

MIDSTREAM

Monitor

OCT. 21, 2016 | VOLUME 34 | ISSUE 42

FEATURES

Under Siege

Analysts: Hostility To Pipelines Not Limited To Dakota Access

By **JOSEPH MARKMAN**, Hart Energy

Vandalism and celebrity arrests have shoved protests against the **Dakota Access Pipeline (DAPL)** into the national spotlight, but a slew of projects face environmental resistance and the potential for significant delays.

Rover and Constitution head the list, but others include Algonquin, Atlantic Coast, Mountain Valley and Sabal Trail, analysts said on Oct. 19 during a **Robert W. Baird & Co.** conference call.

“We’re really concerned that DAPL would enter ‘pipeline purgatory,’ where it’s not quite alive, not quite dead, just being constantly litigated,” Matthew Hoza, energy analyst with **BTU Analytics LLC**, said. “A lot of opposition groups’ goal is to delay, delay, delay. What we’re seeing here is the anti-fossil fuel movement co-opt local or regional concerns to push its agenda.”



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DAPL is engaged in a three-venue challenge to construction:

- Ongoing negotiations among Energy Transfer Partners LP (NYSE: **ETP**), the **U.S. Army Corps of Engineers** and **Standing Rock Sioux Tribe** over granting of an easement for construction;
- Case in **U.S. District Court for the District of Columbia**, which issued the preliminary injunction to the pipeline's construction; and
- Case in **U.S. D.C. Court of Appeals**, which heard the appeal by the Standing Rock Sioux Tribe following the District Court's denial of the preliminary injunction.

"It's a live controversy. There's a case there that will continue," Brandon Barnes, senior energy litigation analyst with **Bloomberg Intelligence**, said, "but the threat of stopping construction is over."

But the threat of delay is not over. Environmentalists' strategy of disrupting construction of midstream infrastructure to discourage production and consumption of oil and gas can be seen less at the federal level than at state and local levels.

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"With DAPL, we've seen a lot of pushback about Native Americans' input into the environmental process," Hoza said. "With Constitution, we've seen a big flashpoint with a maple syrup farm in northeast Pennsylvania."

In Florida, the Sabal Trail Pipeline's route through minority communities led to the charge of racism.

"There are these local concerns that we're seeing; but really, what's really driving all of this is the anti-fossil fuel movement," he said.

Barnes expects DAPL's easement to be granted by the court, but for litigation to continue as construction continues. His expectation is that ETP will be notified about the easement status by the end of October prior to a status conference with a judge on Nov. 11. ■

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THIRTY UNDER 40

Ash Shepherd, Talos Energy



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Video interview with an up-and-comer: Ash Shepherd, 34, commercial manager for Mexico at Talos Energy LLC, is a Thirty Under 40 honoree. Ash signed the first two production sharing contracts following Mexico's 2013 historic Constitutional Energy Reforms making Houston-based Talos the first foreign operator in Mexico since 1938.

MIDSTREAM CONNECT VIDEO

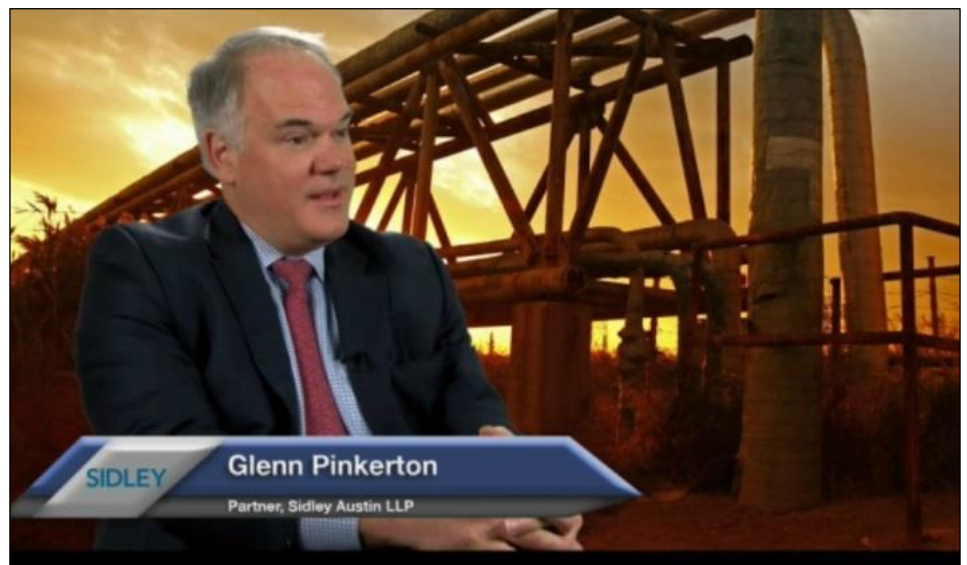
Selling LPG To Mexico

'Like Cellphones In The Late '90s':

Glenn Pinkerton, partner with Sidley Austin LLP, discusses the challenges as well as the huge opportunities emerging with sales of LPG to Mexico.

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FRAC SPREAD

NGL Climbs To Another High For The Year

By JOSEPH MARKMAN, Hart Energy

Ethane broke through 25 cents per gallon (gal) at the Mont Belvieu, Texas, hub for the first time since July 2014, driving the hypothetical NGL barrel to another weekly high for the year.

CURRENT FRAC SPREAD (CENTS/GAL)				
OCTOBER 21, 2016	Conway	Change from Start of Week	Mont Belvieu	Last Week
Ethane	22.75		25.16	
Shrink	20.17		22.31	
Margin	2.58	77.32%	2.85	7.20%
Propane	55.18		58.16	
Shrink	27.86		30.82	
Margin	27.32	2.30%	27.34	-2.67%
Normal Butane	74.67		76.19	
Shrink	31.55		34.90	
Margin	43.12	3.25%	41.29	6.01%
Isobutane	86.68		91.67	
Shrink	30.30		33.52	
Margin	56.38	4.05%	58.15	8.54%
Pentane+	111.65		111.29	
Shrink	33.74		37.32	
Margin	77.91	-2.09%	73.97	-4.81%
NGL \$/Bbl	24.11	2.18%	24.80	2.06%
Shrink	11.11		12.29	
Margin	13.00	2.20%	12.51	-0.53%
Gas (\$/mmBtu)	3.04	2.15%	3.37	4.83%
Gross Bbl Margin (in cents/gal)	29.10	2.31%	28.54	-0.55%
NGL Value in \$/mmBtu (Basket Value)				
Ethane	1.25	7.31%	1.39	5.10%
Propane	1.92	2.22%	2.02	1.17%
Normal Butane	0.81	2.78%	0.82	5.47%
Isobutane	0.54	3.38%	0.57	7.15%
Pentane+	1.44	-0.84%	1.44	-1.78%
Total Barrel Value in \$/mmbtu	5.95	2.66%	6.23	2.38%
Margin	2.91	3.20%	2.87	-0.35%

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. 58.16 cents/gal is 86% above the low point for 2016, set in late January.

Conway's propane price breached 55 cents/gal for the first time since first-quarter 2015 and was 93% more than its low point for the year, set in mid-January. ■

At Conway, Kan., ethane neared 23 cents/gal to reach its highest level since September 2014. The Conway barrel cracked \$24/bbl for the first time since December 2014.

NGL prices float between West Texas Intermediate (WTI) crude oil and the price of natural gas. The Hart Energy Frac Spread chart uses the Houston Ship Channel hub price for Mont Belvieu and Chicago Citygate for Conway.

Both experienced auspicious weeks. The Houston high price for the year, \$3.44 per million British thermal units (MMBtu) set on Oct. 18, was its highest since \$3.59/MMBtu set exactly 22 months earlier on Dec.

18, 2014. Last week's high Chicago price of \$3.21/MMBtu, set on the same day, was that hub's highest since March 5, 2015.

The Chicago range was matched by the U.S. benchmark price at Henry Hub in Louisiana, which was \$3.22/MMBtu on Oct. 18, its highest since March 5, 2015.

Ethane enjoyed a solid week in terms of profitability as its margins widened at both hubs. The barrel's margin also grew at Conway, as did all NGL components, but narrowed slightly at Mont Belvieu.

Propane at Mont Belvieu again set a high mark for the year, with its price the best since March 2015. That price of

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Northeast The Key To Natural Gas Production Bounceback

With natural gas prices falling below even operating costs in the U.S. Northeast, several E&P companies have been forced to slow or shut-in production. We believe that coming winter demand in the U.S. and exports beyond U.S. markets, along with declining gas production, will sow the seeds of natural gas and NGL price recovery and increased production. Underlying all of this activity are a growing number of pipeline completions that we see beginning this fall and continuing through 2019.

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With the Northeast prices remaining below \$1, Northeast production declines have affected entire U.S. production totals. In September 2016, U.S. total production was 1.5 Bcf/d lower than 2015 levels. Northeast production in September declined 1.4 Bcf/d below long-term September averages, largely driving October month-to-date declines across the U.S. of 1.7 Bcf/d.

Stratas Advisors predicts a jump in total U.S. gas production from 77.1 Bcf/d in 2016 to 79.9 Bcf/d of production in 2017. Additionally we see year-over-year increases in natural gas production for the next decade. We forecast annual natural gas production in the United States to reach nearly 35 Tcf per year by 2020 and nearly 40 Tcf/t in 2025. —**STRATAS ADVISORS**

TOP STORIES

Canadian Government Could Curb Power Of Canada's National Energy Board

Canada's federal government may curb the power of the National Energy Board (NEB), including stripping it of sole oversight for new projects, as part of reforms to an entity under pressure over a botched pipeline hearing, according to two sources familiar with the matter. The government in Ottawa, responding to what it said is general public displeasure with how environmental assessments of energy projects are carried out, is considering major reforms and tentatively plans to push them through in 2018, said one of the sources.

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Environmentalists and aboriginal activists are stepping up opposition to energy projects, threatening years of delays at a time when Canada needs to get its landlocked crude to its east and west coasts to avoid pipeline bottlenecks that leave Canadian oil trading at a discount. —**REUTERS**

Alliance Back In Service

The Alliance natural gas pipeline in Canada returned to service, according to Thomson Reuters data.

The pipeline shut on Oct. 12 for what was supposed to be seven days of maintenance to install new pipe sections at two places in western Canada where a highway will cross the mainline.

In the 30 days prior to the Oct. 12 outage, Canada exported about 1.7 billion cubic feet per day of gas to the U.S. on the Alliance pipeline, Reuters data showed. —**REUTERS**

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