MIDSTREAM Monitor

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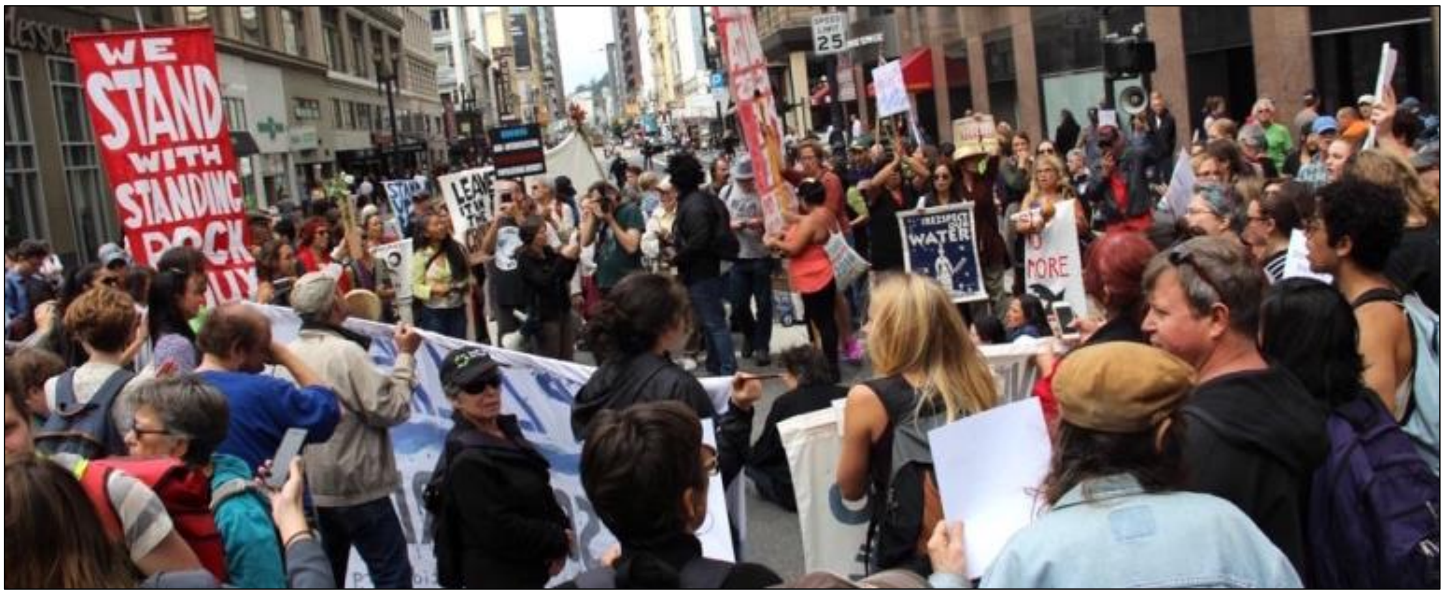
FEATURES



Diablo Rising Tide photo

Dakota Access Pipeline protesters gather outside a main Citibank branch in San Francisco's Financial District.

DAPL Conflict Ain't Over Yet

By **JOSEPH MARKMAN**, Hart Energy

The violent escalation of the standoff over construction of the Dakota Access Pipeline (DAPL) transcends stated local issues of water quality and tribal vs. private land rights, to become a symptom of significant challenges facing the U.S. energy industry going forward, analysts told Hart Energy.

Law enforcement officers arrested 141 protesters during an **operation to clear an encampment** at a construction site in Morton County, N.D., on Oct. 27. The protesters—members of the Standing Rock Sioux Tribe, environmental activists and other sympathizers—claim that the routing of the petroleum liquids pipeline under the Missouri River would put the tribe's water supply at risk. The tribe also contends that private land in the area purchased by Energy Transfer Partners LP (NYSE: **ETP**) belongs to the tribe according to terms of the **1851 Fort Laramie Treaty**.

"While the public face of these protests against the Dakota Access Pipeline is Native American tribe members [or proxy interests], the underlying grassroots coordination is through environmental advocates supportive of a 'keep-it-in-the-ground' policy," veteran Washington-based energy analyst John Kneiss told Hart Energy. He believes those environmental interests were emboldened by the Obama administration's denial of a

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DAPL from Page 1

"trans-boundary permit by TransCanada Corp. (NYSE: **TRP**) to build the Keystone XL Pipeline.

"The Obama Administration clearly and abruptly altered the decision-making process when it essentially ordered the [U.S. Army] Corps of Engineers to pull back on the easement already issued," he said.

"Fundamentally, this is already a public policy conflict that drives the current administration's programs on **Clean Power Plan**, renewables, etc., and will significantly influence our energy markets going forward regardless of which administration occupies the White House."

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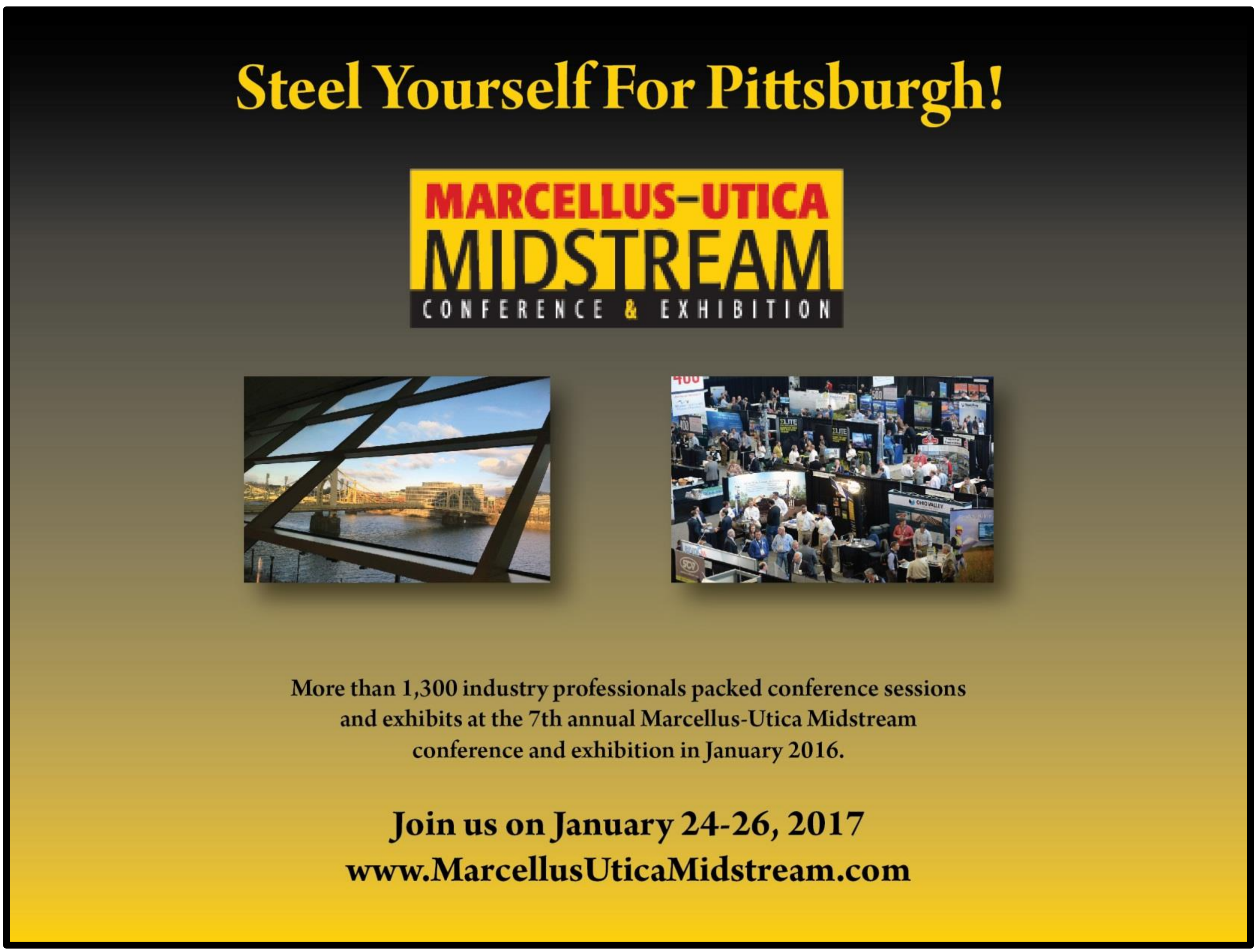
The government's decision to issue a permit and then ask Energy Transfer to voluntarily halt construction is disturbing as well to Greg Haas, director of integrated energy research at **Stratas Advisors**.

"Government regulators have a responsibility to adhere to the legal processes and regulations that are in place that already allow for significant input from all stakeholders around a given infrastructure project," he said, "rather than arbitrarily and capriciously changing course midstream after permits are duly granted and privately driven investments are committed and construction has begun."



THIRTY UNDER 40

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Watch video of an up-and-comer: Andrejka Bernatova, vice president of finance and investor relations at PennTex Midstream Partners, is a Thirty Under 40 honoree. Andrejka leads corporate finance, M&A, strategy, treasury and investor relations efforts at the Houston-based company.

AltaGas Details NGL Export Strategy From Ridley Island

In its third-quarter 2016 operating report, Calgary-based AltaGas Ltd. provided an extensive update for its NGL operations in Alberta and British Columbia. While the planned Ridley Island LPG export facility is not yet at the financial decision stage, we expect a positive financial decision will be announced by the end of the fourth quarter subject to necessary approvals.

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Ridley Island Propane Export Terminal

The proposed Ridley Island Propane Export Terminal will be located near Prince Rupert, British Columbia. It is designed to ship 1.2 million tons of propane per annum. AltaGas will build the facility on a brownfield site that has connections to existing rail lines as well as a marine jetty with deep-water access to the Pacific Ocean. The existing CN network will transport propane from British Columbia and Alberta to the facility.

In second-quarter 2016, AltaGas entered into a Memorandum of Understanding with Astomos Energy Corp. Under the agreement, Astomos will purchase at least 50% of the 1.2 million tons per year of propane available to be shipped from Ridley Island.

AltaGas successfully completed the formal environmental review process in September 2016. On Oct. 18, 2016, Canada's National Energy Board (NEB) granted AltaGas LPG General Partner Inc. approval for a 25-year license to export up to 1.35 million tons per annum of propane. —STRATAS ADVISORS

FRAC SPREAD

As Autumn Begins, NGL Prices Fall

By **JOSEPH MARKMAN**, Hart Energy

Considering that natural gas prices have tumbled off a cliff, NGL are holding up relatively well.

Hart Energy's hypothetical NGL barrel dropped 6.5% in the last week at Mont Belvieu, Texas, and 4.4% at Conway, Kan. The barrels are calculated on a five-day average from Wednesday to Tuesday.

CURRENT FRAC SPREAD (CENTS/GAL)

NOVEMBER 4, 2016	Conway	Change from Start of Week	Mont Belvieu	Last Week
Ethane	21.23		22.43	
Shrink	17.00		17.89	
Margin	4.23	59.47%	4.54	36.26%
Propane	54.35		56.75	
Shrink	23.49		24.72	
Margin	30.86	1.81%	32.03	2.20%
Normal Butane	74.80		75.15	
Shrink	26.59		27.98	
Margin	48.21	-2.08%	47.17	0.38%
Isobutane	87.10		82.73	
Shrink	25.54		26.88	
Margin	61.56	3.01%	55.85	-5.69%
Pentane+	109.70		102.40	
Shrink	28.43		29.93	
Margin	81.27	-2.02%	72.47	-8.00%
NGL $/Bbl	23.65	-4.26%	23.31	-6.52%
Shrink	9.37		9.86	
Margin	14.28	1.25%	13.45	-1.82%
Gas ($/mmBtu)	2.56	-11.59%	2.70	-12.25%
Gross Bbl Margin (in cents/gal)	32.20	1.60%	30.95	-1.37%
NGL Value in $/mmBtu (Basket Value)				
Ethane	1.17	-2.97%	1.23	-5.44%
Propane	1.89	-4.45%	1.97	-4.64%
Normal Butane	0.81	-5.69%	0.81	-4.73%
Isobutane	0.54	-1.75%	0.51	-7.92%
Pentane+	1.41	-4.69%	1.32	-9.28%
Total Barrel Value in $/mmbtu	5.82	-4.14%	5.85	-6.20%
Margin	3.26	2.66%	3.15	-0.31%

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 hub price at the Houston Ship Channel fell 15.6% from the first day of the period, Wednesday, Oct. 26, to Tuesday, Nov. 1. That price is used to determine the frac spread for Mont Belvieu. The price at Chicago Citygate, used for Conway, fell 19.4%.

Since Oct. 18, the price at both hubs has dropped 30%.

Behind the falloff is the sliding price of oil, which has stumbled from the $50s to the mid-$40s per barrel. This stems from traders' lack of confidence that an inherently dysfunctional OPEC can maintain lower production to support a higher price for oil, En*Vantage said. The other reason is the recent unseasonably warm weather, the analysts said. This is despite expectations for a cold three-month stretch from December through February.

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Ethane prices are also down 11% in the last two weeks at Mont Belvieu and almost 7% at Conway. En*Vantage attributes weakness in ethane to warm weather-induced lower gas prices and higher than normal stocks of ethylene, and notes that the surge in demand from ethane crackers is not expected until mid-2017.

Brightening the picture are ethane margins, which widened considerably at both hubs in a week when other NGL scuffled. Looking ahead, En*Vantage expects volatility in ethane prices until significant demand begins to take effect in about eight months.

From a longer perspective, the recently ended month provided happy numbers. Indeed, the post-Halloween sugar high had barely eased before an early holiday gift arrived: a banner autumn for NGL prices, with the hypothetical barrel up 24.5% on average for September-October at Mont Belvieu compared to July-August, and up 29.2% at Conway.

Dominion's $1.73 Billion Questar Dropdown Bolsters Finances

The announced $1.725 billion dropdown of **Questar Pipeline LLC** to Dominion Midstream Partners LP (NYSE: **DM**) on Oct. 31 will shore up finances for the MLP and Dominion Resources Inc. (NYSE: **D**), its general partner.

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The transaction will more than double 2016 adjusted EBITDA for parent company Dominion Midstream, relieving it of additional asset dropdowns or equity financing until second-half 2018, the company said in a statement. Dominion Midstream ranked No. 31 on **The Midstream 50** with 2015 EBITDA of $240 million, a 22% increase over the previous year.

However, EBITDA for Dominion Midstream in 2016 as forecast by Bloomberg prior to the announcement was only $107.1 million. The forecast for 2017 was $216.1 million. **—JOSEPH MARKMAN,** Hart Energy

TOP STORIES

SoCalGas Seeks California's Permission To Reinject Gas Into Aliso Canyon Storage Facility

Southern California Gas Co. (SoCalGas) sought state permission to reinject natural gas into its Aliso Canyon storage facility, shut over a year ago after a massive methane leak forced the evacuation of thousands of people in the Porter Ranch area of Los Angeles.

The utility said 29 of the 114 wells at the site passed state safety tests, making them fit for gas reinjection if authorization was granted. The balance remains temporarily sealed.

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Before the leak, Aliso Canyon was able to deliver almost 1.9 billion cubic feet per day (Bcf/d). SoCalGas could not immediately say on Nov. 2 how much gas it may be able to withdraw from the wells that passed the tests.

SoCalGas said it added new inner metal tubing in every well approved for injection, installed around-the-clock pressure monitoring of all wells and built an infrared fence-line methane detection system.

The remaining 85 wells that have not passed safety tests must do so within one year or be permanently sealed, California's Division of Oil, Gas and Geothermal Resources said. **—REUTERS**

Energy Transfer Closes PennTex Deal

Energy Transfer Partners LP (ETP) closed on the agreement to acquire certain interests in PennTex Midstream Partners LP (PTXP) from various parties for total consideration of about $640 million in ETP units and cash.

ETP now owns 100% of the general partner of PTXP and all of its incentive distribution rights, as well as 6.3 million common units and all 20 million subordinated units of PTXP. That represents about 65% of the total limited partner interests in PTXP.

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