MIDSTREAM Monitor

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Reasons For Hope That Oil Prices Will Rise

By Steve Toon, Hart Energy

Well, what do you know? After teasing us with $60 WTI in June, oil is once again testing the bottom in the low $40s, thanks to negative supply drivers coming out of Saudi Arabia, Iran and Iraq, not to mention a resilient U.S. production profile. And industry attitude is in a funk. Woe is we. When will it all end? Is there hope for oil and gas producers and investors?

Maynard Holt thinks so. The affable co-president and head of E&P investment banking for Tudor, Pickering Holt & Co., paints a picture of optimism for invested industry players. Speaking to the Houston Producers Forum in August, Holt laid out 10 reasons to believe in silver linings with the directive that "we should all be truly positive." Here's why:

Massive efficiency gains are emerging. Every company, every employee, every investor is obsessed with efficiency, he said, and “good things are going to happen.”

Limited exploration success globally. While it sounds like a negative, the sparse success in international well results bodes well for an oversupplied oil market. “We’re just not finding [as many reserves] anymore. Commitment to exploration is going away. It’s a wing of the business that is no longer feeling investment.”

The coming pain cures the system. While a handful of companies put rigs back to work at $60 oil, “nobody’s going to do that now” sub $50. After almost a year of price protection with hedged production, many operators will finally have to weather the hurricane in the open market in 2016. “We don’t have another year to figure it out. We’ll enter 2016 with fewer hedges as an industry than we’ve ever had. That’s good, because the recovery will get here sooner.”

Increasing scarcity value of good real estate. It’s been said before, but the global oil crisis brings it more into focus: Lower 48 reserves look pretty darn good when compared to the unpredictability and political risk of tapping reserves anywhere else in the world. “The U.S. gets better every day. We talk about bid-ask spread here, but there is zero confusion over what real estate you should own over the next five to 10 years.”

Mexico and the emergence of "North America-PEC." "Mexico is a country trying to remake itself" with increased oil and gas investment. Add Canada to the triumvirate of North American producing countries, and together total production of almost 20 MMboe tops OPEC's top three producing countries. Additionally, "the collision of cheap U.S. gas with Mexican labor could be dramatic for them and for us."

We are the Saudi Arabia of natural gas. Will natural gas hang below $4 per Mcf forever? Holt asks. "Maybe, but it's the absolute best fuel in the world, and we have the most of it and produce it at the lowest price. It's the right fuel and we have it in a dominant way."

Global capital availability. The world is awash in capital seeking good investment returns, Holt pointed out, particularly in the energy space. First-quarter 2015 saw a record amount of equity issuances almost topping $11 billion, and more awaits. "We have to get things reset, and when we do, capital is going to be very available."

Uniqueness of the U.S. globally. With varied international clients, Holt observes that the uniqueness of the U.S. trending up since the financial crisis in 2009. "If I ask an oil and gas executive about Russia, they don't want to go there. We have a lot of investors outside the United States that just want to put their money here."

Demand response. Low prices cure low prices, and demand is already up as people are using more fuel. TPH estimates a simple 1% growth in global demand will cure the oversupply problem, he said. "So far we're seeing numbers in excess of that."

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Potential for outsized returns. Holt thinks E&P stocks are oversold—way oversold. “Nobody has the conviction to buy these stocks now, which may be the time to do it. Too many buyers have gone home. There’s an opportunity now to hit home runs.

“I don’t see how we can sit at this price level” for long, he said, “I just don’t see it. I think we’ll have a different world very quickly.”

And while he gave tempered support to TPH’s own 2016 price forecast of $80, he pointed to the swing in operator attitudes when oil lingered briefly at $60. “We don’t need a big price recovery to have a dramatically different world.”

Leading Asian LNG Consumers Reduce Imports

By Joseph Markman, Hart Energy

LNG tanks at the deepwater Yangshan Port in Hangzhou Bay south of Shanghai saw fewer imports in the first five months of 2015.

China, Japan and South Korea—the world's largest importers of LNG—cut their collective intake by almost 7% in the first five months of 2015 compared to the same time period in 2014, the U.S. Energy Information Administration (EIA) reported in its weekly natural gas update.

The three countries accounted for 61% of global LNG imports in 2014, the EIA said, citing data from the International Group of Liquefied Natural Gas Importers. The EIA attributed the reduced consumption to a variety of factors, including mild weather and government policies favoring other sources of energy for power generation.

South Korea saw the sharpest decrease in LNG imports, an average of 0.9 billion cubic feet per day (Bcf/d) or 15.1% in January through May. Natural gas consumption in that country's power sector has declined for the past two years as a result of government policies favoring coal and nuclear power over gas.

Though South Korea experienced a nuclear safety inspection scandal leading to the shutdown of several plants in early 2014, its nuclear power generation was up 3% in first-quarter 2015. Coal use was up 8% during that quarter while natural gas usage fell by 20%. Flat demand, coupled with increased nuclear capacity with the restart of the Shin-Wolsong unit 1 and the commissioning of the Shin-Wolsong unit 2, is expected to further cut into gas-fired generation and continue to reduce gas imports.

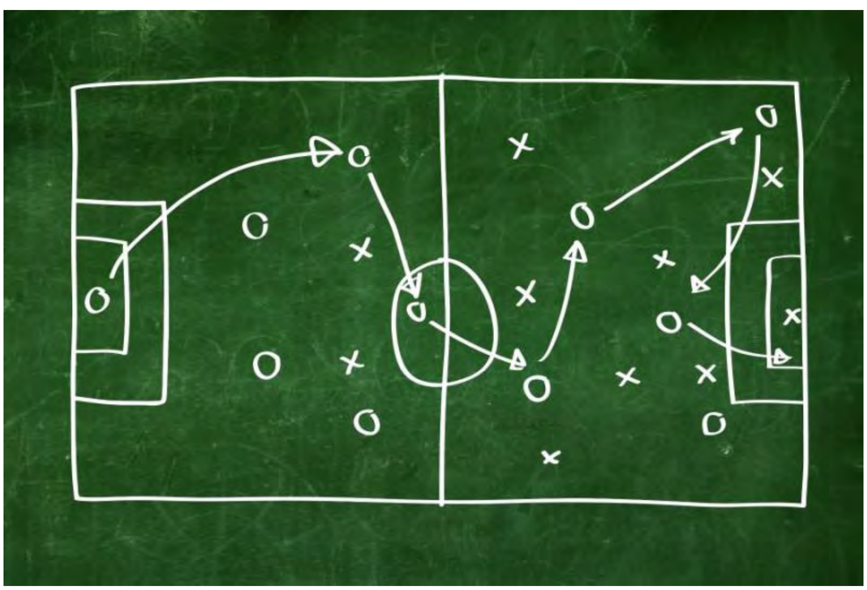
Japan's lower imports of LNG were part of the country's reduced reliance on fossil fuels in general for power generation (7% decline) while hydro generation rose by 16%. Fossil fuel generation has declined despite the sharp decrease in global crude oil prices since second-half 2014. The EIA forecasts a continued reduction in demand for fossil fuels in coming years as Japan prepares for the restart of two nuclear power plants—Sendai Unit 1 in August and Sendai Unit 2 in October.

China's drop in LNG imports is related to its increased reliance on cheaper imported pipeline gas. The Chinese Customs Agency reported a 22% hike in pipeline imports, or 0.6 Bcf/d, compared to an 8.7% reduction in imports of LNG.

The EIA also reported that the U.S. benchmark natural gas price at Henry Hub, La., rose by 1 cent to $2.90 for the week, while storage was recorded at 2.88 trillion cubic feet, or 26% above a year ago. Natural gas drilling rigs in operation decreased by two to 216.

WPX Plans To Sell Midstream Assets To Pay For Permian Deal

By Darren Barbee, Hart Energy



WPX Energy is nearing a close to its $2.8 billion Permian deal, with the company saying it intends to wrap up the deal before the end of August.

Now comes the tricky part for WPX: paying for its giant acquisition from privately held RKI Exploration & Production LLC.

WPX has a multi-pronged strategy for clearing up its balance sheet, including selling up to $1 billion in assets by the end of 2016. WPX has identified midstream infrastructure in core basins it would sell.

Divestiture candidates include WPX's Williston Van Hook gathering system; its San Juan oil, gas and water assets; and Piceance water system.

Robert Du Boff, analyst, Oppenheimer & Co., said he likes the company's shift to liquids long-term, including the RKI transaction. But he's cautious because of the risks the company faces, including "integrating and ramping up the Permian assets and substantial divestments, particularly in the face of oil price uncertainty."

However, midstream assets have sold well in 2015, despite the drop in commodities.

The company's San Juan Gallup gathering infrastructure has access to refineries in Gallup, N.M. and El Paso, Texas. The company said it will have 220 miles of oil, natural gas and water infrastructure by the end of 2015.

In the Williston, the Van Hook Gathering System consists of 45 miles of oil, natural gas and water lines with 7,200 barrels per day (bbl/d) of storage.

The Piceance water treatment system has three water treatment facilities with storage of 1.9 MMbbl. The system has about 400 miles of pipeline infrastructure.

Nevertheless, oil price fluctuations have turned deals upside down. A planned divestment for WPX in March, for instance, imploded because of the energy market.

In the third quarter of 2014, WPX signed an agreement to sell its coalbed methane holdings in the Powder River Basin for $155 million. However, the buyer was unable to raise the money needed because of the upheaval in the oil industry.

WPX now has the same asset on the table and a signed agreement to sell it for $80 million. The company said in an SEC filing that it expects a loss of up to $20 million on the transaction. It expects the deal to close by the end of 2015.

In connection with the Permian transaction, WPX wants to sell much more. It is targeting $400-$500 million in asset divestitures by the end of 2015 and another $400-$500 million in 2016.

With about $2 billion in long-term debt, WPX will be using a variety of methods to pay for the acquisition, including cash, equity for RKI owners and equity. WPX said it would fund the acquisition by selling 40 million WPX shares for about $470 million. It also has cash on hand of about $300 million and $1.6 billion from new debt/equity offerings.

Second Quarter Earnings

For the second quarter of 2015, WPX reported a loss of $0.11 per share, in line with Du Boff's estimates.

In June, WPX decided to ramp back up activity in the Williston Basin by working down its inventory of 14 uncompleted wells while reallocating a second rig from the Piceance in August and adding a third in November, Du Boff said.

“Despite greater frac intensity, well costs are down over 30% to about $8 million,” Du Boff said.

While WPX cut capex for the quarter by 47% compared to the same period last year, WPX increased its oil output by 37% in the second quarter of 2015. However, the increase in production couldn’t compensate for lower prices, with oil revenue falling $49 million in the second quarter, a 25% decrease from the second quarter of 2014.

WPX has plans to supersize the Permian after it closes with RKI. WPX wants to focus on drilling the Wolfcamp A, Second Bone Springs, and vertical Delaware Sands, particularly around the core Stateline field, Du Boff said.

The company will also test additional horizons and enhanced drilling and completion techniques. RKI is currently fracking with up to 1,000 pounds per foot of proppant on its completions while many peers are using double that.

WPX said it will ramp up from four rigs in the Permian, with six in 2015, eight in 2016 and 11 in 2017.

Du Boff said that would make it WPX’s most active play.

Relatively Cheap Energy Stocks Have Investor Appeal

By Caryn Livingston, Hart Energy

During an Aug. 11 conference call on oil markets, analysts pointed out the upside for investors in the energy space: As valuations sit at their lowest levels since the ’70s, energy stocks have never been so cheap relative to other equities in the marketplace, David Lefkowitz, senior equity strategist at CIO Wealth Management Research Americas, said.

“The sector has become too cheap to ignore,” Lefkowitz said during the call. “This is, on some measures, the cheapest the sector has been in many decades,” which will likely lead to outperformance in the sector over the next six to 12 months, he said.

Still, investments in the energy sector and in MLPs in particular will require more consideration going forward than was needed when oil was above $100 per barrel.

“The group really traded together in sync for a lot of years. Even companies that should have underperformed did better than the regular market because there was so much capital in the space,” Shneur Gershuni, MLP & natural gas analyst with UBS Investment Research, said during the call.

“I think that we’re going to be a lot more discerning going forward,” he said. “We think that you really want to focus on organic growth,” especially in the right basins. Those include the Permian, the South-Central Oklahoma Oil Province and the Marcellus and Utica plays in the Northeast, Gershuni said.

Managing Expectations

Midstream MLP distribution growth should remain strong through 2016 as midstream development catches up with U.S. production that has contributed to a significant oversupply.

“The concern is really about 2017, that as E&Ps slow down their capex and their drilling there could be a growth gap in ’17,” Gershuni noted. Investors have been focused on that growth gap, but Gershuni explained that concerns there could be overblown.

“Non-OECD demand will continue to transition the U.S. toward exporting hydrocarbons in one form or another, and there are still plenty of basins where there are growth opportunities,” he said. “There are just some where there aren’t growth opportunities as well, and it’s important to distinguish between them and choose the right stocks to reflect that investment opinion.”

Gershuni cautioned that when evaluating a potential investment, certain performance criteria should have more weight than others.

“A lot of people like to look at the yield relative to the 10-year yield and say, ‘Wow that’s cheap. Look at that spread,’ ” he said. A more important factor is cash flow metrics. Of four MLP investments USB Investment Research recommended in a recent note, “three of them have growth rates that are greater than the multiples on cash flow that they’re actually trading at,” he said. “I would strongly focus on price-to-cash-flow.”

An Inevitable Rebound

Though the current oversupply is keeping prices down, the cycle of supply and demand dictates that the low price environment can’t last forever, Nicki Decker, senior energy sector strategist at CIO Wealth Management Research Americas, said.

“Because prices are so low there is very little economic incentive to invest in new developments, and over time supply growth wanes and the markets will rebound,” she said. This could occur as U.S. onshore producers cut back on their drilling programs, but market conditions could also force Saudi Arabia’s hand, she noted.

“At some point, the Saudis will be forced either by pressure from people not getting the services they were promised or their own government’s fiscal requirements to start protecting oil prices,” she said. While observers see ongoing growth in production from Saudi Arabia, “the Saudis say we reduced production by 200,000 barrels per day in the month of July,” she said.

“Perhaps they’re already seeing that they have to start making room here and supporting prices.”

Frac Spread: All Stocked Up

By Frank Nieto, Hart Energy

It's safe to say that only the biggest football fans and children looking forward to a visit from Santa are looking forward to the fall and winter seasons more than hydrocarbon producers and midstream operators. A temperate summer failed to deliver a significant uptick in cooling demand necessary to work off gas storage and crude continued to stutter at its lowest levels in years without much hope of a quick turnaround.

While natural gas storage levels are hovering around the five-year average, improved drilling efficiency is causing fears that a price drop is around the corner in order to prevent storage from reaching capacity. The NGL market is experiencing a similar situation with widespread ethane rejection for the past few years and record propane storage levels for summer this year are causing a severe price downturn. Heavy NGL prices are also suffering due to a crude market that is oversupplied and experiencing large storage levels.

Production hasn't decreased at a fast enough level for gas, liquids or crude and storage has built to the point where it may take a strong surge in demand to effectively rebalance these markets. This is especially true for propane, which is expected to have a ceiling of 50 cents per gallon (/gal) for the upcoming heating season.

There is good news amid this negativity and that's in the form of ethane and West Texas Intermediate (WTI) crude. The industry's rejection policy toward ethane is beginning to pay off and it is expected that prices will begin to turn to a marginally positive state before the end of the year, while crude demand is increasing thanks to WTI prices trading below $45 per barrel. Though neither product can be expected to reach its highs from in the past 10 years, these markets may be slowly recovering.

In fact, ethane was the lone NGL to improve at both Conway and Mont Belvieu this week as the market continued to react positively to news that storage levels decreased in May, according to the most recent data from the U.S. Energy Information Administration (EIA). The Mont Belvieu price rose 4% to 19 cents/gal, its highest value since the last week of May. The Conway price increased 11% to 17 cents/gal, the highest it has been since the week of April 22. Though these prices are still unprofitable, they are closing in on that status and will need to do so to encourage the transportation of supplies to the Gulf Coast as demand will begin to increase this fall.

As crude oil prices have crumbled, demand has increased. The International Energy Agency (IEA) reported in its Oil Market Report for August that demand for 2015 has increased by 1.6 million bbl/d, which is a 200,000 bbl/d increase from its July report. This is the fastest growth rate for crude demand in the past five years, which the agency credits to solid economic growth and a response to lower crude prices. Further, the IEA is forecasting 2016 crude demand to increase by 1.4 million bbl/d. This should help support an improvement in WTI and Brent crude, but the record storage levels for crude is expected to keep a ceiling on this growth for the next 12-18 months.

Somewhat surprisingly natural gas prices rose above $2.80 per million Btu at both hubs as there was a slow build in storage, according to the latest data from the EIA. The week of August 7 saw storage levels increase by 65 billion cubic feet to 2.977 trillion cubic feet (Tcf) from 2.912 Tcf the previous week. This was 21% greater than the 2.456 Tcf posted last year at the same time and 3% greater than the five-year average of 2.896 Tcf. Cooling demand should increase this week as the National Weather Service is forecasting warmer-than-normal temperatures throughout the country.

The upswing in margins was limited as gas prices rose with only Conway ethane improving at either hub. The most profitable NGL to make at both hubs was C5+ at 65 cents/gal at Conway and 66 cents/gal at Mont Belvieu. This was followed, in order, by isobutane at 22 cents/gal at Conway and 23 cents/gal at Mont Belvieu; butane at 15 cents/gal at Conway and 20 cents/gal at Mont Belvieu; propane at 7 cents/gal at Conway and 11 cents/gal at Mont Belvieu; and ethane at negative 2 cents/gal at Conway and nil at Mont Belvieu.

CURRENT FRAC SPREAD (CENTS/GAL)				
August 14, 2015	**Conway**	**Change from Start of Week**	**Mont Belvieu**	**Last Week**
Ethane	16.48		19.03	
Shrink	18.90		19.16	
Margin	-2.42	6.26%	-0.13	-60.57%
Propane	32.64		37.12	
Shrink	26.11		26.47	
Margin	6.53	-2.32%	10.65	-14.10%
Normal Butane	44.20		50.40	
Shrink	29.55		29.97	
Margin	14.65	-17.01%	20.43	-8.43%
Isobutane	50.78		51.58	
Shrink	28.39		28.78	
Margin	22.39	-4.32%	22.80	-8.71%
Pentane+	96.10		97.78	
Shrink	31.61		32.05	
Margin	64.49	-12.01%	65.73	-8.85%
NGL $/Bbl	16.79	0.29%	18.01	-2.18%
Shrink	10.41		10.56	
Margin	6.38	-10.58%	7.45	-9.73%
Gas ($/mmBtu)	2.85	8.37%	2.89	3.96%
Gross Bbl Margin (in cents/gal)	13.45	-10.92%	16.44	-10.02%
NGL Value in $/mmBtu (Basket Value)				
Ethane	0.91	10.90%	1.05	3.71%
Propane	1.13	6.04%	1.29	-1.95%
Normal Butane	0.48	-1.60%	0.54	-1.45%
Isobutane	0.32	2.38%	0.32	-2.05%
Pentane+	1.24	-6.21%	1.26	-5.01%
Total Barrel Value in $/mmbtu	4.07	1.78%	4.46	-1.53%
Margin	1.22	-10.84%	1.57	-10.25%

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.

NGL PRICES						
Mont Belvieu	**Eth**	**Pro**	**Norm**	**Iso**	**Pen+**	**NGL Bbl**
Aug. 5 - 11, '15	19.03	37.12	50.40	51.58	97.78	**$18.01**
July 29 - Aug. 4, '15	18.35	37.86	51.14	52.66	102.94	**$18.41**
July 22 - 28, '15	18.29	40.94	54.80	55.98	105.46	**$19.22**
July 15 - 21, '15	17.65	41.28	55.38	56.86	109.78	**$19.51**
July '15	17.59	40.40	53.80	54.94	108.91	**$19.20**
June '15	18.04	38.02	52.24	53.11	123.24	**$19.83**
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**
Aug. 6 - 12, '14	21.70	101.76	122.06	127.52	211.24	**$39.60**
Conway, Group 140	**Eth**	**Pro**	**Norm**	**Iso**	**Pen+**	**NGL Bbl**
Aug. 5 - 11, '15	16.48	32.64	44.20	50.78	96.10	**$16.79**
July 29 - Aug. 4, '15	14.86	30.78	44.92	49.60	102.46	**$16.74**
July 22 - 28, '15	14.85	32.50	47.56	51.80	104.80	**$17.30**
July 15 - 21, '15	14.28	33.50	48.26	49.32	106.62	**$17.42**
July '15	14.51	32.64	47.53	49.40	106.60	**$17.32**
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**
Aug. 6 - 12, '14	18.48	104.70	123.26	133.30	206.22	**$39.52**

RESIN PRICES – MARKET UPDATE – AUGUST 14, 2015					
TOTAL OFFERS: 13,960,816 lbs		SPOT		CONTRACT	
Resin	Total lbs	Low	High	Bid	Offer
HDPE - Blow Mold	3,227,612	0.575	0.66	0.54	0.58
LLDPE - Film	3,100,072	0.6	0.68	0.55	0.59
HDPE - Inj	2,738,968	0.595	0.69	0.55	0.59
HMWPE - Film	1,234,576	0.6	0.64	0.57	0.61
LDPE - Film	1,157,932	0.605	0.73	0.58	0.62
PP Copolymer - Inj	1,078,000	0.6	0.68	0.58	0.62
PP Homopolymer - Inj	672,276	0.59	0.64	0.56	0.6
LLDPE - Inj	440,920	0.64	0.7	0.56	0.6
LDPE - Inj	310,460	0.655	0.67	0.58	0.62

Source: Plastics Exchange – www.theplasticsexchange.com

STW Pipeline Expands Permian Basin Business

Business Wire

STW Pipeline, the wholly owned subsidiary of water management and oilfield services company STW Resources Holding Corp. expanded its business in the Permian Basin, the parent company said Aug. 13.

STW Pipeline's objective for first-half 2015 was to achieve net cash flow and increase the customer base. In March, the company began operating with net cash flow and has continued to do so. Customers including Plains All American Pipeline and Anadarko Petroleum Corp. (APC) were added, and at the end of May, STW Pipeline had 10 operating crews.

For the second half of 2015, there is a growth plan, the company said. An additional eight crews will be added by the end of the third quarter, and each crew will generate about $1.1 million in annual revenues.

STW Pipeline is in the bidding process with several customers for construction of larger pipelines with net margins between 19% and 20%.

Additional environmental services for customers will be provided, the company said.

STW Resources Holding Corp. is based in Midland, Texas.

Oil Slips Under $42, A Six-Year Low

Reuters

U.S. oil prices tumbled more than 3 percent to a 6-1/2-year low under $42 a barrel on Aug. 13 as data showing a big rise in key U.S. stockpiles intensified worries over a growing global glut.

A rise in the dollar, after higher U.S. retail sales in July and strengthening employment data, added to the weight on oil.

Oil has fallen by nearly a third since late June, a decline that continued this week after a spate of refinery outages sapped demand for crude. The largest of those refineries - BP PLC's 413,500-barrel per day (bpd) facility in Whiting, Indiana, also the biggest in the U.S. Midwest - has been forced to shut two-thirds of its capacity for repairs to a leak that could last a month or more.

Losses deepened on the morning of Aug. 13 after market intelligence firm Genscape reported that stockpiles at the Cushing, Oklahoma delivery point for U.S. crude futures has risen more than 1.3 million during the week to Aug. 11, adding to fears that the Whiting outage would cause stocks of surplus crude to swell. If confirmed, it would be the biggest Cushing build since March.

Global crude benchmark Brent fell 62 cents, or 1.25 percent, at $49.04 a barrel by 1:57 p.m. EDT (1757 GMT), ahead of Friday's expiry of its front-month contract.

U.S. crude fell $1.20, or 2.8 percent, to $42.10 after briefly touching a low of $41.92 a barrel, the lowest since March of 2009.

MarkWest, EMG Will Develop Utica Dry Gas Gathering System

Business Wire

MarkWest Energy Partners LP and The Energy & Minerals Group (EMG) will develop a dry gas gathering system in the Utica Shale, the companies said Aug. 12. The system will be developed under a joint venture (JV) between MarkWest and EMG, which will own two-thirds and one-third, respectively.

The system will be underpinned by a long-term fee-based contract with Ascent Resources-Utica LLC, a subsidiary of Ascent Resources LLC, which has about 280,000 net acres in the Utica and Marcellus.

Frank Semple, chairman, president, and CEO of MarkWest, said investments in the system could surpass $1 billion in the next three years.

Ascent gave the parties about 100,000 gross acres in northern Belmont and Jefferson counties, Ohio. The system will gather more than 2 billion cubic feet per day (Bcf/d) of gas from other producers as well as from Ascent’s acreage, the companies added. The system will have more than 200,000 horsepower of compression. Initial operations are scheduled to begin by year-end 2015.

Takeaway options will include connections to the Ohio River System, a gathering trunk line project delivering gas to Rockies Express Pipeline, the Texas Eastern Transmission through the new OPEN project, the ET Rover Pipeline and other interstate pipelines.

Currently, MarkWest and EMG, together with Summit Midstream Partners, LLC, already operate one of the largest gathering systems in the Utica through the Ohio Gathering Co. LLC JV.

Domestic midstream-focused MarkWest Energy Partners LP is based in Denver.

Cheniere Marketing, France’s EDF Enter LNG Sales Arrangements

Cheniere Marketing International LLP entered sales arrangements for delivery of LNG cargoes to Dunkerque LNG terminal in France from the Sabine Pass terminal, parent company Cheniere Energy Inc. said Aug. 11.

Agreements were entered with Électricité de France SA (EDF). Up to 26 cargoes of LNG--about 100 million British thermal units (MMBtu)--will be transported on an ex-ship basis through 2018, Cheniere added.

The cargoes' sale price is linked to Europe's natural gas pricing index, Dutch Title Transfer Index.

Volumes will be sourced from Cheniere Marketing's LNG supply portfolio, which includes rights under a sale and purchase agreement with Sabine Pass Liquefaction LLC, to purchase any LNG produced from Sabine Pass that is more than is required for other customers.

Cheniere Marketing's LNG portfolio is expected to have about 9 million tonnes per annum (mtpa) of LNG available from the nine liquefaction trains being developed at Sabine Pass and Corpus Christi terminals.

In addition to the 26 cargoes under these EDF transactions, Cheniere Marketing has sold 42 cargoes to date, with delivery expected from Sabine Pass between 2016 and 2018.

Cheniere Marketing recently announced the sale of about 0.6 mtpa of LNG under a 20-year SPA with Central El Campesino, which is expected to be delivered from the CCL project. The SPA is subject to the Central El Campesino power project reaching a final investment decision.

Cheniere Energy Inc. is based in Houston.

Howard Energy Partners Begins Nueva Era Expansion Open Season

Business Wire

Howard Midstream Energy Partners LLC, doing business as Howard Energy Partners (HEP),said Aug. 12 that construction on the Nueva Era Pipeline will move forward after a successful open season.

The pipeline is a 50:50 joint venture between HEP and Mexico-based energy and services firm Grupo Clisa. The 200-mile, 30-inch pipeline connects HEP's Webb County Hub in South Texas directly to Escobedo, Nuevo León, Mexico, and to the Mexican National Pipeline System (Sistema de Transporte Nacional Integrado) in Monterrey, Mexico.

Mexico's Comisión Federal de Electricidad will be the foundation shipper, transporting 504 million cubic feet per day (Bcf/d) of natural gas under a 25-year term to help fuel combined-cycle power plants in Escobedo, near Monterrey.

A new open season for expansion capacity began Aug. 12 and will end Sept. 15. The Federal Energy Regulatory Commission already gave HEP a presidential permit allowing expansion of Nueva Era to 1.12Bcf/d.

"With this project we commit ourselves to the development of a cleaner and more economical energy source to meet the needs of Mexican consumers," said Carlos Martínez Longoria, director of strategic planning of Grupo Clisa. "At Grupo Clisa, we look to create strategic partnerships and alliances with important companies such as Howard Midstream Energy Partners that promote cooperation and regional economic competitiveness."

Construction on Nueva Era is scheduled to begin in early 2016, and the pipeline is scheduled to be in service in June 2017. It is subject to regulatory requirements and finalizing definitive agreements. HEP will manage all project construction and operations upon completion.

Howard Midstream Energy Partners LLC is based in San Antonio.

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