

MIDSTREAM

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MIDSTREAM TEXAS

Opportunity Grows For US Oil Export Market

Hart Energy Staff
HART ENERGY

MIDLAND, Texas—SemGroup Corp. (NYSE: SEMG) is seeing significant growth and success from its transformation to serve the export market as U.S. oil exports hit a new high on June 6, the company's executive Blake Trahan told attendees of Midstream Texas.

U.S. oil exports have surged since a decades-long ban on them was lifted late in 2015 and is most recently benefiting from the U.S. crude benchmark's discount to Brent, which has widened to the most in over three years.

The latest data from the U.S. Census Bureau showed on June 6 a surge in U.S. crude exports to a record 1.76 million barrels per day (bbl/d) in April from 1.67 million bbl/d in March. The total export figure was the highest on record since at least 1920, according to a report by Reuters.

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Trahan, who is vice president of SemGroup's Houston Fuel Oil Terminal Co. (HFOTCO), described the transformation of HFOTCO from a focus on fuel oil to crude oil.

Occupying over 330 acres the Houston Ship Channel, HFOTCO provides crude oil, residual fuel oil, feedstocks and refined products terminal storage services. Despite its roots in fuel oil, the terminal's current crude oil expansion will increase its overall tank storage capacity to 18.25 million barrels.

Later in the day, panelists on water management roundtable discussed where the opportunities are as the midstream water sector matures.

John Durand, president and CEO WaterBridge Resources LL, said as the segment evolves, the industry will see a difference between an oilfield services model and the midstream water model.

"Additionally, funding for water infrastructure will need to be underpinned by long-term contracts, said roundtable panelists Porter Bennett, co-founder and CEO of B3.

Meanwhile on a midstream finance panel, Jim Benson, founding partner of Energy Spectrum Partners, said he sees lot of support for MLPs but 70% of activity is greenfield development.

Earlier in the day, Bill Ordemann, executive vice president of Enterprise Products Partners LP (NYSE: EPD), with a call-to-action during the conference's opening keynote address for gas pipelines as the lack of Permian remains a major dilemma facing the industry.

"The ball's got to get rolling on gas pipelines," Ordemann told conference attendees.

U.S. shale producer Apache Corp. (NYSE: APA) is also feeling the stress of insufficient infrastructure as it develops its Alpine High Field in the Permian's Delaware Basin, said Robert Bourne, vice president of business development for the company's midstream and marketing group.

Overall, Bourne sees a takeaway "train wreck" coming for the basin's production. ■



EnLink Exec On Devon Deal, Working With GIP

With the sale of its EnLink Midstream stake, Devon Energy has now surpassed its \$5 billion divestiture target. The U.S. shale producer sold its ownership interest to fund manager Global Infrastructure Partners (GIP) for \$3.125 billion.

Analysts from Tudor, Pickering, Holt & Co. praised the move by Devon saying it will simplify the company's structure and accelerate value. EnLink's senior vice president of strategic process transformation, Cindy Jaggi, spoke with Hart Energy at the Midstream Texas Conference and Exhibition on June 6 about the announcement and said EnLink is excited for this opportunity to work with GIP. "We are very excited to have GIP—Global Infrastructure Partners—as a new strategic partner for EnLink.

"Devon has been an amazing customer and a very big supporter of EnLink for a very long time. However, I really feel like this is just a great win-win situation for all of us to continue to grow the EnLink organization."

See the full video at MidstreamBusiness.com.

FRAC SPREAD

2018's Been More Than Fair To Midland

JOSEPH MARKMAN | HART ENERGY

How's the year been so far? If you were absorbing the ambience of the Midstream Texas Conference this past week, you might agree that things in the sector have gone fairly well.

CURRENT FRAC SPREAD (CENTS/GAL)				
JUNE 8, 2018	Conway	Change from Start of Week	Mont Belvieu	Last Week
Ethane	6.90		28.18	
Shrink	17.81		19.38	
Margin	-10.91	17.24%	8.80	23.87%
Propane	71.80		91.36	
Shrink	24.60		26.78	
Margin	47.20	-7.12%	64.58	-3.62%
Normal Butane	81.60		97.60	
Shrink	27.85		30.32	
Margin	53.75	-6.54%	67.28	-2.92%
Isobutane	109.20		151.45	
Shrink	26.75		29.12	
Margin	82.45	0.28%	122.33	-4.58%
Pentane+	129.45		151.93	
Shrink	29.79		32.42	
Margin	99.66	-11.51%	119.51	-5.12%
NGL \$/Bbl	25.67	-6.68%	34.70	-1.99%
Shrink	9.81		10.68	
Margin	15.85	-10.03%	24.02	-2.95%
Gas (\$/mmBtu)	2.69	-0.70%	2.92	0.23%
Gross Bbl Margin (in cents/gal)	36.41	-9.89%	55.96	-2.89%
NGL Value in \$/mmBtu (Basket Value)				
Ethane	0.38	-20.05%	1.55	6.58%
Propane	2.49	-5.01%	3.17	-2.52%
Normal Butane	0.88	-4.63%	1.05	-1.96%
Isobutane	0.68	0.04%	0.94	-3.69%
Pentane+	1.67	-9.24%	1.96	-4.03%
Total Barrel Value in \$/mmbtu	6.10	-6.71%	8.68	-1.43%
Margin	3.42	-10.95%	5.76	-2.25%

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.

Focus more specifically on the NGL market and you might adopt a more Oliver Twist-like approach: please, sir, I want some more.

Who wouldn't? The hypothetical NGL barrel (bbl) at Mont Belvieu, Texas, posted an average price of \$31.59 from January through May, a 28.4% hike compared to the same period in 2017. The increase was not as pronounced at Conway, Kan., but the 2018 average price in that hub of \$27.64/bbl was a healthy 16% over 2017 in this timeframe.

Margins were particularly strong, with the Mont Belvieu barrel widening by 81.1% and Conway's expanding by 22.2%. And then there was ethane's 2018 margin, which rocketed to a 277% advantage over January-May 2017.

The argument could, of course, be made that the January-May 2017 period was just plain rotten for NGL. Ethane's Mont Belvieu average margin for the first five months of 2017 was under 2 cents per gallon (gal). The dramatic leaps in the margins for propane and isobutane in 2018 are in part due to how tight they were last year.

But back to our happy place.

Mont Belvieu propane was up 34.2% in 2018 over the first five months of 2017. The average margin of 32 cents/gal soared 89.3% to just under 60 cents/gal.

In the week ended June 1, storage of natural gas in the Lower 48 experienced an increase of 92 billion cubic feet (Bcf), compared to the Bloomberg consensus forecast of 89 Bcf, the U.S. Energy Information Administration reported. The figure resulted in a total of 1.817 trillion cubic feet (Tcf). That is 30.5% below the 2.616 Tcf figure at the same time in 2017 and 22% below the five-year average of 2.329 Tcf. ■

SPONSORED CONTENT

RevEnergy's Advanced System Reduces H₂S In Sour Crude

Anyone familiar with "sour" crude knows that hydrogen sulfide, or H₂S, is the culprit. High concentrations of this highly toxic gas can occur naturally in many petroleum reservoirs. Other fields seem to turn sour when water is injected to enhance the recovery of oil or natural gas. Hydrogen sulfide not only diminishes the value of crude, but if not handled properly, it also presents a serious danger to workers exposed to it.

Even minimal exposure to H₂S can cause nausea, fatigue, headaches, burning eyes, coughing, and shortness of breath, while extended exposure can lead to asphyxiation and respiratory failure. Heavier than air, hydrogen sulfide can accumulate in low lying unventilated areas, and while the noxious gas can sometimes be recognized by a smell similar to rotten eggs, often even lethal concentrations of H₂S can be difficult to detect until it is too late. s

Beyond the serious health risks, H₂S is also corrosive to storage tanks, pipelines and rail cars, and the toxic vapors it creates when stored can also be highly flammable. Therefore, stabilizing, or sweetening, sour crude becomes a critical function for drilling operators, midstream companies, and refineries operating in areas where sour crude is prevalent. Sweetening sour crude typically involves a chemical treatment process that strips H₂S from the crude to a concentration level that can be safely stored and transported. The industry standard is considered to be 10 ppmw (Parts Per Million by Weight) limit, but some industry players will turn away any crude oil that has H₂S levels higher than 5 ppmw.

Most conventional H₂S mitigation methods are less than ideal. Removal agents, or scavengers, are typically chemical solutions that essentially consume hydrogen sulfide molecules. These scavengers, though, often leave additives that contaminate the crude. Other methods can cause a loss in crude oil volumes. Despite their shortcomings, however, until now these treatment methods have been the norm.

Jason Groves, CEO with newcomer RevEnergy, believes the company's proprietary RevH₂S system can help revolutionize H₂S remediation. Designed in collaboration with leading engineering firm AECOM, the RevH₂S is a patented, closed-loop module that can safely reduce hydrogen sulfide in sour crude to less than 4 ppmw (and even to 0 pppw in some cases) – that's far lower than the industry standard of 10 ppmw. And unlike conventional H₂S mitigation methods, RevH₂S causes no volume loss and leaves no chemical additives in the treated crude.

Groves explains that a skid-based RevH₂S unit, which is roughly the size of a cargo container (about 40 x 8 feet), is designed to be transportable and provide for quicker installation and construction period when compared to a stick built system, reducing construction costs and setup time. RevH₂S uses an inert gas to safely strip H₂S from sour crude without causing a chemical reaction or changing the properties of the crude. And because the gasses are completely contained and continuously recycled and reused within the unit, no residual gasses are ever emitted into the atmosphere.

—RevEnergy

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