

MIDSTREAM

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CERA WEEK

Dakota Access Pipeline: Lessons Learned

Troy Eid, an experienced attorney on Native American consultations for energy and infrastructure, explains what happened at Standing Rock and what the lasting effects may be.



SHUTTERSTOCK

While protestors got the majority of the attention in the Dakota Access standoff, plenty of legal work was happening behind the scenes.

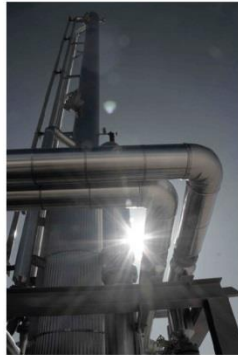
PODCAST: Dakota Access Pipeline: Lessons Learned

You've seen the footage from Standing Rock. You've heard the news reports. But do you really understand the legal dynamic that was at play during the months-long Dakota Access Pipeline standoff in North Dakota?

In this episode of Political Sidetrack, Troy Eid, an experienced attorney on Native American consultations for energy and infrastructure, explains what happened in the

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lead up to the protests and how the court proceedings, particularly when it comes to tribal law, played out. He also discusses the possible lasting effects of the standoff and the rulings on the energy industry. ■

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Permian Refinery Proposal Rethinks Midstream Plumbing

Late last week Jack Hanks, president and CEO of MMEX Resources, met in Midland, Texas, with midstream operators and crude aggregators. The immediate topic was the \$450 million, 50,000 barrel per day (Mbbbl/d) refinery that his company proposed building at Sulfur Junction, 20 miles northeast of Fort Stockton, Texas, at the southern end of the Permian Basin. Construction is slated to begin in early 2018, following the permitting process, and the facility is projected to begin operations in 2019.

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In absolute volume terms, 50 Mbbbl/d is a rounding error against the basin's current production of 2.2 MMbbbl/d. MMEX plans to bring crude in by pipeline, rail and truck, so the 'what' and the 'how' of the project were easy questions for the suppliers to answer. The matter of 'why,' however, poses a broader question to the Permian midstream.

"We have worked in Latin America, focused on terminals and refineries in Brazil," Hanks told *Midstream Business*. "When we started looking around at Latin America's needs for crude and refined products, we started thinking about ways to get Eagle Ford production to Brownsville either for export or for a refinery. We noticed that everything seems to go east to Cushing, Oklahoma, or to the GulfCoast refineries. Then we got to thinking about going to West Texas, building a refinery there, and paying producers higher prices because transportation costs are lower." — **GREGORY DL MORRIS**, Contributor

Analysts: MLPs Offer 'Good Entry Point'

NEW YORK—The past two years have been a tough slog for MLPs but the sector now offers investors "a good entry point" with the potential for market-pacing returns in the near future.

That was one of many insights a panel of energy sector financial analysts offered at the 4th annual Capital Link Master Limited Partnership Investing Forum on March 2. Ed Russell, senior managing director for **Tortoise Capital Advisors LLC**, served as panel moderator and opened the lively discussion with that opinion on the sector's prospects.

Timm Schneider, senior managing director and fundamental research analyst for **Evercore ISI**, agreed with Russell and projected annual returns of 7% to 8%, adding "it's the best deal-oriented sector out there." Schneider compared limited partnerships to the utility sector, which is expected to offer annual returns of 3% to 5% "but is safer." He added that because of the shakeout of weaker partnership during the energy downturn, "MLPs have become a much safer investment." — **PAUL HART**, Hart Energy

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this story online. 

FRAC SPREAD

Snow Falls, Gas Price Rises

By JOSEPH MARKMAN, Hart Energy

The winter storm that tore into the Northeast also jolted natural gas prices across the continent and narrowed margins across the NGL spectrum.

Ethane recouped last week's dip at Mont Belvieu, Texas, returning to more than 23 cents per gallon (gal)

while holding steady at Conway, Kan. En*Vantage expects ethane prices to stabilize in coming weeks assuming no unexpected ethylene plant outages. This forecast derives from:

- Major first-quarter ethylene plant turnarounds are complete;
- Exports are expected to increase at Enterprise Products Partners' Morgan's Point, Texas, terminal; and
- With new ethylene capacity ready to ramp up, cracking demand should increase by 150,000bbl/d by the second quarter.

The higher demand in the short term will build the economics needed to cut into rejection in the Midcontinent and the Rockies by the second half of the year, En*Vantage forecasts.

Propane rose 7.3% at Mont Belvieu and 5.2% at Conway as exports of almost 1 million barrels per day (MMbbl/d)

tightened balances. Exporters will need to pull from inventories to meet demand for the rest of the year if exports continue at this pace, En*Vantage said. As of a week ago, U.S. propane stocks were 16 MMbbl below inventory at this time in 2016.

Butane, which has tumbled since the beginning of March, was up slightly at both hubs. En*Vantage predicts that demand will increase as the cracking units

| CURRENT FRAC SPREAD (CENTS/GAL) | | | | |
|--------------------------------------|--------|---------------------------|--------------|-----------|
| MARCH 17, 2017 | Conway | Change from Start of Week | Mont Belvieu | Last Week |
| Ethane | 17.85 | | 23.33 | |
| Shrink | 19.76 | | 19.01 | |
| Margin | -1.91 | 924.16% | 4.32 | 20.19% |
| Propane | 58.93 | | 66.06 | |
| Shrink | 27.30 | | 26.27 | |
| Margin | 31.63 | -0.35% | 39.79 | 6.34% |
| Normal Butane | 74.03 | | 74.54 | |
| Shrink | 30.90 | | 29.74 | |
| Margin | 43.13 | -4.25% | 44.80 | -4.68% |
| Isobutane | 81.95 | | 78.40 | |
| Shrink | 29.68 | | 28.56 | |
| Margin | 52.27 | -8.58% | 49.84 | -4.57% |
| Pentane+ | 109.75 | | 109.15 | |
| Shrink | 33.05 | | 31.80 | |
| Margin | 76.70 | -14.14% | 77.35 | -12.68% |
| NGL \$/Bbl | 23.46 | -0.61% | 24.87 | 1.27% |
| Shrink | 10.89 | | 10.48 | |
| Margin | 12.58 | -9.74% | 14.39 | -3.64% |
| | | | | |
| Gas (\$/mmBtu) | 2.98 | 12.54% | 2.87 | 8.91% |
| Gross Bbl Margin (in cents/gal) | 28.40 | -9.52% | 33.40 | -2.85% |
| NGL Value in \$/mmBtu (Basket Value) | | | | |
| Ethane | 0.98 | 2.76% | 1.28 | 10.83% |
| Propane | 2.05 | 5.23% | 2.29 | 7.34% |
| Normal Butane | 0.80 | 2.11% | 0.81 | 0.31% |
| Isobutane | 0.51 | -1.92% | 0.49 | -0.06% |
| Pentane+ | 1.42 | -7.54% | 1.41 | -7.33% |
| Total Barrel Value in \$/mmbtu | 5.75 | 0.34% | 6.28 | 2.84% |
| Margin | 2.77 | -10.13% | 3.41 | -1.76% |

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.

come online later in the year as it is a preferred feedstock for ethylene.

Another blast of Arctic air from Canada is expected to sweep through the Midwest and Northeast this weekend. En*Vantage anticipates high withdrawal levels from U.S. natural gas inventories and notes that European gas storage is at only 28% of capacity, compared to 41% a year ago.

Storage of natural gas in the Lower 48 declined by 53 billion cubic feet (Bcf) in the week ended March 10, the **EIA** reported. The decrease, less than the Bloomberg consensus of 59 Bcf, resulted in a total of 2.242 trillion cubic feet (Tcf). The figure is 9.5% less than the 2.478 Tcf figure at the same time in 2016 and 21.4% above the five-year average of 1.847 Tcf. ■

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IndustryVoice™: How Does Midstream Infrastructure Stack Up To Projected Permian Basin Production?

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The Permian Basin is the hottest play in the United States right now for good reason: it boasts the best economics, has tremendous stacked pay potential, and producers are still realizing efficiencies from further delineation of the plays and longer laterals. All of these factors contribute to its recent and continued growth.

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The Permian Basin is home to some of the most economic plays in the country and the world. Even within a field within the Permian, there are multiple economic formations. These economics underpinned

the growing production profile in the Permian despite the price crash in mid-2014. The great economics have driven the increased rig activity in the Permian Basin as well.

Crude oil takeaway will require the additional flex capacity and the proposed pipelines to come online in a timely manner to avoid any pricing implications due to lack of takeaway capacity.

Our experts at Drillinginfo have put together this complimentary analysis that identifies the infrastructure related problems that could arise with the forecasted production growth.

[Click here to download our exclusive 10-page analysis.](#)

TOP STORIES

Trump Seek Input From US Energy Companies On Paris Climate Pact

President Donald Trump's administration has been contacting U.S. energy companies to ask them about their views on the U.N. global climate accord, according to two sources with knowledge of the effort, a sign Trump is reconsidering his 2016 campaign pledge to back out of the deal.

The sources, who asked not to be named because they are not authorized to speak publicly on the subject, said many of the companies reached by the administration had said they would prefer the U.S. remain in the pact, but would also support reducing the U.S. commitments in the deal.

The sources did not name the companies contacted.

One of the sources said the companies were "publicly traded fossil fuel companies," and added the White House would consider their input in making a decision on the Paris accord shortly.

— REUTERS

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