

MIDSTREAM

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FEATURES



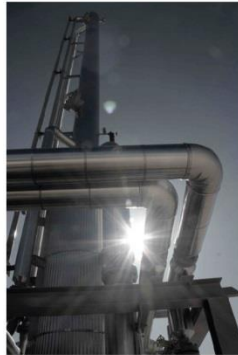
Analysts Promise A Rebound

MIDLAND, Texas—Economic indicators point to a near-term uptick in the oil and gas business after a long and painful downturn, Stratas Advisors researchers told a Midland, Texas, audience March 22.

“We are poised for a rebound,” John Paisie, executive vice president of Hart Energy’s research arm, said in his presentation to the 2017 Permian Basin Outlook Breakfast at the Midland Country Club. There are positive trends, such as Europe’s improving economy and a counterbalance of lingering oversupplies. “We will have a production-demand crossover as the world market rebalances,” Paisie added.

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REBOUND from Page 1

Joining Paise in the wide-ranging presentation were Greg Haas, Stratas' director of integrated oil and gas, and Richard Mason, chief technical director for Hart Energy.

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Paise gave a macro view of the industry and how it relates to world and national economies, while Haas focused on midstream and downstream trends—primarily in the Permian. Mason discussed upstream sector trends within the big play, such as drilling, completions and service and supply costs.

Paise emphasized the importance of viewing the oil and gas business as part of the worldwide economic system. “If you don’t understand the macro factors, then you can’t understand what’s happening in energy,” he said. “That will enable you to maximize the upside and mitigate the downside.”

California Primed To Adopt Nation’s Toughest Methane Emission’s Rule

The **California Air Resources Board** (CARB) was expected to approve the strictest and most comprehensive methane emissions regulations for oil and gas producers in the U.S. on March 23. It has not yet been approved.

Environmentalists backing the measure believe it will mark a turning point in which states take greater roles in the regulatory arena as the Trump administration reduces the federal government’s footprint.

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“This regulation will be the first major environmental regulation since the federal government turnover, and we think it’s a sign of things to come at the state level,” Tim O’Connor, director of the **Environmental Defense Fund**’s (EDF) California Oil and Gas Program, told journalists during a conference call.

The president of the **Western States Petroleum Association**, which represents producers in California, Arizona, Nevada, Oregon and Washington, expressed support for reducing emissions, but noted that the oil and gas industry was not the primary contributor to the problem.

“Our total industry sector emission, which includes oil production and natural gas storage, is 4% of the state’s methane emissions,” Catherine Reheis-Boyd said in a statement to Hart Energy. “Of that, less than 1% is from oil production.” — **JOSEPH MARKMAN**, Hart Energy

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

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.

— **DRILLINGINFO**, Sponsored Content

FRAC SPREAD

WTI's Weakness Traps NGL Prices

By JOSEPH MARKMAN, Hart Energy

The butanes returned to their levels of six months ago and the hypothetical NGL barrel fell back to November's range at both the Mont Belvieu, Texas, and Conway, Kan., hubs last week.

The barrel retreated by 4% at both hubs as all components took price hits except for Mont Belvieu C₅. Mont

CURRENT FRAC SPREAD (CENTS/GAL)				
MARCH 24, 2017	Conway	Change from Start of Week	Mont Belvieu	Last Week
Ethane	17.50		22.79	
Shrink	19.01		19.61	
Margin	-1.51	-15.63%	3.18	-19.93%
Propane	55.37		60.68	
Shrink	26.27		27.09	
Margin	29.10	-8.46%	33.59	-14.57%
Normal Butane	69.88		69.75	
Shrink	29.74		30.67	
Margin	40.14	-7.31%	39.08	-11.71%
Isobutane	77.65		73.85	
Shrink	28.56		29.46	
Margin	49.09	-6.39%	44.39	-9.99%
Pentane+	108.53		109.25	
Shrink	31.80		32.80	
Margin	76.73	-0.22%	76.45	-0.42%
NGL \$/Bbl	22.57	-3.82%	23.78	-4.38%
Shrink	10.47		10.80	
Margin	12.09	-4.34%	12.98	-8.64%
Gas (\$/mmBtu)	2.87	-3.21%	2.96	1.30%
Gross Bbl Margin (in cents/gal)	27.22	-4.69%	29.90	-9.23%
NGL Value in \$/mmBtu (Basket Value)				
Ethane	0.96	-1.96%	1.25	-2.31%
Propane	1.92	-6.04%	2.11	-8.14%
Normal Butane	0.75	-5.61%	0.75	-6.43%
Isobutane	0.48	-5.25%	0.46	-5.80%
Pentane+	1.40	-1.11%	1.41	0.09%
Total Barrel Value in \$/mmbtu	5.52	-4.00%	5.98	-4.70%
Margin	2.66	-4.84%	3.03	-9.92%

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.

feedstocks.

Storage of natural gas in the Lower 48 declined by 150 billion cubic feet (Bcf) in the week ended March 17, the **Energy Information Administration reported**. The decrease, close to the Bloomberg consensus of 152 Bcf, resulted in a total of 2.092 Tcf. The figure is 16% less than the 2.491 Tcf figure at the same time in 2016 and 14.6% above the five-year average of 1.826 Tcf. ■

Belvieu propane dropped 8% to its lowest level in almost four months.

West Texas Intermediate crude oil has continued to languish in the \$40s as U.S. crude inventories, typically up by 30 million barrels (MMbbl) to 35 MMbbl this time of year, have increased by 48 MMbbl since Jan. 1.

“Traders got way ahead of the fundamentals,”

En*Vantage analysts said in their recent report, surmising that speculator optimism over OPEC's

adherence to its production cut agreement would eventually balance the market.

The gloom does not extend to the long-term outlook for natural gas.

Producers in the Marcellus and Utica shale plays, surveyed by **Morningstar Commodities Research**, projected an average 11% increase in production for the rest of 2017 compared to 2016 and are planning to ramp up volumes by 18% in 2018. Northeast producers are anticipating increased takeaway capacity from pipeline expansions and continued effort toward efficiencies.

Ethane dipped 2% at Mont Belvieu and barely moved at Conway. However, WTI's price troubles have given propane and the butanes—which have fallen 29% and 45%, respectively, since early February at Mont Belvieu—price advantages as ethylene

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TOP STORIES

ICE To Offer First-Ever US LNG Futures Contract

With the U.S. about to become a net exporter of natural gas for the first time in 60 years, Intercontinental Exchange Inc. (ICE) said March 22 it would begin trading the first-ever U.S. LNG futures contract in May.

ICE said the contracts would be cash-settled against the Platts LNG Gulf Coast Marker (GCM) price assessment and use Platts-derived U.S. GCM LNG forward curves for daily settlement purposes. The curves will have an initial term of 48 months.

"Domestic and international market participants now have a risk-management solution that lays the foundation for a more effective means of hedging their spot and forward exposure," J.C. Kneale, ICE's vice president of North American power and natural gas markets, said in a statement. U.S. gas producers, plagued by low domestic prices in recent years, are eager to sell into the international marketplace through LNG.

— REUTERS

Hackers Intensify Assault On Industry



Jay McMickle of Accudata Systems details the rapidly expanding cyber threat to midstream control systems and what companies need to do to keep their operations secure.

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