MIDSTREAM Monitor

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Without Breaking Stride, Marathon Petroleum Buys Moneymaker MarkWest

By Darren Barbee, Hart Energy

Marathon Petroleum Corp. (MPC) and its MLP, MPLX LP (MPLX), have positioned themselves to increase raw earnings by nearly $1 billion through the purchase of MarkWest Energy Partners LP (MWE), the companies said July 13.

The deal will merge MPLX and MarkWest into the fourth-largest MLP based on market capitalization, with a value of about $21 billion. MPLX will acquire MarkWest in a unit-for-unit transaction paying a 32% premium. Marathon will supply a one-time cash payment of $675 million. All told, Marathon and MPLX will pay about $15.7 billion for MarkWest, the third and largest U.S. midstream deal this year worth at least $10 billion.

"The announcement is a clear positive to MPC shareholders," said Jeff Dietert, head of research, Simmons & Co. International. The acquisition of MarkWest, with a $35 billion enterprise value, is expected to close in the fourth quarter of 2015.

Following the deal, the company's operational scale will include 6.8 billion cubic feet per day (Bcf/d) of processing capacity, 379,000 barrels per day (bbl/d) of fractionation capacity and about 7,600 miles of pipeline.

MPLX and MarkWest: After the deal is done			
	MPLX	MarkWest	Pro Forma MPLX
LP Equity Value ($B)	6	16	21
Net Debt ($B)	1	4	5
EV ($B)	6	20	26
Adjusted EBITDA ($MM)	275	975	1250
Source: MPLX LP, MarkWest Energy Partners LP, Marathon Petroleum Corp.			

MPLX had set an ambitious goal to generate $450 million EBITDA by year-end 2015, about three times that of 2014 EBITDA. The company was on track to meet guidance largely through a stockpile of dropdown assets from Marathon's $1.68 billion EBITDA portfolio.

"MPLX is acquiring a company with fiscal year 2015 consensus EBITDA of close to $1 billion, completely changing the scale of the company," Dietert said.

The transaction is expected to generally be tax-free, with a one-time cash payment to MarkWest unitholders that suggests a total enterprise value for MarkWest of $20 billion, including the assumption of $4.2 billion in debt.

The merger agreement was unanimously approved by the boards of directors of the general partners of MPLX and MarkWest.

The transaction:

- Pays $78.64 for MarkWest units, a 32% premium to the July 10 MPLX closing price of $59.75;
- MarkWest common unitholders receive 1.09 MPLX common units a one-time cash payment of about $3.37;
- Marathon will contribute $675 million of cash to MPLX to fund the one-time cash payment;
- MPLX assumes all of MWE's cash and $4.2 billion of debt outstanding and $152 million in cash; and

- Ownership will be divided among Marathon (21%), MPLX (8%) and MarkWest (71%).

Marathon will retain control through continued 2% ownership of general partner interest.

Marathon “retains its controlling GP interest as part of the announced transaction with the advantaged 50/50 splits having already been attained,” Dietert said.

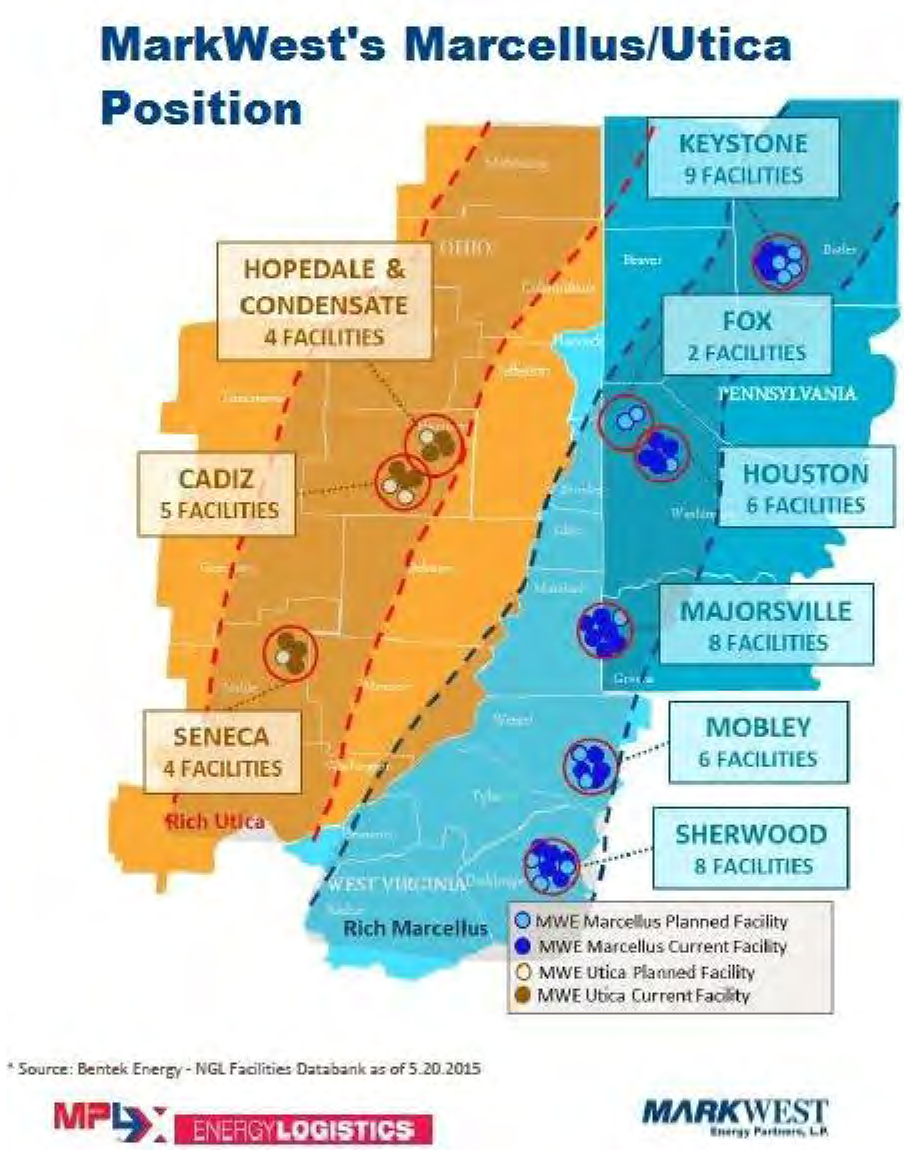
The proposed transaction would combine the nation's second-largest processor of natural gas, said Roger Read, senior analyst, Wells Fargo Securities LLC.

MarkWest’s footprint in the Marcellus and Utica region possesses significant overlap with Marathon’s existing refining footprint in Ohio and Kentucky and to the East Coast via its retail assets.

MarkWest Marcellus/Utica Operations	
Processing/fractionation facilities	34
Facilities under construction	18
Area dedications	7.7 million acres
Source: MarkWest Energy Partners LP	

The deal creates the largest processor and fractionator in the Marcellus and Utica shale plays, led by MarkWest’s leading midstream presence in the shales.

Frank Semple, chairman, president and CEO of MarkWest, said during a conference call that integration potential is notable as the two companies’ operations span across the NGL, crude, condensate and refined projects value chain.



"The volume of NGL production in the Utica and Marcellus shales are expected to increase significantly over the next decade, creating an opportunity to convert NGL into higher-value lending components," Semple said. "This is more easily done by leveraging the expertise and assets of MarkWest, MPLX and its sponsor MPC."

Dietert said the merged MLP would benefit from MarkWest's organic growth initiatives and $1.5 billion capex.

The deal would also allow MarkWest's leading midstream presence in the Marcellus and Utica shales to pursue additional dynamic midstream projects. The companies envision large-scale, strategic projects that would allow producer customers to achieve the highest value for their growing production. The merger would also provide significant vertical integration opportunities since Marathon is a large consumer of NGL.

As part of the merger MPLX affirm its anticipated distribution growth of 29% this year, said Gary R. Heminger, MPLX chairman and CEO. MPLX expects a 25% compound annual distribution growth rate for the combined entity through 2017.

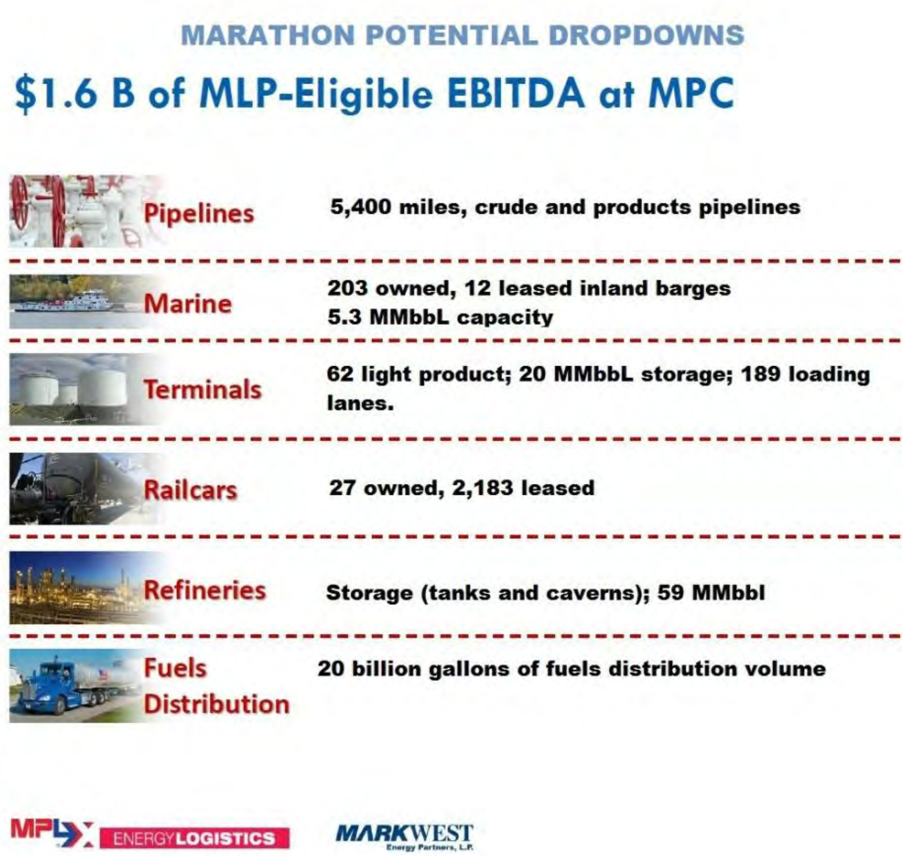
The merged entity will have the capacity to support a peer-leading distribution growth profile for an extended period of time.

“Our strategic combination with MarkWest would result in a large-cap, diversified MLP with an exceptional growth profile,” Heminger said.

“We have been business partners with MarkWest for many years. As our teams [worked] more closely on a wide variety of projects in the Utica and Marcellus, it became evident that our companies have a strong confluence of desires and capabilities and some very natural synergies,” Heminger said on a conference call to discuss the merger.

Marathon’s strong balance sheet and liquidity position will enable MarkWest to accelerate organic growth in some of the nation's most economic and prolific natural gas resource plays that it may have been limited in pursuing otherwise, Heminger said.

Company officials anticipate the merger will help the double organic growth. As such, the merger would eliminate the need for MPLX to acquire Marathon’s marine transportation assets in 2015, which will now be returned to the backlog of potential dropdown assets.



Dietert said that after a 12-18 month period in which most refiners were “focused on emphasizing their respective portfolios of MLP-qualified EBITDA as a way of growing their subsidiaries, it looks as though we are now moving on to the next stage of the subsidiaries’ growth plan which involve sizeable third party acquisitions.”

For instance, Tesoro Logistics LP (TLLP) purchased QEP Field Services in October for $2.5 billion, including 58% ownership in QEP Midstream Partners LP (QEPM). The deal effectively doubled the size of the company, similar to the MPLX and MarkWest deal, he said.

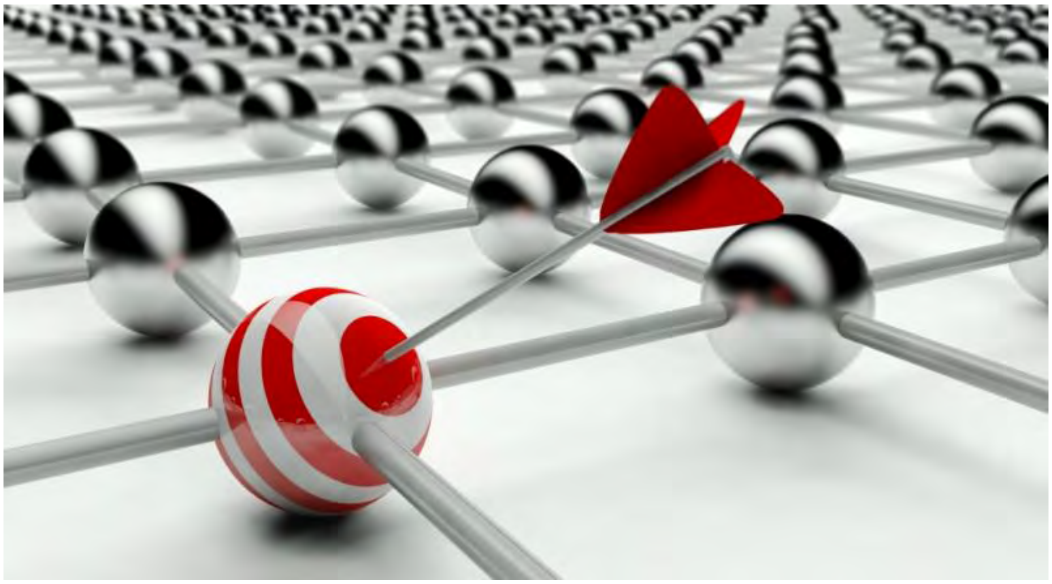
After seeing its offer rejected for Williams Cos. Inc. (WMB), Energy Transfer Equity LP (ETE) again pushed its merger proposal July 7. Energy Transfer Equity has offered to buy all outstanding Williams common stock at a 32.4% premium to the Williams’ closing price as of June 19.

UBS Investment Bank was financial adviser and Jones Day was legal adviser to MPLX in connection with the transaction. Jefferies LLC was financial adviser and Cravath, Swaine & Moore LLP was legal adviser to MarkWest.

Hart Energy’s Frank Nieto contributed to this report.

Kinder Morgan Buys Shell's Stake In Georgia LNG Project

By Emily Moser and Darren Barbee, Hart Energy



Kinder Morgan Inc. (KMI) said July 15 it would buy the remaining interest it doesn't already own in Elba Liquefaction Co. LLC, the proposed project at the existing Elba Island LNG Terminal near Savannah, Ga., from Royal Dutch Shell Plc (RDS.A).

The purchase of the 49% stake is expected to cost Kinder Morgan about $630 million, bringing its total investment in the project to about $2.1 billion. Shell will retain 100% of the project's liquefaction capacity.

The reasons for the sale weren't disclosed. But in April, Shell said it was buying BG Group Plc, which has a global portfolio of LNG, for about $70 billion. Shell aims to divest billions in assets and the proximity of BG's and Shell's LNG projects in southern U.S. may have prompted the Shell pull out.

In April, Shell said the BG portfolio would bring new LNG options to the company, including BG's LNG export plans in Lake Charles, La. Shell executives noted that "we have similar, but smaller plans at Elba."

Along with the doubling-up of facilities, Shell has set a goal of divesting $30 billion in assets from 2016-18. Shell said it wants to average about $10 billion a year in sales.

Shell executives said in April they might also seek further divestments in 2015, "although proceeds are likely to be small, due to weak market conditions for divestments currently."

Pictured is the site of the proposed Elba Liquefaction Project at Elba Island Terminal near Savannah, Ga. *(Source: Kinder Morgan Inc.)*

Permitting continues for the proposed Elba Liquefaction Project, which consists of 10 small-scale liquefaction units to be purchased from Shell. They will be integrated with the existing Elba Island facility and enable rapid construction compared to traditional large-scale plants.

Under full development, the Elba Liquefaction Project is expected to have a total capacity of about 2.5 million tonnes per year of LNG for export, which is equivalent to about 350,000 thousand cubic feet per day of natural gas.

In 2012, the project received authorization from the Department of Energy to export to Free Trade Agreement (FTA) countries. An application to export to non-FTA countries is pending.

The project was first announced in January 2013 by Southern Liquefaction Co. LLC, a Delaware limited liability company, and a unit of Kinder Morgan, and Shell to add liquefaction and export capability to Southern LNG Co. LLC's existing LNG regasification terminal at Elba Island in Chatham County, Ga.

The next step in the regulatory approval process is for the Federal Energy Regulatory Commission (FERC) to issue a draft environmental assessment. Subject to regulatory approvals, construction could begin in fourth quarter of 2015, with initial production expected to occur in late 2017.

Asian Governments Stockpile Crude To Fend Off Supply Woes

By Joseph Markman, Hart Energy

Economic powerhouses China and India may be enduring a period of slower growth, but Asian crude oil storage demand is strong as a result of government-initiated stockpiling, a Wood Mackenzie analyst noted in a recent blog entry.

Contrary to expectations in this contango environment in which anticipated higher future prices encourage a buildup of commercial petroleum reserves, this demand is mainly derived from strategic petroleum reserves (SPRs) to defend against potentially severe disruptions to crude oil supplies.

"Asia imports more than 70% of its crude oil requirement, with many of its suppliers having a high geopolitical risk," wrote Benjamin Tang, Singapore-based analyst who covers oil demand for Asia Pacific. "A major supply disruption could severely impact economic activities and growth, which is why many Asian governments are developing strategic reserves. China and India are already making rapid strides in building SPRs, while the rest of southeast Asia is actively planning."

Even if the U.S. crude oil export ban were to be lifted, Asian concerns about stability of supply would be unlikely to mean added opportunity for American producers.

"From an energy security angle, Asian governments will probably continue with their strategic storage building plans regardless of developments such as the lifting of the U.S. crude oil export ban," Tang told Midstream Business. "Besides, refiners in Asia have a preference for heavier crude grades, as many of them have invested in secondary upgrading units and are able to process the lower quality [heavy crudes] for better economic yields. U.S. crudes tend to be lighter and are less suitable for Asian refiners."

In total, the Asian countries in the Wood Mackenzie analysis, which include Australia, are expected to add about 280 million barrels (bbl) of storage capacity between 2015 and 2017. The company expects about 185 million bbl, or about 65%, to be dedicated to SPR facilities in China and India alone. For the region, that comes to an average of 240,000 bbl/d purchased for storage from 2015 to 2017, Tang wrote, or 40% above expected procurements for the period.

Short term, crude oil stockpiling in Asia could create a regional surge in purchases and influence market dynamics, but Tang thinks the strategy is geared more toward the long term.

"Following through on their SPR stockpiling plans will put Asian economies in a better position to withstand unexpected disruptions in the oil markets," he said.

Tang views the Asian strategy as one that will support global crude oil prices in the short term as SPRs are built and filled.

"Conversely," he told Hart Energy, "as outflows from SPRs will only be disbursed in an emergency, it is less likely to slow the price recovery of crude oil."

Enterprise Foots Eagle Ford Midstream Bill In Surprise Gulf Pipeline Selloff

By Darren Barbee, Hart Energy

Enterprise Products Partners LP (EPD) effectively found its down payment for its recently acquired Eagle Ford Shale Midstream assets, saying that it will sell its Gulf of Mexico (GoM) pipelines, platforms and services to Genesis Energy LP (GEL).

On July 8, Houston's Enterprise closed on its $2.15 billion purchase of Pioneer Natural Resource Co.'s (PXD) EFS Midstream LLC, which includes 460 miles of natural gas pipelines, 10 central gathering plants and other facilities.

The Gulf acquisition is divided into two payments, the first for $1.15 billion and the second installed for $1 billion within 12 months. On July 16, Enterprise, an MLP, said it entered an agreement to sell its GoM pipelines and service businesses business to Genesis Energy for about $1.5 billion in cash.

Enterprise sold six offshore hub platforms, ownership interest in nine crude oil pipeline systems consisting of more than 1,100 miles and nine gas pipeline systems totaling about 1,200 miles.

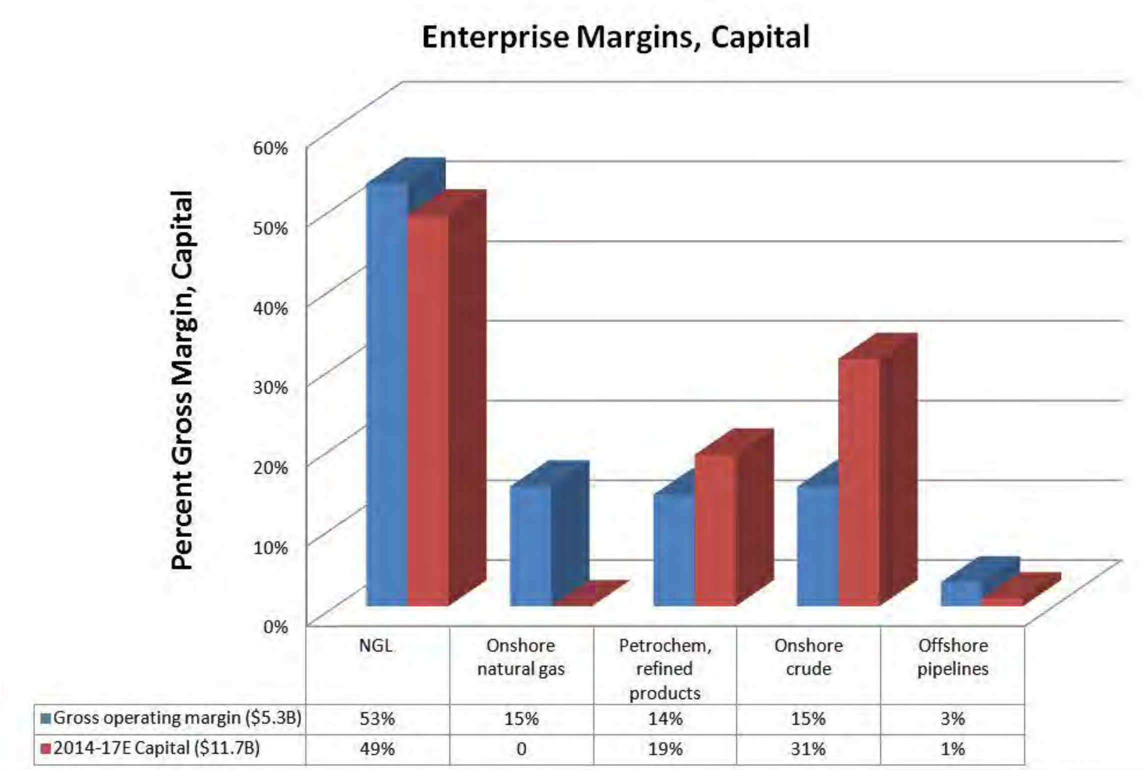
"The proceeds from this sale will effectively provide funds to finance the first installment of our recent acquisition of EFS Midstream LLC in the Eagle Ford," said Michael A. Creel, CEO for Enterprise's general partner.

The sale also eliminates any need for equity capital for the remainder of 2015, Creel said. The company nevertheless already had plenty of liquidity—about $4.3 billion, including unrestricted cash on hand and borrowings under a $3.5 billion, multiyear revolving credit facility and $1.5 billion in a 364-day credit facility as of July 8.

Tudor, Pickering, Holt & Co. said the deal metrics "aren't great at TPHe 7.5x 2016 EBITDA" since Enterprise trades at 14x, but that dilution from the sale would be minor relative size to the partnership's enterprise value.

Jeff Birnbaum, MLP analyst, Wunderlich, said Enterprise's GoM sale is a surprise but headed to its natural buyer. Enterprise's offshore business has clearly not been a focus for it since the Macondo oil spill.

In the past several years, earnings from Enterprise's offshore business made up just 3% on Enterprise's gross operating margin in the 12 months ending March 31, and its offshore assets do not effectively integrate with the company's downstream crude oil and natural gas pipeline systems.



"The only material investment it has made in the segment in recent years was for its 50% interest in the Southeast Keathley Canyon Oil Pipeline System (SEKCO), which came online last year, and of which Genesis Energy owns the remaining 50%," Birnbaum said.

Genesis Energy has a large midstream presence in the GoM, including interests in many of the same crude pipelines. Overall, the assets are a mix of crude and natural gas pipelines that increase Genesis' interest in the Poseidon Oil Pipeline System from 28% to 64% and interest in the SEKCO and Cameron Highway Oil Pipeline System (CHOPS) from 50% to 100%.

"The assets are a better fit for GEL's asset portfolio and the sale will allow EPD to focus on its integrated onshore midstream and downstream businesses," said Mark Reichman, director of research at Simmons & Co. International.

Enterprise expects to record non-cash asset impairment and related charges of about $100 million, or $0.05 per common unit on a fully-diluted basis in connection with the sale of its offshore GoM pipelines and services business.

Since the assets were viewed as held-for-sale at June 30, the non-cash charges will be reflected in Enterprise's consolidated results for the three and six months ended June 30, the MLP said.

Enterprise Products Partners Assets (As Of June 23)
Pipelines: 51,000 miles, natural gas, NGL, crude oil, refined products, petrochemical
Storage: 225 MMbbl of NGL, refined products, petrochemical and crude oil, 14 Bcf of gas storage
Processing: 24 natural gas processing plants; 22 fractionators; 10 condensate distillation facilities
Export Facilities: refined products export terminal; adding ethane exports 2016
Source: Enterprise Products Partners LP

Connections:

- Connected to U.S. major shale basins;
- Connected to every U.S. ethylene cracker;
- Connected to about 90% of refineries East of Rockies;
- Pipeline connected to 22 Gulf Coast polymer grade propylene (PGP) customers; and

- Connected to the “first and last mile” for supplies and markets through extensive marine and trucking fleets.

Birnbaum said that given the small percentage of total cash flows that Enterprise’s offshore represented and less need for financing in the second half of 2015, distributions should see a limited impact from the sale, with coverage likely remaining around 1.25x-1.3x post-sale.

“However, with first-quarter 2015 reported leverage of 3.9x after EPD's acquisition of Oiltanking, the deal should allow it to continue to be aggressive, pursuing new growth projects and M&A in a rapidly consolidating midstream environment,” Birnbaum said.

Frac Spread: Prices Playing A Long Game

By Frank Nieto, Hart Energy

The announcement that international trade sanctions will be lifted on Iran, combined with news that Saudi Arabia produced a record level of crude in June, saw both Brent and West Texas Intermediate (WTI) crude prices fall.

However, the anxiety over increased barrels (bbl) from Iran reaching the market may be greater than the reality. Barclays Capital and WoodMackenzie anticipate that Iran will introduce between 400,000 and 600,000 bbl/d in the next year-plus. This would offset decreased production from Canada, Mexico, China, Norway, Brazil and Columbia.

A larger concern is the Saudi Arabian production, which increased to 10.6 million bbl/d in June as the country continued its efforts to maintain and improve market share. As Saudi Arabian production further exacerbates global supply levels Brent and WTI prices are expected to remain challenged, though not necessarily lower than previously anticipated.

“We maintain our oil price view of $68 Brent in 2016, and are not in the camp that the market moves markedly lower from here as a result of [the Iranian nuclear] agreement,” Barclays Capital said in a July 15 research note. “We believe that the market will begin to adjust, whether through higher demand or lower non-OPEC supply in the next couple years, but only once Iran’s contribution and timing are made clear. For now, OPEC is already producing well above the demand for its crude, and this makes it worse. We do not expect the Saudis to do anything markedly different. Rather, they will take a wait and see approach… Reportedly, the Saudi position is that Iran should produce what it can, when it can, and then OPEC will decide what to do.”

It is likely both increased Saudi Arabian production and new Iranian production will cause U.S. crude producers to be less active in the next few years than forecasted just a year ago. Similarly, domestic liquids production is unlikely to make major gains during the next 12 to 24 months because of an unbalanced supply-demand dynamic.

An interesting scenario is playing out in the Marcellus Shale as some producers are beginning to focus on dry gas production over rich gas production because of the better economics it offers. It is unlikely that dry gas production will take off as producers focusing on gas are those with low production costs with access to the Gulf Coast.

It is doubtful that rigs being directed to gas over liquids would have a notable impact on NGL prices because of the size of the NGL storage overhang. It is possible that NGL prices could shorten the expected timeframe for a recovery if gas drilling was favored for an extended period in various regions of the country.

NGL prices continue to rise and fall on a pretty steady pattern most months with prices losing value early before improving late. The same was true this week as prices were largely up at both Conway and Mont Belvieu.

Ethane, which makes up the largest portion of the theoretical NGL bbl, was a mixed bag with a 3% increase at Mont Belvieu and a 1% decline at Conway. The Midcontinent price of 14 cents per gallon (/gal) was the lowest it has been since it was 13 cents/gal the final week of January 2014. By contrast the Mont Belvieu price of 17 cents/gal was the lowest it had been since April. Though neither price is profitable, forecasts still indicate that the market will improve throughout the year.

Though propane remains profitable compared to negative ethane margins, the former’s outlook is murkier compared to the latter. Indeed, purity ethane prices were stronger than the E-P mix at Mont Belvieu.

Ethane’s profitability at Conway finished just under 7 cents/gal, which is falling into a region of being profitable on only a notional basis once transportation costs are considered. Unlike ethane, propane cannot be rejected, which limits the potential solutions for how to handle the overhang. The options are put volumes into production, which is becoming increasingly limited in overall capacity; get it to an end-market, but the seasonal nature of the market makes this difficult; export it, but LPG exports have already been in their record levels for the past year; or burn it, which is occurring on a limited basis.

The good news for propane is that prices improved at both hubs and likely have hit their bottom relative to WTI earlier this summer, according to En*Vantage. "As long as crude prices stay above $50/bbl, we believe that Mont Belvieu propane prices relative to crude have hit a bottom…While it is true that we have too much propane in inventory, prices have already built that in, and it is hard to see propane prices getting any cheaper than we saw in the third week of June when propane was around 22% of WTI compared to 30% currently," the advisory and investment firm said in its July 16 *Weekly Energy Report*.

Though NGL prices were largely up, frac spread margins were down at both hubs due to gains posted by natural gas prices. The most profitable NGL remained C5+ at 75 cents/gal at Conway and 79 cents/gal at Mont Belvieu. This was followed, in order, by isobutane at 20 cents/gal at Conway and 26 cents/gal at Mont Belvieu; butane at 19 cents/gal at Conway and 25 cents/gal at Mont Belvieu; propane at 7 cents/gal at Conway and 14 cents/gal at Mont Belvieu; and ethane at negative 5 cents/gal at Conway and negative 2 cents/gal at Mont Belvieu.

Natural gas storage injections approached normal levels for the summer the week of July 10 as the U.S. Energy Information Administration reported a 99 billion cubic feet increase. This pushed storage to 2.767 trillion cubic feet (Tcf) from 2.668 Tcf the previous week. This was 31% greater than the 2.114 Tcf posted last year at the same time and 3% greater than the five-year average of 2.694 Tcf. Cooling demand should be greatly increased next week as the National Weather Service's forecast anticipates warmer-than-normal temperatures throughout most of the country.

NGL PRICES						
Mont Belvieu	Eth	Pro	Norm	Iso	Pen+	NGL Bbl
July 8 - 14, '15	17.08	40.60	54.12	54.74	110.52	**$19.27**
July 1 - 7, '15	16.59	39.80	51.30	52.25	113.18	**$19.07**
June 24 - 30, '15	18.50	38.86	53.62	54.68	120.26	**$19.92**
June 17 - 23, '15	17.99	35.10	47.32	47.88	120.44	**$18.89**
June '15	18.04	38.02	52.24	53.11	123.24	**$19.83**
May '15	18.69	46.42	58.02	59.80	127.69	**$21.72**
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**
4th Qtr '14	20.22	76.90	96.73	98.28	149.25	**$30.10**
3rd Qtr '14	23.19	103.92	123.69	128.39	212.20	**$40.27**
July 9 - 15, '14	25.07	103.54	125.02	131.26	217.36	**$41.01**
Conway, Group 140	Eth	Pro	Norm	Iso	Pen+	NGL Bbl
July 8 - 14, '15	14.20	33.08	48.66	48.40	106.52	**$17.35**
July 1 - 7, '15	14.33	32.50	46.10	46.80	109.88	**$17.35**
June 24 - 30, '15	15.55	33.76	47.80	51.12	121.40	**$18.69**
June 17 - 23, '15	15.66	30.16	42.52	43.02	120.00	**$17.69**
June '15	15.52	32.85	46.41	48.80	122.41	**$18.51**
April '15	15.75	48.18	59.30	63.67	119.72	**$21.26**
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**
4th Qtr '14	18.69	78.64	102.72	113.19	146.37	**$30.77**
3rd Qtr '14	20.38	104.99	123.51	140.07	207.90	**$40.18**
July 9 - 15, '14	20.70	106.08	124.68	145.20	219.18	**$41.32**

CURRENT FRAC SPREAD (CENTS/GAL)				
July 17, 2015	Conway	Change from Start of Week	Mont Belvieu	Last Week
Ethane	14.20		17.08	
Shrink	18.90		18.96	
Margin	-4.70	-77.67%	-1.88	-36.63%
Propane	33.08		40.60	
Shrink	26.11		26.20	
Margin	6.97	-22.94%	14.40	-3.83%
Normal Butane	48.66		54.12	
Shrink	29.55		29.66	
Margin	19.11	-2.29%	24.46	5.45%
Isobutane	48.40		54.74	
Shrink	28.39		28.49	
Margin	20.01	-6.05%	26.25	3.94%
Pentane+	106.52		110.52	
Shrink	31.61		31.72	
Margin	74.91	-8.07%	78.80	-5.20%
NGL $/Bbl	17.35	-0.02%	19.27	1.07%
Shrink	10.41		10.45	
Margin	6.93	-13.30%	8.82	-3.76%
Gas ($/mmBtu)	2.85	11.33%	2.86	5.54%
Gross Bbl Margin (in cents/gal)	14.60	-14.52%	19.53	-3.85%
NGL Value in $/mmBtu (Basket Value)				
Ethane	0.78	-0.91%	0.94	2.95%
Propane	1.15	1.78%	1.41	2.01%
Normal Butane	0.53	5.55%	0.58	5.50%
Isobutane	0.30	3.42%	0.34	4.77%
Pentane+	1.37	-3.06%	1.43	-2.35%
Total Barrel Value in $/mmbtu	4.13	0.18%	4.70	1.43%
Margin	1.28	-18.09%	1.84	-4.35%

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 NGPL Midcontinent zone, Mont Belvieu based on Houston Ship Channel.

RESIN PRICES – MARKET UPDATE – JULY 17, 2015					
TOTAL OFFERS: 9,247,088 lbs		SPOT		CONTRACT	
Resin	Total lbs	Low	High	Bid	Offer
HDPE - Inj	2,522,140	0.67	0.73	0.6	0.64
LLDPE - Film	2,241,864	0.63	0.73	0.6	0.64
HDPE - Blow Mold	1,105,932	0.64	0.69	0.59	0.63
LLDPE - Inj	970,024	0.69	0.7	0.61	0.65
LDPE - Film	910,920	0.71	0.73	0.62	0.66
LDPE - Inj	619,104	0.63	0.71	0.63	0.67
PP Copolymer - Inj	612,552	0.61	0.72	0.63	0.67
PP Homopolymer - Inj	176,368	0.635	0.635	0.61	0.65
HMWPE - Film	88,184	0.63	0.63	0.62	0.66

Source: Plastics Exchange – www.theplasticsexchange.com

ETP Will Participate In Auction For Williams Cos.

Bloomberg

Energy Transfer Equity LP has signed a confidentiality agreement to participate in an auction for Williams Cos., the pipeline company that turned down its $48 billion takeover offer last month.

Energy Transfer "expects to engage in Williams' strategic alternatives process," a spokesman for Energy Transfer said in an e-mailed statement to Bloomberg July 16.

Energy Transfer had been pushing back against a requirement that it promise not to go hostile as a condition for getting access to Williams' books, people familiar with the matter said earlier this month. The confidentiality agreement signed by Energy Transfer has no such "standstill" clause preventing it from pursuing a deal outside the auction, a person with knowledge of the matter said Thursday, asking not to be identified as the information is private.

Dallas-based Energy Transfer also affirmed its June 21 offer to acquire Williams in an all-stock exchange of 0.9358 share for each Williams share, a 32 percent premium to the June 19 closing price, according to a filing Friday.

A representative for Tulsa, Oklahoma-based Williams didn't immediately return a phone call seeking comment outside regular business hours.

Williams last month said it hired Barclays Plc and Lazard Ltd. to "explore a range of strategic alternatives" after receiving an unsolicited offer it deemed insufficient from a suitor later identified as Energy Transfer.

Energy Transfer's offer for Williams announced last month depends on the target abandoning a $14 billion purchase of the units it doesn't already own in operating unit Williams Partners LP. Williams has said that deal would simplify its structure, reduce taxes and generate cash for expansion projects, while Energy Transfer has argued its bid would provide better value to Williams investors.

KMI: TGP Can Proceed With Northeast Direct Market Path

Business Wire

Tennessee Gas Pipeline Co. (TGP), a subsidiary of Kinder Morgan Inc., can proceed with the Northeast Energy Direct (NED) project's market path segment from New York to Massachusetts, the KMI board said July 16.

The market path running from Wright, N.Y., to Dracut, Mass., will cost $3.3 billion and serve gas utilities and electricity generation customers in New England. NED will be an extension of the TGP Pipeline, which delivers gas to the region. NED is scheduled to begin service in November 2018.

New England's natural gas and electricity costs are uniquely high because of currently limited transportation capacity. New Englanders paid over $7 billion more for electricity during the winters of 2013 to 2014 and 2014 to 2015 than during the winter of 2011 to 2012, according to Independent electric system operator ISO New England.

The pipeline could use both 30-inch and 36-inch diameter mainline and provide between 1.3 billion cubic feet per day (Bcf/d) and 2.2Bcf/d of incremental capacity. Negotiations with customers have been ongoing, said Kimberly S. Watson, president of Kinder Morgan East Region Pipelines.

“We have made numerous adjustments to the proposed right-of-way in order to minimize potential impacts on nearby towns and communities, resulting in approximately 91% of the proposed NED market path segment being co-located along existing utility corridors, and we have also eliminated the need for two of nine proposed lateral lines and related facilities,” Watson said.

“TGP also plans to make additional adjustments to NED’s proposed scope, including reducing horsepower requirements at proposed new compressor station locations, and will continue to review routing alternatives as the pre-filing process moves forward,” she added.

The revised project scope will underpin environmental reports that will be addressed in TGP’s revised draft environmental report to the Federal Energy Regulatory Commission (FERC) later this month.

TGP will file the certificate application for the project in October, to meet the full design capacity. KMI will scale the facilities to match the firm subscription.

Houston-based Kinder Morgan Inc. is North America’s largest energy infrastructure company.

Spectra Receives Processing Plant Safety Order From Canada’s NEB

Reuters

Canada's national energy regulator has ordered Spectra Energy Corp. to correct a series of "management system failures" following more than two dozen safety and security incidents at its Canadian plants and facilities since 2014.

The National Energy Board (NEB) issued a safety order to the Houston-based pipeline and midstream company on July 14, outlining several concerns and asking management to fix the problems at its Westcoast Energy processing plants in western Canada.

The Board has issued C$122,300 in fines to Spectra Energy Corp since the beginning of 2015, and a spokesman for the regulator said more sanctions could follow if the company is unable to abide by the order.

"The Board expects Westcoast to address safety concerns on a systemic basis, throughout all its gas processing plants and facilities," said the safety order sent to Mark Fiedorek, the president of Spectra Energy Transmission West. "Based on recent violations described below, the Board is not confident safety concerns are being addressed in this manner."

The order, signed by the regulator's secretary, Sheri Young, said that Spectra Energy Corp. had violated regulations for processing plants 27 times since April 2014. The infractions related to issues such as inadequate inspection and testing of material handling equipment.

The company said in a statement that it was committed to taking appropriate steps to improve all safety and environmental protection-related practices.

"This includes providing the NEB with the information it has requested and demonstrating that a systematic approach to management systems has been implemented," said the statement.

The regulator said it was also investigating Spectra over a June 26 incident involving a spill at a terminal in Hardisty, Alberta on its Express pipeline.

Board spokesman Darin Barter said the company can expect to see more inspections from the regulator in the future.

“The safety order is a guarantee that we'll see progress," he said.

ETE Sells Convenience Stores To Sunoco

Reuters

Pipeline company Energy Transfer Partners said it would sell convenience store operator Susser Holdings to its unit Sunoco LP for about $1.94 billion in cash and stock.

Formerly known as Susser Petroleum Partners LP, Sunoco supplies motor fuel to convenience stores and fuel dealers.

The master limited partnership already operates convenience stores and retail fuel stations and plans to be a standalone retail business.

Energy Transfer Partners transferred some convenience store assets to Sunoco in September in a deal valued at about $768 million.

According to Wednesday's deal, Sunoco will pay about $970 million in cash and issue about 22 million of its units valued at about $970 million as of Tuesday's close.

Susser Holdings operates convenience stores in Texas, New Mexico and Oklahoma under the Stripes brand.

The transaction is expected to close on August 1. Tudor, Pickering, Holt & Co was the financial adviser to ETP, while Akin Gump Strauss Hauer & Feld LLP and Richard Layton & Finger PA its legal advisers.

Sunoco's financial adviser was Perella Weinberg Partners, while Andrews Kurth LLP and Potter Anderson & Corroon its legal advisers.

Energy Transfer Partners' shares were up 2.5 percent at $54.82 in premarket trading on Wednesday. Sunoco shares closed at $43.53 on the New York stock Exchange on Tuesday.

Forecast: US Shale Oil Production Will Fall In August

Reuters

Oil production from U.S. shale in August is expected to fall by the most since at least 2007, according to the U.S. agency tasked with tracking oil output, the latest sign a price rout will shrink the nation's crude output, Reuters said July 13.

Oil production from the largest U.S. shale plays will plunge in August for a fourth consecutive month, forecasts from the U.S. Energy Information Administration showed on Monday.

Output was expected to decline by 91,000 barrels per day, 12 percent over July's forecast production decline, to 5.4 million bpd, the lowest level since November for the seven shale plays tracked in EIA's productivity report.

Energy firms fired thousands of workers and cut back on new drilling after U.S. crude futures collapsed 60 percent from over $107 a barrel in June 2014 to near $42 in March on oversupply concerns and lackluster world demand.

Despite the cuts, however, U.S. production averaged 9.6 million bpd during the week ended July 3 for a seventh week in a row, its highest level since the early 1970s, according to the most recent government data.

Several energy firms decided to return to the well pad during May and June when prices averaged $60 a barrel after rebounding off the March lows. The firms have not publicly changed those new drilling plans even though crude prices fell last week and were now trading around $52 a barrel.

In the Bakken shale play, for example, North Dakota regulators said the state's well count hit a record high in May with producers deciding to hydraulically fracture more freshly drilled wells, bucking a trend to mothball them. Drilling permit applications also spiked.

Oil production in the Bakken in North Dakota and Montana was expected to fall 22,000 bpd to 1.2 million bpd in August, while Eagle Ford oil production in South Texas was expected to drop 55,000 bpd to 1.5 million bpd.

Oil production in the Permian play of West Texas and New Mexico, the biggest U.S. shale oil play, however, was expected to rise 5,000 bpd to 2.0 million bpd.

Contact Information:

CARYN LIVINGSTON Assistant Editor
clivingston@hartenergy.com

HARTENERGY

1616 S. Voss, Suite 1000 • Houston TX 77057-2627 • USA