MIDSTREAM Monitor

Oct. 16, 2015 | Volume 33 | Issue 41

FEATURES

# Coming Chill May Warm Gas Demand Just Slightly

**By PAUL HART, HART ENERGY**

The frost is on the pumpkin and the first chilly mornings of fall have kicked home furnaces on with a familiar "kuh-WUMPH." At least many natural gas producers and transmission system operators hope that's so as weather is the major factor impacting gas demand.

The 2015-16 heating season has begun with record gas supplies at the ready, but questions exist about whether there is enough demand to soak up that abundant supply. Price reflects a commodity's supply-demand balance, and current weak gas prices reflect where things stand. U.S. natural gas prices have averaged $2.79 per MMBtu this year, nearly as low as the bargain-basement $2.74 average for 2012, according to a new Barclays report, "Natural Gas Market Outlook: Waiting On Demand."

For September, the NYMEX Henry Hub gas futures price averaged $2.64/MMBtu, the lowest average for any September since 2001.

The nation's gas market is "a story of too much supply and not enough demand," Barclays said, pointing out that domestic dry gas production has risen 27% in five years, climbing to an average of 73.1 billion cubic feet per day (Bcf/d) from 57.4 Bcf/d in 2010. Meanwhile, gas demand has recorded only a minimal increase thanks to a sluggish economy.

Gas production has to go somewhere, and the result is that gas in storage has risen to the high side of the five-year moving average. Total gas in storage stood at 3.6 trillion cubic feet (Tcf) as October began, some 155 Bcf above the five-year average, according to U.S. Energy Information Administration numbers.

The supply imbalance would have been worse for the industry except for a couple of trends, the report added. First, the winters of 2013-14 and 2014-15 were cold ones nationwide. Barclays estimated that those colder-than-usual winters created 1.3 Tcf in extra demand.

Second, power generators are moving to gas in a big way, backing out coal as the most popular boiler fuel for power plants, Barclays said. This year for the first time gas took a bigger share of the power generation fuel business than coal.

"On a positive note for natural gas demand, natural gas power burn continues to set records," Simmons Energy Research said in an Oct. 9 report. "Thus far in 2015, the average demand of 26.6 Bcf/d (through September) is 0.3 Bcf/d above the previous record set in 2012. The Southeast and the Northeast have both posted noticeable gains year over year.

"While coal retirements have allowed natural gas to gain share and low natural gas prices have further elevated demand levels, 2015 gains have been well above original forecasts and a meaningful 1.7 Bcf/d above weather-adjusted normals. A new all-time daily demand record was set in July at 38.6 Bcf/d," Simmons added.

"Coal-to-gas switching has helped clear the market but is a price floor, not a trampoline, for natural gas prices," Barclays said.

But whether the weather?

Another cold winter would stimulate demand again but weather patterns—and forecasts—so far have not been encouraging. Texas and much of the Southwest recorded record highs in the 90s as October progressed, and National Weather Service forecasts project all of the nation to be warmer than normal through the end of the month. The private AccuWeather forecasting service, however, projected "a brief taste of winter" Oct. 14 for the Midwest and New England in mid-October with snow showers possible in parts of New England.

Its mild-to-warm forecast may change as the year nears an end, the government weather service said. Its long-term forecast through late December expects temperatures on both the Atlantic and Pacific coasts, and across the northern tier of states, to be warmer than normal. The central part of the Lower 48 states will be about average with cooler-than-normal temperatures in Texas and New Mexico, it said.
For the winter ahead, AccuWeather projected that "after the winter of 2014-2015 brought brutal cold to the northeastern United States, this season is set to be milder overall, but particularly during the early part of the season." That could change late in the season but the coming season looks to be more typical, it added.

"Regardless, the Northeast and mid-Atlantic can expect fewer days of subzero temperatures than last year. February of 2015 went down in the record books as the second-coldest February on record for both the region and for eight states individually, including Pennsylvania, New York and all six New England states," AccuWeather said.

A third—and new—gas-demand factor may finally be kicking in, like all those furnaces. Cheniere Energy's Sabine Pass gas liquefaction plant in Cameron Parish, La., started commissioning of its first train as October began, according to Genscape's information service. Cheniere has said the plant's first load of exported LNG could weigh anchor by year end. Cheniere had previously received U.S. Department of Energy permission to ship 2.2 Bcf/d of gas, which was increased to 3.6 Bcf/d in a June ruling.

# Lifting Export Ban Would Raise Government Oil Royalties – If Feds Collected


**By DARREN BARBEE, HART ENERGY**

Without a dramatic shift at the White House, a bill to lift crude oil export restrictions would likely be vetoed on arrival, though analysis shows resumed exports would pay off.

On Oct. 9, the U.S. House approved a bill 261-159 “to adapt to changing crude oil market conditions” by authorizing crude oil exports.

The Congressional Budget Office (CBO) estimated in September that the legislation would reduce net direct spending by $1.4 billion over the 2016-2025 period by increasing offsetting receipts from federal oil and gas leases.

U.S. oil and gas royalties make up one of the federal government’s largest nontax revenue sources, according to the Government Accountability Office (GAO). The Department of Interior reported it collected $48 billion from fiscal 2009-2013 royalties and other payments.

The trick would be getting the Department of Interior to collect the rest. For years, the agency has been under fire for struggling to provide adequate staff for inspections and production monitoring in order to collect.

The bill also adds no intergovernmental or private sector mandates that would impose costs on state, local or tribal governments.

Most of the estimated savings – about $1.2 billion – would come between 2020 and 2025.

The CBO also expects that the removal of existing permitting restrictions would increase demand for U.S. oil. That would raise the prices received by some domestic firms and encourage additional production.

The agency said that its March 2015 baseline projections estimate a rise of roughly $2.50 per barrel over the 2016-2025 period.

Higher wellhead prices would also increase royalties and the amounts producers would be willing to pay for leases on federal lands.

"CBO estimates that the increases in domestic prices and production would boost federal receipts from federally owned oil and gas leases, which are calculated as a percentage of the value of the oil produced on the lease," the CBO report said.

The CBO said that its estimates are based on federal royalties generated by increased prices and production. However, the Interior Department has shown an inability to collect funds since at least 2011, GAO said.

The GAO for years has viewed the management of federal oil and gas resources by the Interior Department as inadequate. The department's revenue collection efforts are rated as a high-risk area by the GAO.

"Interior's capacity to address weaknesses in revenue collection is uneven," GAO said in a February report.

**Changes In Direct Spending By Federal Year ($MM)**

| Fiscal year | Estimated Budget Authority | Estimated Outlays |
|---|---|---|
| 2016 | * | * |
| 2017 | * | * |
| 2018 | -50 | -50 |
| 2019 | -95 | -95 |
| 2020 | -105 | -105 |
| 2021 | -155 | -155 |
| 2022 | -215 | -215 |
| 2023 | -220 | -220 |
| 2024 | -275 | -275 |
| 2025 | -330 | -330 |
| 2016- 20 | -250 | -250 |
| 2016-25 | -1,445 | -1,445 |

*Source: CBO.* Note: * = between -$500,000 and $0.

In recent years, offshore staff has focused on inspections and came close to, but did not meet, its goals.

Onshore, the department did not meet its production inspection goals, which officials attributed in part to insufficient inspection staff.

In any case, the new legislation appears stuck for now, despite any economic benefit.

The Office of Management and Budget (OMB) signaled on Oct. 7 that the bill would be vetoed by President Obama.

While the OMB noted that oil production has strengthened the economy and created jobs, the administration has worked to support safe and responsible growth including cutting methane leaks, protecting water and improving offshore safety.

"Legislation to remove crude export restrictions is not needed at this time," the OMB said. "Rather, Congress should be focusing its efforts on supporting our transition to a low-carbon economy."

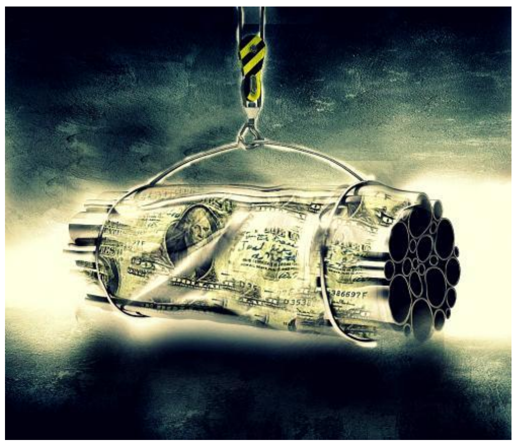
The House bill addresses greenhouse-gas emissions with a requirement that the secretary of energy would have to prepare a study on the net greenhouse-gas emissions that result from repeal of export restrictions.

States receive 49% of proceeds from most onshore federal oil and gas leases.

“Given the political mess in the U.S. House of Representatives these days, it has been challenging getting anything voted on … after more than three years of rhetoric on the issue,” said Pavel Molchanov, Raymond James Equity Research. Molchanov said the Senate seems indifferent to the bill and the White House veto makes the vote moot until at least 2017.

“As before, domestic oil producers are in favor of the export ban being lifted. On the other hand, domestic refiners are lobbying to maintain the status quo in order to capture the maximum spread from refined product exports,” he said. “For at least the next 16 months, refiners will get their way.”

# Despite Cash Crunch, Rice Forms Utica Midstream JV With Gulfport



**By DARREN BARBEE, HART ENERGY**

Rice Energy Inc. (RICE) is pushing ahead with a premier midstream system in the Utica Shale, but its portion of a $640 million joint venture (JV) may put the company in a bind in 2016.

Rice is poised to outspend cash flow by more than $400 million in 2016 based on current strip prices.

Subsidiary Rice Midstream Holdings LLC (RMP) and ally Gulfport Energy Corp. (GPOR), which operate in an area of mutual interest (AMI) in the Utica, said Oct. 8 they will invest about $520 million to develop gathering and compression assets and $120 million for water assets within the JV over the next six years.

“This significantly increases Rice's retained midstream footprint in Ohio, which previously consisted solely of the acreage inside the Rice/GPOR AMI,” said Daniel Braziller, equity analyst for Jefferies LLC.

The assets will be candidates for future dropdowns to Rice’s midstream subsidiary, which will help fund the company’s upstream business and accrete value to Rice Midstream's general partner.

Under the terms of the JV, Rice will own 75% of midstream assets and be responsible for construction and operations of the midstream assets in Belmont and Monroe counties, Ohio.

Gulfport will own the remaining 25% of the JV and dedicate about 77,000 leasehold acres to the midstream project, including the acreage recently acquired in its Paloma Partners III LLC and American Energy – Utica LLC transactions.

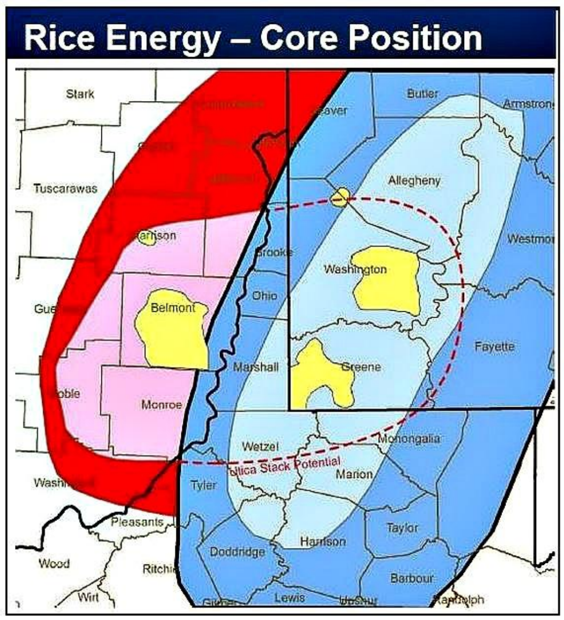
Under the agreement, Rice and Gulfport will pay a proportionate share of the total capital investments. Gulfport's capex for the JV will be about $160 million over the next six years, said David Kistler, analyst with Simmons & Co. International.

In June, Gulfport entered into agreements to purchase 35,325 net Utica acres from American Energy for $407 million. Gulfport also acquired 24,000 net acres from Paloma in April for $301 million.

Gulfport will also contribute an 11-mile gas gathering pipeline and a 350 million British thermal unit per day (MMBtu/d) TETCO interconnect, which are both located in Monroe County.

Rice will build a 165-mile dry gas gathering system of high and low pressure pipelines.

Kistler said Gulfport has been transparent about its goal of securing dedications on its acquired acreage. Its selection of Rice as a partner "builds on their prior working history with Rice in the Utica."




**Down Drop**

Daniel J. Rice IV, CEO, said the JV furthers the company's midstream relationship with Gulfport in the core of the Utica.

"This joint venture will be one of the premier midstream systems in the prolific dry gas core of the Utica and adds to Rice's attractive inventory of potential dropdown candidates to Rice Midstream Partners," he said.

Rice could use those dropdowns to help overcome its estimated 2016 deficit, Braziller said.

In 2015 and 2016, Rice's capex is at least double its discretionary cash flow.

Rice's estimated 2015 discretionary cash flow is $332 million while capex is $678 million—a $347 million deficit, according to Wells Fargo Securities LLC.

In 2016, estimated discretionary cash flow falls to $286 million while spending rises to $709 million, resulting in Rice spending $424 million more than it takes in.

To help balance its budget, Rice's existing water distribution assets will likely be dropped down to Rice Midstream in early 2016 for proceeds of roughly $150 million, Braziller said.

"RMP is low-debt and we are optimistic that it will have access to external funding sources" he said.

Rice may also drop roughly one-third of its existing Ohio gathering EBITDA into its midstream subsidiary by the end of 2016.

Combined proceeds of roughly $270 million would help improve Rice’s balance sheet and funding outlook materially, Braziller said.

Under the terms of the JV agreement, Gulfport will have the right to participate on a proportionate basis in any direct or indirect sale transactions by Rice, which includes potential dropdown transactions with its midstream subsidiary.

The JV will also pursue additional third-party opportunities within a 340,000-acre AMI in Belmont and Monroe counties. Future acreage leased by Gulfport and Rice in the counties will be dedicated to the JV.

# Oil Glut Will Persist As Global Demand Growth Slows: IEA

A global oil supply glut will persist through 2016 as demand growth slows from a five-year high and key OPEC members maintain near-record output, the International Energy Agency (IEA) said, even as low prices curb supply outside the producer group.

The IEA, which advises industrialized countries on energy policy, said in an Oct. 13 report that world oil demand will rise by 1.21 million barrels per day (MMbbl/d) in 2016, down 150,000 bbl/d from last month's forecast.

"A projected marked slowdown in demand growth next year and the anticipated arrival of additional Iranian barrels—should international sanctions be eased—are likely to keep the market oversupplied through 2016," the Paris-based IEA said.

The cut in the demand outlook, due in part to a weaker world economy, makes the IEA's 2016 growth estimate lower than the two other closely watched government forecasters, the U.S. Energy Information Administration and OPEC.
Oil prices, which rose earlier on Oct. 13, turned negative after the release of the IEA report.

A drop in prices because of abundant supply to around $50 a barrel—half the level of June 2014—has led to a downgrade in supply forecasts from countries outside OPEC such as the United States.

Next year, non-OPEC output is expected to contract by nearly 500,000 bbl/d, the IEA said, as drilling activity slows in the United States and companies elsewhere delay projects.

"Non-OPEC supply growth is disappearing fast,” it said. "The sharpest slowdown is in the U.S., where onshore crude and condensate production has started to drop."

**OPEC Pumps More**
While the IEA still sees a contraction in non-OPEC supply next year, it expects supply to be about 100,000 bbl/d higher than in last month's report. This, plus the weaker global demand projection, prompted the IEA to cut its estimate of the demand for OPEC oil to 31.1 MMbbl/d.

The Organization of the Petroleum Exporting Countries is already producing more than that, even before a potential lifting of sanctions on Iran clears the way for Tehran to increase exports in 2016.
OPEC raised supply in September by 90,000 bbl/d to 31.72 MMbbl/d, the IEA estimated, saying it expected output to hover around 31.5 MMbbl/d in coming months.

The group, in a move led by Saudi Arabia, in 2014 dropped its longstanding policy of supporting prices by cutting output, choosing instead to defend market share against higher-cost producers, and there has been no sign of a change of tack. Iran, traditionally OPEC's second-largest producer, is keen to recover the market share it lost as a result of tighter sanctions. The pace at which this oil returns is a big uncertainty for next year, the IEA said.

Oil inventories could rise by 1.1 MMbbl/d if Iran brings back an extra 600,000 bbl/d of oil output over 2016, according to the agency, compared with the 600,000 bpd inventory build-up it assumes otherwise.

This, as well as rising geopolitical tension over Russia's military intervention in Syria and a wide range in the demand and supply forecasts for 2016, clouds the outlook for now.

"Some of this uncertainty may start to clear next year although, considering Iran, the market may be off balance for a while longer," the IEA said. **- BLOOMBERG**

## FRAC SPREAD

# Season of Doubt

**By FRANK NIETO, HART ENERGY**

NGL prices benefitted from a near three-month high in West Texas Intermediate (WTI) crude and colder fall temperatures that increased heating demand. This resulted in the theoretical NGL barrel (bbl) improving 5% at Mont Belvieu and 3% at Conway.

However, several challenges to a price rally remain: WTI prices followed its run to more than $50/bbl by losing nearly $5/bbl in the next two days; and there is still an enormous supply overhang across the board for crude, liquids and gas.

This storage could get worked off pretty quickly with a cold winter, but like so much of the outlook for hydrocarbons this view is a motley mixture. Weather forecasts previously anticipated normalized winter temperatures, but the latest data is indicating a very strong El Niño this season.

Rather than provide clarity, this latest forecast further muddied the prognosis for winter heating demand as there is uncertainty of how the El Nino season will impact temperatures throughout the U.S. It is expected that the Northeast and Midwest will experience warmer-than-normal seasons, there could be heavier storms in each region if precipitation and cold air masses hit at the same time.

What is known is that this El Nino is expected to be the strongest since 1997. “Whether El Niño gets slightly stronger or a little weaker is not statistically significant now. This baby is too big to fail. Over North America, this winter will definitely

| NGL PRICES | | | | | | |
|---|---|---|---|---|---|---|
| **Mont Belvieu** | **Eth** | **Pro** | **Norm** | **Iso** | **Pen+** | **NGL Bbl** |
| Oct. 7 - 13, '15 | 20.27 | 48.64 | 64.96 | 65.10 | 106.18 | $21.27 |
| Sept. 30 - Oct. 6, '15 | 19.74 | 47.38 | 63.90 | 64.42 | 97.00 | $20.34 |
| Sept. 23 - 29, '15 | 19.65 | 47.52 | 61.70 | 61.96 | 94.22 | $19.97 |
| Sept. 16 - 22, '15 | 18.60 | 46.24 | 59.26 | 59.86 | 96.44 | $19.62 |
| September '15 | 18.71 | 45.45 | 58.34 | 59.01 | 96.20 | $19.46 |
| August '15 | 18.55 | 37.35 | 50.57 | 51.80 | 94.58 | $17.76 |
| 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 |
| 1st Qtr '15 | 18.38 | 53.01 | 66.35 | 67.81 | 110.53 | $21.94 |
| 4th Qtr '14 | 20.22 | 76.90 | 96.73 | 98.28 | 149.25 | $30.10 |
| Oct. 8 - 14 '14 | 22.24 | 97.40 | 114.96 | 115.68 | 178.28 | $36.24 |
| **Conway, Group 140** | **Eth** | **Pro** | **Norm** | **Iso** | **Pen+** | **NGL Bbl** |
| Oct. 7 - 13, '15 | 16.63 | 45.02 | 62.50 | 69.90 | 103.40 | $20.25 |
| Sept. 30 - Oct. 6, '15 | 16.63 | 44.30 | 61.68 | 71.22 | 97.40 | $19.75 |
| Sept. 23 - 29, '15 | 16.24 | 45.68 | 58.46 | 66.76 | 96.76 | $19.52 |
| Sept. 16 - 22, '15 | 16.22 | 43.98 | 54.16 | 61.70 | 96.66 | $18.95 |
| September '15 | 16.10 | 43.19 | 53.66 | 62.28 | 96.61 | $18.82 |
| August '15 | 15.71 | 33.52 | 44.88 | 51.94 | 93.63 | $16.67 |
| 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 |
| 1st Qtr '15 | 17.81 | 49.00 | 66.13 | 76.84 | 106.32 | $21.49 |
| 4th Qtr '14 | 18.69 | 78.64 | 102.72 | 113.19 | 146.37 | $30.77 |
| Oct. 8 - 14 '14 | 20.24 | 98.88 | 115.44 | 136.08 | 170.96 | $36.39 |

| CURRENT FRAC SPREAD (CENTS/GAL) | | | | |
|---|---|---|---|---|
| **OCTOBER 2, 2015** | **Conway** | **Change from Start of Week** | **Mont Belvieu** | **Last Week** |
| Ethane | 16.63 | | 20.27 | |
| Shrink | 15.78 | | 16.04 | |
| **Margin** | 0.85 | -23.77% | 4.23 | 20.85% |
| Propane | 45.02 | | 48.64 | |
| Shrink | 21.80 | | 22.17 | |
| **Margin** | 23.22 | 1.55% | 26.47 | 6.15% |
| Normal Butane | 62.50 | | 64.96 | |
| Shrink | 24.68 | | 25.10 | |
| **Margin** | 37.82 | 1.08% | 39.86 | 3.56% |
| Isobutane | 69.90 | | 65.10 | |
| Shrink | 23.70 | | 24.10 | |
| **Margin** | 46.20 | -3.59% | 41.00 | 2.45% |
| Pentane+ | 103.40 | | 106.18 | |
| Shrink | 26.39 | | 26.84 | |
| **Margin** | 77.01 | 7.78% | 79.34 | 13.62% |
| NGL $/Bbl | 20.25 | 2.54% | 21.27 | 4.57% |
| Shrink | 8.69 | | 8.84 | |
| **Margin** | 11.56 | 3.17% | 12.43 | 9.12% |
| | | | | |
| Gas ($/mmBtu) | 2.38 | 1.71% | 2.42 | -1.22% |
| Gross Bbl Margin (in cents/gal) | 25.81 | 2.99% | 28.31 | 8.96% |
| **NGL Value in $/mmBtu (Basket Value)** | | | | |
| Ethane | 0.92 | 0.00% | 1.12 | 2.68% |
| Propane | 1.56 | 1.63% | 1.69 | 2.66% |
| Normal Butane | 0.68 | 1.33% | 0.70 | 1.66% |
| Isobutane | 0.44 | -1.85% | 0.41 | 1.06% |
| Pentane+ | 1.33 | 6.16% | 1.37 | 9.46% |
| Total Barrel Value in $/mmbtu | 4.92 | 2.14% | 5.28 | 4.08% |
| **Margin** | 2.54 | 2.54% | 2.86 | 9.03% |

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.

not be normal. However, the climatic events of the past decade make normal difficult to define," William Patzert, a research climatologist at NASA's Jet Propulsion Laboratory, said in a news release.

While there is certainty that heating demand will increase once winter arrives, it is unknown how much demand there will be this season. Should major demand centers like the Northeast and Midwest experience colder-than-normal temperatures for a sustained period or if there a number of large storms that run through these regions, then gas and propane demand will increase. On the flip side, should temperatures be moderate with little storm activity then it is likely that demand will be more muted.

The biggest concern for the industry isn't winter heating demand per se, but how much of a storage overhang will be left in the spring shoulder season following winter heating season. A large overhang will limit how large prices can rally while a smaller overhang could help create a price recovery.

This past week was definitely a good sign for the industry with NGL prices up at both hubs, but it also highlighted that WTI prices are still having a notable impact on liquids prices. This is obviously a positive when crude is trading at $80+/bbl, but decidedly less so when prices are under $50/bbl as they are now.

Interestingly, the biggest gains at Mont Belvieu were at the opposite ends of the NGL bbl with the lightest NGL, ethane, climbing to its highest price for the year while the heaviest NGL, C5+, rose to its highest level since mid-July. The situation was a bit different at the Conway hub as C5+ hit its highest price since late July, but ethane was flat as the Mid-Continent doesn't have the same end-use market access as does Mont Belvieu. Frac spread margins were largely up at both hubs, with only Conway ethane and isobutane margins falling due to the increase in natural gas prices.

The most profitable NGL to make at both hubs was C5+ at 77 cents per gallon (/gal) at Conway and 79 cents/gal at Mont Belvieu. This was followed, in order, by isobutane at 46 cents/gal at Conway and 41 cents/gal at Mont Belvieu; butane at 38 cents/gal at Conway and 40 cents/gal at Mont Belvieu; propane at 23 cents/gal at Conway and 27 cents/gal at Mont Belvieu; and ethane at 1 cent/gal at Conway and 4 cents/gal at Mont Belvieu.

Natural gas storage injections were still high the week of Oct. 9, the most recent data available from the U.S. Energy Information Administration. The agency reported that storage increased by 100 billion cubic feet to 3.733 trillion cubic feet (Tcf) from 3.633 Tcf the previous week. This was 14% greater than the 3.286 Tcf posted last year at the same time and 5% greater than the five-year average of 3.565 Tcf.

RESIN PRICES – MARKET UPDATE – OCTOBER 2, 2015

| TOTAL OFFERS: 18,823,488 lbs | | SPOT | | CONTRACT | |
|---|---|---|---|---|---|
| Resin | Total lbs | Low | High | Bid | Offer |
| HDPE - Inj | 6,413,960 | 0.55 | 0.64 | 0.5 | 0.54 |
| LDPE - Film | 3,797,796 | 0.56 | 0.655 | 0.53 | 0.57 |
| HDPE - Blow Mold | 2,971,428 | 0.515 | 0.6 | 0.5 | 0.54 |
| LLDPE - Film | 1,941,312 | 0.51 | 0.675 | 0.51 | 0.55 |
| PP Homopolymer - Inj | 1,494,944 | 0.54 | 0.685 | 0.59 | 0.63 |
| HMWPE - Film | 1,058,208 | 0.535 | 0.585 | 0.52 | 0.56 |
| LLDPE - Inj | 617,288 | 0.63 | 0.64 | 0.56 | 0.6 |
| LDPE - Inj | 528,552 | 0.55 | 0.68 | 0.58 | 0.62 |
| PP Copolymer - Inj | 1,268,208 | 0.590 | 0.645 | 0.61 | 0.65 |

Source: Plastics Exchange – www.theplasticsexchange.com

## TOP STORIES

# Sanchez Completes $345 Million Midstream Divestiture

Sanchez Production Partners LP (SPP) said Oct. 14 it has closed its acquisition of pipeline, gathering and compression assets located in Western Catarina, in the Eagle Ford Shale in South Texas, from Sanchez Energy Corp. (SN).

SPP is owned by Houston-based Sanchez Energy affiliates. The transaction was worth $345 million.

In conjunction with the transaction, SPP said it has completed the sale of class B preferred units to Stonepeak Infrastructure Partners, a private equity firm that focuses on the infrastructure space.

As part of the issuance of the units, Stonepeak has received two seats on the board of directors of SPP's general partner and has appointed Luke Taylor and Jack Howell to fill those seats.

SPP also completed amendments to its $500 million credit facility, which increased the borrowing base to $200 million from $110 million. This excludes the value of the company's Oklahoma and Kansas assets.

As a result of the amendments and lower utilization of the borrowing base, the interest rate paid by SPP on the debt outstanding decreased by 0.5%. SPP currently has $106 million in debt outstanding under the credit facility, which matures in March 2020.

Additionally, SPP's management intends to recommend that the board of directors of its general partner approve a plan to begin distributions at an initial annualized rate of $1.60 per unit.

Subject to approval of the plan at the board's next regularly scheduled meeting, the the company anticipates that a distribution of $0.40 per unit will be paid in November for the third quarter of 2015.

SPP said it expects to provide further distribution guidance and updates on plans for growth along with its third-quarter 2015 earnings release in November.

# Petronas Canada LNG Project Awaits Environmental Certification

The head of a Petronas-led liquefied natural gas project said on Oct. 14 that he is "hopeful" the development will get its environmental certification from the Canadian government shortly after the federal election on Oct. 19, allowing the project to proceed to construction.

"We're hopeful with the new federal government in position here in the later part of October that we'll move forward on that aspect and meet that condition very quickly," said Pacific NorthWest LNG chief executive Mike Culbert at a Vancouver event.

The company in June approved the project to go ahead, conditional on getting approvals from Canada's environmental assessment agency. **– REUTERS**

# China's Sinopec Gets Approval For $20 Billion Coal-To-Gas Pipeline

China has approved a pipeline to transport gas from coal-to-gas projects in the country's far west to the southern coast, energy giant Sinopec said on Oct. 14.

The pipeline, which would run 8,400 km (5,200 miles) from the restive region of Xinjiang to the manufacturing hub of Guangdong province, carrying up to 30 billion cubic meters (Bcm) gas a year, has a price tag of over 130 billion yuan (US$20.5 billion), Sinopec said in a statement.

The pipeline could eventually also transport conventional gas, shale gas and coal-bed methane, the statement said. China, the world's largest energy consumer, has made largely untested coal-to-gas technology a key part of its strategy to boost the use of cleaner fuels as it battles pollution in its big cities.

Last September, Sinopec, whose flagship listed entity is Sinopec Corp., said it would push ahead with plans to build a coal-to-gas plant in Xinjiang with a capacity of 8 Bcm a year—the country's largest—shaking off worries the $10 billion scheme could be hit by cost overruns that have dogged similar projects.
Coal-to-gas technology, similar to that used in apartheid-era South Africa to make oil from coal, uses vast volumes of water and produces a large amount of carbon dioxide. But proponents argue that any carbon emissions would typically be concentrated in sparsely populated regions.

The country's National Energy Administration last year warned operators again "blindly" developing projects to turn coal into synthetic fuel, underlining the requirements needed for regulatory approval as companies rush into investments that are costly and might harm the environment.

Environmental groups have warned that coal-to-gas (CTG) and coal-to-liquid (CTL) projects will do little to cut carbon emissions or reduce pollution.

In a bid to allay concerns about the environmental risks of the process, projects will only be permitted in regions with sufficient water resources, the National Energy Administration said in July. **- REUTERS**

# Rangeland's RIO Hub Receives Frack Sand Unit Train

The largest frack sand unit train shipped to date in North America arrived at Rangeland Energy's RIO Hub near Loving, N.M., the company said.

The RIO Hub is part of Rangeland's RIO system serving oil and gas producers in the Delaware Basin. The 150-car unit train carried 16,500 tonnes (33 million pounds) of frack sand from Ottawa, Ill. Operator BNSF Railway Co. transferred the train's service in Clovis, N.M., to Southwest Railroad Inc., its short-line railway partner.

The unit train arrived on Oct. 2 and the sand was stored at the hub, Rangeland said.

Rangeland Energy is based in Sugar Land, Texas.

# Shell Will Supply LNG To Jordan For Two Years

Jordan has awarded half of its four-year, up to 78-cargo liquefied natural gas (LNG) buy tender to Royal Dutch Shell which will cover deliveries in 2016 and 2017, overlooking commodity traders for the business, trade sources said.

Two traders said Shell had clinched the first two years of supply under the tender, but it was not clear whether Jordan has awarded deliveries for 2018 and 2019 or if this will be re-tendered at a later date.

A trader involved in the tender said all participating trading houses had received regret letters from Jordan's National Electric Power Company following the tender's award this weekend.

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