

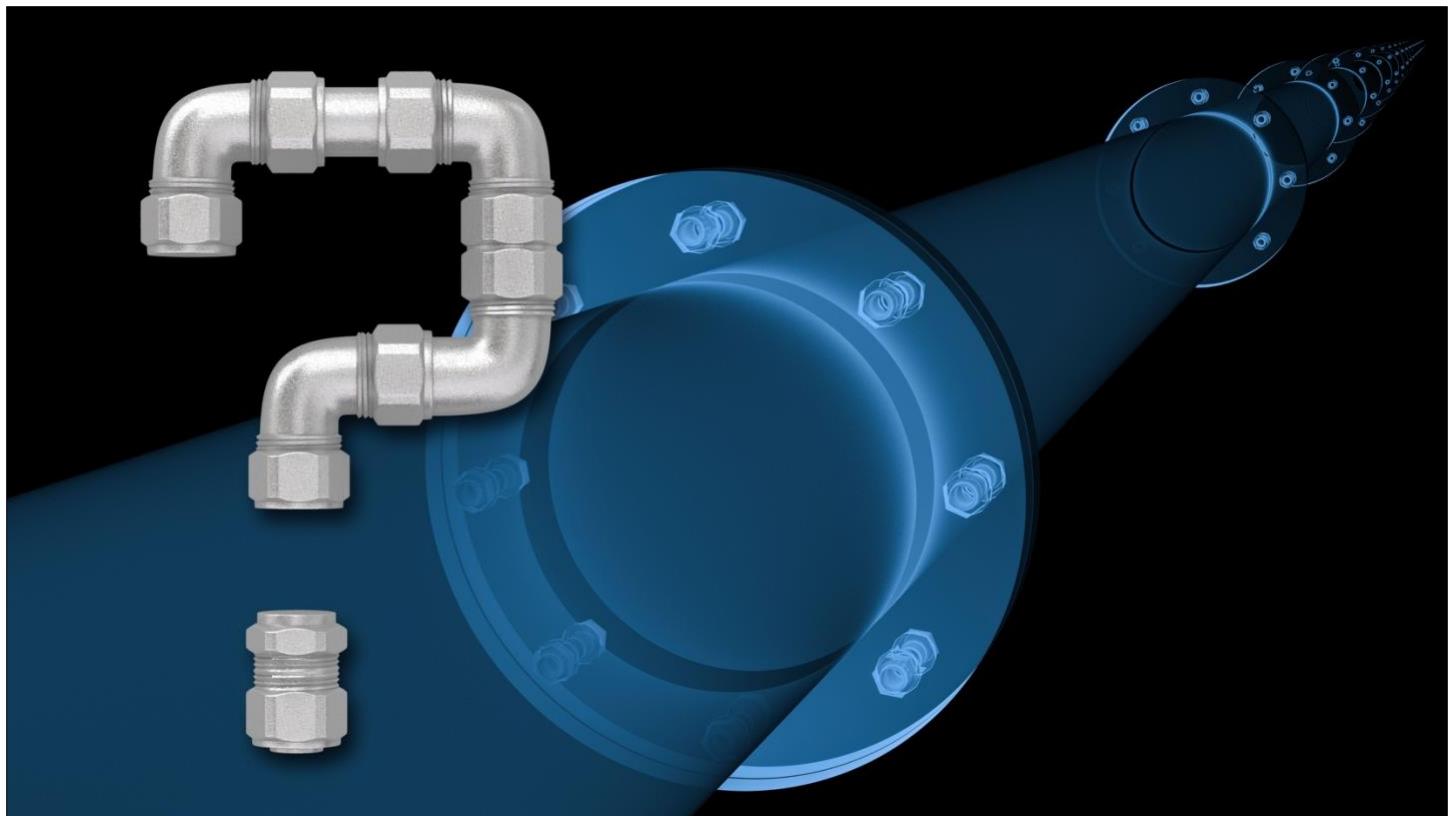
MIDSTREAM

Monitor

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FEATURES

FERC's Pipeline Approval Process: **What To Expect**



JOSEPH MARKMAN

HART ENERGY

Kevin McIntyre, now chairman of the Federal Energy Regulatory Commission (FERC), made it clear during his confirmation hearings in September that he believed the agency's pipeline approval policy needed to be re-examined.

With FERC's April 19 Notice of Inquiry asking for public comments on the approval process, it's clear that he meant it. Less clear is the direction that a new policy will take and its ultimate impact on the industry.

Emily Mallen, Washington-based partner with Sidley Austin, told Hart Energy that pipeline companies can expect more conditions when they seek approval for their construction projects, especially in the area of a precedent agreement signed by an affiliate of a pipeline company.

See FERC on Page 2.

FERC from Page 1.

"They may add some new types of market tests," she said. "I think the pipelines should be prepared to have to show more than they currently show in their applications in terms of market needs for projects."



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Crystal clear, at least in the short-term, is that numerous stakeholders in projects and the industry in general will offer input on the shape of the new policy or whether the policy that has been in place since 1999, well before the shale revolution, should change at all.

"I think a lot of [pipeline operators] would be very happy with the status quo," Mallen said. "They've been very successful permitting projects under the existing policy."

The policy in place may be imperfect but it provides certainty.

"These are very capital-intensive projects that take a long time to build," she said. "They'd like to see the policies stay as close to its current form as possible, I would think, because they have built their whole models—in terms of how they plan for projects—around how FERC decides certain policies, so there is some uncertainty there."

Regulatory certainty might be a must-have, but if pipeline operators were to reveal their wish list, it might include having FERC a bit more in their corner when state actors cite the Clean Water Act or the Clean Air Act in their objections to projects.

"The Natural Gas Act doesn't give [the commission] powers over the states for the Clean Water Act and Clean Air Act, but I think to the extent FERC has any professional courtesy clout over other agencies, to the extent their staff can assist ... I know they'd like to see more help from the commission in that regard," Mallen said.

That kind of intervention would be useful in situations where landowners refuse to allow pipeline companies to access their land to conduct surveys necessary to complete environmental reviews. Help from FERC could speed the process of accessing property to determine whether a right-of-way is feasible. ■

Is The Time Right For Investors?

East Daley Capital Advisors Inc. is forecasting an average 14% growth in earnings in the U.S. oil and gas sector this year for the 30 companies it covers from year to year.

And with that comes an opportunity to invest as more infrastructure is needed.

"I would say this is absolutely a good time to be looking as this space as a whole continues to grow and continues to need additional infrastructure to move that growth to market," said Justin Carlson, who is vice president and managing director of research at Centennial, Colo.-based East Daley Capital.

While Carlson stops short of giving investment advice he does say that for certain companies the timing could be prosperous.

"There are good times coming but we have to be very cautious where investments are made because there are certainly more dynamic companies that are making strong investments that are in a better position," he told Hart Energy. "Understanding the risk profile of the company you are investing in and also understanding their outlook for their projects and how they are positioned. It makes a difference to that investment."

"This is a situation where rising tides lift all ships to some extent but not all the same."

According to the East Daley report, the surge in crude oil production in the Permian is providing a much-needed uplift for midstream companies. The companies that have benefited from the uptick include Plains All American Pipeline LP (NYSE: **PAA**), Enterprise Products Partners LP (NYSE: **EPD**) and Magellan Midstream Partners LP (NYSE: **MMP**).



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FRAC SPREAD

Prices Gyrate In A World Of Hurt

JOSEPH MARKMAN | HART ENERGY

Venezuela, which has produced seven Miss Universe winners, reigning American League MVP José Altuve and the capybara, the world's largest rodent, is engaged in a vivid demonstration of what an epic national meltdown looks like as it loses the ability to produce oil. It's not pretty.

Earlier this week, the OPEC member that has been forced to import oil had assets belonging to its national oil

company seized on four Caribbean islands. The court action was triggered by ConocoPhillips' effort to enforce a \$2 billion arbitration award stemming from the nationalization of the company's assets in Venezuela in 2007.

Venezuelan national oil company PDVSA stored about 4.8 million barrels of crude and fuel oil on the Dutch-controlled islands of Bonaire and St. Eustatius, less than 10% of the terminals' capacity. In 2017, PDVSA shipped more than 400,000 barrels per day (bbl/d) from those two islands along with Aruba and Curaçao.

PDVSA has shifted most of its shipping to Venezuela's east coast port of José and recalled tankers to avoid seizures.

The country's crude exports fell 29% in the first quarter compared to the same period in 2017 and it now imports about 200,000 bbl/d, mostly from the U.S.



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The near-total collapse of Venezuela's economy and social fabric is driven by the country's wealth, for all intents and purposes, derives from its petroleum reserves, which are the largest in the world. In the last year, 1 million Venezuelans have fled across the border into Colombia.

And that's not the biggest oil and gas story in the world right now. In explaining why oil prices shot up 3% in a day, Helima Croft of RBC Capital Markets listed several factors in an **interview** with CNBC:

- Tight oil market as a result of the effect of OPEC cuts on inventories and strong demand;
- The aggressive withdrawal from the Iran nuclear deal by the U.S.; and
- Rising tension in the Middle East, including Houthi rebel missile launches from Yemen into Saudi Arabia.

That does not even include the Israeli missile barrage on Iranian positions in Syria that happened after the interview.

Margins narrowed at Mont Belvieu, Texas, in the past week for all but C₅₊, which expanded by 2.8%, and butane, which widened slightly. Ethane's margin shrunk by almost 14% to about 7.4 cents per gallon. ■

CURRENT FRAC SPREAD (CENTS/GAL)				
MAY 11, 2018	Conway	Change from Start of Week	Mont Belvieu	Last Week
Ethane	10.10		25.50	
Shrink	15.70		18.12	
Margin	-5.60	-0.73%	7.38	-13.78%
Propane	71.10		87.80	
Shrink	21.69		25.03	
Margin	49.41	-9.36%	62.77	-4.27%
Normal Butane	81.18		93.18	
Shrink	24.56		28.34	
Margin	56.62	1.99%	64.84	0.32%
Isobutane	104.78		106.85	
Shrink	23.59		27.22	
Margin	81.19	1.87%	79.63	-1.60%
Pentane+	148.45		158.78	
Shrink	26.26		30.31	
Margin	122.19	-3.15%	128.47	2.80%
NGL \$/Bbl	27.26	-4.56%	32.90	-1.51%
Shrink	8.65		9.98	
Margin	18.61	-4.05%	22.92	-1.30%
Gas (\$/mmBtu)	2.37	-5.66%	2.73	-2.00%
Gross Bbl Margin (in cents/gal)	42.52	-4.40%	53.23	-1.62%
NGL Value in \$/mmBtu (Basket Value)				
Ethane	0.56	-8.18%	1.40	-5.73%
Propane	2.47	-8.26%	3.05	-3.63%
Normal Butane	0.88	-0.45%	1.01	-0.40%
Isobutane	0.65	0.08%	0.67	-1.70%
Pentane+	1.91	-3.60%	2.05	1.85%
Total Barrel Value in \$/mmBtu	6.47	-5.09%	8.17	-2.14%
Margin	4.10	-4.76%	5.44	-2.21%

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.

US As Top Exporter: Are We There Yet?

Shale resources and productivity in the U.S. may have already enabled the country to become the world's largest liquid petroleum exporter, according to available data for the U.S., Russia and Saudi Arabia. And while the U.S. may be achieving this on the rare week when the stars align for the fullstream U.S. energy industry, we believe fundamentals around production, infrastructure capacity, refining and price spreads could lead the U.S. to sustainably taking the top rank for the longer term in the very near future.



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U.S. liquid petroleum exports estimated by the U.S. Energy Information Administration (EIA) for the week ended April 20 came in at an all-time high of 8.332 million barrels per day (bbl/d), comprised of 2,331 bbl/d crude oil and 6,001 bbl/d refined products. That is an impressive number, but again, we emphasize this was only for one week. Averaging the EIA's weekly data estimates for the four weeks ending in April, we calculate that the U.S. exported an average 7.11 million bbl/d of liquid petroleum. That number is lower but still a record four-week average and is very impressive as well. —**GREG HAAS | STRATAS ADVISORS**

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Maximizing Efficiency of NGL Terminals

Over the past 40 years, some of the largest midstream companies in the country have trusted **Superior** to design and construct rail, pipeline and barge terminals of all scopes and sizes. Our most recent terminal opening for Crestwood Services in Montgomery,

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Industry Voice® N.Y., was an excellent opportunity to combine our engineering, manufacturing, construction and safety expertise to deliver operational excellence.

Watch this video to learn more about Superior's most recent propane rail terminal build for Crestwood Services in Montgomery, N.Y. Superior led all efforts in the design, engineering, permitting, construction, startup and commissioning of the terminal. The facility, one of the largest in the country, occupies 20 acres and is equipped to store over 280,000 gallons of propane.

The most critical part of the terminal construction process starts early, during the design phase, as a baseline is created for customer goals and expectations. Numerous factors must be taken into account as the builder attempts to meet efficiency (time and gallon) desires provided by the customer. These include: storage capacity and distribution requirements, land constraints, government restrictions and safety requirements, as well as budget. —**SUPERIOR ENERGY SYSTEMS**

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