

# MIDSTREAM Monitor

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## FEATURES



Source: NYCStock/Shutterstock

Protesters gather in front of the United States Courthouse in New York on Dec. 2 in solidarity with Native Americans blocking construction of the Dakota Access Pipeline.

## Is Dakota A Defeat?

Environmentalists declare victory following Army Corps of Engineers denial of easement but energy industry treats it as a temporary annoyance.

By **JOSEPH MARKMAN**, Hart Energy

If the struggle over construction of the Dakota Access Pipeline can be considered political theater, it might help to think of the recent permit denial by the U.S. Army Corps of Engineers as a six-and-a-half week intermission.

In other words, this show will go on, analysts and industry players agree.

“Practically, it has little impact given President Trump’s ability to overturn [after he takes office],” Jeff Quigley, director of energy markets for Stratas Advisors, told Hart Energy. “President Obama has worked hard for the last eight years toward being an environmental leader and this goes towards trying to preserve that legacy.”

In the eyes of Harold Hamm, CEO of major Bakken producer Continental Resources Inc. (NYSE: **CLR**), the pipeline controversy has been an annoyance, but a momentary one, for operator Energy Transfer Partners LP.

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“These folks jumped through all the hoops,” Hamm told Hart Energy. “There were hearings for over a year. I think these tribes have, unfortunately, been taken advantage of by the environmentalists. This is a temporary setback.”

While Continental is not a customer of Dakota Access, it is one of the largest producers in the region. In third-quarter 2016, the company brought some curtailed wells in the Bakken back online and plans to increase the number of frack crews from two to four by year-end. The company’s third-quarter Bakken production averaged 107,929 barrels of oil equivalent per day.

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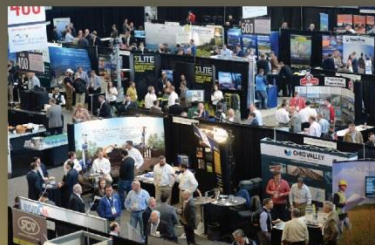
A Dec. 5 press release from Energy Transfer (NYSE: **ETP**) and Sunoco Logistics Partners LP (NYSE: **SXL**) conveyed barely concealed exasperation with what they

described as a “purely political action.”

“This is nothing new from this administration, since over the last four months the administration has demonstrated by its action and inaction that it intended to delay a decision in this matter until President Obama is out of office,” the companies said.

The companies expressed their commitment to completing the project without additional rerouting. ■

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## Analysts: Oil And Gas Primed For Success In Trump Years

Anticipated price increases in oil and gas should enable the incoming Trump administration to achieve its energy policy goals without major policy changes, ICF International analysts said Dec. 6 in a webinar exploring the next president’s potential impact on the industry.

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But analysts also warned that protectionist trade policies could upend those plans. Rising prices and increasing demand for natural gas, along with an upswing in export opportunities for LNG, primes that commodity for success between now and 2025, said Mike Sloan, principal at ICF. Sloan pointed to two fundamental shifts in federal policy that he expects the Trump administration to pursue.

“The first area is related to new production and supply,” he said. “The Trump administration has made a significant point of talking about getting government out of the way of industry, oil and gas producers and midstream players. They’ve also talked about making additional resources available for development, opening up additional leasing on federal lands and in federal waters and promoting new investments through changes in corporate tax policy.”

The other area, which Sloan said he sees as a wild card, is the review of trade practices. In the absence of detail-specific policies, the industry will have to take a wait-and-see approach. —**JOSEPH MARKMAN**, Hart Energy

## Projects Increase Gas Pipeline Capacity To New England

Two new natural gas pipelines will bring some relief to New England, but only one will be completed and in service in time for the 2016-2017 winter.

Part of Spectra Energy Partners LP’s (NYSE: **SEP**) \$972 million Algonquin Incremental Market (**AIM**) project went into

service in November following approval from the Federal Energy Regulatory Commission on Oct. 28, the U.S. Energy Information Administration (EIA) said. The system, complete except for the crossing of the Hudson River in Pomfret, Conn., is capable of moving 245 million cubic feet per day (MMcf/d) of its total capacity of 342 MMcf/d.

Spectra’s other project, the \$63 million **Salem Lateral**, is complete but not expected to be used until June 2017. The 1.2-mile pipeline connects the Algonquin Gas Transmission system to the Salem Harbor Station power generation plant.

—**JOSEPH MARKMAN**, Hart Energy

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### MIDSTREAM CONNECT



**Regina Mayor, U.S. Energy and Natural Resources Sector Leader for KPMG, expects U.S. midstream companies to become more bullish about opportunities in Mexico in 2017 and 2018. While she senses some level of caution among clients, she is also struck by bold moves by several companies to engage with that growing economy.**



## FRAC SPREAD

# Butanes Ignite NGL Price Rally To Two-Year High

By JOSEPH MARKMAN, Hart Energy

The hypothetical NGL barrel, riding a burst from the butanes, broke through \$25 per barrel (bbl) at both hubs monitored by Hart Energy this week, reaching a level not seen in two years.

CURRENT FRAC SPREAD (CENTS/GAL)				
DECEMBER 9, 2016	Conway	Change from Start of Week	Mont Belvieu	Last Week
Ethane	21.03		24.06	
Shrink	23.13		22.58	
<b>Margin</b>	-2.10	-1457.77%	1.48	-47.53%
Propane	57.68		60.20	
Shrink	31.95		31.19	
<b>Margin</b>	25.73	-1.11%	29.01	1.53%
Normal Butane	84.00		87.04	
Shrink	36.17		35.32	
<b>Margin</b>	47.83	4.09%	51.72	11.41%
Isobutane	95.40		100.34	
Shrink	34.74		33.92	
<b>Margin</b>	60.66	3.61%	66.42	18.93%
Pentane+	115.70		112.23	
Shrink	38.68		37.77	
<b>Margin</b>	77.02	0.71%	74.46	4.32%
NGL \$/Bbl	25.12	11.45%	25.73	13.11%
Shrink	12.74		12.44	
<b>Margin</b>	12.38	-1.17%	13.29	4.96%
Gas (\$/mmBtu)	3.49	27.23%	3.41	23.34%
Gross Bbl Margin (in cents/gal)	27.55	-1.76%	30.32	4.62%
NGL Value in \$/mmBtu (Basket Value)				
Ethane	1.16	14.73%	1.32	13.87%
Propane	2.00	12.81%	2.09	11.77%
Normal Butane	0.91	12.93%	0.94	15.96%
Isobutane	0.59	11.12%	0.62	20.38%
Pentane+	1.49	8.25%	1.45	10.03%
Total Barrel Value in \$/mmbtu	6.15	11.87%	6.43	13.18%
<b>Margin</b>	2.67	-3.39%	3.02	3.57%

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.

NGL barrel in general have widened, ethane's spreads continue to diminish. Ethane rejection of 704 Mbb/d in September and historically high inventory levels indicate to En\*Vantage analysts that petrochemical companies are holding on to volumes in anticipation of a surge in demand in late 2017.

The past week also marked the end of a month. The average NGL barrel price in November slipped 2% at Mont Belvieu and 4.6% at Conway compared to October. However, the Mont Belvieu barrel of November 2016 showed an 18% increase over the November 2015 price. At Conway, the improvement was 23.4%. ■

The Mont Belvieu, Texas, hub price reached \$25.73/bbl, up 13.1% over the average cited during the week of Nov. 28. At the Conway, Kan., hub, the price rose 11.4% to \$25.12/bbl.

Butane increased 16% at Mont Belvieu and 13% at Conway, while isobutane was up 20.4% at Mont Belvieu and 11.1% at Conway. Spreads were dramatic, too. Butane's margin widened by 11.4% and isobutane's by 19% at Mont Belvieu.

En\*Vantage attributed the widening spreads to maintenance on the Enterprise Products Partners LP's (NYSE: **EPD**) butane isomerization unit at Mont Belvieu. The work began in early October.

The analysts also noted that butanes and C<sub>5+</sub> were riding the wave of soaring commodity prices in the wake of OPEC's agreement to cut production. En\*Vantage is less certain of the ultimate result.

"It is our opinion that the market is celebrating before seeing if the agreement can be implemented and enforced when it becomes official on Jan. 1," they wrote in a weekly report.

Since declining below \$2 on Nov. 11, natural gas prices have soared 90% at Chicago City Gate and 82% at the Houston Ship Channel. The price of butane has jumped 26%, and isobutane 31%, at Mont Belvieu since that time.

While spreads for the butanes and the

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## TOP STORIES

**Asian Spot LNG Prices Highest Since Mid-2015**

Asian spot prices for LNG rose to their highest since mid-2015 during the week of Dec. 5 as a deal by OPEC and Russia to cut crude oil output lifted the entire fuel complex, with winter weather in the Northern Hemisphere supporting gas markets.

Spot prices for Asian LNG rose by half a dollar from the week of Nov. 28 to about \$8.1 per million British thermal units (MMBtu), their highest since July 2015.

Traders said the main price drivers were a deal between OPEC and non-OPEC producer Russia to cut crude output to prop up prices, as well as cold weather in northern Asia and Europe that lifted LNG demand for heating and power generation use.

“Higher oil prices translate into higher LNG import prices for the majority of LNG consumers,” energy consultancy Wood Mackenzie said on Dec. 8 in a paper on OPEC’s impact on LNG markets. —REUTERS

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**Consortium Delivers New LNG Vessel**

A consortium comprising Nippon Yusen Kabushiki Kaisha, Mitsui O.S.K. Lines Ltd., Kawasaki Kisen Kaisha Ltd. and the Shipping Corporation of India Ltd. (SCI) recently announced that they took delivery of a new LNG vessel on Nov. 30 in South Korea.

The vessel, *PRACHI*, has a capacity of 173,000 cm and was built to order by Hyundai Heavy Industries Co. Ltd. based on a long-term time charter contract with Petronet LNG Limited (PLL). A naming ceremony for the ship was held on Oct. 18.

PLL, India’s first importer of LNG, currently brings in 7.5 million tons of LNG per year from Qatar using three LNG carriers. *PRACHI* is the fourth vessel for the transport of LNG to India and will be employed in the Gorgon LNG Project in Australia. —BRYAN SIMS

**Leaking Oil Pipeline Operated By Belle Fourche Shut In Western North Dakota**

A crude oil transmission line was shut down in western North Dakota following a leak that spilled oil into a creek, the state said on Dec. 6.

The spill leaked oil into the Ash Coulee Creek in Billings County. The leak that prompted the shutdown was discovered in a 6-inch pipeline operated by Belle Fourche Pipeline Co., the North Dakota Department of Health said.

An undetermined amount of crude oil was spilled, the state said. The size of Dec. 5’s leak and the extent of the spill were not yet known.

Belle Fourche Pipeline is a 783-mile liquids pipeline. The company transports crude oil in the Williston Basin of western North Dakota and eastern Montana, and the Powder River Basin of Wyoming, according to the company website. —REUTERS

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