MIDSTREAM Monitor

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FEATURES

Does OPEC Still Matter? Yes, Indeed

By **PEGGY WILLIAMS**, Hart Energy

A recent gathering of energy economists in Boulder, Colo., featured speakers ranging from oil-price bears to bulls. The 43rd Annual International Energy Conference, sponsored by the International Research Center for Energy and Economic Development (ICEED), attracts the best and brightest of the trade and always provokes lively discussions.

Julian Lee, a London-based oil strategist for Bloomberg News, offered some salient points on OPEC's role in today's world. OPEC's goal has always been to safeguard the interests of its member countries, noted Lee. The organization's members are diverse, consisting of one group of countries with low-cost, high per-capita production: Kuwait, Qatar, United Arab Emirates (UAE) and Saudi Arabia, and a second group with mixed-cost, low per-capita production: Angola, Venezuela, Libya, Ecuador, Iraq, Algeria, Iran, Nigeria and Indonesia.

"The priorities of these two groups are different," Lee said. Criteria proposed by OPEC members for setting output quotas has ranged from oil reserves and production capacity to cost of production and levels of external debt, with members' population and dependence on oil exports also considered. Not surprisingly, it's difficult for countries with such differing situations to agree on a common strategy.

And make no mistake: A fundamental characteristic of OPEC is that decisions are made by consensus. The group has no power to compel its members to adhere to any of its agreements or guidelines, Lee said. "OPEC exists to serve the interests of its members—that is its only purpose."

That said, observers have come to expect OPEC to rein in oil production from its member states when commodity prices fall to low levels. At least, that is what OPEC countries did in 1998-1999, when they cut

(*Continued on page 3*)

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(*Continued from page 1*)

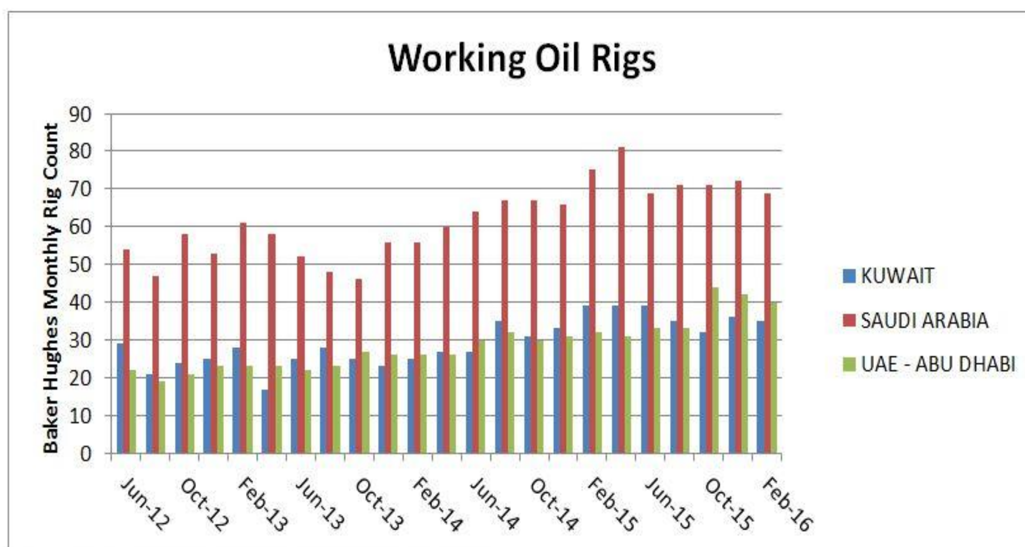
output by 3 million barrels a day (MMbbl/d). Again in 2000-2001, OPEC took 5.4 MMbbl/d out of the market. And in 2008-2009, the group collectively cut its production by 4.3 MMbbl/d.

However, during the current price downturn, OPEC countries have increased their production levels by 2.1 MMbbl/d. The intent, according to Lee, is to drive higher-priced oil off the market— such sources as U.S. shale oil, Canadian oil sands and worldwide deepwater projects. “The policy is working— non-OPEC production is declining and is expected to continue to decline,” he said.

Much has been made of the idea that Saudi Arabia cannot withstand low oil prices for long, as its costs for social programs add a great burden to its breakeven economics. This is a fallacy, Lee said. Saudi Arabia’s foreign capital assets are down just 21% from their peak of some US$730 billion in August 2014, and at some $590 billion currently, are still well above historical levels. Indeed, in 2006, the kingdom had less than $200 billion in foreign assets.

“The point of having money in the bank is to spend it when you need it. I’m amazed that countries such as the U.S. and Japan have run on deficits for many years; yet that is something the Saudis are not supposed to do? Just about anyone in the world would lend Saudi Arabia money,” Lee said.

Another fascinating trend is that despite the worldwide collapse of drilling activity, oil rig counts in Saudi Arabia, the UAE and Kuwait have been steady to rising. From a level of just above 50 oil-directed drilling rigs working in January 2012, Saudi Arabia now has nearly 70 such rigs at work.



Source: Hart Energy, from Baker Hughes International Rig Counts

“We can’t underestimate OPEC’s ability to overcome, or simply ignore, its contradictions,” Lee noted. The fractious organization has exhibited remarkable durability, surviving the invasion of two founding members by a third one; it’s never managed to craft a rational quota system; and it has welcomed back a former member, Indonesia, that is no longer a net oil exporter.

OPEC is certainly still relevant, and unfortunately for the oil-price bulls, it appears to be continuing a successful campaign of ensuring that its oil is the oil that the world will consume.

Sheikh Yamani once famously said, “The Stone Age did not end because the world ran out of stones, and the oil age will not end because we run out of oil.” His words, spoken in 2000, were a warning to OPEC members of the risks associated with pursuing ever-higher oil prices. It is a warning that some in OPEC appear to have heeded at last.

New Permian Plant Positions EagleClaw For Takeoff

By JOSEPH MARKMAN, Hart Energy

The May 3 commissioning of its Toyah I Natural Gas Processing Plant in the heart of the Permian Basin positions EagleClaw Midstream Ventures LLC to take advantage of the booming core of the play as well as near-future exports to Mexico.

“We have executed an agreement with ONEOK to collect and deliver into their Roadrunner system that delivers to Mexico and we expect that residue tap to be complete by mid- to latesummer of this year,” Bob Milam, CEO of EagleClaw, told Hart Energy. “It’s going to give us flexibility on our residue marketing capabilities. We also believe it’s going to give us some pricing advantage.”

EagleClaw also announced its purchase of a second cryogenic processing plant with capacity of 200 million cubic feet per day (MMcf/d). The company expects to install the Toyah II plant at the same location as customer demand increases. The state-of-the-art facility was manufactured by Honeywell UOP Russell and provides flexibility for various NGL recoveries, allowing EagleClaw to obtain an advantage depending on market price. “The style of the GSP [gas subcooled process]-type plant gives it some additional flexibility and is more on the leading edge as far as technological capabilities,” Milam said. “Predominantly, the GSP was designed to extract ethane deeper but the added benefit in this price environment is the flexibility to reject ethane very hard and still control your propane efficiencies, making it more profitable for us and the producer.”

The Toyah I cryogenic plant has a capacity of 60 MMcf/d with initial volume of 44 MMcf/d. Milam said he expects to hit 50 MMcf/d in the next 30 days and full capacity by midsummer as additional wells become operational.

Toyah I serves producers working pay zones in the Upper and Middle Wolfcamp, Bone Spring and Avalon shale formations of the Delaware Basin. It is connected to about 120 miles of gathering pipeline and four field stations with a total of 11,000 horsepower of low-pressure compression.

“We have two 15 MMcf/d refrigerated JT [Joule-Thomson] plants that can supplement up to 90 MMcf of capacity at that facility today,” he said. “The growth in projects and continued well results—we’re seeing very favorable well results in the core of our system—has led us to go ahead and purchase that UOP 200 MMcf/d plant and basically has us ready to pull the trigger to install it as soon as we see the volume curves dictate that it’s necessary.”

In addition to the ONEOK Roadrunner agreement, the plant is also connected by an 18-mile pipeline to Lone Star NGL LLC’s West Texas Gateway Pipline, which moves NGL to Mont Belvieu, Texas, and to Kinder Morgan Inc.’s El Paso 1600 pipeline.

In spite of the downturn—in fact, especially because of how this downturn has developed—Milam is happy to be operating in an area where he’s spent much of this career.

“What you’re seeing in the Permian Basin right now is producers turning vertical wells horizontal and you’re seeing some very, very prolific results,” he said. “The infrastructure that’s been built over so many years, and the resources and capabilities for services has the Permian able to withstand a downturn and the ability for the Permian Basin to be a first mover on a ramp back up out of a downturn.

“I think it is really significantly different from a lot of the newer basins that are playing.”

WHATS AFFECTING OIL PRICES *THIS WEEK?*

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Enterprise Crosses Into The Delaware With South Eddy Plan

By FRANK NIETO, Hart Energy

Even in the midst of a price downturn that has seen a significant pullback on the rig count, several plays in the U.S. continue to see high levels of activity as drilling efficiencies are increasing production. The Delaware Basin is one such play, which has opened up opportunities for the development of important infrastructure. Though it is part of one of the oldest and most developed plays in the country drilling in the Delaware is located in sections of the Permian lacking in key infrastructure.

Enterprise Products Partners LP is seeking to address this infrastructure gap in the play through the development of the South Eddy, N.M., natural gas processing plant, which it announced was brought online this week ahead of schedule.

The 200 million cubic feet per day (MMcf/d) cryogenic facility is designed to handle high CO_2gas and is supported by long-term, fee-based agreements. The plant also has the capability to extract 25,000 barrels per day of NGL.

The plant is one of the company's $6 billion in capital projects under construction this year, with $2.5 billion scheduled to be brought online before the close of 2016. The capital project program is aimed at both creating new demand outlets as well as meeting future demand.

These projects include another processing plant in the Permian Basin, as well as its ethane export terminal along the Houston Ship Channel and additional crude oil storage in Houston and Beaumont, Texas.

Enterprise also anticipates bringing on $4.2 billion in projects online in 2017 and 2018. These projects will include its Gulf Coast PDH (propane dehydrogenation) plant and its Midland to Sealy crude oil pipeline.

"The cure for low prices is low prices, just like price creates supply, price creates demand."

— Jim Teague, CEO, Enterprise

The year is expected to continue to be a struggle for commodity prices, but Enterprise CEO Jim Teague noted that it is important to prepare for future demand through infrastructure development as supply and demand will eventually equalize as prices drop. "The cure for low prices is low prices, just like price creates supply, price creates demand," he said during the company's recent investor day.

The South Eddy plant, which is expected to start up at near capacity, is the company's first major step in the Delaware according to Brad Motal, Enterprise's senior vice president, natural gas assets and marketing. It will solve an immediate issue for producers in the region as Enterprise officials stated in a release that a great deal of natural gas being produced out of the Delaware has been flared, shut-in, or blended into a residue pipeline.

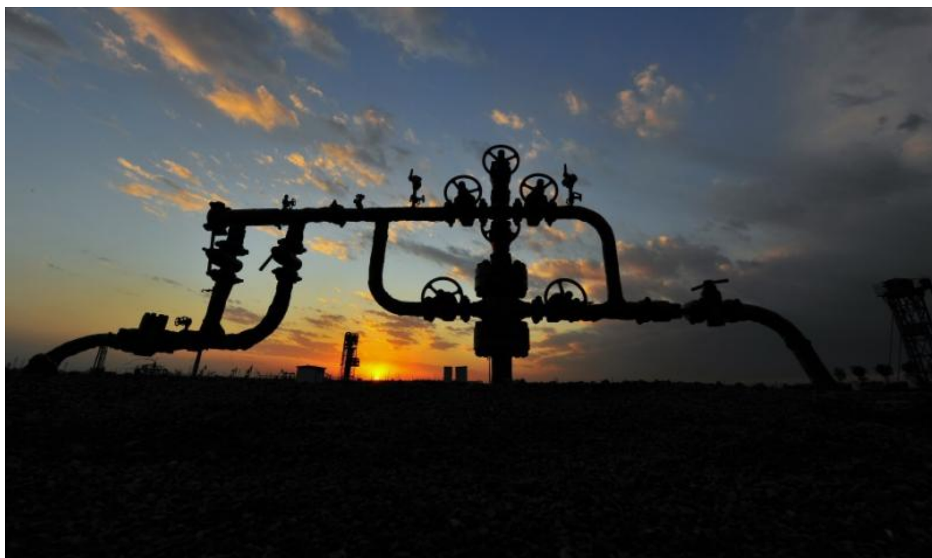
"True to our mindset of providing flow assurance and market choice, this plant has two residue markets and the key part there is each one of those meters has the ability to take 100% of the gas plant's residue gas vs. some of the other plants you see that have a singular gas plant residue line causing some issues with flow assurances," Motal said during the investor day presentation.

Enterprise plans on doubling processing capacity in the Delaware in 2016 with a second plant in Waha, Texas, scheduled to come online in the third quarter and add 150 MMcf/d of processing capacity.

"Despite the decrease in rig count nationwide, the Delaware Basin remains very active. With production expected to continue to grow, we are committed to capitalizing on the increased opportunities for midstream services. The additional processing capacity, combined with the connectivity of our integrated midstream network, will provide Delaware Basin producers with unmatched access to the NGL fractionation and storage hub at Mont Belvieu, Texas, as attractive domestic and international markets," Teague said in a release.

Good News Just In: Utica Helps Set Gas Production Record

By JOSEPH MARKMAN, Hart Energy



Led by a 10.7% year-over-year increase from the Utica Shale in Ohio, U.S. dry natural gas production set another February record, the U.S. Energy Information Administration (EIA) reported.

However, the agency's recent estimates for May indicate that the glowing statistics will not continue.

Production for February, up 2.3% from the previous February and 1.0% from January 2016, advanced for the third straight year and was the highest for the month since the EIA began tracking natural gas output in 1973. The figures reflected continued momentum from 2015, which set a record with an average of 79 billion cubic feet per day (Bcf/d).

In addition to Ohio, other states reporting increases included New Mexico, Pennsylvania, North Dakota, Louisiana, Texas, Montana and West Virginia.

With the exception of the Utica Shale, which is projected by the EIA to increase production by 1 MMcf/d, major shale plays are expected to experience a total drop-off of 491 MMcf/d in May, with the sharpest decline at the Eagle Ford at 213 MMcf/d. Even the Marcellus Shale, the leading gas producer, will see a 60 MMcf/d dip to 17.277 Bcf/d, the EIA forecasts.

The EIA's preliminary data for dry natural gas production for February 2016 were 2.183 Tcf, or 75.3 Bcf/d. However, dry natural gas consumption for February 2016 was 2.703 Tcf, or 93.2 Bcf/d, an 11.6% decrease from 2.952 Tcf in February 2015, or 12.2 Bcf/d.

Only electric power deliveries showed an increase in consumption, the EIA reported. They rose 6.4% from 651 Bcf to 692 Bcf, with residential deliveries down a startling 24.5% from 32.3 Bcf/d to 24.4 Bcf/d. Commercial deliveries also slumped from 18.6 Bcf/d to 14.5 Bcf/d.

Industrial deliveries fared somewhat better, slipping only 2.6% from 23.6 Bcf/d to 23.0 Bcf/d.

FRAC SPREAD

Frac Spread: NGL 'Barrel' Hits Highest Mark In Seven Months

By JOSEPH MARKMAN, Hart Energy

The worries that tied the industry's collective innards in knots a year ago, in anticipation of the misery to come, is pretty much past. After all, who has time to worry when we're all so busy being miserable?

In fact, anecdotes aside, the word that one executive of a multinational energy company used to describe the mood at this week's Offshore Technology Conference (OTC) in Houston was "cautious." We're going to get past this—it's just a matter of figuring out how and when.

Another executive at an OTC industry breakfast, also with a multinational, agreed. Her job was to navigate the uncharted waters of Mexico's energy reform and produce opportunities for her company.

There's plenty of opportunity in Mexico, both onshore and offshore. Mexico has tremendous resources but needs help in developing them, and requires imports of natural gas and refined products in the meantime to drive its growing economy.

Which is why that "lower for longer" thing has become so irritating. The industry is itching to get back to work.

"Although we're at the bottom of the cycle—we hope we're at the bottom—we've been through this before, we can do it again," Julie Wilson, Wood Mackenzie's research director for global exploration told the conference breakfast crowd. "We should come out stronger from this period, a little bit leaner but probably stronger."

NGL PRICES

Mont Belvieu	Eth	Pro	Norm	Iso	Pen+	NGL Bbl
April 27 - May 3, '16	20.28	49.32	59.89	62.53	95.74	**$20.30**
April 20 - 26, '16	20.36	46.66	56.48	59.08	93.92	**$19.61**
April 13 - 19, '16	20.00	45.22	54.70	56.82	92.12	**$19.10**
April 6 - 12, '16	17.99	44.04	53.58	55.60	89.44	**$18.38**
April '16	19.18	45.59	55.10	57.43	92.03	**$19.05**
March '16	17.68	45.26	53.27	55.05	86.68	**$18.26**
1st Qtr '16	15.90	39.03	52.22	52.84	76.84	**$16.46**
4th Qtr '15	17.50	42.15	60.09	60.57	97.59	**$19.11**
3rd Qtr '15	18.26	40.99	54.16	55.19	100.10	**$18.80**
2nd Qtr '15	17.93	46.30	58.11	59.66	126.14	**$21.48**
April 29 - May 5, '15	18.11	54.28	65.32	66.58	131.62	**$23.39**
Conway, Group 140	**Eth**	**Pro**	**Norm**	**Iso**	**Pen+**	**NGL Bbl**
April 27 - May 3, '16	16.78	47.35	59.13	69.10	98.60	**$20.03**
April 20 - 26, '16	16.90	44.76	55.76	66.90	96.52	**$19.37**
April 13 - 19, '16	16.43	42.78	53.24	64.58	92.42	**$18.58**
April 6 - 12, '16	14.70	40.78	51.16	63.20	91.06	**$17.82**
April '16	15.57	42.79	53.34	64.69	93.42	**$18.52**
March '16	13.18	40.87	49.35	57.65	85.03	**$16.93**
1st Qtr '16	13.45	35.23	48.14	57.05	76.01	**$15.61**
4th Qtr '15	14.90	38.06	57.31	64.04	95.84	**$18.20**
3rd Qtr '15	15.47	36.28	48.59	54.34	99.10	**$17.59**
2nd Qtr '15	15.50	40.55	52.40	56.80	121.50	**$19.89**
April 29 - May 5, '15	15.93	46.74	58.54	61.70	124.12	**$21.32**

CURRENT FRAC SPREAD (CENTS/GAL)				
MAY 6, 2016	**Conway**	**Change from Start of Week**	**Mont Belvieu**	**Last Week**
Ethane	16.78		20.28	
Shrink	12.53		12.66	
Margin	4.25	-19.79%	7.62	1.88%
Propane	47.35		49.32	
Shrink	17.31		17.50	
Margin	30.04	4.56%	31.82	8.75%
Normal Butane	59.13		59.89	
Shrink	19.60		19.81	
Margin	39.53	5.10%	40.08	8.97%
Isobutane	69.10		62.53	
Shrink	18.82		19.02	
Margin	50.28	1.64%	43.51	8.34%
Pentane+	98.60		95.74	
Shrink	20.96		21.18	
Margin	77.64	0.07%	74.56	2.35%
NGL $/Bbl	20.03		20.30	
Shrink	6.90		6.98	
Margin	13.13	1.23%	13.33	5.21%
Gas ($/mmBtu)	1.89	8.00%	1.91	0.53%
Gross Bbl Margin (in cents/gal)	29.75	1.26%	30.75	5.45%
NGL Value in $/mmBtu (Basket Value)				
Ethane	0.92	1.08%	1.12	0.00%
Propane	1.64	5.81%	1.71	5.56%
Normal Butane	0.64	0.67%	0.65	6.56%
Isobutane	0.43	2.38%	0.39	5.41%
Pentane+	1.27	2.42%	1.23	1.65%
Total Barrel Value in $/mmbtu	4.91	3.37%	5.10	3.45%
Margin	3.02	0.67%	3.19	5.28%

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 NGPL Midcontinent zone, Mont Belvieu based on Houston Ship Channel.

Don't look now, but oil prices are already quietly showing some strength. Benchmark Brent crude rose 6.7% to $48.13 per barrel (bbl) at the close of the June contracts on April 29 before easing down to around $45/bbl on May 6. Stratas Advisors credited the weaker U.S. dollar with propping up Brent and projects trading between $45/bbl and $47/bbl. The differential with West Texas Intermediate is forecast to be between 20 cents/bbl and $1/bbl.

Stronger but leaner also describes the hypothetical Mont Belvieu, Texas, NGL bbl, which this week found itself above $20/bbl for the first time since early November and, at $20.30/bbl, at its highest point since mid-October. Joining it in a happier place was the Henry Hub, La., benchmark natural gas price, which broke through $2 per million British thermal units (MMBtu) and struck a closing high of $2.05/MMBtu on May 5 not seen since mid-February.

The NGL barrel's 3.5% rise over last week was triggered by a surge in propane prices. Mont Belvieu's 49.32 cents per gallon (gal) average was its highest since the week of May 6-12, 2015, and the average weekly propane price at Conway, Kan., of 47.35 cents/gal was the highest since late April 2015.

Butane prices reached highs for the year at 59.89 cents/gal at Mont Belvieu and 59.13 cents/gal at Conway. Isobutane rose 5.8% for the week at Mont Belvieu, averaging 62.53 cents/gal, and rose 3.3% at Conway to 69.1 cents/gal.

C_{5+} prices had another good week at both hubs, setting highs for the year with 95.74 cents/gal at Mont Belvieu and 98.6 cents/gal at Conway. Mont Belvieu's price is 48.3% above its low for the year in mid-February and Conway's is 49.9% above its low mark, set in late January.

The rising tide did not lift ethane's boat. After hitting highs for the year last week, the Mont Belvieu price dipped to 20.28 cents/gal from 20.36 cents/gal and Conway's price slipped to 16.78 cents/gal from 16.90 cents/gal.

Natural gas in storage for the week ended April 29 increased by 68 billion cubic feet to 2.625 trillion cubic feet (Tcf), the U.S. Energy Information Administration reported. That is 48.8% above storage of 1.764 Tcf a year ago and 46.7% over the five-year average of 1.789 Tcf.

There were 74 total degree days for the week, 9% below the 30-year normal of 81 and 4% below the 77 recorded during the same time last year. A degree day is a quantitative index that shows demand for energy to heat or cool houses and businesses.

Envantage Inc. consultants expect the underground gas storage level to increase by 2.2% to 2.684 Tcf for the week ending May 13. Their forecast for the week ending May 20 is 2.777 Tcf and for May 27, 2.875 Tcf.

RESIN PRICES – MARKET UPDATE – MAY 6, 2016

TOTAL OFFERS: 15,248,104 lbs		SPOT		CONTRACT	
Resin	Total lbs	Low	High	Bid	Offer
LLDPE - Film	3,262,232	0.55	0.63	0.52	0.56
LDPE - Film	3,029,244	0.535	0.68	0.6	0.64
PP Copolymer - Inj	2,722,324	0.565	0.68	0.56	0.6
PP Homopolymer - Inj	2,211,864	0.53	0.675	0.54	0.58
HDPE - Blow Mold	1,314,392	0.545	0.61	0.51	0.55
LLDPE - Inj	1,099,932	0.61	0.71	0.58	0.62
HDPE - Inj	917,288	0.525	0.57	0.51	0.55
LDPE - Inj	470,368	0.58	0.63	0.59	0.63
HMWPE - Film	220,460	0.585	0.585	0.52	0.56

Source: Plastics Exchange – www.theplasticsexchange.com

MORE TOP STORIES

Ethane Recoveries Could Boost ONEOK's Earnings By $200 Million

ONEOK Partners could earn $200 million more from ethane transportation and fractionation services without any additional investment if producers increase recoveries of the NGL from the gas stream, the company said on May 4.

Roughly a third of all ethane on the midstream operator's system is being rejected, or left in the gas stream, due to its low price, company executives said in a quarterly earnings call.

They said the company could transport an additional 140,000 barrels per day (bbl/d) of ethane on its systems from the U.S. Midwest, 35 Mbbl/d from the Williston Basin and 10 Mbbl/d from the Permian if recoveries pick up.

Ethane, the lightest hydrocarbon in the NGL complex, is primarily used to make petrochemicals. It has been rejected at an unprecedented rate since 2013, executives said, as a supply overhang severely weakened its value.

In mid-December, ethane at the Mont Belvieu, Texas, NGL hub fell to just 12.75 cents per gallon, its weakest level in more than two decades, according to Thomson Reuters Eikon data.

Prices have since rebounded to more than 19 cents per gallon amid new opportunities to export the light hydrocarbon and expectations for increased petrochemical demand from new facilities slated to come on line next year.

ONEOK expects to see an additional 93 Mbbl/d of incremental petrochemical demand for ethane during the second quarter of this year to the first quarter of 2017, which could jump to 308 Mbbl/d by the second quarter of 2017 through the third quarter of that year.

Gathered NGL volumes on the company's system rose by 6% over the same quarter later year, while fractionated volumes increased by 16%, driven by new gas processing plant connections in the Williston Basin of North Dakota and U.S. Midwest, the company said. *--REUTERS*

Midstream Connect Series:

What Will Incentivize Infrastructure Investment?

What will it take to get NGL infrastructure construction projects rolling again? Peter Fasullo, principal, EnVantage Inc., says a restart will rely on the confidence of producers in prices and whether they'll be willing to enter in long-term deals again.
To view the video, please visit Midstream Business.com.

ETE's Warren Says Company Cannot Close Williams Deal

Energy Transfer Equity LP's CEO, Kelcy Warren, said on May 5 that the pipeline company cannot complete an agreed-upon $21 billion takeover of rival Williams Cos. Inc. because of tax issues.

"We can't close this deal," Warren said on a company conference call. "Absent a substantial restructuring of this transaction, which Energy Transfer has been very willing and actually desiring to do, absent that, we don't have a deal."

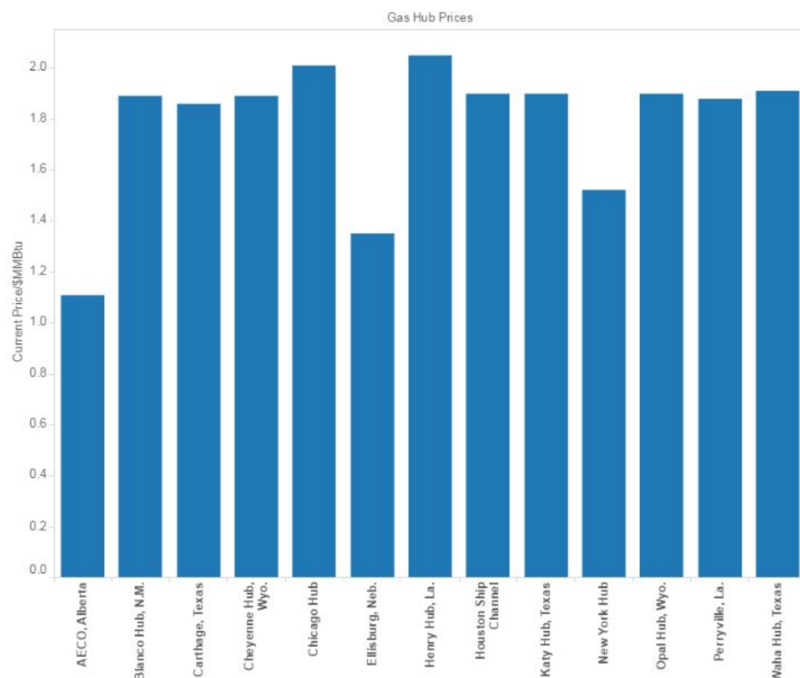
Warren said Energy Transfer would be open to a deal that would remove the cash portion of its cash-and-stock bid for Williams.

Energy Transfer originally raised the tax issues last month. ETE's lawyers at Latham & Watkins have told the company that it may not be able to deliver a needed tax opinion declaring that the deal would be a tax-free exchange. It has already rejected two possible solutions to the tax issue proposed by Williams.

Williams has alleged that ETE is trying to get out of the tie-up even though the terms of the deal would not allow that. It is already suing ETE in Delaware to stop a controversial offering of preferred shares to its top shareholders, including Warren.

The deal has a June 28 deadline. If the companies have received all the regulatory approvals by then and have not yet closed, either party could walk away.

--REUTERS



Key North American Gas Hub Prices

(As of May 6, 2016)

Keep up to date on daily changes in North American gas hub prices at MidstreamBusiness.com

Carthage, Texas: 1.86
Katy Hub, Texas: 1.90
Waha Hub, Texas: 1.91
Henry Hub, La.: 2.05
Perryville, La.: 1.88
Houston Ship Channel: 1.90
Opal Hub, Wyo.: 1.90
Blanco Hub, N.M.:1.89
Cheyenne Hub: 1.89
Chicago Hub: 2.01
Ellisburg, Neb. Hub: 1.35
New York Hub: 1.52
AECO, Alberta: 1.11

Phillips 66 Partners Acquires Standish Pipeline, Remaining Interest

Phillips 66 Partners LP (PSXP) reached an agreement with Phillips 66 (PSX) to acquire the Standish Pipeline and the remaining 75% interest in Phillips 66 Sweeny Frac LLC for $775 million total consideration, the company said May 4.

Sweeny Frac LLC owns the newly constructed Sweeny Fractionator One and Clemens Caverns storage facility.

PSXP previously acquired a 25% interest in Sweeny Frac LLC in March; the company said this acquisition will be funded through a combination of newly issued PSXP units to PSX and the assumption of notes payable to PSX. The acquisition is expected to close later in May, and will be immediately accretive to PSXP and its unitholders.

Both companies are parties to fractionation and storage agreements, each with a 10-year term, that include a minimum fractionation volume commitment for Sweeny Fractionator One and minimum storage commitments at the Clemens Caverns storage facility.

The total consideration of $775 million is based on forecast annual EBITDA of about $90 million, which is attributable to the assets and interest acquired in the transaction, and $13 million of remaining growth capex expected to be incurred by PSXP for additional Clemens Caverns development.

Greg Garland, chairman and CEO of PSXP, said that adding the Standish Pipeline is consistent with the company's plan to build out the current systems that are strategically integrated with Phillips 66 refineries. The company remains on track to deliver the stated five-year compound annual distribution growth target of 30% through the end of 2018, Garland added.

The terms of the transaction were approved by the board of directors of the general partner of PSXP, based on the approval and recommendation of its conflicts committee comprised solely of independent directors. Evercore was the conflicts committee's financial adviser and Vinson & Elkins LLP was its legal counsel.

Phillips 66 Partners LP is based in Houston.

–REUTERS

The transaction includes the following assets:

- Sweeny Fractionator One: A 100,000 barrel per day (bbl/d) NGL fractionator in the Phillips 66 Sweeny Refinery complex in Old Ocean, Texas;
- Clemens Caverns storage facility, which is about 15 miles southeast of the Sweeny Refinery. It includes five newly developed caverns that will have storage capacity of about 7.5 MMbbl of Y-grade NGL, propane and butane, with the capability for future capacity expansion; and
- The Standish Pipeline: A refined petroleum products pipeline system extending from PSX's Ponca City Refinery in Ponca City, Okla., to the PSXP's North Wichita Terminal in Wichita, Kan.

Chevron Taps New Boss For Australia After Gorgon LNG Launches

Chevron Corp. (NYSE: CVX) has appointed a new chief executive for its Australian operations after starting production at its $54 billion Gorgon LNG project, which last month ran into trouble after shipping one cargo.

Nigel Hearne

Chevron promoted its deputy managing director in Australia Nigel Hearne to take over from long-time managing director Roy Krzywosinski, who will be moving to Houston as head of engineering in Chevron's Energy Technology Co.

"Nigel's appointment reflects his strong downstream and upstream operating experience, combined with his proven record of leading large, complex operations, such as our Richmond refinery," Steve Green, president of Chevron Asia Pacific Exploration and Production said in a statement on May 5.

> *"Nigel's appointment reflects his strong downstream and upstream operating experience, combined with his proven record of leading large, complex operations, such as our Richmond refinery,"*
>
> *—Steve Green, President, Chevron Asia Pacific Exploration and Production*

The Gorgon LNG project, Chevron's all-time largest investment, was forced to stop production in April due to a mechanical problem in a cooling unit. It is set to restart this month, the company said at its quarterly results last May 6.

Krzyowinski returns to the United States after more than eight years heading the Australian operations, overseeing the development of Gorgon and the $29 billion Wheatstone LNG project, which is due to start producing in mid-2017.

–REUTERS

Contact Information:

JOSEPH MARKMAN Senior Editor
jmarkman@hartenergy.com

Contributing Editors: Velda Addison, Darren Barbee, Nissa Darbonne, Rhonda Duey, Annie Gallay, Leslie Haines, Paul Hart, Susan Klann, Richard Mason, Emily Moser, Frank Nieto, Erin Pedigo, Larry Prado, Jennifer Presley, Chris Sheehan, Bryan Sims, Steve Toon, Len Vermillion, Peggy Williams

Graphic Designer: Felicia Hammons

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