MIDSTREAM Monitor

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THE INTERVIEW: RANDY LENTZ

How To Change With The Times

PAUL HART
HART ENERGY

The Permian Basin is at the epicenter of the shale boom, offering midstream operators such as Medallion significant growth opportunities. But success comes through providing customers with greater value and efficiency—the bookends at either side of any successful enterprise. The company's CEO took time to visit with Midstream Business to describe how his firm has changed to meet the needs of Permian Basin producers—and the midstream sector overall.

MIDSTREAM You have been in midstream senior management for more than 30 years. What brought you to Medallion?

LENTZ I grew up on a ranch in Southwest Texas and from there, I think I have always had quite a bit of entrepreneurial spirit. It was necessary for us to be very self-sufficient and good at problem-solving, and I think it was just natural for me to take that into my career.

I first started in the oil and gas business in the field

See LENTZ on Page 2

LENTZ from Page 1

and worked my way up to different senior positions, both in operations and on the business side. During that time, I had the opportunity to work with some really great management teams that were small, private-equity-backed companies, so that I got a lot of exposure to a lot of different problems. And subsequently, a lot of good solutions and ideas came out of that.

It's my experience that the best ideas reveal themselves with time, learning and exposure to a variety of challenges, and that sets up well for being able to provide customers with solutions to almost any midstream problem. I went into Medallion with that thought process. It was rooted in a passion for the industry and a desire to bring a higher level of service and solutions to the Permian Basin producers. And also I think that my years in the gas business gave me a pretty unique view of the midstream value proposition that others weren't seeing at the time on the oil side.

MIDSTREAM What sets Medallion apart?

LENTZ We say a lot to our team about being different. We certainly adhere to some key pillars in our company that allow us to bring value and efficiency to our customers and to the basin. Safety is obviously a key element for us, but we really have a rigorous commitment to operational excellence, creative customer solutions, and employee culture. When I talk about employee culture for us, and what I say to our team a lot, is that we can't let ourselves forget that above all else we are a service company. Creating value for everyone is the type of deal creation that's our lifeblood. It builds sustainable customer relationships.

Our team is great at building key infrastructure and finding creative solutions to different midstream problems. But our customers also need to know that they can trust us to keep our promises. I say that a lot to our team, that at the end of the day you have got to keep your promises. Our customers are trusting us with their business, and if we don't perform then their business gets hurt—and our reputation gets hurt. Something that is important to us, to our team, is the bookends to that mission. I work hard personally to communicate that to our team— our goals, our vision. I think that's what makes us a unified team and it allows us to keep our momentum and keep growing our business.

VIDEO SPECIAL REPORT

Extreme Weather's Impact On Energy

AccuWeather Senior Meteorologist Bob Smerbeck recently took Hart Energy behind the scenes with a look at forecasting extreme weather patterns and the related disruption to the oil and natural gas supply chain as well as gatherers, processors and pipelines.

Smerbeck said in short-term forecasting AccuWeather looks for cold air coming down from Canada into the U.S.

"A temperature departure of 10 to 15 degrees below normal over an extended period of time can put a strain on gas production and the usage of natural gas," he told Hart Energy.

He added that key indicators include the jet stream and climate signals.

Watch Hart Energy's interview with Smerbeck to see how he illustrates these weather pattern changes. **—JESSICA MORALES** | HART ENERGY

FRAC SPREAD

Back To The Bakken

JOSEPH MARKMAN | HART ENERGY

For those too young to remember, the Bakken Shale was once an up-and-coming oil and gas behemoth, the darling of the North, a key component of U.S. energy security.

That was prior to the downcycle, prior to the mandate that all energy-related articles make reverent mention of the Permian Basin. But now the Bakken, the second-largest unconventional play in the U.S., is growing again, propped up by oil prices that are comfortably above $60 per barrel (bbl).

CURRENT FRAC SPREAD (CENTS/GAL)

FEBRUARY 23, 2018	Conway	Change from Start of Week	Mont Belvieu	Last Week
Ethane	14.38		23.97	
Shrink	16.34		17.14	
Margin	-1.96	-8.16%	6.83	-1.21%
Propane	71.06		84.78	
Shrink	22.57		23.68	
Margin	48.49	4.77%	61.10	3.97%
Normal Butane	80.50		85.22	
Shrink	25.55		26.81	
Margin	54.95	4.25%	58.41	11.35%
Isobutane	91.88		97.97	
Shrink	24.54		25.75	
Margin	67.34	3.29%	72.22	9.46%
Pentane+	131.44		133.77	
Shrink	27.33		28.67	
Margin	104.11	5.49%	105.10	2.88%
NGL $/Bbl	26.42	1.48%	29.95	2.77%
Shrink	9.00		9.44	
Margin	17.42	4.96%	20.51	4.81%
Gas ($/mmBtu)	2.46	-4.63%	2.59	-1.42%
Gross Bbl Margin (in cents/gal)	39.92	5.06%	47.97	4.77%
NGL Value in $/mmBtu (Basket Value)				
Ethane	0.79	-4.13%	1.32	-1.36%
Propane	2.47	1.59%	2.94	2.40%
Normal Butane	0.87	1.26%	0.92	6.99%
Isobutane	0.57	1.04%	0.61	6.37%
Pentane+	1.69	3.21%	1.72	1.93%
Total Barrel Value in $/mmbtu	6.39	1.17%	7.52	2.46%
Margin	3.93	5.18%	4.93	4.61%

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.

Andeavor Logistics LP (NYSE: **ANDX**) has filed to build an NGL pipeline from Oasis Midstream Partners LP's (NYSE: **OMP)** Wild Basin plant to its own fractionator in Belfield, N.D., about 70 miles south. The proposed pipeline—partly new-build, partly converted BakkenLink crude line—would have an initial capacity of 15,000 barrels per day (bbl/d), expandable to 34,000 bbl/d.

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"The solution is a creative way to increase utilization on ANDX's Belfield fractionator and Fryburg Rail Terminal, which both have likely seen declines from lack of production in that area," noted East Daley Capital in its **Feb. 18 report**.

East Daley found the timing curious, though. Both Kinder Morgan Inc. (NYSE: **KMI**) and ONEOK Inc. (NYSE: **OKE**) are exploring large-scale NGL takeaway options in the region. Oasis is a counterparty to the Hiland gathering system, which Kinder Morgan acquired three years ago in a $3 billion deal with Harold Hamm and certain Hamm family trusts.

ONEOK recently completed its application to expand the Bear Creek natural gas processing plant near Killdeer, N.D., from 80 million cubic feet per day (cf/d) to 175 million cf/d. If all approvals are received, ONEOK could start the expected 18-month expansion in the first half of this year.

On Price, Renewables Can Compete With Gas

HOUSTON—About nine minutes into her presentation at the recent **ADI Analytics** Forum, Nisha Desai dropped the C-bomb.

"The unsubsidized cost of solar, the unsubsidized cost of wind and the cost of gas combined-cycle is very comparable," she said.

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And to emphasize her point about how quickly the term *comparable* will be relevant to a crowd that included many in the natural gas business, she added, "That's today."

Desai, managing director of Houston-based Aurora Clean Energy Partners and former vice president of NRG Energy, was citing a **November 2017 report from Lazard.** That analysis acknowledged that current storage challenges for wind and solar confine renewables to a position of one element among many in the power generation mix. But Lazard also noted that new technologies could at some point fundamentally change how global power grids operate.

While the shale revolution has given birth to a paradigm shift in the U.S. oil and gas industry from imports to exports, the utility industry is also experiencing major changes.

The volume of natural gas used in power generation has roughly doubled to 27 Bcf/d since 2000. However, U.S. electricity demand has been flat, meaning that gas has been taking market share from other sources, mostly coal. The demand issue is key. **—JOSEPH MARKMAN | HART ENERGY**

Williams' Take On Marcellus-Utica Takeaway

PITTSBURGH—The Northeast region is projected to account for as much as 75% of the growth in the U.S. supply of natural gas supply through 2022, and The Williams Cos. is "poised for growth," said Jim Scheel, Williams' vice president for Northeast gathering and processing, at Hart Energy's recent Marcellus-Utica Midstream Conference.

Williams (NYSE: **WMB**) has built up its gathering and processing footprint in the region over the last eight years, he noted, with the "limiting factor" of late being the region's lack of adequate takeaway capacity, he said.

"What's really been the limiting factor has been takeaway capacity," observed Scheel. "We need more takeaway to unlock the value in the Northeast, and that would really position us for growth."

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Williams is currently focusing on adding takeaway capacity via its Atlantic Sunrise project, the largest expansion of its Transco system. The 187-mile project will add 1.7 billion cubic feet per day (Bcf/d) to the Transco system and better connect Marcellus gas production from northeast Pennsylvania to Mid-Atlantic and Southeast markets in the U.S. The project is scheduled to be in-service in mid-2018. **—CHRIS SHEEHAN | HART ENERGY**

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