MIDSTREAM Monitor

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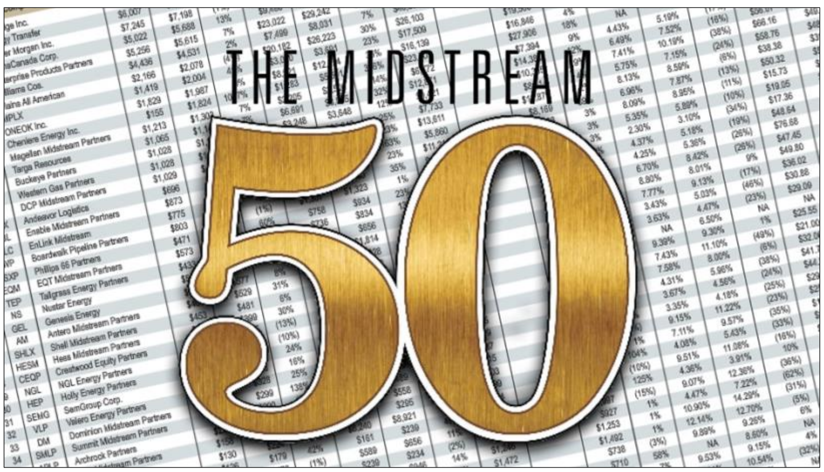
THE MIDSTREAM 50

Big Jumps In The Rankings



GREGORY DL MORRIS
HART ENERGY

After its combination with Spectra Energy Corp., Enbridge Inc. sprinted to the top of this magazine's 3rd third annual Midstream 50 list of the sector's largest publicly held firms in 2017. The Calgary-based company held the show place in last year's survey but jumped over perennial Nos. 1 and 2, Kinder Morgan and Energy Transfer.

It bears mentioning that even as the future of the North American Free Trade Agreement has been cast into some doubt by protectionist sentiments in Washington, the combination is technically a Canadian company acquiring an American one.

Big Mover

Several other business combinations tweaked the charts but the biggest move was purely organic—fueled by LNG. Cheniere Energy, operator of the first mega-LNG export terminal in the U.S., made a lightspeed move higher by 30 places to crack the top 10.

Midstream operators are ranked by EBITDA as compiled by

See 50 on Page 2.

The Top 10

- Enbridge
- Energy Transfer
- Kinder Morgan
- TransCanada
- Enterprise
- Williams
- Plains All American
- MPLX
- ONEOK
- Cheniere

50 from Page 1.

Barclay's. Interpretation of and reporting on the rankings is done by *Midstream Business*.

The 2018 rankings are based on 2017 full-year data, fiscal or calendar, depending on which the company reports and which is deemed to be most appropriate in comparison. Changes in the league tables are against the 2017 rankings, which were based on 2016 financials.

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There were four debuts on the charts, one merger and three newly autonomous midstream ventures spun out of upstream producers. San Antonio-based Tesoro Logistics, a substantial No. 18 on last year's list, and Western Refining Logistics, No. 44 last year, were combined into the renamed Andeavor Logistics when their parent refining and marketing firms merged. The combined entity made its entrance at No. 16. It also came in at No. 2 on the list based on changes in revenue, with a pro forma gain of 163%.

The other three debuts were an interesting group: one from a global major, one from a large and formerly integrated producer, and one from a Bakken independent. Hess Midstream Partners made the highest debut, entering at No. 26. Oasis Midstream Partners entered the list at No. 43. And BP Midstream Partners made its appearance at No. 46.

Should WTI Remain Benchmark For US Crude?

For decades, the West Texas Intermediate (WTI) has served as the benchmark for crude oil in the U.S., but since it only represents light crude oil, some experts have called for the addition of another benchmark to reflect shale super-light oil.

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Since WTI only represents the production of light crude oil, the advent of a third U.S. benchmark, the experts say a shale super-light would produce more accurate commodity pricing.

"The supply-demand mechanism and the hedging can be more effectively risk priced," said Patrick Morris, CEO of New York-based HAGIN Investment Management.

WTI is refined mostly in the Midwest and Gulf Coast regions and is a light crude oil with an API gravity of around 39.6, which is lighter than Brent crude, he said. It contains about 0.24% sulfur and is rated as a sweet crude oil, sweeter than Brent which has 0.37% sulfur.

"If you look at the actual production, a fair amount has API greater than 40 and the blend is trending toward 45-50 or more largely due to the fact that fracking releases smaller molecules, almost like a filter," Morris said. "The lighter stuff gets through while the heavier stuff remains trapped."

Since the refiners in the U.S. are generally wired for a heavier crude, the super-light molecules are less appealing, he said. This lighter crude oil works for blending with heavier oil, but there are functional limitations.

Adding a benchmark for shale super-light oil would be beneficial because West Texas is producing a super-light crude oil and not an intermediate blend. **—ELLEN CHANG | CONTRIBUTOR**

FRAC SPREAD

NGL ‘Barrel’ Leaps To 42-Month High

JOSEPH MARKMAN | HART ENERGY

The Mont Belvieu, Texas, hypothetical NGL barrel jumped 5% last week to a 42-month high, driven by sharp increases in the prices of propane and isobutane.

The “barrel” is defined as how much NGL would cost in a 42-gallon (gal) unit if the five components were added to it on a percentage basis that corresponded to their share of the market. It exists as an imaginary gauge to track how NGL prices are performing.

CURRENT FRAC SPREAD (CENTS/GAL)

MAY 4, 2018	Conway	Change from Start of Week	Mont Belvieu	Last Week
Ethane	11.00		27.05	
Shrink	16.64		18.49	
Margin	-5.64	38.18%	8.56	-2.65%
Propane	77.50		91.11	
Shrink	22.99		25.54	
Margin	54.51	17.58%	65.57	12.31%
Normal Butane	81.55		93.55	
Shrink	26.03		28.92	
Margin	55.52	12.43%	64.63	3.61%
Isobutane	104.70		108.70	
Shrink	25.00		27.77	
Margin	79.70	-1.90%	80.93	17.55%
Pentane+	154.00		155.90	
Shrink	27.84		30.93	
Margin	126.16	2.38%	124.97	1.61%
NGL $/Bbl	28.56	1.04%	33.41	4.98%
Shrink	9.17		10.19	
Margin	19.39	6.43%	23.22	6.40%
Gas ($/mmBtu)	2.51	-8.73%	2.79	1.89%
Gross Bbl Margin (in cents/gal)	44.48	7.32%	54.10	6.88%
NGL Value in $/mmBtu (Basket Value)				
Ethane	0.61	-22.26%	1.49	0.41%
Propane	2.69	8.32%	3.16	9.18%
Normal Butane	0.88	4.69%	1.01	3.07%
Isobutane	0.65	-3.62%	0.68	13.11%
Pentane+	1.99	0.18%	2.01	1.66%
Total Barrel Value in $/mmbtu	6.81	0.76%	8.35	5.21%
Margin	4.30	7.27%	5.56	6.96%

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.

The “barrel” rose 1% at Conway, Kan., to its highest point in three months, but the strength in propane and butane prices was balanced by a 22.3% plunge in the price of ethane to its lowest weekly average level since year-end 2015. That put Conway ethane, at 11 cents per gallon (/gal) 47.6% below its high for the year of 21 cents/gal in early January.

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The last two days of the five-day, Wednesday-to-Tuesday price-averaging “week” saw Conway ethane fall below 10 cents/gal into single-day, single-digit territory for the first time since July 23, 2012. The previous week, July 11-17, was the last weekly average in single digits at 6.52 cents/gal, capping off a miserable six-week span in which the price slumped as far down as 2.25 cents/gal.

Energy Transfer Partners LP (NYSE: ETP) sought to convince Pennsylvania regulators to allow the **Mariner East 1 pipeline to resume operations** this week. The pipe has been shut since March 7 when sinkholes developed near its route.

The impact of the shutdown, says **En*Vantage Inc.**, is that ethane that would have flowed through the pipeline now stays in the natural gas stream.

Dominion Energy (NYSE: **D**) has informed the Pennsylvania Public Utility Commission that the continued shutdown of Mariner East has put operations at risk at its Cove Point LNG export terminal in Maryland.

Marathon-Andeavor Merger Creates Energy Behemoth

Wall Street seemed impressed April 30 with the merger announcement by Marathon Petroleum Corp. (NYSE: **MPC**) and Andeavor Corp. (NYSE: **ANDV**).

Tudor, Pickering & Holt (TPH) summed up its opinion in a single word: "Wow!"

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The investment and merchant banking firm noted the agreement is the sector's "biggest deal since Holly and Frontier combined to form Holly Frontier Corp. in 2011, and it will create the largest refiner in the U.S." on the downstream half of the energy chain.

Put together, the new Marathon-Andeavor will operate "16 refineries with just over 3 million barrels per day (MMbbl/d) of capacity (16% of U.S. total)." Their two midstream MLPs, MPLX and Andeavor Logistics, alone equal $22 billion in market value.

Altogether, pro forma market cap for the combined companies will equal $58 billion "before upside synergies," TPH added. "We estimate refining, midstream, and retail would make up 47%, 28%, and 25% [respectively] of the total," it reported.

The analysis pointed out the deal creates something of a dominant Big 3 of refining-marketing-midstream firms in the U.S., with Marathon-Andeavor standing alongside Valero Corp. (NYSE: **VLO**) and Phillips 66 Co. (NYSE: **PSX**). The merger will "create a stark difference between these three leading companies and the rest of the group," TPH projected. **—PAUL HART | HART ENERGY**

VIDEO

Rockies Review: Bullish On The Bakken

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The Bakken is back. The D-J Basin is a great place to be, for most. Meanwhile, the Powder River Basin was on the minds of a lot of attendees and speakers. The potential of the Rockies was the big topic at this year's DUG Rockies Conference & Exhibition in Denver.

This year's event saw more attendees than years past as the industry continues to recover. Judging from the optimism of the region's producers, the Rockies' unconventional plays stand to grow further as prices rise and U.S. oil and gas exports become a bigger part of the country's economy.

Weren't able to make it to Denver? Well, you missed quite a lot. But Jessica Morales was on the scene and has this report on what you missed and what to look forward to in the Rockies unconventional plays for the remainder of the year. **—JESSICA MORALES | HART ENERGY**

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