

MIDSTREAM

Monitor

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FEATURES

Moving Ahead, Eh?

Trans Mountain Expansion to continue despite court challenge, Kinder Morgan says.

MARKHAM HISLOP
| CONTRIBUTOR

Kinder Morgan says it will begin construction of the Trans Mountain Expansion pipeline this month, despite a warning to not put “shovels in the ground” from the British Columbia government, which this week had its own troubles in court where it is trying to permanently stop construction of the \$7.4 billion (US\$5.9 billion) project.

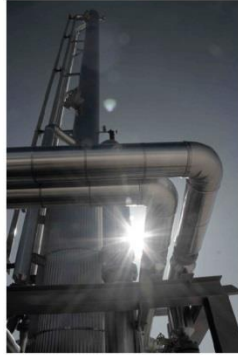
See **TRANS** on **Page 3**



Source: Kinder Morgan Inc.

A file photo shows earlier construction of the Trans Mountain pipeline.

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TRANS

"We are confident we will satisfy the National Energy Board's compliance requirements to begin construction activity in September 2017," spokesperson Ali Hounsell told Hart Energy in an email.

An update last week from the NEB to Natural Resources Minister Jim Carr suggested Trans Mountain Expansion still has a long way to go before it satisfies enough conditions for construction on the 610-mile pipeline, which starts in Edmonton, Alberta, and will terminate in Burnaby, B.C. For instance, "Trans Mountain has satisfied 27 of the 49 conditions necessary to begin construction at the Westridge Marine Terminal," according to the NEB update by president and CEO Peter Watson.

But Kinder Morgan is confident conditions will be met on schedule, which calls for a September start to preparation on a number of sites along the route, including the Westridge tunnel in Lower mainland BC, pump stations in the BC interior, where the new pipeline will run alongside the old one, which dates from the early 1950s.

"The Trans Mountain Expansion Project is in an ongoing process to meet the conditions required by the NEB to begin construction," said Hounsell. "This process will continue in-step with our activities into the future, keeping in mind that the construction of the project is phased and condition compliance will be ongoing as construction is underway." ■

Eagle Ford Producers, Gulf Coast Refiners Hit Reset

At least eight U.S. Gulf Coast refineries began the process of restarting operations and four were operating at reduced rates while the status of Eagle Ford Shale operations trickled in on Sept. 5 following Hurricane Harvey's departure.

EOG Resources Inc. (NYSE: **EOG**) dialed down its third-quarter 2017 production volumes due to Hurricane Harvey related shut-ins,



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according to a Sept. 5 regulatory filing.

EOG reduced the midpoint of its third-quarter 2017 U.S. crude oil and condensate volume guidance range by 15,000 barrels per day (bbl/d), though it said its full year guidance is unchanged. The company's third quarter NGL and natural gas production guidance and capex also remained the same.

"EOG has begun to resume production as conditions permit and expects the majority of the impact will be realized in the company's third-quarter 2017 crude oil and condensate volumes," the company said.

Carrizo Oil & Gas Inc. (NASDAQ: **CRZO**) also updated its Eagle Ford Shale assets and facilities, saying nothing was damaged as a result of the storm. —**DARREN BARBEE** | HART ENERGY

FRAC SPREAD

Butane Up But Waters Still Troubled

JOSEPH MARKMAN | HART ENERGY

Ethane prices dropped to their lowest points in almost two months as Hurricane Harvey forced closure of 16 Gulf Coast ethylene plants that account for 59% of U.S. capacity.

CURRENT FRAC SPREAD (CENTS/GAL)				
SEPTEMBER 8, 2017	Conway	Change from Start of Week	Mont Belvieu	Last Week
Ethane	19.56		24.80	
Shrink	18.68		19.31	
Margin	0.88	-80.53%	5.49	-31.06%
Propane	75.28		78.88	
Shrink	25.81		26.68	
Margin	49.47	6.20%	52.20	6.09%
Normal Butane	93.63		91.84	
Shrink	29.22		30.21	
Margin	64.41	5.25%	61.63	2.74%
Isobutane	102.41		95.63	
Shrink	28.07		29.01	
Margin	74.34	4.95%	66.62	-1.53%
Pentane+	107.84		109.99	
Shrink	31.25		32.31	
Margin	76.59	0.14%	77.68	1.32%
NGL \$/Bbl	27.13	-0.55%	28.04	0.59%
Shrink	10.29		10.64	
Margin	16.84	0.08%	17.40	0.59%
Gas (\$/mmBtu)	2.82	-1.56%	2.91	0.58%
Gross Bbl Margin (in cents/gal)	38.83	0.48%	40.74	0.78%
NGL Value in \$/mmBtu (Basket Value)				
Ethane	1.08	-16.70%	1.37	-8.69%
Propane	2.61	3.41%	2.74	4.16%
Normal Butane	1.01	3.03%	0.99	2.02%
Isobutane	0.64	3.08%	0.60	-0.90%
Pentane+	1.39	-0.36%	1.42	1.10%
Total Barrel Value in \$/mmbtu	6.73	-1.26%	7.11	0.13%
Margin	3.91	-1.05%	4.20	-0.18%

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 recently concluded month of August showed the price of the Mont Belvieu NGL barrel up 41.6% over the same month in 2016. The Conway barrel was 47.5% higher. Compared to two years ago in August 2015, Mont Belvieu's barrel is 56.3% higher and Conway's is 63.7% higher. ■

Propane and butane, however, hit seven-month highs at both the Mont Belvieu, Texas, and Conway, Kan., hubs, as did the hypothetical NGL barrel at Mont Belvieu.

The sector is in recovery mode, with Enterprise Products Partners LP (NYSE: **EPD**) **announcing on Sept. 5** that virtually all of its major assets were back in service following the massive flooding that Harvey inflicted on the Gulf Coast region. The Mont Belvieu complex alone experienced 51 inches of rain.

How long will this recovery take? A cracker restart typically takes about two weeks, assuming no major damage, said ICIS Senior

Consultant James Ray in a report. But Harvey bombarded Texas and Louisiana with 27 trillion gallons of water over six days, reported **WeatherBELL Analytics**, leaving descriptors like "catastrophic" in the rear-view mirror.

Then there is the specter of Tropical Storm Katia in the southwestern Gulf of Mexico, Hurricane Irma threatening to swallow Florida whole and, lurking over the horizon, Tropical Storm Jose expected to develop into a hurricane and wreak havoc with Atlantic shipping. If there is a bridge over these troubled waters, it's not one you want to be crossing in the next week or so.

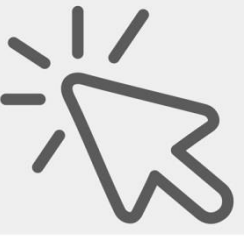
Bright spot? This from IHS Markit: "As of September 6, NGL operations affected by the storm at Mont Belvieu, Texas, the Permian Basin, and South Texas are returning to normal quickly."



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Pipeline Ruling Could Set Troubling Precedent

Industry observers are concerned that the **recent court ruling** that orders federal regulators to assess the downstream emission impact of natural gas pipeline projects could set a troubling precedent, even if it's too early to call the decision a game-changer.



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"[The decision] is extremely important because it has the potential effect on the timeliness of regulatory review, which is crucial to the viability of any of these projects," **Doug Pedigo**, Houston-based partner with Thompson & Knight who regularly counsel carriers and shippers in connection with large-scale

infrastructure projects, told Hart Energy.

A three-judge panel of the District of Columbia Court of Appeals on Aug. 22 voted 2-1 in favor of the Sierra Club and Florida landowners in its suit against the Federal Energy Regulatory Commission (FERC), ruling that the commission failed to adequately weigh the impact of greenhouse gas emissions that will result when utilities burn the fuel. The project in question is the Southeast Market Pipelines Project, which includes the Sabal Trail, Hillabee Expansion and Florida Southeast Connection pipelines. —**JOSEPH MARKMAN | HART ENERGY**

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under one roof the E&I expertise of its sister company, Energas Electrical & Instrumentation. **(SPONSORED CONTENT)**

TOP STORY

Valero Seeks Post-Harvey FERC Waiver To Colonial Pipeline

NEW YORK—Valero Energy Corp. (NYSE: **VLO**), the largest U.S. independent refiner, asked federal regulators to allow or direct Colonial Pipeline Co. to lift gasoline grade requirements in the wake of Hurricane Harvey, a filing showed on Sept. 5.

Valero said Colonial's move to restrict the grades of gasoline flowing on its system is inconsistent with the intended effect of the U.S. Environmental Protection Agency's emergency fuel waivers for 38 states and Washington, D.C. after Harvey shut refineries and spiked gasoline prices.

—**REUTERS**

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