

# MIDSTREAM

## Monitor

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### FEATURES



## IEA: Oil Market To Balance In 2H

Agency expects non-OPEC supply growth to return by 2017.

By **VELDA ADDISON**, Hart Energy

**S**tronger than expected oil demand growth, unexpected supply outages and modest growth from OPEC members mean the oil market is on course to balance in second-half 2016, according to the International Energy Agency (IEA).

That is, assuming there are no surprises, the IEA said in its monthly oil report released June 14.

“At halfway in 2016 the oil market looks to be balancing; but we must not forget that there are large volumes of shut-in production, mainly in Nigeria and Libya, that could return to the market, and the strong start for oil demand growth seen this year might not be maintained,” the IEA said. “In any event, following three consecutive years of stock build at an average rate close to 1 million bbl/d there is an enormous inventory overhang to clear. This is likely to dampen prospects of a significant increase in oil prices.”

Continued on Page 3

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## IEA from Page 1

The monthly oil market report was released as oil companies continued to feel the pain of lower commodity prices, the outcome of a supply-demand imbalance brought on by an abundance of oil and reluctance by some of the world's biggest producers to cut production. Global output fell by 590,000 bbl/d year-on-year to 95.4 MMbbl/d.

Output in the U.S., where a technology-driven shale revolution has made it possible to unlock more economic barrels of oil from the ground, has fallen as companies produce less and leave wells uncompleted until prices rebound further. Plus, outages caused by events such as raging wildfires in Canada have contributed to the global oil supply falling by nearly 800,000 bbl/d in May, according to the IEA.

The IEA estimates production from non-OPEC countries will fall by 900,000 bbl/d in 2016. U.S. shale output is also expected to tumble by 500,000 bbl/d. However, the IEA expects non-OPEC supply growth will return in 2017, rising by a "modest" 200,000 bbl/d.

### Not just OPEC

Supply disruptions have not been limited to non-OPEC countries.

The IEA pointed out that OPEC crude output saw its first significant production since early 2013—dropping by 110,000 bbl/d in May to 32.61

MMbbl/d. Contributing to the fall were losses in Nigeria, where militants have attacked oil facilities and pipelines in the Niger Delta to draw attention to their demand for more oil wealth in certain parts of the region.

Militant action has forced production to 30-year lows in Nigeria, the IEA said, later adding troubles in Nigeria and Libya—where production "remains a long way from significantly increasing"—appear to be longstanding.

"This current list of shut-ins might soon be augmented by Venezuela where the deteriorating situation could affect the operations of the oil industry," the IEA said. "In addition to the unplanned shut-ins, our forecast of production falls due to lower oil prices remains intact."

But Iran has emerged as OPEC's fastest source of supply growth in 2016. The country, which was freed in January from economy-crippling sanctions related to development of nuclear capabilities, is expected to add 700,000 bbl/d.

"On the planning assumption that OPEC oil production grows modestly in 2017 we expect to see global oil stocks build slightly in 1H17 before falling slightly more in 2H17," the IEA said. "For the year as a whole there will be a very small stock draw of 0.1 million bbl/d. We must stress that this is our first look at 2017 and the huge number of moving parts will see us amend our numbers accordingly. However, to return to a phrase from last month's report, the direction of travel seems to be clear."

### Demand picking up

Meanwhile, global demand is picking up.

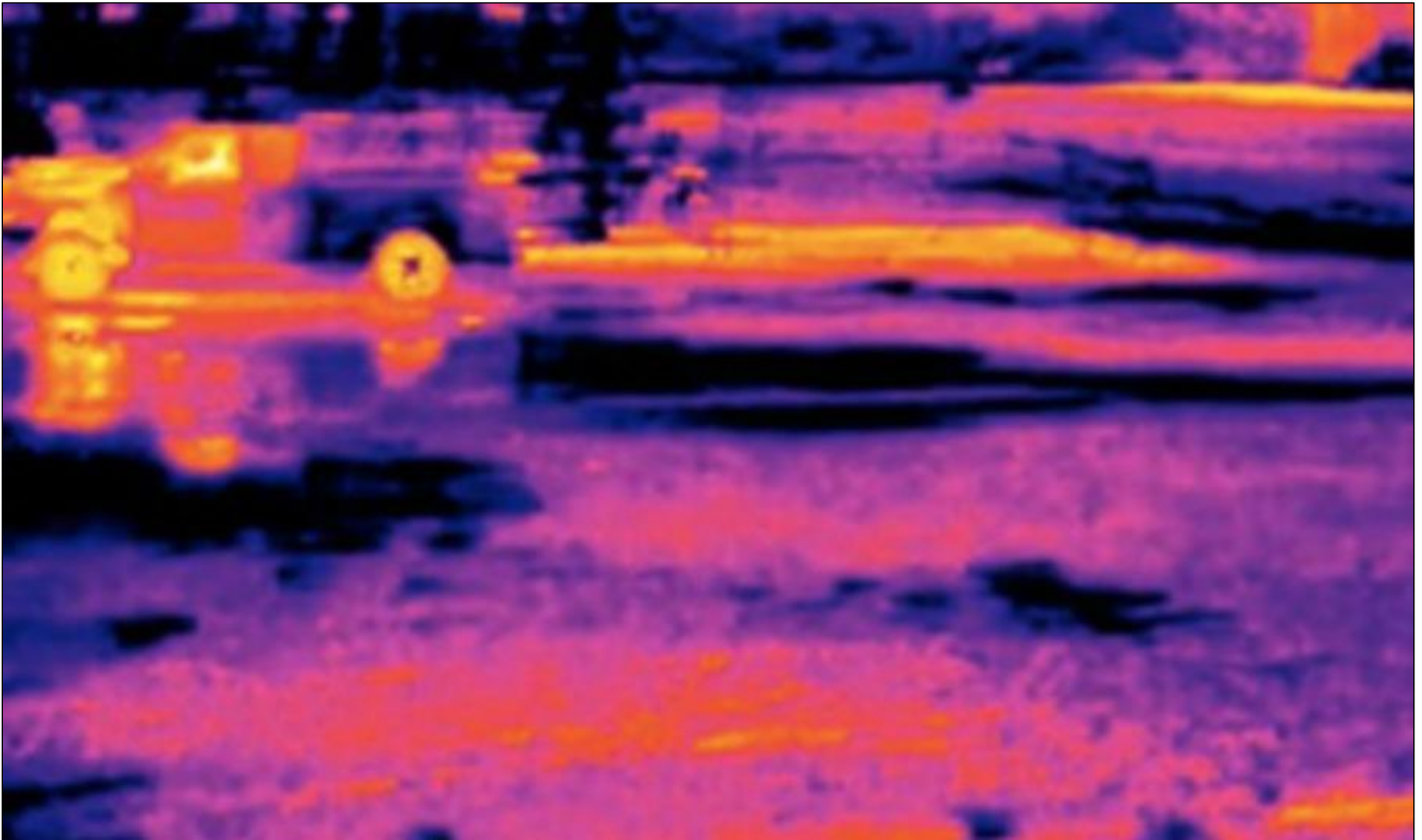
Calling oil demand growth "significantly stronger" than expected, the IEA revised up global oil demand growth for 2016 to 1.3 MMbbl/d.

"In 2017 we will see the same rate of growth and global demand will reach 97.4 MMbbl/d," the IEA said. "Non-OECD nations will provide most of the expected gains in both years. The growth rate is slightly above the previous trend, mostly due to relatively low crude oil prices." ■

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Source: PetroCloud

Radar surveillance systems from PetroCloud can track speed, work with drones and provide thermal images like the truck in the bottom right. “This is really high-end heightened security that works much better than motion detection,” according to PetroCloud CEO Lance White.

## Combating Security Threats Via Digital Oil Field

By **ARIANA BENAVIDEZ**, Hart Energy

A company is going about its business. Then suddenly there is a blackout; all of its IT infrastructure has been hacked and corrupted. Elsewhere, an operator returns to the field and discovers equipment has been stolen.

It’s organized crime that’s been going on for a long time and continues today, according to Robert Ream, chairman of the U.S. Energy Security Council, a partnership between state, local and federal law enforcement. “It’s a complicated activity. It’s complex, and it happens every day,” he said. “Even with the downgrade in our commodity prices, the criminal activity remains.”

New technologies are increasing the industry’s situational awareness.

Ream, along with PetroCloud CEO Lance White, addressed these security issues at Hart Energy’s recent DUG Permian Basin conference.

To combat the criminal activity, Ream said the industry needs to be speaking about resiliency rather than redundancy.

The Texas attorney general’s office estimates that in 2014, more than \$1 billion worth of product was stolen from U.S. operations. Ream spent the last legislative session in Austin, Texas, working with his colleagues at the Energy Security Council, industry operators and members of the state Senate and House of Representatives to get a bill passed to increase the penalties for theft associated with oil- and gas-related equipment, specifically d the theft of oil and condensate.

“That’s real money—a billion dollars out of our economy taken away from us by organized crime,” Ream said. “It’s a combination of American-based criminal organizations and Mexican cartels, as well as Russians and Chinese and a lot of different organizations, that are targeting the United States and targeting our critical infrastructure for theft, fraud and misappropriation.”

### Collaborative effort

The Energy Security Council has a board of directors representing the FBI, the Texas Department of Public Safety and local county sheriff’s offices in Texas.

“This is a group of people that get together about once a quarter, and we train intelligence at the law enforcement sensitive level. We look for license plates, we look for names [and] we share that information among ourselves so that we can work with law enforcement to track down and hold criminals accountable for their actions,” Ream said.

“Because [these criminals are] not just stealing equipment; they’re trading in that equipment across the regions. You’ll have equipment stolen in the Permian Basin that shows up in the Bakken. You’ll have equipment that’s stolen in the Marcellus and resold in the Permian Basin or maybe even in the Eagle Ford. This is not single individuals taking advantage of circumstances. This is organized activity.”

Ream said the council works closely with an FBI taskforce in Midland, Texas—the only taskforce in the country specializing in oilfield crime—to identify and track down those criminals and hold them accountable.

### Technology helps

And the application of technology has been a major factor in preventing these crimes.

“In the world of SCADA control [and] distributable industrial control systems, the improvement in

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technology, and specifically around communications, has enabled us to add systems to the field where previously they weren’t viable. These systems allow us to improve our situational awareness,” Ream said.

“The days of sending guys out to the field in white pickup trucks to find out what’s going on are slowly disappearing. What we’re transitioning to is an environment where we know what’s going on in the field, and we can send out somebody to respond to a specific situation. No longer do they have to go out to access the problem, but they’re able to determine the problem ahead of time and respond with the appropriate tools.”

The result is an improvement in efficiency and effectiveness, Ream said. The new technology allows users to witness the crime as it’s being committed and/or prevent it with the management of industrial control systems (e.g., shutting systems down or tracking and identifying the culprit via cameras).

PetroCloud designs such security applications for operators across the nation.

“There’s a lot of change and innovation happening right now,” White said.

### ‘Big step forward’

The Internet of Things (IoT) is the next “big step forward,” according to White. IoT works to integrate an ecosystem and relies more heavily on software rather than hardware.

“We’re actually integrating all of these devices and all of these data at the field level. It’s kind of a paradigm shift,” he continued. “It opens up cross-functional access to data. We’ve got operations centers, personnel, managers [and] we’ve got business functions like security, etc. that all have access to the same platform and various systems.”

Examples of security technologies PetroCloud can provide range from laser trip wires; military-grade cameras; radar surveillance systems that can track speed, work with drones and show thermal images; employee badges and keypad entry; remote gate access with voiceover ID intercom systems; and alarms and video monitoring. ■

# Exec To Industry: Get A Reality Check

By **JOSEPH MARKMAN**  
Hart Energy

Rick Lester asks a lot of questions, sifting through “unknowables” until he finds the ones that really matter, like:

- Is there oil here?
- Can it be produced economically?
- Is this a project we can execute?

The CEO of Houston-based Opal Resources LLC has come up with the right answers often enough to earn the trust and financial backing of investment bank Goldman Sachs, but he remains laser-focused on asking the right questions, whether they relate to a particular project or to industry conditions in general.

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Source: Hart Energy

**Rick Lester, CEO of Opal Resources LLC, addresses attendees at DUG Permian Basin: “If we’re all smart, in a downcycle we’re preparing for the next upcycle.”**

Take, for example, movements in oil prices.

“If you look at crude oil pricing, the futures price is about \$48 a barrel,” he told attendees at Hart Energy’s recent DUG Permian Basin conference. “In December of 2021, a buyer or trader can buy a barrel of crude oil for just under \$56 a barrel.

“It’s always intrigued me: Is the futures price predictive of what’s going to be happening?” he continued. “I would say it’s predictive only if the current

conditions remain static through that timeframe. So the question to me is: what outside force is going to cause the trajectory of the crude oil price to move from where it is today?”

Lester noted that the U.S. Energy Information Administration (EIA) crude price forecast sticks with the futures prices in its 2016 forecast but veers away in 2017, indicating that its analysts anticipate an outside force changing the trajectory of the oil price.

## Comparing cycles

So Lester turned his inquisitive eye to the downcycle itself and compared it to past cycles.

“What catches my attention is not the percentage drop, which is significant and has been pronounced the last two cycles, but it’s the length of the cycle,” he said. “In the current cycle, we had a 21- to 22-month drop from peak to trough vs. five to six months in mostly every cycle. It’s the length of the cycle that tends to kill a lot of companies.”

It’s not possible to predict precisely when the cycle will change except in hindsight, he said. But rather than try to forecast when the next big event will strike, Lester said it’s more pertinent to simply acknowledge that’s it’s coming sooner or later, and prepare for it.

“If we’re all smart, in a downcycle we’re preparing for the next upcycle,” he said. “In an upcycle, we’re preparing for the next downcycle. That’s a tough roller coaster to handle.”

### Reality check

Lester's medicine for this wild ride might be hard to swallow but it's important: take a reality check. Determine whether the priorities you've set for your company are harmful during the current environment and need to be changed.

"We need to be prepared to change priorities rather quickly, which means we need to look at priorities fairly often," he said. "If you have a great plan, it's not worth a hill of beans if you can't execute the plan."

In addition to standard risk factors, Lester's Opal Resources takes a hard look at entry costs in its Permian Basin operations.

"As a greenfield developer, if we can't bring a project into a viable proven state at reasonable entry costs, then we're kidding ourselves," he said.

And that has led to some tough decisions for Opal, which is active in the Permian's Central Platform Basin.

"One of the reasons we left the Midland Basin is because the cost of entry had become prohibitively high for us," he said. "Undeveloped leases that we could buy for \$150 an acre in 2009-2010, we sold for \$5,000 an acre in 2012-2013. We stopped leasing in the Midland Basin at about \$2,000 an acre, and that was in the 2001-2012 period."

### Life on the margin

Lester's advice:

- **Don't get hung up on predictions:** "That's what politicians do. We need to have a view but we also need to know our companies";
- **Take what the market will give:** "Sometimes we're buyers, sometimes we're sellers, sometimes we hold";
- **Know your company:** "If we don't know our company, we really don't know how to manage through these cycles."

And back to the reality check: this roller coaster-type business is subject to sudden and dramatic acceleration, climbing, tilting, dropping and backward motion. Deal with it.

"Tight oil lives on the margin," Lester said. "A lot of the folks have been very fortunate or very good to develop assets that are in the sweet spot in the heart of some of these different plays. They've earned the right to drill where they want to drill—their economics are different.

"The truth is, most of us live on the margin. If we live on the margin, we just have to be aware of that. It makes life a little more difficult and a little bit more interesting, to say the least." ■

## Explore The Marcellus Online

*The region's riches will be moving to multiple markets. Find out how and where in this online article.*

# President Expected To Sign Pipeline Safety Bill

Likely reauthorization will strengthen transportation department's hand.

By **JOSEPH MARKMAN**, Hart Energy

A unanimous vote by the U.S. Senate on June 13 to approve reauthorization of the pipeline safety bill sends the measure to President Obama, who is expected to sign it into law.

The legislation, Securing America's Future Energy: Protecting our Infrastructure of Pipelines and Enhancing Safety Act, or the SAFE PIPES Act of 2016, gained bipartisan support in both houses of Congress. Sponsored



by Sen. Deb Fischer, R-Neb., it is intended to add transparency to the regulatory process administered by the Pipeline and Hazardous Materials Safety Administration (PHMSA).

## Focus on Great Lakes

The bill also strengthens the hand of the U.S. Department of Transportation in issuing emergency energy pipeline shutdown orders and mandates a study of pipeline operators' management plans.

"We were pleased to work closely with committee leadership and staff in crafting a reauthorization bill that

furtheres our member companies' commitments to safety," Matthew Hite, GPA Midstream Association's vice president of government affairs, said in a statement. "We look forward to working with the Pipeline and Hazardous Materials Safety Administration and Congress on its implementation."

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Source: Hart Energy  
**Matthew Hite of  
GPA Midstream  
Association**

The bill also grants additional protections in the Great Lakes region following efforts by two lawmakers from Michigan—Democrat Sen. Gary Peters and Republican Rep. Candice Miller. The pair had expressed concerns about Enbridge Inc.'s Line 5, a pair of lines that move oil and natural gas at the bottom of the Straits of Mackinac.

## High-consequence area

Environmental groups have lobbied to shut down the lines, claiming that it poses an environmental threat. Enbridge maintains the pipelines are safe and have been thoroughly inspected.

The bill designates the Great Lakes as a high-consequence area in terms of pipeline review, meaning that companies operating in the region will be required to meet higher standards and craft specific plans to respond to environmental issues in the case of a spill.

Don Santa, president and CEO of the Interstate Natural Gas Association of America (INGAA), lauded the Senate's passage of the act.

"This legislation meets several key goals, including directing the Pipeline and Hazardous Materials Safety Administration to regulate underground natural gas storage, something INGAA has advocated for several years," he said in a statement. "S. 2276 also sets reasonable PHMSA authorization levels and directs PHMSA to complete the regulatory mandates under the Pipeline Safety, Regulatory Certainty and Job Creation Act of 2011." ■



## FRAC SPREAD



## Geopolitical Risks Haunt NGL Price Outlook

By **JOSEPH MARKMAN**, Hart Energy

Of all the issues raised by the recent mass killing at a nightclub in Orlando—presidential campaign politics, gun control, hate crimes—the price of oil and gas would not appear to be one.

NGL ‘barrel’ price bounces  
back up as ethane continues  
rally at both hubs.

But the shooter’s identification with ISIS cast it as an act of terror, which groups Orlando with last week’s terror attack that killed four in Tel Aviv’s upscale Sarona Market and the car bombing in Istanbul by Kurdish separatists.

Terrorism and the instability terrorists seek to create can negatively impact the global economy, which lowers demand for oil, Stratas Advisors said in its weekly analysis.

Demand is already low, of course, as emerging economies like China decrease industrial capacity and others, like Brazil and Russia, struggle with low commodity prices. Stratas Advisors shifted its view of the geopolitical impact on the price of Brent crude from positive to neutral last week.

And supply continues its worrisome trend. Crude inventories actually fell by 933,000 barrels (bbl) in the last week, the U.S. Energy Information Administration (EIA) reported. But that drop was less than half the 2.3 million bbl (MMbbl) consensus decrease expected by analysts. The Stratas projection was a decline of between 2.5 MMbbl and 3.5 MMbbl.

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CURRENT FRAC SPREAD (CENTS/GAL)				
JUNE 17, 2016	Conway	Change from Start of Week	Mont Belvieu	Last Week
Ethane	20.70		23.79	
Shrink	16.38		16.38	
<b>Margin</b>	4.32	76.38%	7.41	18.27%
Propane	47.08		49.28	
Shrink	22.63		22.63	
<b>Margin</b>	24.45	-5.19%	26.65	-6.68%
Normal Butane	61.35		61.70	
Shrink	25.61		25.61	
<b>Margin</b>	35.74	-5.41%	36.09	-4.66%
Isobutane	72.60		65.70	
Shrink	24.60		24.60	
<b>Margin</b>	48.00	-6.32%	41.10	-4.46%
Pentane+	105.28		101.25	
Shrink	27.39		27.39	
<b>Margin</b>	77.89	-2.37%	73.86	-3.85%
NGL \$/Bbl	21.31	3.70%	21.39	2.15%
Shrink	9.02		9.02	
<b>Margin</b>	12.28	-1.23%	12.37	-3.06%
Gas (\$/mmBtu)	2.47	11.26%	2.47	10.27%
Gross Bbl Margin (in cents/gal)	27.47	-1.59%	28.33	-3.17%
NGL Value in \$/mmBtu (Basket Value)				
Ethane	1.14	20.56%	1.31	12.64%
Propane	1.63	2.06%	1.71	0.41%
Normal Butane	0.66	0.90%	0.67	1.02%
Isobutane	0.45	-1.02%	0.41	0.57%
Pentane+	1.36	0.84%	1.31	-0.40%
Total Barrel Value in \$/mmbtu	5.25	4.79%	5.40	3.01%
<b>Margin</b>	2.78	-0.36%	2.93	-2.41%

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.

Propane rose at both hubs, though it remained below its level in May. Still, the Mont Belvieu price averaged 26.7% above the same week last year and Conway's price was 42.8% ahead.

The price of propane at Mont Belvieu is 55.5% higher than it was at its low point for this year in January. Conway's propane price is 64.3% above its low point, also in January.

Butane rose slightly, adding to its string of over 60 cents/gal at both hubs for the fifth straight week.

### Barrel is back

Buoyed by the rise of oil and natural gas prices, the price of the hypothetical NGL barrel rose for the first time in three weeks to \$21.39 at Mont Belvieu, Texas, and to \$21.31 at Conway, Kan.

That marks a 6% rise at Mont Belvieu over the average price in the same week a year ago, and a 13.8% increase at Conway.

NGL are separated, or fractionated, for various market purposes. Hart Energy rejoins them in a 42-gal spreadsheet "barrel" to illustrate the overall performance of the sector.

Whether the barrel will remain over \$20 is uncertain as supply continues to outpace rising demand.

A year ago, the barrel experienced its last average weekly price above \$20 during this same week and did not return to this level consistently until a month ago.

### Ethane up

Ethane continued its rally, up 12.6% for the week and 31% over a year ago to \$23.79 cents per gallon (gal) at Mont Belvieu, and 20.6% for the week and 28.6% over a year ago to \$20.70 at Conway.

This has more to do with higher natural gas prices. The benchmark Henry Hub price cracked \$2.50 per million Btu in the past week.

NGL PRICES						
Mont Belvieu	Eth	Pro	Norm	Iso	Pen+	NGL Bbl
June 8 - June 14, '16	23.79	49.28	61.70	65.70	101.25	<b>\$21.39</b>
June 1 - June 7, '16	21.12	49.08	61.08	65.33	101.66	<b>\$20.30</b>
May 25 - May 31, '16	20.70	53.20	64.67	68.72	102.24	<b>\$21.69</b>
May 18 - May 24, '16	20.45	54.03	65.48	69.50	101.18	<b>\$21.74</b>
May '16	19.63	52.11	63.15	66.67	97.15	<b>\$21.11</b>
April '16	19.18	45.59	55.10	57.43	92.03	<b>\$19.05</b>
1st Qtr '16	15.90	39.03	52.22	52.84	76.84	<b>\$16.46</b>
4th Qtr '15	17.50	42.15	60.09	60.57	97.59	<b>\$19.11</b>
3rd Qtr '15	18.26	40.99	54.16	55.19	100.10	<b>\$18.80</b>
2nd Qtr '15	17.93	46.30	58.11	59.66	126.14	<b>\$21.48</b>
June 10- June 16, '15	18.04	38.88	52.86	53.10	126.22	<b>\$20.17</b>
Conway, Group 140	Eth	Pro	Norm	Iso	Pen+	NGL Bbl
June 8 - June 14, '16	20.70	47.08	61.35	72.60	105.28	<b>\$21.31</b>
June 1 - June 7, '16	17.17	46.13	60.80	73.35	104.40	<b>\$20.03</b>
May 25 - May 31, '16	16.53	50.06	65.91	74.38	106.19	<b>\$21.32</b>
May 18 - May 24, '16	16.40	50.70	66.40	72.80	105.45	<b>\$21.31</b>
May '16	16.14	49.34	63.42	71.60	101.55	<b>\$20.65</b>
April '16	15.57	42.79	53.34	64.69	93.42	<b>\$18.52</b>
1st Qtr '16	13.45	35.23	48.14	57.05	76.01	<b>\$15.61</b>
4th Qtr '15	14.90	38.06	57.31	64.04	95.84	<b>\$18.20</b>
3rd Qtr '15	15.47	36.28	48.59	54.34	99.10	<b>\$17.59</b>
2nd Qtr '15	15.50	40.55	52.40	56.80	121.50	<b>\$19.89</b>
June 10- June 16, '15	16.10	32.98	46.28	47.06	124.80	<b>\$18.73</b>

Data Provided by Bloomberg. Individual product prices in cents per gallon. NGL barrel in \$/42 gallons.

RESIN PRICES – MARKET UPDATE – JUNE 17, 2016					
TOTAL OFFERS: 14,900,584 lbs		SPOT		CONTRACT	
Resin	Total lbs	Low	High	Bid	Offer
PP Homopolymer - Inj	5,000,072	0.495	0.6	0.47	0.51
HDPE - Blow Mold	2,791,428	0.54	0.59	0.49	0.53
LLDPE - Inj	1,659,840	0.545	0.665	0.58	0.62
LDPE - Film	1,628,300	0.6	0.67	0.59	0.63
LLDPE - Film	1,526,828	0.45	0.59	0.52	0.56
HDPE - Inj	1,270,828	0.55	0.59	0.49	0.53
PP Copolymer - Inj	537,368	0.445	0.635	0.5	0.54
HMWPE - Film	264,552	0.475	0.575	0.52	0.56
LDPE - Inj	221,368	0.48	0.6	0.59	0.63

Source: Plastics Exchange – www.theplasticsexchange.com

The Mont Belvieu price was 16.7% above its price for the same week last year, and Conway's price was 32.6% ahead.

Butane at Mont Belvieu is now 39% above its low point for the year, set in January, and Conway's price is 41.7% higher.

Isobutane was steady at Mont Belvieu, rising only slightly to 65.7 cents/gal. It dipped by less than 1 cent/gal to 72.6 cents/gal at Conway, with the price weakening as the week rolled on.

The reverse was the case for C<sub>5+</sub>, with Mont Belvieu off slightly and Conway picking up less than 1 cent/gal.

The price remained above \$1/gal for the fourth consecutive week at Mont Belvieu and the fifth week in a row at Conway.

**What's in store**

U.S. gas storage rose by 69 billion cubic feet (Bcf) to 3.041 trillion cubic feet (Tcf) during the week ending June 10, the EIA reported.

That is slightly higher than the Bloomberg consensus forecast of 66 Bcf, and well below the 87 Bcf five-year average build.

The total is 26.3% above the mark of 2.408 Tcf set during the same time last year. It's also 30.1% higher than the 2011-2015 average of 2.337 Tcf. ■

TOP STORIES



**From Vinson & Elkins:  
Preparing For The EPA’s New Methane Regulations**

On June 3, 2016, the U.S. Environmental Protection Agency (EPA) published a rule targeting methane and volatile organic compound (VOC) emissions from new, modified and reconstructed natural gas processing plants and compressor stations.

This rule, known as “Subpart OOOOa” or “Quad Oa,” builds on existing regulations that EPA previously released for gas plants and natural gas wells. The rule, which goes into effect on Aug. 2, places a number of new requirements on midstream owners and operators, and could create headaches for businesses caught unprepared.

*Click to read the entire article by Larry W. Nettles and Corinne V. Snow of Vinson & Elkins LLP.*

**Advisory Firm Recommends Williams Take ETE Deal**

An influential shareholder advisory firm, Institutional Shareholder Services (ISS), recommended on June 15 that Williams Cos. Inc. stockholders vote in favor of Energy Transfer Equity LP’s takeover bid, a deal that has been in doubt for months. Williams shareholders are scheduled to vote on the deal on June 27. Under the current terms, the merger must close by June 28, or the agreement expires.

Williams has accused Energy Transfer of trying to break the cash-and-stock deal. With the drop in oil prices, its value has plunged to about \$20 billion from \$33 billion when the companies reached an agreement in September, ending a pursuit that began in January 2015.

ISS said a better alternative for Williams shareholders might be to convert some of the cash component into equity at an appropriate exchange ratio, given the decline in commodity prices.

“Even many of the legitimate causes for concern ... appear, on closer examination, known or manageable risks,” ISS said in the report.

**—REUTERS and HART ENERGY**

## Conoco Shuts Pipeline, Investigates Condensate Leak Near Alberta Caribou Range

A ConocoPhillips pipeline has leaked nearly 2,400 barrels (bbl) of condensate, an ultralight form of oil, within an endangered caribou and grizzly bear range in west-central Alberta, the company said on June 14. The Alberta Energy Regulator (AER) issued an environmental protection order to the company, which shut down and isolated the pipeline and is investigating the cause of the spill.

ConocoPhillips first reported the leaking of condensate from a pipeline near its Resthaven gas plant on June 9.

The spill is about 40 miles northeast of Grand Cache, Alberta, and is part of the Little Smoky Caribou Range, according to the AER.

A key wildlife and biodiversity zone is less than a mile northwest of the site, while a core grizzly bear zone is about 3 miles to the south.

The AER said there was a dead patch of vegetation near the pipeline and a visible sheen on Webb Creek 328 yards away, which stretched for about 2.8 miles upstream and downstream of a beaver pond.

Conoco Phillips has erected a boom, deployed soaker pads to contain the condensate spill and activated its emergency response plan.

The company said 150 people were sent to the site after the leak.

The Simonette River lies about 1.25 miles downstream of the beaver pond, and the AER said although it had not observed any visible sheen, testing showed slightly elevated hydrocarbon levels in the water.

—REUTERS

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