

# MIDSTREAM

## Monitor

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## INGAA Director: Pipeline Safety Takes Priority

*By Deon Daugherty, Associate Editor*



**Richard Hoffmann, executive director of the INGAA Foundation, told attendees at Hart Energy's recent Marcellus-Utica Midstream conference that the natural gas industry has a great story to tell. *Source: Hart Energy***

PITTSBURGH – The natural gas industry has a great story to tell, said Richard Hoffmann, executive director of the INGAA Foundation, the research arm of the Interstate Natural Gas Association of America. It's one that has brought great reward to those who work hard to ensure the safe transmission of resources from one part of the country to another.

Hoffmann spoke at Hart Energy's recent Marcellus-Utica Midstream conference, noting that energy production and growth in manufacturing has likely had the single largest positive impact on much of the U.S. economy in recent years.

"[Natural gas pipelines] make the realization of the shale revolution possible. Natural gas use has contributed to cleaner air. Gas pipelines are the only feasible way to move large quantities of natural gas areas to customers," Hoffmann said. "Pipelines make it possible. They're an indispensable link."

The shale revolution created the need for new pipelines, and it's critical that companies continue their vigilance to make sure their lines are safe and reliable. In fact, he said, safety is a chief concern.

"The transmission companies have a major responsibility to keep them that way, and these responsibilities are continuous. They don't ever go away. New infrastructure is continually needed, and our past record will affect our future success. Beyond the clear benefits to our society and economy, the new reality is that stakeholder involvement is increasing and must be addressed responsibly. We've got to learn to be proactive, open and address the concerns of stakeholders."

Close to 305,000 miles of natural gas transmission pipeline crisscross the U.S. at high pressures. Of that total, 220,000 miles of that is interstate and the other 80,000 is intrastate, Hoffmann said.

"The network, one that is interconnected with Canada and Mexico, it makes North America the world class leader in natural gas transmission. This interconnected network has facilitated the competitive, open access market in the U.S.," he noted.

In the last decade, about 10,500 miles of mostly large diameter, high pressure interstate transmission pipelines have been laid, and more are in the works. Projects in the northeast are in the planning stage and regulatory stages trying to get approved, and some projects are already under construction.

Even as the pace accelerates, however, pipeline safety must remain the top priority, Hoffmann said.

"Gas pipelines have been extremely safe. Pipelines are noted as the safest mode of transportation. Last year was a very safe year for the interstate natural gas pipeline business and we've got to continue to work the commitments that the INGAA pipeline companies have made for zero incidents," he said. "It's a goal, and it's a goal that is being achieved in some ways, but it's not going to go away without a lot of work."

This year, Congress will consider re-authorization of the federal pipeline safety bill. INGAA officials are hoping the industry's record will resonate with lawmakers who will make the re-authorization legislation a clean bill that doesn't target the industry beyond what exists, he said.

"Rules on valves, integrity management and verification could have significant impact on companies and INGAA is monitoring rule-making, commenting and getting involved hopefully in a positive way," he said.

Hoffmann specified that while it's the cleanest burning fossil fuel, natural gas is still the subject of new and increased regulation by the Obama administration, including the new methane policy. New rules

from the U.S. Environmental Protection Agency on ozone and greenhouse gas emissions are also expected. Those rules could adversely impact the gas pipeline industry in terms of cost and permit requirements, he said.

“There is necessity to focus on the infrastructure that we’re building, but also to look in the rearview mirror and see what’s coming up from behind you,” he said. “It is a critical piece of running this whole business because these new regulations. They come at you from all different directions, and it’s very important to keep up with them.”

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## Midstream M&A Growth Prospects Bright

*By Caryn Livingston, Hart Energy*



After midstream deals hit a three-year high in 2014, midstream transaction values are poised to continue strong in 2015, according to the Deloitte’s “Oil & Gas Mergers and Acquisitions Report—Year-end 2014.”

Three midstream transactions were among the top 10 merger and acquisition (M&A) deals of 2014, and already in the new year seven of the top 10 deals to-date were in the midstream sector.

In 2015, the largest announced transaction in the sector so far is the merger of Energy Transfer Partners LP with Regency Energy Partners LP, with a transaction value of \$18 billion. The deal is expected to close in the second quarter of 2015.

Harold Hamm, CEO of E&P Continental Resources Inc., also sold his MLP Hiland Partners LP to Kinder Morgan Inc. for \$3 billion, putting the midstream transaction value for the first quarter above \$22 billion.

### Top 10 First-Quarter 2015 Announced Deals, as of Feb. 12

Transaction	Value (\$MM)	Buyer	Seller
Midstream	18000	Energy Transfer Partners LP	Regency Energy Partners LP
Midstream	3000	Kinder Morgan Inc.	Hiland Partners LP
Midstream	600	EnLink Midstream LLC, EnLink Midstream Partners LP	Coronado Midstream Holdings LLC, Diamondback Energy Inc., Reliance Industries Ltd., RSP Permian Inc.
Midstream	280	NGL Energy Partners LP	Haddington Ventures LLC, Magnum Development LLC, Magnum NGLs LLC
E&P	240	Antero Resources Corp.,	Undisclosed
Service & Supply	230	Oceaneering International Inc.	C&C Technologies Inc.
Midstream	162.5	Marlin Midstream Partners LP	Azure Midstream Energy LLC
Midstream	160	Enbridge Energy Partners LP, Midcoast Energy Partners LP	Burk Royalty Co. Ltd., New Gulf Resources LLC, SEM Operating Co. LLC, Sequitur Energy Resources LLC
Midstream	142.5	NuStar Energy LP	Linden Holding Corp., NIC Holding Corp.
E&P	139	Parsley Energy Inc.	Undisclosed

Source: Hart Energy

Deloitte put the midstream deal value at \$80 billion. The year is complicated by Kinder Morgan's assembly of its midstream entities through three transactions into one giant company. The value of the transaction was about \$76 billion.

Depending on how deals are counted, 2014 was decidedly strong, with announced North American transactions valued at \$132.8 billion, according A-DCenter.com data.

**Not invulnerable**

While the midstream is still influenced by fluctuations in commodities prices, its prevailing structure of fee-based contracts gives it more stable cash flows than found in the upstream sector. Those stable cash flows, as well as several global developments, should help the midstream sector sustain the growth it has experienced recently, even if at a slower pace than previously expected, the report said.

“With some upstream activity being suspended going into 2015 in response to oil market conditions, pricing on midstream assets may relax,” the report said. “Risk-averse investors may seek out lower-risk equity investments, such as long-haul natural gas pipelines, particularly while interest rates remain relatively low.”

Natural gas projects are likely well-positioned to withstand the current decline in oil prices, the report noted. Both the regulatory environment in several countries with projects in development and current international trade dynamics support moderate demand growth for natural gas through 2020, and increase the potential for investment in natural gas assets. However, the drop in prices will likely lead to postponement of some LNG projects in very early stages.

“Infrastructure buildouts to support LNG projects in the latter stages of development and that are already contracted, primarily in North America and Australia, will likely have the momentum to withstand the current commodity price slump; however, LNG projects in earlier stages of development may be delayed or cancelled outright,” the report said.

Storage assets may also be an international investment target in 2015, according to the report.

Two factors could embolden investors in the storage area. The first is “an increase in oil purchases for onshore commercial storage, particularly in China where independent operators are permitted to operate oil storage facilities and have been aggressively increasing capacity,” the report said. Second is “the prospect of higher than usual global oil price volatility, as demonstrated through crude oil futures.”

A number of other factors also contribute to a positive North American midstream M&A outlook, the report said. Demand for natural gas as a transportation fuel and as a cleaner energy feedstock for power generation than coal is expected to continue driving pipeline system expansions.

The Keystone XL Pipeline remains in limbo. Congress passed a bill Feb. 11 to construct the line but President Barack Obama is almost certain to veto the legislation. While the standoff continues, any growth in exports of Canadian oil through U.S. terminals would increase demand for barges and crude-by-rail infrastructure. Also in Canada, the potential buildout of the Energy East project would require large capital injections with the potential to attract investors. Finally, energy reform in Mexico is leading to calls for investment on a variety of infrastructure projects with the potential to attract investors.

Nevertheless, the midstream sector isn't invulnerable to challenges the energy industry faces from greatly reduced oil prices. The most exposed companies in this pricing environment are those that “that aggressively acquired pipeline assets and now face project delays and reduced throughput extending beyond 2015,” the report said.

With challenged commodities prices, “private equity, infrastructure funds and other investors that have facilitated the expansion of gathering, processing and pipeline systems will soon need to discern which capacity enhancements will need to be postponed or canceled as upstream producers reprioritize projects with output destined for the infrastructure.”

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## Poll: Most Americans Support Crude Exports

*By Deon Daugherty, Associate Editor*



About 76% of Americans think allowing U.S. oil producers to sell crude to customers in countries that are already trading partners would have a positive impact on the economy, according to a new FTI Consulting poll from Producers for American Crude Oil Exports.

The poll questioned about 1,025 random registered voters via telephone from across the country between Feb. 2-5 so as to reflect the geographic and demographic American constituency.

“Registered voters recognize that domestic oil production is increasing, and they believe this trend is positive for the economy. Voters overwhelmingly support allowing American oil producers to sell crude oil to customers in the U.S. and to customers in countries who are trading partners,” FTI said in the report. “Moreover, they believe that pursuing this policy would benefit the American economy, improve the United States’ global strategic position, benefit consumers, and reduce the trade deficit.”

According to FTI, voters found significant benefits in loosening government restrictions on American producers:

- 76% expected the overall impact on the U.S. economy would be positive.
- 74% believed it would make the U.S. less dependent on oil from other countries.
- 74% thought it would create more American jobs.
- 73% said it would strengthen America's strategic global position.
- 63% anticipated the increase in supply would cause prices for crude oil, gasoline and diesel fuel to decrease.
- 59% said the U.S. trade deficit would get smaller.

The U.S. has banned the export of crude for the last 40 years, with the exception of small quantities, mostly delivered to Canada or re-exported from other countries that sell oil to the U.S. and is then exported elsewhere. Recent production highs, based largely in part on advances in shale technology, have created some oversupply and burdened the economy with a dramatic decline in oil prices.

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## Ohio And Oil Grow Together

*By Paul Hart, Editor-In-Chief*



**Craig Pierson, president of Marathon Pipe Line LLC, noted the rapid growth of the Marathon Petroleum Corp. at Hart Energy's recent Marcellus-Utica Midstream Conference and Exhibition. Source: Hart Energy**

PITTSBURGH – Ohio’s rapid emergence as a major oil and gas producer, thanks to the Utica shale play, builds on the Buckeye State’s 200-year history in the energy industry, two midstream executives told Hart Energy’s Marcellus-Utica Midstream Conference and Exhibition in Pittsburgh.

“We’re very excited about the Utica and its continuing growth in Ohio,” said Scott Williams, executive vice president and chief commercial officer at Blue Racer Midstream, said in a conference panel discussion. Craig Pierson, president of Marathon Pipe Line LLC, noted the rapid growth of the Marathon Petroleum Corp. MLP has been centered in Ohio since its dropdown occurred in October 2012.

Ohio oil production, of a sort, dates to 1814 with gathering of crude at a seep in Noble County, Ohio, followed by drilling in 1860 immediately after the first oil well went down across the border in Pennsylvania. But most of the state’s oil operations have been small in scale. The size of the Utica understandably overwhelms many Ohio citizens, the panelists agreed. Community relations have been important to Marathon, Pierson said, bearing in mind “99% of our assets are on someone else’s property.”

Marathon Pipe Line, a part of MPLX LP, has multiple midstream businesses, including pipelines, inland marine operations, terminals and rail cars – as well as downstream refining and fuel distribution operations. It focuses on fee-based midstream businesses and “one of our objectives is organic growth,” Pierson emphasized.

“We’ve delivered on our distribution growth rate of a 25% CAGR (compound annual growth rate),” he added. “We don’t just serve our parent, we serve an industry.”

The Utica play holds the firm’s focus for investment with more than \$500 million earmarked for a variety of new assets. That includes a Canton, Ohio, condensate splitter and truck rack; a Wellsville, Ohio, truck-to-barge terminal on the Ohio River; an expanded truck fleet; and new river barges.

“We’re on a building spree for barges,” he said, adding barges can economically connect the Utica with the MPLX refinery at Catlettsburg, Ky. Also, barges can move production to Gulf Coast customers via the Ohio and Mississippi rivers.

Marathon Pipe Line plans a binding open season in February and March for its proposed Cornerstone Pipeline that would move condensate, natural gasoline, diluent and butane from the developing Utica NGL hub at Cadiz, Ohio, to Canton. From Canton, shipments would go into an existing Marathon line to Lima, Ohio, which offers multiple connections to Midwest refineries, and pipeline links radiating north, west and south, including the Cochin Pipeline. The Kinder Morgan Inc. Cochin line moves diluent to heavy oil producers in Canada.

Engineering and right-of-way work is underway on the 50-mile, 15-inch Cornerstone line with construction scheduled to start in early 2016. A late 2016 in-service date has been scheduled.

“We want to connect you to the customers of the Utica,” Pierson told the conference. “We’re making greater use of our existing, smaller assets.”



For its part in the Utica, Blue Racer has helped the shale play “change Ohio from a follower to a leader in the energy business,” Williams told the conference, which attracted a record crowd of more than 2,100.

He said records through January show 1,312 Utica wells had been drilled in Ohio with 1,778 drilling permits issued. In historical terms, Ohio ranks No. 4 among the states in drilling activity, behind Texas, Oklahoma and Pennsylvania, with more than 275,000 oil and gas wells to date. Williams called the Utica “a superior play” with years of development potential.

Blue Racer, also started in 2012 as a joint venture of Dominion Resources Inc. and Caiman Energy II LLC, is working to increase midstream infrastructure to serve Utica producers, he emphasized.

“We want to create as much optionality as we can for our customers,” he said.

Currently, the firm has 647 miles of gathering lines, 400 million cubic feet per day (MMcf/d) of processing capacity and 133 miles of NGL and condensate pipelines. Those numbers will grow significantly in the near future, Williams predicted.

Blue Racer has under construction 200 additional miles of gathering lines, an additional 400 MMcf/d of processing capacity and 32 miles of NGL and condensate pipelines.

Its gathering and processing functions center around the Natrium Complex, located on the Ohio River in Marshall County, W. Va., and the Berne Complex in Monroe County, Ohio. Berne will gain an additional 200 MMcf/d of capacity in April.

The challenge for Blue Racer and other Utica processors right now is a lack of residue gas takeaway capacity, a situation that will linger into 2018, “although that may be mitigated by a production slowdown,” Williams added. Some 9 billion cubic feet per day of new gas pipeline capacity is scheduled to go into service that year.

“We believe processing capacity [in the Utica] can stay out in front of production through 2020,” he said. Beyond then, adding fractionation to serve the region’s producers looks unlikely at this time.

“Who wants to spend money to build that last fractionation capacity?” he asked. “The next two years will be pivotal.”

# Frac Spread: Good News, Bad News

*By Frank Nieto, Hart Energy*



The uptick in crude oil prices and heating demand helped heavy NGL and propane prices improve, but ethane margins turned negative for the first time in a month due to the upswing in natural gas prices. Overall the news was a positive as the theoretical NGL barrel (bbl) price rose to its highest level at Mont Belvieu and its second highest price at Conway this year.

Whether these improvements in commodity markets will continue is debatable. West Texas Intermediate crude prices surpassed the \$50/bbl price the week of Feb. 9 while the market prepared for a production downturn as producers pull rigs in reaction to lower prices. However, it will take time to rebalance the oversupplied market and prices are likely to continue to rise and fall through the rest of the first half of the year.

There is also the possibility that production will not drop off at the level some anticipate. Barclays Capital said they are skeptical of the announcement of cuts by producers. "It is our view that this may be what shareholders want to hear, but the real capex cut, especially now that prices have rallied by \$10/bbl in the last two weeks, may be quite different. Thus, the market will continue to search for a new equilibrium. However, announced cuts in capital expenditure are not bringing in significant production cuts," the investment firm said in a research note.

Consequently, heavy NGL prices will remain challenged until crude prices fully rebound. However, if NGL prices have hit their floors, the full rebound will be stronger than the last market downturn in 2008 as the overall economy continues to show signs of improvement, unlike seven years ago. Natural gasoline (C<sub>5+</sub>) prices hit their highest level in nearly two months at both hubs as the Mont Belvieu price improved 10% to \$1.14/gal and the Conway price rose 11% to \$1.12/gal.

The other NGL to make significant gains this past week was propane, which rose 8% to 53 cents/gal at Mont Belvieu and 9% to 50 cents/gal at Conway, as heating demand increased. This demand is tempered by the record-level storage overhang, which is nearly 20 million bbl greater than normal levels.

Even with additional LPG export capacity being brought online in the beginning of this year, analysts and other market observers anticipate it will not be enough to work off excess supplies. Additionally, Canada is oversupplied on propane, leading to huge plummets in prices and causing producers to send supplies to the U.S. Subsequently, propane prices may come under more pressure this summer when demand is traditionally at its lowest levels. Lower-than-normal prices will be needed to encourage more LPG exports.

The most profitable NGL to make at both hubs remained C<sub>5+</sub> at 83 cents/gal at both hubs. This was followed, in order, by isobutane at 48 cents/gal at Conway and 41 cents/gal at Mont Belvieu; butane at 38 cents/gal at both hubs; propane at 26 cents/gal at Conway and 29 cents/gal at Mont Belvieu; and ethane at negative 1 cent/gal at both hubs.

The U.S. Energy Information Administration reported that natural gas storage levels decreased by 160 billion cubic feet the week of Feb. 6. This left the storage level at 2.268 trillion cubic feet (Tcf), which was 31% greater than the 1.726 Tcf figure posted last year at the same time when frigid Arctic temperatures greatly increased heating demand and 1% lower than the five-year average of 2.279 Tcf. Storage levels should decrease further this next week as the National Weather Service anticipates considerably colder-than-normal temperatures throughout much of the U.S.

<b>NGL PRICES</b>						
<b>Mont Belvieu</b>	<b>Eth</b>	<b>Pro</b>	<b>Norm</b>	<b>Iso</b>	<b>Pen+</b>	<b>NGL Bbl</b>
Feb. 4 - 10, '15	16.83	53.44	65.92	67.80	113.46	<b>\$21.92</b>
Jan. 28 - Feb. 3, '15	17.85	49.34	66.00	67.90	103.10	<b>\$20.90</b>
Jan. 21 - 27, '15	18.63	50.58	70.28	71.68	95.06	<b>\$20.94</b>
Jan. 14 - 20, '15	20.04	47.13	71.95	73.45	95.68	<b>\$20.93</b>
January '15	18.79	47.27	67.03	68.30	94.52	<b>\$20.28</b>
December '14	17.25	55.54	72.72	74.08	116.89	<b>\$23.00</b>
4th Qtr '14	20.22	76.90	96.73	98.28	149.25	<b>\$30.10</b>
3rd Qtr '14	23.19	103.92	123.69	128.39	212.20	<b>\$40.27</b>
2nd Qtr '14	29.26	106.55	124.12	130.23	222.81	<b>\$42.31</b>
1st Qtr '14	34.50	129.51	137.62	141.49	212.60	<b>\$46.16</b>
Feb. 5 - 11, '14	40.01	160.56	150.42	148.32	207.56	<b>\$51.21</b>
<b>Conway, Group 140</b>	<b>Eth</b>	<b>Pro</b>	<b>Norm</b>	<b>Iso</b>	<b>Pen+</b>	<b>NGL Bbl</b>
Feb. 4 - 10, '15	16.36	49.94	65.42	74.28	111.60	<b>\$21.62</b>
Jan. 28 - Feb. 3, '15	17.45	45.76	68.42	75.18	100.90	<b>\$20.76</b>
Jan. 21 - 27, '15	18.00	47.12	72.36	77.10	94.70	<b>\$20.84</b>
Jan. 14 - 20, '15	19.38	45.65	82.63	87.50	96.75	<b>\$21.85</b>
January '15	18.06	43.51	70.80	76.05	94.99	<b>\$20.33</b>
December '14	16.52	53.04	83.35	86.00	117.65	<b>\$23.68</b>
4th Qtr '14	18.69	78.64	102.72	113.19	146.37	<b>\$30.77</b>
3rd Qtr '14	20.38	104.99	123.51	140.07	207.90	<b>\$40.18</b>
2nd Qtr '14	26.26	105.44	121.26	163.00	221.62	<b>\$42.62</b>
1st Qtr '14	25.46	169.48	132.08	147.10	216.86	<b>\$49.93</b>
Feb. 5 - 11, '14	20.00	194.54	138.02	161.18	210.96	<b>\$52.30</b>

<b>CURRENT FRAC SPREAD (CENTS/GAL)</b>				
<b>February 13, 2015</b>	<b>Conway</b>	<b>Change from Start of Week</b>	<b>Mont Belvieu</b>	<b>Last Week</b>
Ethane	16.36		16.83	
Shrink	17.37		17.97	
<b>Margin</b>	-1.01	-139.91%	-1.14	-173.84%
Propane	49.94		53.44	
Shrink	24.00		24.82	
<b>Margin</b>	25.94	3.14%	28.62	6.75%
Normal Butane	65.42		65.92	
Shrink	27.17		28.10	
<b>Margin</b>	38.25	-15.16%	37.82	-6.60%
Isobutane	74.28		67.80	
Shrink	26.10		26.99	
<b>Margin</b>	48.18	-8.69%	40.81	-5.97%
Pentane+	111.60		113.46	
Shrink	29.06		30.05	
<b>Margin</b>	82.54	8.69%	83.41	10.01%
NGL \$/Bbl	21.62	4.17%	21.92	4.92%
Shrink	9.57		9.90	
<b>Margin</b>	12.05	-3.88%	12.02	0.97%
Gas (\$/mmBtu)	2.62	16.44%	2.71	10.16%
Gross Bbl Margin (in cents/gal)	26.96	-4.09%	27.38	0.82%
<b>NGL Value in \$/mmBtu (Basket Value)</b>				
Ethane	0.90	-6.25%	0.93	-5.71%
Propane	1.73	9.13%	1.86	8.31%
Normal Butane	0.71	-4.38%	0.71	-0.12%
Isobutane	0.46	-1.20%	0.42	-0.15%
Pentane+	1.44	10.60%	1.46	10.05%
Total Barrel Value in \$/mmbtu	5.24	3.66%	5.38	4.23%
<b>Margin</b>	2.62	-6.59%	2.67	-1.17%

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.

RESIN PRICES – MARKET UPDATE – FEBRUARY 13, 2015					
TOTAL OFFERS: 19,235,268 lbs		SPOT		CONTRACT	
Resin	Total lbs	Low	High	Bid	Offer
HDPE - Blow Mold	4,157,808	0.535	0.65	0.54	0.58
LDPE - Film	3,557,796	0.62	0.7	0.585	0.625
HMWPE - Film	2,794,600	0.56	0.64	0.585	0.625
LLDPE - Film	2,703,404	0.615	0.695	0.56	0.6
PP Homopolymer - Inj	2,421,864	0.67	0.74	0.66	0.7
PP Copolymer - Inj	1,234,576	0.67	0.75	0.68	0.72
LLDPE - Inj	966,828	0.52	0.69	0.61	0.65
HDPE - Inj	793,656	0.52	0.63	0.58	0.62
LDPE - Inj	604,736	0.69	0.735	0.63	0.67

Source: Plastics Exchange – [www.theplasticsexchange.com](http://www.theplasticsexchange.com)

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## TransCanada Disputes EPA's Climate Change Conclusion

*Bloomberg*

TransCanada Corp. (TO: TRP, NYSE: TRP) disputed the U.S. Environmental Protection Agency's (EPA's) conclusion that developing the oil sands for the Keystone XL Pipeline will significantly boost emissions of gases tied to climate change.

CEO Russ Girling, in a letter to the State Department released Wednesday, said the EPA's conclusion isn't supported by the environmental review conducted for the proposed \$8 billion project.

"TransCanada disagrees with any suggestion that the Department of State has not fully and completely assessed the environmental impacts of Keystone XL," Girling said. "We also reject the EPA's inference that at lower oil prices, Keystone XL will increase the rate of oil sands production and greenhouse-gas emissions."

The U.S. House of Representatives is scheduled to vote Feb. 11 on legislation that would approve the pipeline. President Barack Obama has vowed to veto the bill if it passes. White House officials said the legislation would circumvent the review now underway in the State Department.

The EPA, in a Feb. 2 letter to the department responding to a 2014 environmental analysis, said falling oil prices might make Keystone's impact on the climate greater than an earlier analysis suggested.

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## Gas Flows From Williams/DCP Ultradeepwater GoM Pipeline

### *Business Wire*

Williams Cos. Inc. (NYSE: WMB) said Feb. 9 that its ultradeepwater Gulf of Mexico (GoM) pipeline system, the Discovery, is now flowing natural gas.

The announcement with DCP Midstream Partners LP (NYSE: DPM) was made through Williams' general partner ownership of Williams Partners LP (NYSE: WPZ), the company added.

Williams owns the controlling interest in Williams Partners, which owns 60% of the Discovery system and operates it. DCP Midstream owns the remaining 40%.

The Keathley Canyon Connector deepwater gas gathering pipeline system and the South Timbalier Block 283 junction platform are the producers.

The 20-in., 209-m Keathley Canyon Connector begins in the Keathley Canyon area's southeast portion and ends at Discovery's 30-in. diameter mainline at its new junction platform. The connector can gather more than 400 MMcf/d of natural gas. The pipeline was built in about 7,200 ft of water about 300 m south-southwest of New Orleans.

The Keathley Canyon Connector is supported by long-term agreements with the Lucius, Hadrian North, Hadrian South and Heidelberg owners. The agreements allow gas gathering, transportation and processing services for production from those fields.

The Discovery system also includes the 600 MMcf/d Larose natural gas processing plant and the 35,000 bbl/d Paradis fractionation facility.

"With the startup of the Keathley Canyon Pipeline the Discovery joint venture is now ready to serve the growing production needs of our deepwater producers. As partners in the project, Williams and DPM are now positioned to significantly benefit from its world-class deepwater gathering system," said Bill Waldheim, DCP Midstream's president. "This is a great fee-based asset which will generate strong distributable cash flows for DPM."

Williams Cos. Inc. is based in Tulsa, Okla.

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## Venture Global Closes Equity Investments

Venture Global LNG Inc. closed two equity investments for a total of \$125 million in new capital, the company said Feb. 11.

The amount will support LNG export facility development across the U.S., including Venture Global's Calcasieu Parish Pass project in Cameron Parish, La., the Washington, D.C.-based company added.

The Calcasieu project is a liquefaction and export facility scheduled to begin operations in late 2019.

Domestic institutional investors provided the capital.

"With these private placements, we are closer to meeting our goals of exporting low-cost American LNG to global markets," said William M. Wicker, CEO. "The new capital positions us well for continued expansion of our global management team, completion of our engineering and design work, execution of our FERC [Federal Energy Regulatory Commission] and other regulatory activities, further procurement efforts and securing long-term sales agreements."

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## Pembina Will Expand Vantage Pipeline

Pembina Pipeline Corp. (TO: PPL; NYSE: PBA) entered into agreements to expand the Vantage Pipeline system, the company said Feb. 10.

The expansion will cost about CA\$85 million, the company added.

Vantage is a 700-kilometer high vapor pressure pipeline that carries ethane from North Dakota's Bakken to Alberta's petrochemical market. It originates from a Tioga, N.D., gas plant and ends near Empress, Alberta, where it connects to the Alberta Ethane Gathering System Pipeline.

By adding mainline pump stations and a new, 80-kilometer, 8-inch gathering lateral, Vantage's mainline capacity will increase to about 88,000 barrels per day (Mbbbl/d), up from 40 Mbbbl/d. A long-term fee-for-service agreement is supporting the expansion, the company said, adding that the gathering lateral is supported by a fixed return on capital investment.

The expansion is subject to regulatory and environmental approvals, but is expected to be in service in early 2016.



After the expansion, the overall system's EBITDA will be between CA\$75 million to CA\$110 million annually, the company said.

"This expansion has been a priority for us since acquiring Vantage in September 2014, and we are very pleased to see it come to fruition" said Mick Dilger, Pembina's president and CEO. "It supports our strategy to grow our fee-for-service-based cash flow stream, improves the accretion of the Vantage acquisition and will provide long-term shareholder value."

Pembina Pipeline Corp. is based in Calgary, Alberta.

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## Exterran Partners Might Join Alerian Indexes

Exterran Partners (NASDAQ: EXLP) is expected to join the Alerian MLP Index (NYSE: AMZ) and the Alerian MLP Equal Weight Index (CME: AMZE), Alerian said Feb. 12.

It will replace Oiltanking Partners (NYSE: OILT), Alerian added, noting that Oiltanking will stop trading on the New York Stock Exchange because of its merger with Enterprise Products Partners (NYSE: EPD).

Overall rebalancing of the MLP Index will occur one full trading session after all merger votes have passed if this is approved, Alerian added.

Houston-based Exterran Partners is a domestic-focused oilfield services company.

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