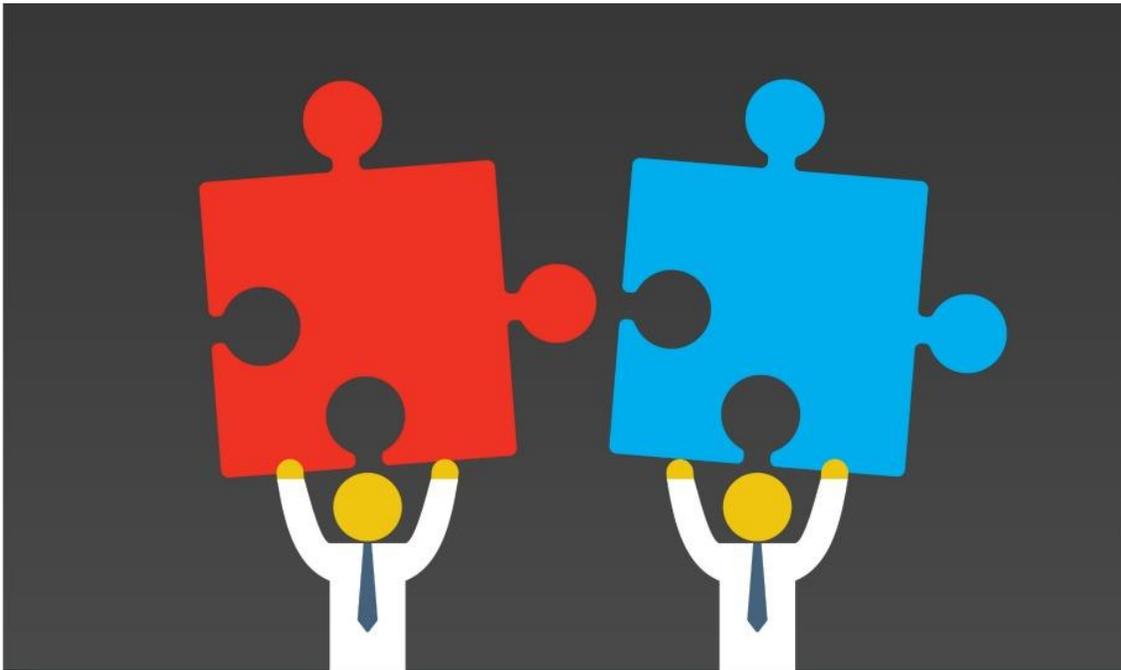


# MIDSTREAM

## Monitor

OCT. 28, 2016 | VOLUME 34 | ISSUE 43

### FEATURES



## American Midstream Buys JP Energy

By **JOSEPH MARKMAN**, Hart Energy

**J**P Energy Partners LP (NYSE: **JPEP**) units bounced up 10% in early trading Oct. 24 following the announcement of its \$2 billion all-stock acquisition by American Midstream Partners (NYSE: **AMID**). Denver-based American Midstream was No. 45 on Hart Energy's **The Midstream 50** ranking, based on 2015 EBITDA. JP Energy Partners was No. 48. After closing, the combined entity, to be based in Houston, expects an EBITDA of about \$185 million. That would place it at No. 37 on the list.

Continued on Page 3

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## AMERICAN from Page 1

“This is not just a transformative event, it’s an evolutionary change,” Lynn Bourdon III, American Midstream’s chairman, president and CEO, said during an Oct. 24 conference call to discuss the deal. “The increased scale of the combined partnership expands the opportunity set of initiatives we are able to competitively consider in order to achieve continued growth well into the future.”

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Bourdon listed substantive extensions in the areas of terminals, crude oil, NGL and transportation.

Larger scale was also on the mind of J. Patrick Barley, president and CEO of JP Energy, who told analysts on the call that difficult market conditions had shown the value of size and geographical presence. He added that the combined company would enjoy strong positions in the Permian Basin, Eagle Ford Shale, Gulf Coast and Bakken Shale.

The deal involves a 14.5% premium based on JP Energy’s unit price at the close of trading on Oct. 21. **ArcLight Capital Partners LLC**, which owns 15.59% of American Midstream and 19.83% of JP Energy, according to *Bloomberg*, will provide up to \$25 million in merger support and reimburse JP Energy’s transaction and transition costs. ■

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## THIRTY UNDER 40

## Vanessa Gomez LaGatta, Quicksilver Resources



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**Video interview with an up-and-comer:** Vanessa Gomez LaGatta, senior vice president, CFO and treasurer at Quicksilver Resources Inc., is a Thirty Under 40 honoree. Vanessa led the \$1.15 billion debt refinancing and restructuring of Fort Worth, Texas-based Quicksilver during a volatile high -yield market.

### DUG MIDCONTINENT

## Oklahoma Plays ‘Transformative’ For Marathon

The **unconventional Midcontinent plays of Oklahoma** offer an excellent combination of attractive geology, strong regulatory and community support, and good infrastructure, according to the executive who manages one of the Sooner State’s biggest oil and gas producers.

Wade Hutchings, regional vice president of Midcontinent assets for **Marathon Oil Corp.** (NYSE: **MRO**), told attendees at Hart Energy’s fourth annual **DUG Midcontinent** conference that the state “is a top priority for Marathon” and added the firm is increasing its Oklahoma-focused capex due to continuing success in the Stack and Scoop plays.

“This is an exciting and transformative time for Marathon in Oklahoma,” Hutchings said in his Oct. 27 opening keynote address. He noted Marathon has been drilling and producing wells in Oklahoma for more than a century “and we expect to be here for a long time to come.” —**PAUL HART**, Hart Energy

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## FRAC SPREAD

## NGL 'Barrel' Price Continues Its Ascent

By JOSEPH MARKMAN, Hart Energy

A combination of stronger-than-expected growth in U.S. crude inventories and a resilient dollar have dragged WTI below \$50 per barrel (bbl) and dampened market enthusiasm for natural gas and NGL.

Hart Energy's hypothetical NGL barrel actually inched up by 14 cents at Mont Belvieu, Texas, and by 59 cents at Conway, Kan., compared to the week of Oct. 17. However, that five-day trading average incorporates a sharp downward trend that began over the weekend and stung ethane prices.

CURRENT FRAC SPREAD (CENTS/GAL)				
OCTOBER 28, 2016	Conway	Change from Start of Week	Mont Belvieu	Last Week
Ethane	21.88		23.72	
Shrink	19.23		20.39	
<b>Margin</b>	2.65	2.77%	3.33	16.89%
Propane	56.88		59.51	
Shrink	26.56		28.17	
<b>Margin</b>	30.32	10.99%	31.34	14.65%
Normal Butane	79.31		78.88	
Shrink	30.07		31.89	
<b>Margin</b>	49.24	14.17%	46.99	13.79%
Isobutane	88.65		89.85	
Shrink	28.88		30.63	
<b>Margin</b>	59.77	6.00%	59.22	1.83%
Pentane+	115.10		112.88	
Shrink	32.16		34.11	
<b>Margin</b>	82.94	6.45%	78.77	6.49%
NGL \$/Bbl	24.70	2.44%	24.94	0.56%
Shrink	10.59		11.23	
<b>Margin</b>	14.11	8.52%	13.70	9.57%
Gas (\$/mmBtu)	2.90	-4.67%	3.08	-8.61%
Gross Bbl Margin (in cents/gal)	31.69	8.91%	31.38	9.95%
NGL Value in \$/mmBtu (Basket Value)				
Ethane	1.20	-3.82%	1.31	-5.72%
Propane	1.97	3.08%	2.07	2.32%
Normal Butane	0.86	6.21%	0.85	3.53%
Isobutane	0.55	2.27%	0.56	-1.99%
Pentane+	1.48	3.09%	1.46	1.43%
Total Barrel Value in \$/mmbtu	6.07	1.98%	6.24	0.09%
<b>Margin</b>	3.17	8.93%	3.16	10.31%

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.

during the same time in 2015 at Mont Belvieu, and 30.2% ahead at Conway.

Propane reached a high for 2016 at Mont Belvieu for the third week in a row, closing in on 60 cents per gallon (gal) for the first time in almost 20 months as its margin increased by 5.4% for the week of Oct. 24. At Conway, the price neared 57 cents/gal and the margin increased by 16% over last week. ■

59 cents at Conway, Kan., compared to the week of Oct. 17. However, that five-day trading average incorporates a sharp downward trend that began over the weekend and stung ethane prices.

Natural gas prices fell by about 13% at both the Houston Ship Channel and Chicago Citygate, which Hart Energy uses to calculate the frac spread at Mont Belvieu and Conway. Last week's prices set highs for the year at both hubs.

Still, the NGL barrel continued to move toward \$25/bbl at both Mont Belvieu and Conway, reaching levels not seen in almost 23 months. With the exception of ethane, all components rose except for isobutane at Mont Belvieu, which had been on a six-week tear in which it soared 50%.

However, the critical factor is profitability. The NGL barrel's margin increased by about 6.5% at Mont Belvieu and by about 10.7% at Conway. Ethane has posted a positive margin since the Frac Spread published on Sept. 30 for Mont Belvieu, and since Oct. 7 for both hubs. Week-over-week, Mont Belvieu's ethane spread widened by almost 17% and Conway's increased by almost 3%.

Ethane prices dropped 6.1% at Mont Belvieu and 3.8% at Conway. Despite the hits, the prices remained relatively high for 2016 and were 23.3% above the price

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# Central Oklahoma Pipeline Capacity In High Demand

Recent contract data on **Kinder Morgan** and **Energy Transfer's** jointly owned **Midcontinent Express Pipeline** (MEP) continues to show strong demand for pipeline capacity from the Scoop and Stack areas of Central Oklahoma.

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MEP has a long-term lease on **Enable's** Oklahoma Intrastate System (EOIT) which allows it to source some of its supply from EOIT's West Pools, including access to volumes from the Scoop and Stack areas. Production out of the Scoop/Stack area is growing and pipeline capacity linking it to the Southeast Gulf is at a premium. As such, we saw strong recontracting of this available capacity in the third quarter when it came up for renewal. —**JUSTIN CARLSON** and **MATTHEW LEWIS**, Special To Hart Energy

## TOP STORIES

### Energy Transfer CEO Kelcy Warren Donated More Than \$100,000 To Trump's Campaign

The top executive at the company behind the embattled Dakota Access Pipeline has donated more than \$100,000 to



Republican presidential candidate Donald Trump since June, according to campaign finance disclosure records.

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The donations by Kelcy Warren, chairman and CEO at the pipeline's operator, Energy Transfer Partners, support the candidate who is seen by many as more likely to promote the U.S. oil and gas industry than his opponent, Democratic candidate Hillary Clinton.

Warren donated \$300 to the Trump campaign during the primaries, and \$2,700 to Trump during the general election phase of the campaign, for the maximum contribution allowed by a single individual during an election.

He also gave \$100,000 to the Trump Victory Fund, a joint fundraising committee that includes the Trump campaign, the Republican National Committee, the Republican Party of Arkansas and the Connecticut Republican Party. —**REUTERS**

### Aboriginal, Environmental Groups Will Sue Canada Over LNG Project

Aboriginal and environmental groups will file lawsuits on Oct. 27 against the government of Canada to overturn the permit for a controversial \$27 billion LNG project in British Columbia.

The lawsuits will name Malaysia's Petronas, which owns a majority stake in the project, as an associated party, representatives of the aboriginal and environmental groups told Reuters this week. —**REUTERS**

## Contact Information:

**JOSEPH MARKMAN** Senior Editor  
[jmarkman@hartenergy.com](mailto:jmarkman@hartenergy.com)

**Contributing Editors:** Velda Addison, Darren Barbee, Nissa Darbonne, Rhonda Duey, Brandy Fidler, Annie Gallay, Leslie Haines, Paul Hart, Susan Klann, Richard Mason, Emily Moser, Erin Pedigo, Larry Prado, Jennifer Presley, Chris Sheehan, Bryan Sims, Steve Toon, Len Vermillion, Peggy Williams

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