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FEATURES

Center Field: WPX Turns Piceance Deal

By DARREN BARBEE, Hart Energy

In the worst downturn in decades, WPX Energy Inc. (NYSE: WPX) keeps finding a way to make plays—a good sign for other E&Ps hoping to move assets.

WPX said Feb. 9 that it would deal its Piceance assets to private equity backed Terra Energy Partners LLC for $910 million.

In less than six months, the company has turned more than $4.2 billion worth of deals, starting with the $2.75 billion acquisition of RKI Exploration & Production LLC's Permian holdings.

The sale of its Piceance subsidiary WPX Energy Rocky Mountain LLC easily exceeded the company's 2016 goal of up to $450 million in divestitures—the equivalent of winning the pennant in just 40 days.
Tudor, Pickering, Holt & Co. (TPH) said it was positive to see a deal done in the current commodity price environment and that it bodes well for other E&Ps looking to divest noncore producing assets.

The purchase of gas assets is particularly promising for companies shopping such assets, including Anadarko Petroleum Corp. (NYSE: APC) and Devon Energy Corp. (NYSE: DVN), TPH said.
For WPX, as transactions close, proceeds should help ease concerns over the company's leverage and motivate investors.

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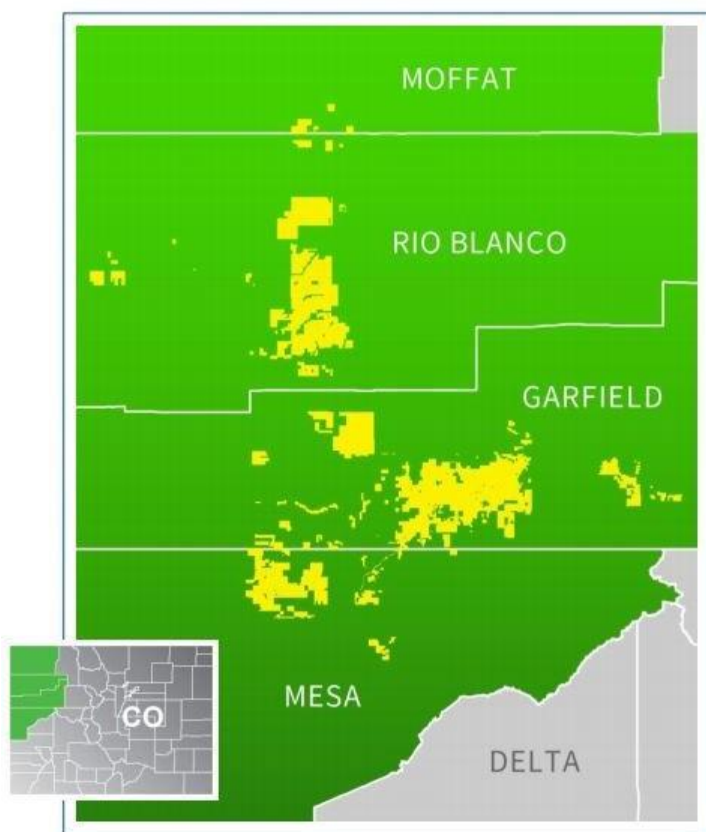

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WPX said it has a variety of options for the Piceance proceeds beyond paying debt, including additional drilling, infrastructure investments to its Permian gathering system and buying out of any retained transportation obligations including obligations associated with Piceance operations.

"Our bias for action and being opportunistic won't change," said Rick Muncrief, president and CEO. "We will pursue our very best investment options and continually evaluate how to optimize our assets. We've created a balanced portfolio with an excellent runway for sustained value generation."

As part of the deal, Houston's Terra will assume about $100 million in transportation obligations in exchange for more than $90 million of WPX's natural gas hedge value. WPX will retain more than $110 million in additional hedge gains.

Analysts generally lauded WPX's deal, if not the sale price.

"While the $910 million might be below some expectations of about $1 billion and represent a low multiple on production, the good news is that WPX was able to get a divestiture done in the current challenging environment for the energy sector," said Pearce Hammond, analyst for Simmons & Co. International.

The transaction will result in an 8% reduction in 2016 EBITDA while helping the balance sheet as the company reduces its $3.4 billion debt load.
"It also aids the company's transition to becoming a Permian and Bakken focused producer," Hammond said.

WPX Divestitures August 2015-Present			
Value ($MM)	Description	Type	Month announced
910	Piceance assets.	Production	February
309	San Juan Basin Gathering system.	Midstream	December
80	Powder River Basin coalbed methane.	Production	September
185	North Dakota Van Hook gathering system.	Midstream	August
Source: A-DCenter.com			

Following the transaction, WPX expects oil to account for about 50% of future production, up from 20% in 2015. WPX said it expects its 2016 cash operating costs, such as lease operating expenses and taxes, to change materially following the divestiture.

At the end of third-quarter 2015, WPX had $400 million drawn on their bank line.

"With the previously announced divestiture of the San Juan gathering system, the bank line will be largely paid down," Hammond said.

The company could apply proceeds from the Piceance divestiture toward its $332 million in outstanding debt due in 2017, he said.

WPX plans to announce its 2016 guidance and capital plan and 2015 financial and operations results on Feb. 25.

Seaport Global Securities LLC said Jan. 26 it expects management to minimize the gap between cash flow and its capex. Seaport predicted a budget of up to $500 million, likely allocating two to three rigs in the Delaware, one in the Bakken and one in the Gallup/San Juan.

Production should reach 40 thousand barrels per day due to strong Delaware Basin performance.

Terra secured an increased equity commitment from its investor Kayne Private Energy Income Fund LP along with an equity commitment from affiliates of new investor Warburg Pincus LLC.

Terra's aggregate equity commitment totals $800 million, with Kayne and Warburg Pincus as equal partners. Credit Suisse was exclusive financial adviser to WPX on the Piceance transaction.

J.P. Morgan Securities LLC, along with BMO Capital Markets and Wells Fargo provided an underwritten commitment for debt financing as part of Terra's acquisition. In addition, BMO acted as M&A adviser to Terra. DLA Piper LLP (US) and Kirkland & Ellis LLP were legal advisers to Terra and Latham & Watkins LLP was legal adviser to Warburg Pincus. Mobius Risk Group served as marketing and derivatives adviser to Terra.

WPX-Terra Piceance Deal	
Net acres:	200,000
Gross drilling locations:	11,000
Commodity mix:	2% oil
	77% natural gas
	21% NGL
Rigs 3Q 2015:	1
Production (MMcfe/d):	500
PDP (Tcf):	2
Prospective net acres (Mancos-Niobrara):	150,000
Source: WPX Energy Inc., Terra Energy Partners LLC	

Bankruptcy Case Could Challenge ‘Acreage Dedications’

By **JOSEPH MARKMAN,** Hart Energy

A bankruptcy proceeding involving an upstream company may result in a ruling that challenges acreage dedications for midstream operators.

Judge Shelley Chapman of the Southern District of New York said that she was “inclined” to permit the rejection of gathering and processing agreements between Houston-based Sabine Oil & Gas Corp. and two counterparties. The decision could save the independent E&P, which filed for bankruptcy protection last July, a significant amount in ongoing payments.

“Many midstream companies have long taken comfort in acreage dedications in midstream contracts being characterized as ‘covenants running with the land,’” Akin Gump Strauss Hauer & Feld LLP stated in a recent report. “This has historically served as a protection against asset sales being made without the new owners being subject to the contracts.”

With ongoing weakness in commodity prices squeezing the finances of many in the upstream, the meaning of the dedications is now being tested in bankruptcy court, Akin Gump wrote. In the firm’s opinion, such a rejection would be supportable under Texas law.

Immediate cost savings aside, asking for a ruling like this would not necessarily benefit an E&P in terms of dealings with midstream partners.

“Given the unique nature of many of these gathering and processing systems, it is likely the counterparties will still want to work together due to the critical need for cash flow on both sides,” Akin Gump wrote. “Contract renegotiations will turn on the leverage of the parties involved, particularly whether the E&P company can survive a shut-in (harming cash flow and potentially putting its oil and gas leases at risk) or has another way to move or process its hydrocarbons.”

To protect themselves, midstream companies and financing partners may need to pursue security requirements or contract structuring to limit future risk, Akin Gump said.

With oil prices likely to remain low, the law firm said it expects ongoing questions to emerge in oil and gas bankruptcy proceedings, with each case turning on specific background facts, contract language, applicable state law and how a particular court interprets applicable precedent.

Crestwood Battles Basis Degradation In The Marcellus

By **CHRIS SHEEHAN**, Hart Energy

Crestwood Equity Partners' Mark Mitchell addresses the crowd at Hart Energy's Marcellus-Utica Midstream Conference & Exhibition. (Source: Hart Energy)

PITTSBURGH—The northeast Marcellus Shale represents a "world -class resource base with vast potential," but current oversupplied market conditions pose significant challenges for some midstream operators, said Mark Mitchell, senior vice president with Crestwood Equity Partners LP, at Hart Energy's Marcellus-Utica Midstream Conference & Exhibition held Jan. 26-28 at the David L. Lawrence Convention Center.

Crestwood operates several storage and transportation assets in the northeast Marcellus, including a storage facility "sitting right on the top of the core of the dry Marcellus" called the Stagecoach facility, according to Mitchell. Stagecoach can store 21.4 billion cubic feet (Bcf) of working gas and interconnects with Millenium Pipeline, Tennessee Gas Pipeline and Transco Pipeline. Other storage assets include its Steubenand Thomas Corners facilities.

Working with its Stagecoach facility, Crestwood has, over the last five years, developed a significant transportation business providing delivery alternatives for Marcellus producers, Mitchell said. Today, four major receipt points on its system are directly connected to upstream gathering facilities. Until recently, this resulted in 1.1 Bcf/d to 1.4 Bcf/d of direct supply feeding into the system and then moving to the downstream pipelines.

Those volumes have dropped off over the last few months as E&Ps have cut back production, and in some cases shut in gas, as they await new takeaway and a recovery in gas prices. Additionally, the warm winter and full storage have exacerbated the supply overhang, causing seasonal spreads to narrow. For example, October 2015 -January 2015 spreads were recently at 36 cents/Mcf and have hovered between high-20s to low-40s cents/Mcf—for a storage operator. This is "not the greatest news you want to hear," Mitchell said.

"The tremendous growth in production, together with a lack of takeaway capacity, has led to significant basis degradation," Mitchell said. "Over the last five years we've seen a pretty steady degradation of the pricing spread on the summer-winter strip."

Part of the problem, according to Mitchell, is the time lag needed for demand to catch up with supply. "Today we're facing some pretty significant headwinds," he said. "We've got this tremendous growth taking place. The demand always takes longer. The supply can react so fast."

However, while Marcellus reserves continue to increase—enough to meet market needs for "the next 20 to 30 years"—Mitchell cited a variety of reasons why the northeast Marcellus gas market would over time find greater balance. For example, a compilation of gas-fired power projects within 60 miles of the Stagecoach facility amounted to almost 2 Bcf/d of demand.

"We've seen an influx of projects in the northeast. Maybe not all of these will get built, but we believe that a significant portion of them will be built over the next five years," said Mitchell. "But when you're talking about 2 billion cubic feet per day of incremental power generation demand in the basin, that's good news for the E&P producers; it's good news for the market. It is one of the factors, in addition to pipeline projects, that will address the overhang of supply we're currently seeing in the northeast Marcellus."

Mitchell additionally pointed to more than 5 Bcf/d of takeaway projects involving seven pipelines, which are forecast to come online in the next three to four years. And regional utilities were also sourcing more system supply from both the northeast and southwest parts of the Marcellus, he added.

In a move to incentivize buyers and sellers to transact more in the basin, Crestwood launched a brand new contract on the Intercontinental Exchange in the fourth quarter of last year. One feature is that access to the Stagecoach Marcellus Hub is available at no cost, Mitchell said.

Two pipeline expansions are also planned by Crestwood. To the north, where Crestwood's system connects with Millenium Pipeline, the plan is to repurpose an intrastate line to provide an additional outlet to Dominion Transmission. The other expansion is at the southern end of its system, between the Tennessee and Transco lines, where the new Marc II Pipeline is to be built. Both expansions are planned to have a 2018 in-service date.
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Projected Gas Demand Requires Massive New Pipeline

By **JOSEPH MARKMAN**, Hart Energy

PITTSBURGH—Increased long-term demand for Appalachian gas requires construction of the largest pipeline in the continental U.S., one that would reach from the western edge of the Marcellus Shale to a hub in the South.

Footing the cost for the $9 billion to $12 billion project is where things get complicated, especially during a downcycle, a market specialist told midstream executives at Hart Energy's Marcellus-Utica Midstream Conference & Exhibition held in late January.

Rick Notarianni of McKinsey & Co. makes the case for construction of a massive pipeline to export natural gas from Appalachia. (Source: Hart Energy)

Deferring construction of the line could cost the industry as much as $70 billion, Rick Notarianni, senior analyst of energy insight at McKinsey & Co., warned natural gas industry representatives.

"A lot of the easy stuff is done already," Notarianni said, explaining that it is easier to finance reversing lines and building out intraregional pipes. The forecast for increased demand in the next 10 years necessitates an additional 18 billion cubic feet per day (Bcf/d) of production from the Marcellus and Utica shales.

"Demand growth is now almost exclusively cut off from supply growth," he said. Pipeline reversals, the new Cove Point LNG facility and new pipelines will cover most of the additional production, but that still leaves a shortfall of 2.5 Bcf/d to 2.7 Bcf/d. Moving that much gas out of the region would require a 48-inch pipeline.

"If you can't drill wells in the Marcellus or the Utica, you're going to have to go somewhere else to meet demand, and that somewhere else is going to be the Haynesville; that somewhere else is going to be the Piceance, the Uinta Basin out in the Rockies."

—Rick Notarianni, McKinsey & Co.

The alternative to building the pipeline would be to drill for gas elsewhere.

"If you can't drill wells in the Marcellus or the Utica, you're going to have to go somewhere else to meet demand, and that somewhere else is going to be the Haynesville; that somewhere else is going to be the Piceance, the Uinta Basin out in the Rockies," Notarianni said. "Those wells cost more and they're less efficient, so you'll have to drill more, so more money needs to be pumped in. Over the next 10 years, that's almost $70 billion of non-optimal spending because you can't drill where you should in the Marcellus and the Utica."

Finding somebody to pay for the new pipe won't be easy, he said:

- Producers have traditionally shouldered that burden but balance sheets won't allow consideration at this time;
- Utilities have stepped up big for Atlantic Coast and Mountain Valley projects, but Notarianni questioned whether a utility in the South would be willing to back a 900-mile pipeline;
- LNG buyers and shippers might be interested, but are currently worried about their own margins; and
- Industrials would prefer to pay slightly more to get gas from their nearby hubs then bear the cost of a pipeline.

Thus, McKinsey doubts the needed pipeline will be built in the short term. Notarianni pointed to the lack of available funds at the moment, a reluctance by E&Ps active in the South to pipe in cheaper gas to the region and a wariness of "free riders" who would benefit from the pipe without defraying the cost.

Long term, however, rising demand will force the industry to revisit the issue, he said.

"If we want to continue growing this basin at the pace that it should be grown, are we prepared to make the big investments over the next few years to allow it to grow in the long term?" he asked.

FRAC SPREAD

Frac Spread: Turbulence Ahead

By **FRANK NIETO**, Hart Energy

The hydrocarbon commodity market remains challenged with West Texas Intermediate (WTI) crude oil falling below $30 per barrel (/bbl) and natural gas remaining at about $2.00 per million Btu (/MMBtu). However, NGL prices improved this week as the market has benefited from increased heating demand the past few weeks and strong export demand.

While it is also possible that NGL prices hit their floor a month ago, it is likely that more volatility could impact the market as WTI crude may not have found its bottom. Until some semblance of consistency takes hold in the crude market, NGL prices will remain challenged. These challenges will increase as the spring shoulder season approaches. Winter temperatures are expected to turn warmer and there are reports that LPG exports to Asia and Europe may decrease in the next several weeks.

RESIN PRICES – MARKET UPDATE – FEBRUARY 12, 2016

TOTAL OFFERS: 28,087,784 lbs		SPOT		CONTRACT	
Resin	Total lbs	Low	High	Bid	Offer
LLDPE - Film	7,085,616	0.49	0.6	0.47	0.51
LDPE - Film	4,825,912	0.5	0.62	0.5	0.54
HDPE - Blow Mold	4,656,924	0.45	0.56	0.44	0.48
HDPE - Inj	4,586,476	0.495	0.58	0.46	0.5
LLDPE - Inj	1,979,956	0.555	0.59	0.495	0.535
PP Copolymer - Inj	1,375,196	0.57	0.67	0.6	0.64
HMWPE - Film	1,366,852	0.5	0.57	0.46	0.5
PP Homopolymer - Inj	1,231,380	0.55	0.66	0.58	0.62
LDPE - Inj	979,472	0.45	0.6	0.505	0.545

Source: Plastics Exchange – www.theplasticsexchange.com

NGL PRICES						
Mont Belvieu	**Eth**	**Pro**	**Norm**	**Iso**	**Pen+**	**NGL Bbl**
Feb. 3 - 9, '16	15.47	36.02	55.98	56.14	66.86	**$15.64**
Jan. 27 - Feb. 2, '16	15.18	34.14	51.94	51.98	70.88	**$15.32**
Jan. 20 - 26, '16	14.64	31.26	46.30	46.16	66.94	**$14.18**
Jan. 13 - 19, '16	14.09	31.70	44.38	44.55	69.00	**$14.14**
January '16	14.99	33.52	49.29	49.26	73.66	**$15.20**
December '15	14.83	38.66	56.87	57.47	92.65	**$17.69**
4th Qtr '15	17.50	42.15	60.09	60.57	97.59	**$19.11**
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**
Feb. 4 - 10, '15	16.83	53.44	65.92	67.80	113.46	**$21.92**
Conway, Group 140	**Eth**	**Pro**	**Norm**	**Iso**	**Pen+**	**NGL Bbl**
Feb. 3 - 9, '16	14.10	32.92	50.76	62.10	66.90	**$15.09**
Jan. 27 - Feb. 2, '16	13.92	31.20	48.52	56.00	70.52	**$14.83**
Jan. 20 - 26, '16	13.30	28.96	43.38	49.40	65.76	**$13.69**
Jan. 13 - 19, '16	14.20	28.65	41.70	48.50	68.25	**$13.86**
January '16	14.14	30.31	46.42	53.17	72.76	**$14.72**
December '15	13.32	33.23	54.07	60.36	91.32	**$16.79**
4th Qtr '15	14.90	38.06	57.31	64.04	95.84	**$18.20**
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**
Feb. 4 - 10, '15	16.36	49.94	65.42	74.28	111.60	**$21.62**

The good news is that it is possible that the market overreacted to news that crude storage at the Cushing, Okla., hub was rapidly increasing. The U.S. Energy Information (EIA) reported that oil stocks rose by 523,000 barrels (bbl). While there have been murmurings that storage at the hub was full, this is not the case based on the data available. "Cushing is not full. According to the U.S. Department of Energy, shell capacity at Cushing is 87 million bbl, working capacity is 73 million bbls vs. the reported 64.7 million bbl," Tudor, Pickering, Holt & Co. said in a research note.

The investment firm noted that PADD III inventories are well below the working tank capacity and that interconnectivity between Cushing and the Gulf Coast will allow PADD III to absorb incremental crude stocks. Certainly the increase in volumes at Cushing isn't good news for a struggling crude market, but neither is it the doomsday scenario the sudden decrease in WTI prices would lead you to believe.

The NGL with the closest relationship to crude, C5+ experienced a decrease in value at both hubs in line with the drop in crude. The price was down to 67 cents per gallon (/gal) at both hubs, a 6% drop at Mont Belvieu and a 5% decrease at Conway.

Further precipitating the decline was the deterioration in distillate demand caused by warmer winter temperatures and decreased industrial consumption. Barclays Capital reported that distillate stock levels were the highest for winter in the past decade.

North American diluent demand is also falling as production out of the Canadian oil sands has been lower in accordance with the decrease in prices. The export for diluent may see an uptick in the coming months though with demand improving for the product in Asia and Venezuela.

CURRENT FRAC SPREAD (CENTS/GAL)

FEBRUARY 12, 2016	Conway	Change from Start of Week	Mont Belvieu	Last Week
Ethane	14.10		15.47	
Shrink	12.86		13.26	
Margin	1.24	44.11%	2.21	15.10%
Propane	32.92		36.02	
Shrink	17.77		18.32	
Margin	15.15	15.16%	17.70	11.88%
Normal Butane	50.76		55.98	
Shrink	20.12		20.74	
Margin	30.64	9.08%	35.24	12.95%
Isobutane	62.10		56.14	
Shrink	19.32		19.92	
Margin	42.78	17.59%	36.22	12.98%
Pentane+	66.90		66.86	
Shrink	21.51		22.18	
Margin	45.39	-6.75%	44.68	-8.25%
NGL $/Bbl	15.09	1.81%	15.64	2.07%
Shrink	7.09		7.31	
Margin	8.01	4.96%	8.34	3.96%
Gas ($/mmBtu)	1.94	-1.52%	2.00	0.00%
Gross Bbl Margin (in cents/gal)	17.84	5.84%	19.02	4.62%
NGL Value in $/mmBtu (Basket Value)				
Ethane	0.78	1.29%	0.85	1.91%
Propane	1.14	5.51%	1.25	5.51%
Normal Butane	0.55	4.62%	0.60	7.78%
Isobutane	0.39	10.89%	0.35	8.00%
Pentane+	0.86	-5.13%	0.86	-5.67%
Total Barrel Value in $/mmbtu	3.72	2.34%	3.92	2.59%
Margin	1.78	6.93%	1.92	5.44%

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.

Flat natural gas prices are likely to continue throughout the rest of the winter as the recent cold front being experienced in the Northeast and Midwest arrived too late in the season to work off the huge storage overhang.

"The gas market started this winter oversupplied, with a record high inventory and a surplus of nearly 400 billion cubic feet (Bcf) versus the previous year. At the time a cold hard winter presented the best chance to correct the supply/demand imbalance through increased heating demand. But weather forecasters instead predicted an exceptionally warm winter due to the effects of El Nino. And sure enough, winter has been largely a no-show so far. Meanwhile, on the supply side, gas production has not given up any ground, and in fact, has even experienced another surge to record levels in recent weeks. This mixture of lower demand and higher supply has meant not as much gas has been withdrawn from storage to meet winter peak needs as usual this year. As a result, the storage surplus has continued to grow," RBN Energy said in a Feb. 10 research note.

The company stated that balances have to tighten before November since it would be physically impossible to carry even a 300 Bcf surplus over last year through the end of injection season. This is because storage peaked at 4.009 trillion cubic feet (Tcf) on Nov. 20, 2015 and the total U.S. storage capacity is approximately 4.3 Tcf.

"Thus, longer term, the supply/demand balance must tighten compared to where it stands today and shrink the surplus by at least half in order to prevent a catastrophic market event this fall. If inventories end this winter season (March 31, 2016) with a surplus of 600 Bcf versus last year, that would require the balance to tighten by an average 3-Bcf/d over the 215 days of the summer injection season (April-Oct) in order to get back to last year's level near 4,000 Bcf by Nov. 1, 2016," according to the report.

RBN Energy said that there are several factors that could result in a faster drawdown on storage levels. The first is that demand has been greater this year than last, which if the current rate continued through the summer would put storage levels to within 90% of last year's figure. In addition, a larger number of exports to Mexico and new LNG export terminals will also help with working storage levels off.

While demand levels are increasing, there is growing evidence that supplies are decreasing as there are less efficiency gains to be created in 2016 than there were in 2015 and production out of the Northeast may be curbed with little new takeaway capacity set to come online until the fourth quarter after storage's typical peak season.

"These factors could limit the ability for Northeast production to continue offsetting declines in other regions at the same rate that it has so far. Thus, after years of relentless growth, U.S. production volumes may well end up flat to slightly lower this year versus 2015," the report said.

The latest data from the EIA show that storage volumes were down 70 Bcf to 2.864 Tcf the week of Feb. 5 compared to 2.934 Tcf the previous week. This was 25% greater than the 2.291 Tcf posted last year at the same time and 23% greater than the five-year average of 2.321 Tcf.

MORE TOP STORIES

Vitol CEO: Cheap Oil Prices To Last At Least A Decade

By **BRYAN SIMS**, Hart Energy

In one of the most bearish calls yet, the head of the world's largest oil trader, Vitol Group BV, says that cheap crude oil prices could last another decade due to a slowing Chinese economy and the ability of U.S. shale producers to ramp up production whenever prices do rise.

“It’s hard to see a dramatic price increase,” CEO Ian Taylor said in an interview with Bloomberg Television that aired on Feb. 8, adding that “we can’t say for sure that the price has bottomed out.”

Taylor believes that oil prices will trade within a range with $50 per barrel (bbl) as the midpoint.

“We really do imagine a band. I can see that band lasting for five to 10 years. I think it’s fundamentally different,” Taylor said.

He estimates a price band of roughly $40 per bbl to $60 per bbl. “You have to believe that there is a possibility that you will not necessarily go back above $100 per barrel, you know, ever,” he warned. However, Taylor said that he predicts Brent prices to rebound to around $48 per bbl by year-end.

When it comes to the downstream, Taylor admitted that 2015 was a good year for refining margins, positing that they were “much better than probably we all thought it was,” particularly when it comes to gasoline. For 2016, however, Taylor sees a challenging margin environment for the global refining sector relative to 2015.

SoCalGas: First Relief Well For Aliso Canyon Gas Leak is Progressing

On Feb. 10, Southern California Gas Co. (SoCalGas) provided an update on operations to control the methane leak from the Aliso Canyon underground natural gas storage field.

Progress is being made on the first relief well, which reached 8,615 ft measured depth. This well is on scheduled to stop the leak by late February, or perhaps sooner. Crews continue setting up rig equipment on the second relief well, the company added.

The company said that controlling the leakage of gas, cementing and stabilizing the target well so that is permanently sealed and getting confirmation from the Division of Oil, Gas and Geothermal Resources (DOGGR), part of the state’s Department of Conservation, that the target well is permanently sealed, are the major steps to stop the leak.

Controlling the flow of the leaking gas will involve pumping heavy fluids into the target well, and this will begin in the next few days, the company said.

When the flow of gas has been stopped, enough cement will be pumped into the well to displace these fluids and mud and leave a cement seal that will cut off the target well from the reservoir, permanently stopping the leak at its source.

The company will work with DOGGR to confirm the leak has stopped. After no more gas is leaking, any remaining odors should quickly dissipate, SoCalGas said.

Residents will be notified by SoCalGas when the leak has been controlled and also when DOGGR confirms for the company that the well is sealed. All residents who requested relocation assistance from SoCalGas should note that the company will attempt to call or email them. A press release will also be issued, and updates will be posted on theAlisoUpdates.com website and on social media.

As of Feb. 10, 1,726, or more than one-third, of the residents who chose to relocate have checked out of their temporary accommodations.

By the numbers:

--**Households placed:** 4,645

--**Households in progress:** 861

--**Households checked out:** 1,726

--**Air scrubbers installed in homes:** 5,467

--**Weatherization of homes:** 5,410

--**Plug-in air filters delivered to homes:** 3,231

Recently, the South Coast Air Quality Management District published findings showing that average benzene concentrations and the range of 12-hour and 24-hour benzene concentrations (average, minimum and maximum) in the Porter Ranch area are lower than those in surrounding communities.

Southern California Gas Co. is based in San Diego.

Backed By Intervale, Entegra Will Expand US, Canada Pipeline Inspection Services

Entegra LLP inline inspection services company was formed through investments from energy-focused private-equity firm Intervale Capital and the management team, Intervale said Feb. 10.

Entegra has engineering, R&D and inline inspection tool fabrication resources in Toronto and sales and field operations in Houston and Indianapolis. The company plans to offer pipeline inspection and integrity services in all active U.S. and Canadian pipeline markets.

Mark Olson, Entegra's president, has more than 25 years' of pipeline integrity experience. Previously, he led the team that formed Cornerstone Pipeline Inspection Group in 2001, which Baker Hughes Inc. acquired in 2003. Cornerstone developed the high resolution MFL/Caliper combination inline inspection tool.

Jason Turowsky, partner at Intervale, said that pipeline integrity management is critical to the industry, the public and the environment. Entegra's best-in-class technology and services help pipeline operators achieve safe and optimal operation of their pipeline assets, he said.

Intervale Capital is based in Boston.

Energy Transfer CFO Switch Rattles Investors

By **PAUL HART**, Hart Energy

Wall Street reacted sharply following an announcement by Energy Transfer Equity LP (ETE) that it replaced its group CFO, Jamie Welch, with Thomas Long, who was CFO of Energy Transfer Partners LLC, Energy Transfer's general partner. The Dallas-based midstream player made the announcement Feb. 5.

On Feb. 8, ETE units had surrendered 25% of their value in very heavy trading. Energy Transfer Partners (ETP) units likewise were down more than 15%. Meanwhile, shares of The Williams Cos. Inc. (WMB), which agreed to an acquisition deal with ETE last year, saw its shares down by 20% in late-morning trading. Williams announced in January it was "committed" to the $33 billion acquisition deal, although the shares of both firms have dropped precipitously in recent weeks along with those of other midstream players.

Analyst response to the announcement was negative. Ethan Bellamy, midstream analyst at Baird Equity Research, referred to the "disturbingly brief" Securities and Exchange Commission Form 8-K ETE filed to announce the change of senior-level officers. Bellamy in a report added the move is "likely to add increased selling pressure to the Energy Transfer family as the entities face material leverage constraints from the proposed acquisition of Williams Companies."

Baird also downgraded ETE to neutral from outperform.

Williams Signs Long-term Agreements For Gulf Connector Shippers

Williams Partners LP executed long-term contracts with two shippers for Gulf Connector, an expansion of the Transco Pipeline system connecting domestic natural gas supplies with global LNG markets, the company said Feb. 10. Transco is a wholly owned Williams Partners subsidiary.

Gulf Connector will deliver 475,000 dekatherms per day of gas for Cheniere Energy Inc.'s LNG Corpus Christi liquefaction project near Corpus Christi, Texas, and for a shipper in Freeport LNG Development LP's liquefaction project near Freeport, Texas.

Both liquefaction facilities are currently under construction. The contracts are pending regulatory approvals.

The flow of gas will be bidirectional on a portion of the Transco system between Transco's Station 65 in St. Helena Parish, La., to mainline interconnects with proposed header pipelines in Wharton County, Texas, and San Patricio County, Texas.

Cheniere's Corpus Christi export terminal will have five liquefaction trains, the first two of which are scheduled to be operational in late 2018 and mid-2019, respectively.

The Freeport LNG export terminal will have three liquefaction trains and will begin operations in phases between September 2018 and August 2019.

Williams also said it is building the Gulf Trace project to serve Cheniere's Sabine Pass liquefaction project in Cameron Parish, La., The first shipment of LNG from that facility is expected in late February or March, and Gulf Trace is scheduled to be completed in early 2017.

Gulf Connector and Gulf Trace are included in Williams Partners' 2016 growth capital funding plan.

Williams Partners LP is based in Tulsa, Okla.

TransCanada Posts 4Q 2015 Loss On Keystone-related Charge

TransCanada Corp., Canada's second-largest pipeline company, reported a quarterly loss as it recorded a CA$2.9 billion after-tax impairment charge related to the proposed Keystone XL pipeline.

The company reported a net loss attributable to shareholders of CA$2.46 billion (US$1.76 billion), or CA$3.47 per share, in the fourth quarter ended Dec. 31, 2015, from a profit of CA$458 million, or 65 Canadian cents per share, a year earlier.

U.S. President Barack Obama rejected the proposed Keystone XL oil pipeline from Canada in November 2015, in a victory for environmentalists who campaigned against the project for more than seven years. ($1 = 1.3962 Canadian dollars)

-Reuters

Open Season Begins For Medallion Pipeline Expansion

A binding open season began Feb. 9 for long-term commitments on the third major expansion of Medallion Pipeline Co. LLC's 320-mile crude oil pipeline system, the company said Feb. 10.

Firm transportation capacity can be acquired under minimum 10-year term agreements on the Howard Lateral and the Wolfcamp Connector expansion. Full commercial operations will begin in the second quarter of 2016, but certain segments could go into service earlier on an interim basis, Medallion said.

The 45,000 (Mbbl/d) bidirectional Howard Lateral would take crude oil from multiple origin points in Howard County, Texas, about 49 miles to the southeast to a new point of interconnection on Medallion's Wolfcamp Connector mainline system in Glasscock County, Texas.

A total of 30 Mbbl/d could be added to the Wolfcamp Connector, which originates at the Garden City Station in Glasscock County and extends about 60 miles north to the Colorado City hub in Scurry County, Texas.

The open season ends Feb. 26.

Medallion Midstream LLC is based in Irving, Texas.

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