MIDSTREAM Monitor

MAY 26, 2017 | VOLUME 35 | ISSUE 21

MIDSTREAM TEXAS

Source: Hart Energy

Magellan is developing a new crude oil pipeline in the Permian to address projected takeaway capacity constraints and also give marine export capability, Robb Barnes, senior vice president of commercial - crude oil, said at the Midstream Texas conference on May 24 in Midland, Texas.

Magellan Eyes Export Opportunities For Looming Takeaway Problem

By **EMILY PATSY**, Hart Energy

MIDLAND, Texas—As the threat of too much oil and too few pipelines in the Permian Basin continues to loom, midstream developers are trying to keep up with the aggressive pace of producers with some looking toward growing export opportunities on the Texas Gulf Coast.

At some point production is going to exceed current takeaway capacity out of the Permian, Robb Barnes, senior vice president of commercial - crude oil at Magellan Midstream Partners LP (NYSE: **MMP**), said at Hart Energy's Midstream Texas conference on May 24.

See MAGELLAN on Page 3

MAGELLAN from Page 1

Barnes added that Magellan is one of several companies looking to lay a new pipeline from the Permian to Corpus Christi, Texas, and also is currently expanding its BridgeTex Pipeline in the basin.

“The rationale around laying a pipeline from the Permian down to Corpus Christi is to get it on the water”—a capability being pushed by many producers, he said.

Click here to read more of this story online.

Despite relatively flat crude prices in 2017, the Permian has clearly been where the majority of drilling activity is taking place in the U.S. thanks in part to increased rig activity driven by efficiencies, Barnes said.

“Why the Permian? If you look at the analysis that shows breakeven economics based on where to spend the money, producers that have acreage in the Permian are getting the most bang for their buck,” he said.

The rig count in the Permian Basin has more than doubled since 2016 with 361 active rigs in the basin as of May 19 vs. 137 a year ago, according to Baker Hughes Inc. (NYSE: **BHI**).

At the same time, the Energy Information Administration is also projecting an increase of crude oil production in the Permian Basin to an estimated 2.4 million bbl/d in May. The Permian produced about 2 million barrels per day (bbl/d) of crude oil in May 2016.

Midstream Awards Honor TransCanada, Enbridge, Howard Energy

MIDLAND, Texas—The *Midstream Business* Excellence Awards took on a distinctive across-the-border flavor at the Midstream Texas conference, honoring a Canadian executive, a Canadian company’s acquisition and a U.S. company’s pioneering efforts to move natural gas to Mexico.

Click here to read more of this story online.

Roy Patton, executive vice president of Howard Midstream Energy Partners, accepted the Project of the Year award for his company’s Nueva Era pipeline system linking Texas-sourced natural gas to Monterrey, Mexico.

Russ Girling, president and CEO of TransCanada Corp. (NYSE: **TRP**) won the award for Executive of the Year. He guided his company through the US$13 billion acquisition of Columbia Pipeline Group in 2016, a transaction that brought major natural gas transmission assets to TransCanada.

The $28 billion takeover of Houston-based Spectra Energy Corp. by Enbridge Inc. (NYSE: **ENB**) claimed the award for Deal of the Year. Enbridge was No. 4 on the recently released Midstream 50 list published by *Midstream Business*, and Spectra was No. 7 on the list that ranks operators by 2016 EBITDA.

—JOSEPH MARKMAN, Hart Energy

Rebalancing Act: OPEC Extends Production Cuts For 9 Months

OPEC’s rebalancing continued in Vienna on May 25, with OPEC president Khalid Al-Falih saying that an alliance of OPEC and non-OPEC members agreed to extend production cuts for nine months in an effort to reduce the global oil glut and lift prices.

Click here to read more of this story online.

Al-Falih, Saudi Arabia’s minister of energy, said at a press conference that six months would bring OPEC the rebalancing it wants but that the cuts would be given extra time to take root.

“However, it will coincide with the seasonal demand declines starting the first quarter and going into the second quarter,” Al-Falih said. “If we were to lift the production limits, then we could have a sizable stock build in the first quarter, so the nine months will avoid that.” **—VELDA ADDISON,** Hart Energy

FRAC SPREAD

Wider Margins, Higher Prices For Most, Not Ethane

By **JOSEPH MARKMAN**, Hart Energy

NGL margins, except for ethane, widened in the past week at both Mont Belvieu, Texas, and Conway, Kan., hubs.

The hypothetical NGL barrel also returned to its highest price level in five weeks at both hubs. Mont Belvieu's barrel is 16.2% higher than it was a year ago. Conway's barrel is 14.3% higher.

CURRENT FRAC SPREAD (CENTS/GAL)				
MAY 26, 2017	**Conway**	**Change from Start of Week**	**Mont Belvieu**	**Last Week**
Ethane	20.03		25.44	
Shrink	20.26		21.64	
Margin	-0.23	-133.81%	3.80	-0.67%
Propane	62.68		66.17	
Shrink	27.99		29.90	
Margin	34.69	9.56%	36.27	9.79%
Normal Butane	73.08		74.10	
Shrink	31.69		33.85	
Margin	41.39	4.40%	40.25	1.36%
Isobutane	83.38		76.73	
Shrink	30.44		32.51	
Margin	52.94	3.53%	44.22	5.25%
Pentane+	111.10		110.93	
Shrink	33.89		36.20	
Margin	77.21	4.85%	74.73	6.37%
NGL $/Bbl	24.35	1.88%	25.26	2.73%
Shrink	11.16		11.92	
Margin	13.18	4.67%	13.34	6.15%
Gas ($/mmBtu)	3.06	-1.22%	3.26	-0.84%
Gross Bbl Margin (in cents/gal)	29.90	5.08%	30.86	6.40%
NGL Value in $/mmBtu (Basket Value)				
Ethane	1.10	-5.52%	1.40	-0.82%
Propane	2.18	4.47%	2.30	4.72%
Normal Butane	0.79	1.88%	0.80	0.34%
Isobutane	0.52	1.74%	0.48	2.58%
Pentane+	1.43	2.92%	1.43	3.91%
Total Barrel Value in $/mmbtu	6.02	1.56%	6.41	2.57%
Margin	2.96	4.61%	3.14	6.37%

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.

U.S. ethane demand is back to 1.3 million barrels per day (MMbbl/d), **En*Vantage** estimated, with total demand including exports expected to reach 1.43 MMbbl/d in May. The startup of Dow Chemical's Freeport, Texas, cracker in the third quarter will add as much as 90 Mbbl/d to that.

Click here to read more of this story online.

Cargo cancellations are not hindering the upward price trends of propane at either hub. At Mont Belvieu, the price rose 4.7% in the past week while at Conway, the rise was 4.5%. Compared to a year ago, the Mont Belvieu price is up 22.5% and the Conway price is 23.6% higher.

Reaching back another 12 months, the most recent weekly Mont Belvieu average prices is 59.1% above what it was at this time in 2015. Feeling nostalgic for pre-crash prices? At this time in 2014, propane sold for about $1.05 a gallon (gal), or 58.3% higher than what it sells for now. At Conway, propane's price was 64% higher in May 2014 than it was last week.

En*Vantage continues to keep an eye on U.S. propane inventories, which show days of supply at only 23.4, compared to 43.5 at this time a year ago. The analysts expect inventories to land between 60 MMbbl and 65 MMbbl at the end of the injection season, which could be troublesome if the 2017-2018 winter presents normal to colder-than-normal average temperatures.

Northeast Hungry For Gas; Frustrated By Lack Of Pipeline Investment

At the Northeast Power & Gas Markets Conference, power distributors in New England showed their frustration with the lack of pipeline investment.

NEW YORK—Power generators and distributors in New York and New England are chomping at the bit for more natural gas, not just volumes but new and expanded delivery lines. They are also frustrated by the political, structural, and economic impediments to increased transmission infrastructure. That was the clear theme that emerged from the first day of the S&P Global Platts annual Northeast Power & Gas Markets Conference here May 22.

Click here to read more of this story online.

"The Northeast has a got a severe fuel infrastructure constraint," said Gordon van Welie, president and CEO of Daymark Energy Advisors. "We are almost at the end of coal in New England, and substitution auctions [for wholesale power] are increasing our fuel-security risks in the winter."

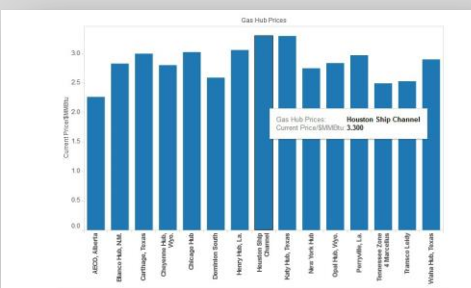
That end of coal in New England was a reference to Dynegy's plans to shutter its Brayton Point generating station near Fall River, Mass., at the end of this month. Separately, Entergy announced in January that it would decommission its controversial Indian Point nuclear complex on the Hudson River just 30 miles north of New York City by April 2021.

While those two closures are not directly related to each other, they are examples of the seismic shifts underway in power generation across the Northeast.

"How do we come to grips with the closure of Indian Point," Gavin Donohue, president and CEO of the Independent Power Producers of New York, asked rhetorically. "We are nowhere near today understanding how to deal with that." —**GREGORY MORRIS,** Contributor

TOP STORIES

N. American Natural Gas Hub Prices



Contact Information:

JOSEPH MARKMAN Senior Editor
jmarkman@hartenergy.com

Contributing Editors: Velda Addison, Darren Barbee, Nissa Darbonne, Rhonda Duey, Brandy Fidler, Annie Gallay, Leslie Haines, Paul Hart, Richard Mason, Emily Patsy, Erin Pedigo, Larry Prado, Jennifer Presley, Chris Sheehan, Steve Toon, Len Vermillion, Brian Walzel, Peggy Williams

ORDER TODAY!
Call: 1-713-260-4630 | Fax: 1-713-840-1449

HARTENERGY
1616 S. Voss, Suite 1000 • Houston TX 77057-2627 • USA