oil, compared to a 44% relationship last year at this time. At Conway, the increase over 12 months ago is a whopping 90.3%.

Appeals Court Provides Clarity In Enterprise Partnership Case

The long-awaited Texas appeals court **decision** in *Enterprise Products Partners LP vs. Energy Transfer Partners LP*, is likely being viewed by the Texas business community as welcome clarity on the formation of partnerships.

The July 18 opinion from the 5th Court of Appeals in Dallas reversed the Dallas County District Court's judgment in 2014 that awarded ETP more than $535 million in damages for alleged breaches of a disputed common law partnership. The 2014 jury verdict caused shock waves in Texas business circles. Now the appellate decision is no doubt being closely studied by companies across Texas.

Click here to read more of this story online.

ETP, Enterprise and Enbridge Inc. are three of the largest oil pipeline companies in North America, and the dispute between ETP and the other two companies led to one of the largest judgments in Texas history.

In early 2011, Enterprise approached ETP about converting one of ETP's pipelines or building a new pipeline for the purpose of moving oil from the Cushing, Okla., crude oil storage hub to refineries in Houston. ETP and Enterprise executed a letter agreement and term sheet defining the ownership structure and operation of their potential venture, and the companies agreed to contribute to and market their venture. They also agreed that "no binding or enforceable obligations exist" under their transaction until the parties "received their respective board approvals and definitive agreements memorializing the terms and conditions of the transaction.…"

—JACKSON WALKER LLP

TOP STORY

Dalton Expansion Project Placed Into Service

Williams Partners LP (NYSE: **WPZ**) and Southern Company Gas, a wholly-owned subsidiary of Atlanta-based Southern Company (NYSE: **SO**), have successfully placed into service their Dalton Expansion Project to provide additional reliable natural gas service to utility companies, a power company and a municipal entity in northwest Georgia.

The Dalton Expansion Project is an expansion of the existing Transco pipeline system designed to deliver natural gas to an electric generating facility in northern Georgia operated by Oglethorpe Power Corp., local distribution company Atlanta Gas Light, as well as the City of Cartersville. The pipeline lateral is co-owned by Williams Partners and Southern Company Gas and was approved by the Federal Energy Regulatory Commission (FERC) in August 2016.

Contact Information:

JOSEPH MARKMAN Senior Editor
jmarkman@hartenergy.com

Contributing Editors: Velda Addison, Darren Barbee, Nissa Darbonne, Rhonda Duey, Brandy Fidler, Leslie Haines, Paul Hart, Mary Holcomb, 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