

# MIDSTREAM

## Monitor

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US PRESIDENTIAL ELECTION

# Now What?

By HART ENERGY STAFF

**A**fter an ugly, seemingly interminable campaign, voters surprisingly chose Republican Donald J. Trump as the next president of the United States.

While many oil and gas industry executives had steeled themselves for a Hillary Clinton administration, they now find themselves asking: What does a Trump administration mean for the industry?

**Tudor, Pickering, Holt and Co.** (TPH) was unsure what a Trump victory means for energy.

“We don’t know. But there are some clues,” TPH said in a Nov. 9 report. “Trump campaigned on reducing regulation. Maybe the EPA will be less aggressive in using the Endangered Species Act to block development? Trade with Mexico—will gas exports to Mexico go under or through the wall? Bigger picture—do his economic policies help [or] hinder economic growth [hydrocarbon demand]?”

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## ELECTION from Page 1

To some extent, it won't mean as much as some may think.

"One of the things I think was probably true either way the election would have gone is that market forces tend to have a bigger impact on energy investment than government policy," Bill Arnold, professor in the practice of energy management at **Rice University**, told Hart Energy on Nov. 9.

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Arnold believes, however, that the Trump administration will favor infrastructure projects like pipelines, and the 3,500 or so political appointees at the Department of Energy and the EPA will assist in clearing regulatory hurdles in support of those policies.

That could mean that many of the projects now in limbo could go forward, but not necessarily all. Low commodity prices and limited financing options have also

dampened enthusiasm.

Trump is on record as saying that, if elected, he would urge TransCanada Corp. (NYSE: **TRP**) to renew its Keystone XL permit application, which was rejected by the Obama administration to scorn of industry groups, particularly the **American Petroleum Institute**.

"Even if the administration were favorably inclined to give it permits, given what's happened, given the cost structures in Canada, [TransCanada] may not be as eager as they were a couple of years ago to proceed with that," Arnold said.

Veteran Washington policy analyst John Kneiss expects Trump to rescind Obama's executive orders that exempted certain federal lands from E&P activity, perhaps even offshore areas of the Gulf of Mexico and Atlantic Continental Shelf. The permit/license review and approval process would also likely be accelerated, he said.

But Kneiss believes some campaign promises will be harder than others to keep.

"Despite his claim to 'abolish EPA,' this would be a practical impossibility," he said. "Even though EPA was created by executive action [President Nixon's Reorganization Plan No. 3 created EPA on Dec. 3, 1970], its authorities are established under multiple environmental laws [Clean Air Act, Clean Water Act, etc.] passed by Congress, which would have to be amended to pass authorities to other departments/agencies—those laws are not going to be dissolved." Oil price volatility, at the top of many oil and gas executives' minds, is likely to continue in the short term, but will no longer be linked to the outcome of the election.

"I doubt very much domestic politics will have too much influence short term," said Andrew Fletcher, senior vice president of commodity derivatives for **KeyBank National Association**.

Fletcher told Hart Energy that oil prices are much more attuned to OPEC's meeting on Nov. 30 and the concessions Saudi Arabia will have to make to get a deal done.

Fletcher said the results of the U.S. election could spur OPEC members into a more cooperative mood since Trump has seemed less friendly toward the Middle East and the nuclear deal with Iran. ■



## VIDEO

ANALYSTS DECIPHER TRUMP'S  
IMPACT ON ENERGY:

Hart Energy's Digital News Group Managing Editor, Len Vermillion, summarizes what we've

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been hearing from analysts in the wake of Donald Trump's election.



## No Place For Good Ol' Boys

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Oil and gas companies are often run by good ol' boy networks of businessmen whose ties go back for many decades. CFOs and heads of finance in the energy sector come from these same networks, and this means that some finance leaders aren't on—or anywhere near—the leading edge of technology.

At a time when there are enormous changes in software delivery methods, billing models and the amount of data available to businesses, finance leaders need to oversee more than just record keeping. In the volatile energy sector, what are the risks facing companies whose finance leaders aren't taking advantage of new technology and big data?

—**MARCUS WAGNER**, Special To Hart Energy

## Expert: Energy Industry Must Respond to Public's Energy Doubts

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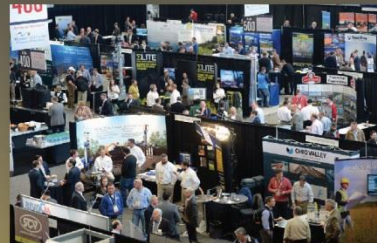


The U.S. energy business is in an enviable position today, thanks to the boom in unconventional plays that has occurred in the last decade. But a serious question lingers: Does the nation have the will to make the most of that advantage?

The industry itself has a major role in answering that question, according to Karen Harbert, president and CEO of the Institute for 21<sup>st</sup> Century Energy, sponsored by the U.S. Chamber of Commerce. —**PAUL HART**, Hart Energy

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## FRAC SPREAD

## It's Just A Market Thing

By JOSEPH MARKMAN, Hart Energy

Recent events of cosmic significance—like the surprise electoral victory of President-elect Donald Trump and the comeback World Series victory of the Chicago Cubs—are not to blame for the NGL price tumble.

CURRENT FRAC SPREAD (CENTS/GAL)				
NOVEMBER 11, 2016	Conway	Change from Start of Week	Mont Belvieu	Last Week
Ethane	18.60		20.86	
Shrink	14.63		15.92	
<b>Margin</b>	3.97	-6.06%	4.94	8.88%
Propane	51.65		54.34	
Shrink	20.21		21.99	
<b>Margin</b>	31.44	1.88%	32.35	0.99%
Normal Butane	72.43		72.15	
Shrink	22.88		24.90	
<b>Margin</b>	49.55	2.78%	47.25	0.18%
Isobutane	84.85		82.10	
Shrink	21.97		23.91	
<b>Margin</b>	62.88	2.14%	58.19	4.18%
Pentane+	100.90		99.96	
Shrink	24.46		26.63	
<b>Margin</b>	76.44	-5.94%	73.33	1.19%
NGL \$/Bbl	22.11	-6.49%	22.44	-3.72%
Shrink	8.06		8.77	
<b>Margin</b>	14.05	-1.59%	13.67	1.63%
Gas (\$/mmbtu)	2.21	-13.96%	2.40	-11.03%
Gross Bbl Margin (in cents/gal)	31.83	-1.14%	31.48	1.70%
NGL Value in \$/mmbtu (Basket Value)				
Ethane	1.02	-12.39%	1.15	-7.00%
Propane	1.79	-4.97%	1.89	-4.25%
Normal Butane	0.78	-3.17%	0.78	-3.99%
Isobutane	0.53	-2.58%	0.51	-0.76%
Pentane+	1.30	-8.02%	1.29	-2.38%
Total Barrel Value in \$/mmbtu	5.43	-6.73%	5.61	-4.07%
<b>Margin</b>	3.22	-1.03%	3.21	1.89%

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.

starting to have diminishing returns.”

Then there is the matter of the vote (no, not for the Cy Young Award—c’mon, focus). While the energy industry in the U.S. is contemplating the impact of the Trump administration, foreign players are watching closely as well.

For example, the president-elect was highly critical of the Iran nuclear deal during the campaign. The State Department confirmed this week that the agreement is valid only as long as all parties uphold it, so the U.S. could withdraw after Trump takes office. ■

Relax, it’s just a market thing.

And as the market takes, it also gives. Despite natural price struggles of late, the price on Election Day at the Houston Ship Channel was still 11.5% above what it was one year ago.

That said, the hypothetical NGL barrel at Mont Belvieu, Texas, took a 3.7% hit this week compared to last week, and Conway, Kan., suffered a 6.5% drop in price as the near-month price changed at the end of October.

From a year ago, the natural gas pattern holds. Mont Belvieu’s barrel is up 11.2% and Conway’s is up 16.1%.

Looking forward, the price outlook hinges on the upcoming OPEC

meeting in Vienna. Commodity prices rallied when the cartel announced it would limit production in September. Then in October, members failed to agree on the quotas needed to put those limits into effect.

OPEC’s ability to make the cuts necessary to make this happen is subject to “extreme skepticism” by the Houston-based experts at En\*Vantage, who are likely just being polite.

“Although there is little confidence that OPEC can pull off a credible production agreement when they formally meet, the market can still be influenced by OPEC talking up the market till the meeting,” En\*Vantage said. “However the jawboning is

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## TOP STORIES

**Energy Transfer: Easement To Unlock \$1.4 Billion In Financing For Dakota Access**

Energy Transfer Partners LP (NYSE: **ETP**) on Nov. 10 said an easement from the Army Corps of Engineers to drill under Lake Oahe will unlock an additional \$1.4 billion in financing for its Dakota Access Pipeline.

The company has already drawn \$1.1 billion from its \$2.5 billion credit facility but needs the easement, a right to use the property without possessing it, to access the remaining \$1.4 billion. Energy Transfer expects the U.S. government to make a decision on the Dakota Access “anytime” now, executives said on Nov. 10 during the company’s third-quarter earnings call.

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The company this week said it was mobilizing equipment to drill under Lake Oahe, the water source that has been a focus of the protests surrounding the project. The mobilization will take two weeks, after which the company expects to begin construction. —REUTERS

**Cushing Oil Hub Resumes Normal Operations After 5.0 Earthquake**

U.S. pipeline companies with operations at the heart of the country’s commercial oil industry restarted on Nov. 7 after a 5.0-magnitude earthquake late on Nov. 6 triggered safety shutdowns.

The epicenter of the earthquake was just 2 miles (3.2 km) from Cushing, Okla., the delivery point for one of the world’s benchmark oil prices and the home to storage tanks holding nearly 60 million barrels of crude.

Checks on the extensive network of pipelines and fuel tanks in the area showed no significant damage from the tremor, Oklahoma Corporation Commission spokesman Matt Skinner said.

Magellan Midstream Partners LP (NYSE: **MMP**) said it safely restarted its Cushing assets overnight after the earthquake and Enbridge Inc. (NYSE: **ENB**) said its Cushing-area tanks and pipelines were unharmed in the earthquake.

The Cushing Water Department said it will shut down Highway 18 to repair a water main break caused by the earthquake on Sunday. About 40 to 50 buildings were damaged by the quake, local officials said.

Oklahoma has been shaken by a series of earthquakes that the state has said are tied to disposal of wastewater from fracking. —REUTERS

**Sunoco, ExxonMobil Form JV**

Sunoco Logistics Partners LP (NYSE: **SXL**) said on Nov. 9 it is forming a joint venture (JV) with ExxonMobil Corp. (NYSE: **XOM**), giving the midstream company strategic assets near the Dakota Access line while expanding its West Texas footprint for the second time in less than two months.

The JV, called Permian Express Partners, will consist of assets owned by both companies, according to a statement. Sunoco Logistics will take a stake of 85%, while ExxonMobil will control the remaining 15%.

—REUTERS

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