

# MIDSTREAM *Monitor*

Nov. 20, 2015 | Volume 33 | Issue 46

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## FEATURES

### Souki: Global Gas Markets To Mirror US Model



By **JOSEPH MARKMAN**, Hart Energy

The emergence of the U.S. as a major producer and exporter of low-cost natural gas will force the global market to adjust its traditional business model, Charif Souki, Cheniere Energy Inc.'s chairman, CEO and president, told the Houston Producers' Forum on Nov. 17.

"I think we're going to see an evolution of the global markets toward the American model, in other words, gas-on-gas competition—a very liquid market where you can make decisions on whatever you need to do on an economic basis," said Souki, who also told producers that he expects the price of oil to return to \$100 per barrel (/bbl) "pretty soon."

Souki, whose company's Sabine Pass, La., LNG facility is on schedule to begin exports in mid-January, bases his outlook on global market developments over the next five years, particularly the massive supply ramp-up in the U.S., Australia and Qatar.

"Since Qatar and Australia both have significant demands ahead of them on a long-term basis, the U.S. is completely flexible," he said. "You will have American prices in effect on a global basis—on a long-term basis."

On a short-term basis, you will have dislocations [areas in which prices are higher or lower depending on demand].”

Souki acknowledged that the sunny outlook is clouded by the current downcycle, in which it appears that markets face an oversupply of natural gas. He believes the demand is there, but is just not apparent yet. “We see a huge hole after 2020 in the supply of LNG on a global basis,” he said. “I don’t think any other country can provide it any better than we can.”

Achieving the liquid global market requires construction of infrastructure, which becomes difficult during a price downturn.

“All the production that is coming now is set for the next four years and after that it is on hold because nobody can [make final investment decisions on] additional projects on a long-term basis with current pricing,” he said. “Unlike building a pipeline or building a storage facility in this country, building an LNG facility is a five-year plan. It takes a lot of capital and it takes a lot of time in order to move this.”

So how does a player gather in the investment needed to spend five years building a facility intended to last 20 years? Knowing what will happen in the next five years would be helpful, but the constantly evolving energy business doesn’t allow that luxury.

“You have to be very nimble, very quick and keep your optionality as much as you can,” Souki said. “We’re all familiar with this. We all know what we need to do in order to get there. It’s not easy to get it done.”

His theory on a relatively swift return to \$100 oil is based on his perception of the market:

- U.S. upstream investment has virtually disappeared;
- Production has fallen in reaction to low prices; and
- Global spare capacity is at a minimum.
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“It’s only a matter of time before supply is less than demand,” he said. The rational price for a barrel of crude oil might be in the \$75/bbl to \$80/bbl range, but a lack of spare capacity will likely drive it higher.

“That’s why I think it’s going to happen,” he said. “It’s just a matter of when, and when it happens it will be more violent than everybody expects.”

## Piper Jaffray To Acquire Book-runner, M&A Adviser Simmons & Co.

By **DARREN BARBEE**, Hart Energy

Investment bank Simmons & Co. International, with more than \$9 billion in deals and equity offerings so far in 2015, is finally on the other side of a transaction.

Investment bank and asset manager Piper Jaffray Cos. (PJC) said Nov. 17 it acquired Simmons for \$139 million. The price tag includes \$91 million cash, \$48 million stock and money for incentives.



Simmons is one of the largest and most experienced independent investment banks specializing in the energy industry, offering M&A advisory, capital markets execution and investment research. Its coverage includes energy services and equipment, E&P, midstream and downstream.

Simmons' 2015 Transaction, October 2015		
Type	Sector	Amount (\$MM)
M&A	Midstream/Downstream	\$3964.6
	E&P/Energy Services	\$844
	Subtotal	\$4808.6
Offerings	E&P	\$4,242
	Midstream/Downstream	\$145
	Subtotal	\$4,387
Total		\$9195.6
Source: Simmons & Co. International		

In its 41-year history, Simmons has executed more than 830 strategic advisory transactions and 330 private and public financings with a total value of about \$260 billion.

Simmons generated revenue of \$96 million, including \$65 million in advisory revenue, in its most recent fiscal year ended June 30.

Reflecting the value of the talent at Simmons, PJC also paid \$21 million in cash and stock to retain employees. The restricted stock included in the total consideration includes non-compete and non-solicitation agreements.

PJC will operate the business under the Simmons brand as a PJC company and it will continue running its energy practice from Simmons' Houston and Aberdeen, Scotland, locations.

Subject to regulatory approval and customary closing conditions, the transaction is scheduled to close in the first quarter of 2016. The transaction is expected to be accretive to PJC's non-GAAP earnings during the first full year of operation.

PJC said additional compensation may be available to certain individuals subject to beating revenue benchmarks during the first three years that Simmons is a part of PJC.

Key Simmons professionals have entered into employment agreements with PJC that become effective concurrent with the transaction's close.

The business will be integrated into PJC's equities and investment banking group, with senior leaders at the firm assuming senior leadership roles with PJC.

Fred Charlton will be appointed chairman of energy investment banking and will be co-head of energy investment banking together with James Baker.

Bill Herbert will become head of global energy research while Will Britt will continue leading specialized energy equity sales.

Ira Green will become head of energy capital markets.

#### Simmons Top Transactions and Offers, YTD 2015

Client	Date	(\$MM)	Sector	Type	Location
Noble Energy Inc.	2/2015	1,100	E&P	Offering	Houston
EnLink Midstream Partners LP	2/2015	925	Mid/Down	M&A	Dallas
EnLink Midstream Partners LP	5/2015	900	Mid/Down	M&A	Dallas
Ferrellgas Partners LP	6/2015	837.5	Mid/Down	M&A	Carrollton, TX
Concho Resources Inc.	9/2015	819	E&P	Offering	Midland, Texas
Cimarex Energy	5/2015	654	E&P	Offering	Denver
LRR Energy LP	4/2015	539	E&P	M&A	Houston
Gulfport Energy Corp.	4/2015	521	E&P	Offering	Oklahoma City
Gulfport Energy Corp.	6/2015	497	E&P	Offering	Oklahoma City
Black Stone Minerals LP	4/2015	427	E&P	Offering	Houston

*Source: Simmons & Co. International*

Colin Welsh will become head of international energy investment banking and executive chairman of PJC's U.K. subsidiary, and continue leading Simmons' international activities.

Michael Frazier, Simmons' chairman, president and CEO, entered into a consulting agreement with PJC and will continue serving in a senior role that leverages his relationship and experience.

"This is a milestone transaction as we meaningfully increase the firm's investment banking footprint.

Expanding into the energy sector has been a long-term goal for us and we are pleased to have found the ideal partner to fulfill this strategy," said Scott LaRue, global co-head of PJC investment banking. "We look forward to combining our broader product suite with Simmons' sector expertise, unmatched reputation and extensive relationships to build on the firm's long history of success."



# Petrochemical Renaissance Leading to ‘Recompetitive’ US



By **ARIAN BENAVIDEZ**, Hart Energy

SAN ANTONIO—The petrochemical renaissance involves five areas: the growing U.S. feedstock and fuel supply; advantaged U.S. infrastructure; “recompetitive” U.S. petrochemical capacity; U.S. exports to global petrochemical markets; and the risks to the renaissance, according to Greg Haas, director of integrated oil and gas research for Stratas Advisors. Haas discussed the infrastructure for the petrochemical renaissance at Hart Energy’s Midstream Texas conference in late October.

Stratas Advisors, a global research and consulting advisory firm, covers all sectors of the energy industry. For the midstream sector, it reviews capacities and constraints in midstream as well as farther down the value chain into the downstream, refining, petrochemical and other industries in North America and worldwide. The company also examines imports and exports, which leads to its pricing forecast.

## **Growing U.S. Feedstock, Fuel Supply**

Growth continues in U.S. feedstocks and fuel supply for petrochemical uses. Shale resources, technology and investment have remade the U.S. into the world’s largest incremental supplier of NGL, according to Haas. Most of these supply regions are ideally situated with access to legacy petrochemical and manufacturing sites.

“Many of the regions that are liquids-rich are very well situated for the existing petrochemical infrastructure and NGL infrastructure of North America, specifically on the Gulf Coast,” Haas said. “In addition, there are some other potentially new and expanding areas for petrochemicals and hubs that could develop if final investments decisions are made favorably.”

Those other regions include the Bakken and Marcellus-Utica, which Haas said are large enough to spur new hub development and regional petrochemical investment.

Moreover, production growth at field gas plants has outpaced demand growth for NGL in the U.S., driving down prices and forcing marketers to go further afield to monetize new shale supplies. In addition, U.S. NGL-intensive industries, including petrochemicals and refining, have gained advantage from low-cost feedstock and fuel.

“Through the months, you get a peak in winter demand for NGL use, in other words, propane and heating fuels [and] LPG. Then it falls in the summertime, and it bands between basically 1.7 million barrels of oil per day (MMbbl/d)—depending upon what year—to perhaps as high as 3 MMbbl/d of demand,” Haas said. But the production of NGL gas plants “has been going nothing but up, effectively, and in the longer term trend.”

### **Advantaged U.S. Infrastructure**

Fractionators make up a part of the advantaged NGL infrastructure. Tight fractionation markets are loosening up for the near term, Haas said.

“In terms of the advantaged U.S. infrastructure, we are very well-situated for fractionation,” he said. “We’ve actually got quite a good stable of fractionators either in place now or coming online over the next couple years. That should take us through our current forecast for climate production. We’ve got about 80% utilization going forward, which should give us enough cushion [and] enough margin for proper operation in the field.”

De-ethanizers are another aspect of the advantaged NGL infrastructure. Stratas Advisors reported that de-ethanizer capacity is ramping up in advance of petrochemical and export expansions.

“We also have a tremendous amount of new de-ethanizer capacity coming online and moving forward and roughly another 500,000 bbl/d, so you have the two together and you get close to 4 MMbbl of capacity to fractionate and purify NGL into their constituents, which can be sold to the markets,” Haas said.

### **‘Recompetitive’ U.S. Petrochemical Capacity**

Haas coined the term “recompetitive” for the U.S. petrochemical industry in North America. “We were competitive, [and] we sort of lost competitiveness to some of the Asian and Middle Eastern regions in the higher energy cost era. But now with new supplies, we’ve become really recompetitive again,” he said.

North America has the greatest capacity for running ethane and light NGL, with the Middle East trailing closely behind.

In addition, the petrochemicals—ethylene, propylene, polypropylene and polyethylene—are the world’s largest traded chemical commodities, and as such consumer societies and producing economies also produce and consume these in great quantities, Haas said.

“There’s capacity to produce ethylene around the globe, and North America has the preeminent capacity today and is distinguished also by the fact that we have the largest ethane capable capacity,” he said. Other parts of the world rely on the heavier, more expensive feedstocks. Naphtha feeds most capacity in those nations at present, according to Haas.

Additionally, the U.S. and Canada have tremendous supplies of shale gas, which was discounted to crude oil and crude oil-derived products, Haas said. The addition of heat from discounted U.S. shale gas gives an additional advantage to North American ethylene crackers that most of the other regions don’t have. If a plant is fed by heavy feedstock (naphtha), the fuel system likely also consumes heavy fuels (fuel oil). Higher priced oil is thereby a double threat to the viability of overseas crackers.

“In a way, the shale gas and the shale NGL are a double threat for overseas competitors, and they know this. They’re watching our expansions, they’re watching our capacities and they’re watching our costs,” he said.

## **U.S. Exports To Global Petrochemical Markets**

The excess of supply over demand in U.S. NGL markets along with the construction of infrastructure in the midstream space has enabled the U.S. to become a net exporter of NGL, according to Haas. Furthermore, the U.S. is vying with Saudi Arabia as the largest propane exporter.

Additionally, incremental U.S. NGL export infrastructure via pipeline, rail and water is taking place. “These exports happen of course with our North American neighbors, including north and south of the border. We’ve got plenty of exports traveling up to Canada by pipeline and rail all throughout the value chain of NGL—in other words, condensate, propane, butane and ethane,” he said. “We’ve got a start of an industry going into Mexico now as well.”

Haas mentioned a very large multi-unit train propane facility in central Mexico where Kansas City Southern hopes to bring about 150,000 bbl/d of propane and LPG into Mexico not only for use in the country, but also for potential export from the Pacific Coast of Mexico. “That could be an interesting game changer,” he said. The U.S. is exporting on the East Coast, West Coast, even potentially Alaska, and most certainly in the Gulf Coast for marine exports of NGL, he continued.

Stratas Advisors predicts North America’s markets will stay close to home, close to the Americas, including the Atlantic Basin and parts of Africa as growth occurs there in the longer term, Haas said, “but certainly in the near term into Europe, especially for some of the ethylene crackers that are sourcing U.S.-based ethane.” Farther east, U.S. exports also are going into India and China.

## **Risks To The Renaissance**

With regard to petrochemicals, operators need to look at the feedstocks that are used for petrochemicals, not just the gas and oil itself, Haas said.

“Ethane is at times undervalued compared to natural gas, and that drives the industry to reject ethane out of their fractionators and out of their processing plants and back into the natural gas chain so that it can get a higher value than even purity ethane would,” he said. “But you can see that ethane and natural gas are tied at the hip right now, and so it’s a very low-cost source.”

But is it enough? “If you look at some of the projects and magnitude of everything that’s been announced, you’ve got basically 28 million tons per year of new ethylene production capacity in North America alone,” he said. Though, he points out, some of these have been delayed already.

However, should the U.S. petrochemical industry be paying attention to the “too much supply, too little demand” refrain? A conservative bearish case run by Stratas Advisors for ethylene demand shows incremental global growth of 27.5 million tonnes per annum (mtpa) by 2025 over 2015 levels, according to Haas. Stratas Advisors’ high-side North American petrochemical expansion case, including completion of all announced ethylene cracker expansion and new-build projects, shows 28.8 mtpa of additional capacity in the U.S. and Canada by 2025.

“We pretty much see [ethylene] demand growing within North America, Middle East, North Africa and Asia, but Russia and the rest of the world kind of just balance each other out,” he said. “And project capacity [for] potential expansion sites are pretty much 28 million tons per year, so that leaves nothing for anyone else for any other expansions around the world, unless you think demand is going to be stronger or unless you think some of the U.S. facilities will not get built.”

As for the supply side of ethane, Stratas Advisors predicts it could become an interesting opportunity for ethane prices to recover some, but they still have quite a bit of ways to get above the natural gas price, Haas said.

## Twice In One Week, Marathon Petroleum Outbids Itself For MarkWest



By **DARREN BARBEE**, Hart Energy

Marathon Petroleum Corp. submitted its “final offer” to buy MarkWest Energy Partners LP on Nov. 17—doling out nearly 20% more cash to the MLP’s unitholders.

Marathon increased its cash consideration to \$1.28 billion, the second time in seven days the company bumped up the cash portion of the deal.

The merger between Marathon’s MLP, MPLX LP, and MarkWest was initially valued at \$15.7 billion and is largely a unit-for-unit purchase transaction. MarkWest unitholders are scheduled to vote on the deal on Dec. 1. If the deal closes, MarkWest will become a wholly owned subsidiary of MPLX.

But the cash portion of the deal has evolved as voting day nears for Marathon:

- Initial offering was \$675 million cash;
- Added \$400 million on Nov. 10; and
- Added another \$205 million on Nov. 17.
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Marathon, with a \$30 billion market cap, has nearly doubled its initial cash offer and will pay \$225 million to maintain its 2% general partner interest in MPLX.

Along with diminished returns from the deal, the company’s near-term cash available for share repurchases or dividends would also be affected, said Roger D. Read, senior analyst, Wells Fargo Securities LLC.



Marathon said Nov. 17 that three of MarkWest's largest unitholders, Kayne Anderson Capital Advisors LP, Tortoise Capital Advisors LLC and The Energy & Minerals Group have all entered into agreements to vote in favor of the transaction. Together, they represent more than 15% of MarkWest's outstanding units entitled to vote. Other investors may be having second thoughts.

### Doubters

Former MarkWest CEO John Fox is actively campaigning to kill the deal. He said MarkWest unitholders would see their distributions cut in half with a return to parity in 3 to 5 years.

On a Nov. 17 webcast, Fox remained resolutely against the transaction and said the increased cash consideration was essentially meaningless.

"The fundamentals have not changed," he said. "This is a pennies-on-the-dollar increase for a really bad deal."

MarkWest and MPLX Before and After Snapshot			
MarkWest	Marathon/MPLX	Combination	
Enterprise Value	\$15.2	\$34.5/\$4	\$19.2
Yield	8.2%	4.6%	3.5-4.5%
2016-19 LP Distribution	8-10%	20-25%	20-25%
CAGR <sup>1</sup>			
<i>Source: MarkWest Energy Partners LP, Nov. 12 presentation 1.</i>			
Compound annual growth rate			

Fox also said some unitholders have a misconception that voting down the deal will trigger a \$625 million breakup fee.

"If MarkWest votes this deal down there is no breakup fee," he said.

Fox also said the company is better off on its own, illustrated by the agreement giving Marathon a significant portion of MarkWest's income.

"This deal is far more important to Marathon than to MarkWest," Fox said.

Marathon shareholders may also be growing weary of the deal.

While the economics of the deal remain attractive, Marathon's decision to suddenly and repeatedly raise its offer may be concerning to the market, said Paul Y. Cheng, analyst, Barclays Equity Research.

"Many MPC investors may prefer the company to walk away from the deal rather than to continue to raise their offer," Cheng said.

### In The Pipeline

Despite misgivings among some investors, the combined companies would make for an impressive midstream venture.

Marathon said the combination would create one of the largest MLPs and is "expected to generate a mid-20% compound annual distribution growth rate through 2019."

**FRAC SPREAD**

# Frac Spread: Can 2016 Bring Balance?

By FRANK NIETO, Hart Energy

It is becoming increasingly obvious that whenever winter temperatures arrive they will most likely be too little and too late to save a plunging market. For the oil and gas industry, 2015 has been a lost year with low prices, high storage levels across liquids, gas and crude oil products.

Positive news is hard to come by with the brightest item being that the crude oil market could be rebalanced next year, according to Simmons Energy Research. “Although the market remains heavily oversupplied through the first-half of 2016 and inventories are at record levels, on reasonable assumptions, the market looks balanced by the second half of 2016 and increasingly tight in 2017 and beyond,” the firm said in a Nov.19 research note.

The report stated that this rebalancing in this timeframe is a possibility and not a given as there are multiple factors that could delay this return to optimal supply-and-demand levels. These potential challenges include incremental OPEC production and global economic and oil demand uncertainty.

Should the oil market rebalance in 2016, it could be short-lived with the possibility of a sharp increase in value due to reduced production. “Massive industry layoffs and the reduction in inventory of working drilling rigs will contribute to a slow recovery in activity once oil prices start to rebound in 2016,” Barclays Capital reported in a Nov.16 research note.

The investment firm reported that approximately 200,000 oil and gas jobs have been lost on a global basis with many drilling rigs scrapped. This is likely to lead to reduced borrowing power and drilling activity while financial institutions and producers gauge the market’s ability to sustain these expected price improvements.

West Texas Intermediate (WTI) prices will have to experience notable gains in the coming year to experience increased drilling activity as most traders and analysts believe that the lowest price to support drilling is \$60 per barrel (/bbl). This is a far cry from the \$40/bbl currently being experienced.

Natural gas prices experienced gains, though they are more indicative of slight corrections following severe declines in recent weeks than any sort of rally. Prices rose just above \$2 per million Btu, which is on the low end of the price curve for the past six months. Given the weather forecasts for the coming weeks it is hard to see much more value being added to prices before December.

These weather forecasts have been especially troublesome for propane, which continues to experience record storage levels despite strong LPG export demand. The lack of heating and crop-drying demand has made it hard to stop the storage build much less work off this overhang. More troublesome is the possibility that LPG export demand could begin to slow down from Asia based on futures prices.

Propane had the lowest price decrease at both hubs this week with an 8% decline to 41 cents per gallon (/gal) at Mont Belvieu and a 10% decline at Conway to 38 cents/gal. Though margins remain solid at both hubs, it is likely that if storage levels are at record lows come the spring that prices will drop lower and create much thinner margins.

NGL PRICES						
Mont Belvieu	Eth	Pro	Norm	Iso	Pen+	NGL Bbl
Nov. 11 - 17, '15	17.16	41.30	60.64	61.50	97.92	<b>\$19.03</b>
Nov. 4 - 10, '15	17.77	44.76	64.42	65.22	103.02	<b>\$20.18</b>
Oct. 28 - Nov. 3, '15	18.62	43.08	60.66	60.58	100.38	<b>\$19.61</b>
Oct. 21 - 27, '15	19.23	41.88	58.18	58.00	97.38	<b>\$19.16</b>
October '15	19.60	44.85	61.25	61.31	100.33	<b>\$20.02</b>
September '15	18.71	45.45	58.34	59.01	96.20	<b>\$19.46</b>
3rd Qtr '15	18.26	40.99	54.16	55.19	100.10	<b>\$18.80</b>
2nd Qtr '15	17.93	46.30	58.11	59.66	126.14	<b>\$21.48</b>
1st Qtr '15	18.38	53.01	66.35	67.81	110.53	<b>\$21.94</b>
4th Qtr '14	20.22	76.90	96.73	98.28	149.25	<b>\$30.10</b>
Nov. 12 - 18 '14	21.94	80.74	107.52	110.50	150.16	<b>\$31.77</b>
Conway, Group 140	Eth	Pro	Norm	Iso	Pen+	NGL Bbl
Nov. 11 - 17, '15	13.86	37.50	58.56	66.70	95.06	<b>\$18.04</b>
Nov. 4 - 10, '15	14.20	41.44	61.82	68.90	98.80	<b>\$19.05</b>
Oct. 28 - Nov. 3, '15	16.44	40.10	57.12	62.22	100.10	<b>\$18.92</b>
Oct. 21 - 27, '15	16.80	38.76	54.22	58.92	96.16	<b>\$18.32</b>
October '15	16.68	41.60	58.28	64.61	99.19	<b>\$19.20</b>
September '15	16.10	43.19	53.66	62.28	96.61	<b>\$18.82</b>
3rd Qtr '15	15.47	36.28	48.59	54.34	99.10	<b>\$17.59</b>
2nd Qtr '15	15.50	40.55	52.40	56.80	121.50	<b>\$19.89</b>
1st Qtr '15	17.81	49.00	66.13	76.84	106.32	<b>\$21.49</b>
4th Qtr '14	18.69	78.64	102.72	113.19	146.37	<b>\$30.77</b>
Nov. 12 - 18 '14	21.20	87.16	117.00	122.78	148.02	<b>\$33.31</b>

Overall margins fell for every NGL at both Mont Belvieu and Conway as NGL prices failed to follow the improvement in gas prices. The most profitable NGL to make at both hubs was C5+ at 73 cents/gal at Conway and 75 cents/gal at Mont Belvieu. This was followed, in order, by isobutane at 47 cents/gal at Conway and 41 cents/gal at Mont Belvieu; butane at 38 cents/gal at Conway and 39 cents/gal at Mont Belvieu; propane at 19 cents/gal at Conway and 22 cents/gal at Mont Belvieu; and ethane at nil at Conway and 3 cents/gal at Mont Belvieu.

CURRENT FRAC SPREAD (CENTS/GAL)				
NOVEMBER 20, 2015	Conway	Change from Start of Week	Mont Belvieu	Last Week
Ethane	13.86		17.16	
Shrink	13.46		13.72	
<b>Margin</b>	0.40	-72.72%	3.44	-29.99%
Propane	37.50		41.30	
Shrink	18.59		18.96	
<b>Margin</b>	18.91	-20.74%	22.34	-17.23%
Normal Butane	58.56		60.64	
Shrink	21.05		21.47	
<b>Margin</b>	37.51	-10.50%	39.17	-11.58%
Isobutane	66.70		61.50	
Shrink	20.22		20.62	
<b>Margin</b>	46.48	-6.62%	40.88	-10.93%
Pentane+	95.06		97.92	
Shrink	22.51		22.96	
<b>Margin</b>	72.55	-6.40%	74.96	-8.03%
NGL \$/Bbl	18.04	-5.29%	19.03	-5.70%
Shrink	7.42		7.56	
<b>Margin</b>	10.63	-11.71%	11.47	-12.41%
Gas (\$/mmBtu)	2.03	5.73%	2.07	6.70%
Gross Bbl Margin (in cents/gal)	23.62	-12.49%	26.00	-12.86%
NGL Value in \$/mmBtu (Basket Value)				
Ethane	0.76	-2.39%	0.94	-3.43%
Propane	1.30	-9.51%	1.43	-7.73%
Normal Butane	0.63	-5.27%	0.65	-5.87%
Isobutane	0.42	-3.19%	0.38	-5.70%
Pentane+	1.23	-3.79%	1.26	-4.95%
Total Barrel Value in \$/mmbtu	4.34	-5.50%	4.68	-5.71%
<b>Margin</b>	2.31	-13.58%	2.61	-13.68%

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.

Gas storage injection rates finally slowed down the week of Nov. 13 with the U.S. Energy Information Administration reporting that storage increased by 15 billion cubic feet to 4 trillion cubic feet (Tcf) from 3.985 Tcf. This was 11% greater than the 3.596 Tcf figure posted last year at the same time and 6% greater than the five-year average of 3.793 Tcf.

Heating demand is expected to remain mixed as the National Weather Service's forecast for the week of November 25 anticipates warmer-than-normal temperatures in the eastern half of the country and cooler temperatures in the western half.

RESIN PRICES – MARKET UPDATE – NOVEMBER 20, 2015					
TOTAL OFFERS: 8,097,912 lbs		SPOT		CONTRACT	
Resin	Total lbs	Low	High	Bid	Offer
HDPE - Inj	1,865,496	0.59	0.62	0.515	0.555
HDPE - Blow Mold	1,770,920	0.52	0.58	0.515	0.555
LLDPE - Film	1,448,288	0.57	0.64	0.525	0.565
LDPE - Film	999,104	0.61	0.655	0.545	0.585
LLDPE - Inj	746,368	0.58	0.61	0.565	0.605
PP Copolymer - Inj	437,368	0.5	0.66	0.615	0.655
LDPE - Inj	380,000	0.64	0.66	0.585	0.625
PP Homopolymer - Inj	260,368	0.58	0.61	0.595	0.635
HMWPE - Film	190,000	0.58	0.58	0.525	0.565

Source: Plastics Exchange – [www.theplasticsexchange.com](http://www.theplasticsexchange.com)

## MORE TOP STORIES

# Texans For LNG Educational Campaign Launches

Texans for LNG, a campaign to raise public awareness of the value of LNG export facilities in Texas, officially launched on Nov. 19, a press release said. Ron Kirk, a former U.S. trade representative and Dallas mayor, is the campaign's chairman. Individuals, organizations and businesses comprise the campaign.

According to a recent study by ICF International, the LNG export sector will bring significant jobs to Texas and inject tens of billions of dollars into the state's economy by 2035. The LNG export facilities that have been proposed along parts of the Texas coast would account for combined capital investments that could exceed \$40 billion.



## **Tower Advisory Energy Regulatory Affairs Group Launches**

Tower Advisory Group LLC, a new energy regulatory affairs group, officially launched in Washington, D.C., the group said Nov. 20.

The group provides strategic advising on U.S. and international policy and existing and pending regulations impacting energy businesses, investments and future growth.

On the federal level, Tower Advisory identifies risks and opportunities affecting client's business activities. The group helps clients tactically shape legislative and administrative outcomes.

The group also has partnerships with foreign institutions to foster energy transactions and monitor international regulatory frameworks.

Bennett Resnik is the founder and managing partner.

## **Trading House Glencore Makes Deal To Buy Libyan Oil**

Trading house Glencore has secured a deal to buy as much as half of the oil Libya is currently exporting, market sources said, as it looks to boost trading to help offset flagging profits from mining.

For war-torn, cash-strapped Libya it offers steady sales to international buyers and shifts to Glencore the risks associated with loading oil and chartering vessels at ports where operations have become more unpredictable due to the conflict in the north African nation.

Under the arrangement with Libya's state-run National Oil Corp. (NOC), which began in September, Glencore loads and finds buyers for all the Sarir and Messla crude oil exported from the Marsa el-Hariga port near the country's eastern border with Egypt.

While Libyan oil exports peaked at 1.6 million barrels per day, battles between rival factions seeking to control the country, as well as strikes and blockades by local tribes, have kept production under 0.5 million bpd for most of the past year.

Hariga, with exports of up to 140,000 bpd, has become Libya's largest exporting terminal, as the two biggest - Es Sider and Ras Lanuf - remain closed.

The NOC was not immediately available for comment, and Glencore also declined to comment. Libya is still exporting oil from other locations, such as offshore platforms Bouri and Al-Jurf, without a Glencore go-between, and is working to reopen its larger fields of El Feel and Sharara.

Some oil companies and refineries had grown reluctant to send vessels to load Libyan oil for fear of lengthy and costly loading delays and force majeure declarations.

A slump in copper - usually a major profit centre for Glencore - zinc and coal prices has badly hurt the company, which has one of the highest debt levels in the industry. Its shares have shed more than two-thirds of their value this year.

It has promised to cut debts by \$10 billion by selling assets and suspending dividends, and has also assured investors its large trading division would help it withstand the commodities price slump and weak revenues from mining.

Glencore hopes to generate \$2.5-\$2.6 billion in adjusted earnings from trading this year, although first-half earnings came in below expectations.

The Tripoli-based NOC and central bank are some of the only institutions still functioning in Libya, and both face challenges from the east, where an internationally recognised government resides.

The NOC earlier this year denied reports of an exchange of crude for oil products with Glencore, and said any arrangement that did not route payments via its central bank would be illegal.

– REUTERS

## Open Season Begins For Enable's CaSE Project

Enable Gas Transmission LLC (EGT) will conduct a binding open season for its Cana and Stack Expansion (CaSE), parent company Enable Midstream Partners LP said Nov. 10.

Together with EGT system capacity and EGT capacity on third-party pipelines, the CaSE project will provide residue takeaway solutions for growing production from the Cana Woodford, the Sooner Trend, Anadarko, Canadian and Kingfisher Stack regions.

The proposed project provides transport options for volumes between 190,000 and 490,000 dekatherms per day.

The open season is scheduled to end Dec. 3.-**Business Wire**

## Pembina Pipeline Closes Bought Deal Financing

Pembina Pipeline Corp. closed the bought deal offering of about 15.3 million common shares priced at CA\$30 each, the company said Nov. 20.

A syndicate of underwriters included about 2 million shares issued at the same price.

Gross proceeds totaled about CA\$460 million. Net proceeds will support capex associated with the CA\$6.5 billion suite of secured growth projects, debt payments and general corporate purposes.

Pembina Pipeline Corp. is based in Calgary, Alberta.

# Shippers: Revised Colonial Pipeline Tariff Hampers Competition

Several gasoline and distillate shippers are gearing up to fight Colonial Pipeline's newest proposed tariff, saying a revised version will still squash competition and curb access to the critical artery that moves millions of barrels per day to the U.S. Northeast from the Gulf Coast.

York River Fuels LLC, a New York Harbor marketer affiliated with Western Refining Inc, said in a regulatory filing on Nov. 19 that a key provision in the tariff would shut out many small shippers while favoring bigger ones like refiners that routinely ship hundreds of thousands of barrels every year.

Castleton Commodities International and World Fuel Services Corp, also have asked the Federal Energy Regulatory Commission to allow them to submit arguments.

Colonial, which has been full for more than three years, allocates space based on shipper history, or how many barrels shippers regularly move in 72 cycles each year. Those that move at least an average of 18,750 barrels per cycle are "regular" shippers and qualify for consistent space.

Shippers that move less can get the same status by transferring their shipper histories to each other. The tariff would prohibit small or intermittent shippers from transferring their shipper histories on Colonial back and forth to ensure consistent access to the pipeline.

Colonial's new tariff would eliminate that practice, leaving smaller shippers to vie for the 10 percent of space available to non-regular shippers in a lottery. Colonial revised an earlier proposal - which FERC halted - to cut the minimum to 11,250 from 18,750 barrels, but retained the prohibition on transferring shipper histories.

York gave its history to another company as per a contract in 2012 based on past practice of unfettered shipper history transfers. The new tariff would prevent that company from giving it back when their contract runs out, York said.

In addition, to reach regular status via the lottery shippers would have to win space for 55 of the total cycles, York said.

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