

Eagle Ford Liquids Have Transport, Market Options

DUG Eagle Ford midstream panel details the opportunities in the play.

BY PAUL HART | EDITOR, MIDSTREAM BUSINESS

The Eagle Ford has multiple transport options for its growing production, a liquids transport panel told a standing-room-only crowd at the DUG Eagle Ford conference's midstream track in San Antonio.

Furthermore the booming shale play enjoys growing domestic and international markets for that output, added one panelist, Col. Len Waterworth, executive director of the Port of Houston. The port now ranks as the biggest in the U.S. and it will continue to grow as the expanded Panama Canal opens in early 2015, he added, saying the big port must look to "unconventional ideas, just as it did 100 years ago."

He reminded the audience that the port and the canal are closely linked historically and, in fact, officially opened on the same day in 1914.

The energy industry has focused on the port's expanding capacity to handle petroleum product and liquefied petroleum gas exports, Waterworth said. However, equally important has been expansion of the port's already large shipping container capacity.



Expert Analysis: | Hart Energy's Chris Sheehan (far left) led a midstream panel discussion that included (left to right) Mike Howard, chief executive, Howard Midstream Energy Partners; Rick Wilkerson, chief executive, Velocity Midstream Partners; and Col. Len Waterworth, executive director, Port of Houston. (Courtesy: Hart Energy)

Plastic resins, products made from gas liquids produced in the Eagle Ford and elsewhere, fill a large percentage of those outbound containers.

"We're shipping more boxes full than we're bringing in," Waterworth said, a key indicator of the changing trade balance of the U.S. Furthermore, many inbound containers now carry plastic products made with resins

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NGL PRICES & FRAC SPREAD | Week in Review

Shoulder Season Causing Price Lulls

BY **FRANK NIETO** | EDITOR, MIDSTREAM MONITOR,
MIDSTREAMBUSINESS.COM

Commodity prices took a downturn this past week, which had the added effect of improving the majority of frac spread margins for natural gas liquids (NGL). For the most part, light NGLs were outperformed by their heavy counterparts.

Most of these price downturns were the result of the shoulder season and do not appear to represent a long-term downturn in their markets. For example, natural gas prices decreased 4% at both Conway and Mont Belvieu due to a drop in cooling demand

CURRENT FRAC SPREAD (CENTS/GAL)				
September 30, 2013	Conway	Change from Start of Week	Mont Belvieu	Last Week
Ethane	20.20		24.55	
Shrink	22.94		23.67	
Margin	-2.74	21.08%	0.88	372.59%
Propane	105.70		109.08	
Shrink	31.69		32.70	
Margin	74.01	-4.53%	76.38	-2.56%
Normal Butane	131.58		134.86	
Shrink	35.88		37.02	
Margin	95.70	1.93%	97.84	2.92%
Isobutane	136.40		136.30	
Shrink	34.46		35.56	
Margin	101.94	2.63%	100.74	2.81%
Pentane+	203.92		213.46	
Shrink	38.37		39.59	
Margin	165.55	-5.59%	173.87	-4.60%
NGL \$/Bbl	40.28	-3.09%	41.97	-2.40%
Shrink	12.64		13.04	
Margin	27.64	-2.85%	28.93	-1.65%
Gas (\$/mmBtu)	3.46	-3.62%	3.57	-4.03%
Gross Bbl Margin (in cents/gal)	63.25	-2.89%	66.68	-1.62%
Gross Bbl Margin (in cents/gal)				
Ethane	1.11	-0.64%	1.35	-1.21%
Propane	3.67	-4.26%	3.79	-3.01%
Normal Butane	1.42	0.35%	1.46	0.91%
Isobutane	0.85	0.98%	0.85	0.93%
Pentane+	2.63	-5.22%	2.75	-4.49%
Total Barrel Value in \$/mmbtu	9.68	-3.03%	10.20	-2.32%
Margin	6.22	-2.69%	6.63	-1.37%

NGL PRICES						
Mont Belvieu	Eth	Pro	Norm	Iso	Pen+	NGL Bbl
Sept. 18 - 24, '13	24.55	109.08	134.86	136.30	213.46	\$41.97
Sept. 11 - 17, '13	24.85	112.46	133.64	135.04	223.50	\$43.00
Sept. 4 - 10, '13	25.15	113.02	133.38	134.46	223.72	\$43.10
Aug. 28- Sept. 3, '13	26.29	117.83	140.90	142.23	226.33	\$44.63
August '13	25.01	105.63	134.40	136.61	219.58	\$42.03
July '13	24.73	91.89	126.67	130.93	209.15	\$39.09
2nd Qtr '13	27.12	91.38	124.01	127.46	204.12	\$38.82
1st Qtr '13	25.68	86.42	157.72	166.41	222.63	\$42.07
4th Qtr '12	26.59	88.74	162.76	181.71	215.67	\$42.69
3rd Qtr '12	32.34	89.27	142.76	161.88	200.54	\$41.03
Sept. 19 - 25, '12	29.63	87.42	147.34	172.32	200.07	\$40.88
Conway, Group 140	Eth	Pro	Norm	Iso	Pen+	NGL Bbl
Sept. 18 - 24, '13	20.20	105.70	131.58	136.40	203.92	\$40.28
Sept. 11 - 17, '13	20.33	110.40	131.12	135.08	215.16	\$41.57
Sept. 4 - 10, '13	21.37	110.64	131.04	135.42	215.04	\$41.76
Aug. 28- Sept. 3, '13	23.00	115.95	138.03	141.68	218.08	\$43.40
August '13	21.29	102.79	132.20	139.92	212.37	\$40.82
July '13	20.54	87.20	123.28	150.40	207.71	\$38.34
2nd Qtr '13	20.71	85.37	116.50	123.91	204.86	\$36.89
1st Qtr '13	23.94	81.81	153.43	160.39	222.63	\$41.11
4th Qtr '12	18.45	79.24	164.46	174.39	209.16	\$39.94
3rd Qtr '12	14.60	70.25	124.35	165.61	195.68	\$34.99
Sept. 19 - 25, '12	15.78	74.92	135.74	162.93	193.85	\$36.14

(Above) Data provided by Bloomberg. Individual product prices in cents per gallon. NGL barrel in \$/42 gallons | Source: Frank Nieto

(Left) 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.

Shrink is defined as Btus that are removed from natural gas through the gathering and processing operation.

as temperatures have been moderate around much of the country. This resulted in the Conway price dropping to \$3.46 per million Btu (MMBtu) and the Mont Belvieu falling to \$3.57 per MMBtu.

West Texas Intermediate (WTI) crude prices remained close to \$100 per barrel (bbl.) as tensions from the Middle East continued to lessen. In addition, the U.S. Energy Information Administration (EIA) released a report that stated reserves grew by 2.6 million bbl., which ran counter to a consensus average that predicted a 1.5 million bbl. drawdown.

The only NGLs to experience an increase in value this week were butane and isobutane, which are experiencing an increase in

NGL PRICES & FRAC SPREAD | Week in Review

demand as refiners switch from making summer-grade gasoline to winter-grade gasoline. This resulted in a 1% gain at both hubs for isobutane, which pushed the Mont Belvieu and Conway price to \$1.36 per gallon (gal.) Butane price improvements weren't quite as strong as they rose slightly to \$1.32 per gal. at Conway and rose 1% to \$1.35 per gal. at Mont Belvieu.

Typically C₅₊ demand also increases as refiners switch to winter-grade gasoline and as producers in oil sands seek more diluent; however, prices fell at both hubs as the product remains closely tied to WTI prices. The Mont Belvieu price dropped 4% to \$2.14 per gal., its lowest price in nearly two months. The Conway price had a steeper drop of 5% to \$2.04 per gal., which was the hub's lowest price since the week of June 26 when it was \$1.95 per gal.

Both light NGLs also experienced price decreases, which was especially surprising in the case of propane. It was reported that propane stocks had fallen the previous week and inventory levels are now expected to fall to the five-year average by the end of this month, according to En*Vantage.

KEY NORTH AMERICAN HUB PRICES	
2:30 PM CST / September 26, 2013	
Gas Hub Name	Current Price
Carthage, TX	3.39
Katy Hub, TX	3.39
Waha Hub, TX	3.31
Henry Hub, LA	3.48
Perryville, LA	3.37
Houston Ship Channel	3.37
Agua Dulce, TX	3.59
Opal Hub, Wyo.	3.26
Blance Hub, NM	3.24
Cheyenne Hub, Wyo.	3.30
Chicago Hub	3.53
Ellisburg NE Hub	3.45
New York Hub	3.43
AECO, Alberta	1.73

Source: Bloomberg

with major infrastructure outages that are not expected to return to normal capacity levels until next spring, although some plants that were down for maintenance are beginning to return to service.

Prices fell 1% at both hubs with the Mont Belvieu price decreasing to 25¢ per gal., which is the same level it has been trading

Export demand remains strong and both crop-drying and heating demand are expected to be greater than last year. Despite these positives, the Mont Belvieu price dipped 3% to \$1.09 per gal. and the Conway price fell 4% to \$1.06 per gal. It is likely that these are short-term price decreases possibly caused by market corrections after farmers built up their supplies in advance of crop-drying season.

The ethane market faces major headwinds

RESIN PRICES – MARKET UPDATE – SEPTEMBER 27, 2013					
TOTAL OFFERS: 9,023,972 lbs		SPOT		CONTRACT	
Resin	Total lbs	Low	High	Bid	Offer
HDPE - Blow Mold	2,027,680	0.71	0.75	0.69	0.73
PP Homopolymer - Inj	1,841,380	0.75	0.845	0.79	0.83
LLDPE - Film	1,667,128	0.725	0.76	0.68	0.72
PP Copolymer - Inj	1,021,828	0.74	0.89	0.8	0.84
LDPE - Inj	705,472	0.73	0.775	0.73	0.77
LDPE - Film	617,288	0.705	0.755	0.77	0.81
HIPS	380,000	1.015	1.03	0.98	1.03
HDPE - Inj	308,644	0.68	0.725	0.7	0.74
GPPS	190,000	0.91	0.91	0.86	0.91
HMWPE - Film	176,368	0.77	0.77	0.75	0.79
LLDPE - Inj	88,184	0.75	0.75	0.7	0.74

Source: Plastics Exchange – www.theplasticsexchange.com

at for the past three weeks. The Conway price dropped to 20¢ per gal., which is roughly the same price it had last week.

Overall the theoretical NGL bbl. price dropped 3% at Conway to \$40.28 per bbl. with a 3% drop in margin to \$27.64 per bbl. The Mont Belvieu price fell 2% to \$41.97 per bbl. with a 2% drop in margin to \$28.93 per bbl.

The most profitable NGL to make at both hubs was C₅₊ at \$1.66 per gal. at Conway and \$1.74 per gal. at Mont Belvieu. This was followed, in order, by isobutane at \$1.02 per gal. at Conway and \$1.01 per gal. at Mont Belvieu; butane at 96¢ per gal. at Conway and 98¢ per gal. at Mont Belvieu; propane at 74¢ per gal. at Conway and 76¢ per gal. at Mont Belvieu; and ethane at negative 3¢ per gal. at Conway and 1¢ per gal. at Mont Belvieu.

The downturn in cooling demand saw gas injection levels approach levels typically seen in the winter as storage levels rose 87 billion cubic feet to 3.386 trillion cubic feet (Tcf) the week of September 20 from 3.299 Tcf the previous week. According to the most recent EIA data, this was 5% below the level of 3.565 Tcf posted last year at the same time and 1% above the five-year average of 3.356 Tcf.

It is possible that we will see some of these newly injected volumes worked off this week as the National Weather Service is forecasting that much of the country will experience warmer-than-normal temperatures for this time of year. The forecast anticipates these temperatures to extend from the East Coast throughout the Midwest and down to the Gulf Coast. Normal temperatures are largely expected throughout much of the rest of the country.

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Valero Energy Files For MLP IPO

BY **FRANK NIETO** | EDITOR, MIDSTREAM MONITOR,
MIDSTREAMBUSINESS.COM

Valero Energy Corp. filed documents with the Securities and Exchange Commission on September 19 to create a new master limited partnership (MLP), Valero Energy Partners LP, which will own the company's midstream assets. The company is planning to raise up to \$345 million through an initial public offering, but has yet to announce how many units would be issued or what the targeted sales price would be upon commencement.

The MLP will trade on the New York Stock Exchange under the symbol VLP and will own, operate, develop and acquire crude and refined products pipelines and terminals. These assets will include pipeline and terminal systems in the Gulf Coast and Midcontinent that are connected to its refineries in Port Arthur, Texas; Sunray, Texas; and Memphis, Tennessee.

According to the filing, the MLP's largest minimum quarterly crude and refined products throughput commitments in its asset holdings will be the Lucas Pipeline at 150,000 barrels (bbl.) per day; the Port Arthur products pipeline system at a combined 127,000 bbl. per day on three pipelines; the Collierville Pipeline at 100,000 bbl. per day; and the Memphis refinery truck rack at 51,100 bbl. per day.

The MLP will have the right of first refusal to acquire other Valero transportation and logistics assets for a five-year period.

According to the proposal with the SEC, Valero will also create Valero Energy Partners GP LLC to operate as the MLP's general partner. The partnership must still receive formal approval from Valero Energy Corp.'s board of directors before proceeding.

EPA Proposes Carbon Pollution Standards For New Power Plants

The U.S. Environmental Protection Agency (EPA) proposed Clean Air Act standards to cut carbon pollution from new power plants in order to combat climate change and improve public health.



Clean Up | Under proposed new regulations from the EPA, new power plants would be needed to utilize clean technology to reduce their carbon emissions.

The EPA has initiated broad-based outreach and direct engagement with state, tribal, and local governments, industry and labor leaders, non-profits, and others to establish carbon pollution standards for existing power plants and build on state efforts to move toward a cleaner power sector according to their website.

The proposal achieves the first milestone outlined in President Obama's June 25 Memorandum to EPA on "Power Sector Carbon Pollution Standards," a major part of the President's Climate Action Plan.

"Climate change is one of the most significant public health challenges of our time. By taking commonsense action to limit carbon pollution from new power plants, we can slow the effects of climate change and fulfill our obligation to ensure a safe and healthy environment for our children," EPA Administrator Gina McCarthy said on the EPA website. "These standards will also spark the innovation we need to build the next generation of power plants, helping grow a more sustainable clean energy economy."

Under the proposal, new large gas-fired turbines would need to meet a limit of 1,000 pounds of CO₂ per megawatt-hour, while new small natural gas-fired turbines would need to meet a limit of 1,100 pounds of CO₂ per megawatt-hour. New coal-fired units would need to meet a limit of 1,100 pounds of CO₂ per megawatt-hour, and would have the option to meet a somewhat tighter limit if they choose to average emissions over multiple years, giving those units additional operational flexibility.

These proposed standards will ensure that new power plants are built with available clean technology to limit carbon pollu-

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tion, a requirement that is in line with investments in clean energy technologies that are already being made in the power industry. Additionally, these standards provide flexibility by allowing sources to phase in the use of some of these technologies, and they ensure that the power plants of the future use cleaner energy technologies—such as efficient gas, advanced coal technology, nuclear power, and renewable energy like wind and solar.

Power plants are the largest concentrated source of emissions in the U.S., together accounting for roughly one-third of all domestic greenhouse gas emissions. While the U.S. has limits in place for arsenic, mercury and lead pollution that power plants can emit, currently, there are no national limits on the amount of carbon pollution new power plants can emit.

The agency is seeking comment and information the proposal, including holding a public hearing, and will take that input fully into account as it completes the rulemaking process. EPA's comment period will be open for 60 days following publication in the Federal Register. In a separate action, EPA is rescinding the April 2012 proposal.

Separately, EPA has initiated outreach to a wide variety of stakeholders that will help inform the development of emission guidelines for existing power plants. EPA intends to work closely with the states to ensure strategies for reducing carbon pollution from existing sources are flexible, account for regional diversity, and embrace common sense solutions, allowing the United States to continue utilizing every fuel source available. In accordance with the June 25 Presidential Memorandum, EPA will issue proposed standards for existing power plants by June 1, 2014.

DCP Executive Sees Adequate Gas Capacity

BY PAUL HART | EDITOR, MIDSTREAM BUSINESS

A key executive for one of the Eagle Ford's biggest midstream players, DCP Midstream, told the recent DUG Eagle Ford conference in San Antonio that the unconventional play will have the infrastructure it needs to move production during the foreseeable future.

"What a transforming time this has been for us," Brian Frederick, president of the north and south business units for DCP, told

the conference's midstream track. "But let's not let the urgent crowd out the important" as the play continues to develop, he said, adding that midstream operators must respond to producers' needs.

Thanks to multiple midstream projects now in place or under way, Frederick said the Eagle Ford "has enough processing capacity—at least in the near term. In South Texas, I believe, the processing capacity is adequate."

He estimated regional gas liquids fractionation capacity could increase to more than 700,000 barrels (bbl.) per day from around a current 475,000 bbl. per day in the next two to three years. That's a sharp increase matching the play's production climb.

DCP Midstream ranked No. 1 in the U.S. for both natural gas processing and natural gas liquids volumes for 2012, according to the annual Hart Energy survey featured in *Midstream Business* and *Midstream Monitor*. It is a major player in the Eagle Ford's burgeoning midstream infrastructure with a processing capacity of 1.2 billion cubic feet (Bcf) per day. Among its assets is an 80% interest in the new Goliad, Texas, processing plant, scheduled to go on stream in early 2014 with a capacity of 200 million cubic feet (Mmcf) per day.

Frederick echoed a theme other DUG Eagle Ford speakers mentioned: South Texas has great potential in conventional plays that could keep the region a major player in the oil and gas industry for many years to come—even as Eagle Ford production winds down.

"We've seen a resurgence in the legacy plays," he added, some of which have produced for more than 80 years. Improved drilling and completion technology could make them into major producers along with the Eagle Ford, he said.

Reasons For Gas Market Optimism, Despite Flat 2014 Forecast

BY FRANK NIETO | EDITOR, MIDSTREAM MONITOR, MIDSTREAMBUSINESS.COM

Even as producers have pulled back on rigs the last few years, shale plays continue to perform so strongly that gas production continues to climb. Looking ahead, this production is expected to continue to grow more as the rig count increases.

According to Simmons & Co., gas production in 2014 is expected to increase by 2% to 67.8 billion cubic feet (Bcf) due to a flattening of

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legacy unconventional gas well decline rates along with the development of the Marcellus and growing associated gas growth.

The investment firm stated in a research note dated September 13, that several producer forecasts support this assessment. The report noted that production forecasts from companies such as EOG Resources state that they expect their production to start to grow again in 2014 after declining for the past several years.

The gas rig count is expected to increase 2% to 415 rigs in 2014, while oil rigs are expected to increase 5% to 1,445 rigs, according to data from Rig Data. This represents a combined 3.9% increase from current levels.

In addition, the 30-day IP rates for Lower 48 horizontal oil wells are expected to increase 10% while gas wells are expected to remain flat. However, associated gas from oil wells is expected to increase by 3 Bcf per day in 2014.

Despite the expected growth in gas production, the report anticipates that the market will remain solidly balanced at a similar rate to this past year. "While higher levels of natural gas production read bearish on a standalone basis, a continued decline in net imports combined with higher levels of industrial and power generation demand should keep the supply-demand balance relatively unchanged year-on-year," the report said.

On the gas storage front, Simmons & Co. is estimating winter gas storage (April 1, 2014) at 1.75 to 1.8 trillion cubic feet (Tcf) and the end of the injection period (November 1, 2014) gas storage at 3.8 to 3.85 Tcf.

On a long-term basis, the company anticipates increased demand from new infrastructure beginning in 2015 that will add between 12 to 20 Bcf per day of incremental demand by 2020. However, the report notes that the forward curve doesn't provide an adequate price signal to meet this increased demand.

The report stated that producers need a sustained gas price outlook of \$4.50- to \$5 per million Btu (MMBtu) to begin to increase production to meet this level of demand. At this time, the forward curve does not rise above \$4.50 per MMBtu until 2019 and does not exceed \$5.00 per MMBtu until 2021.

For the most part, the largest demand and price driver will remain weather as proven by the late winter severe drop in temperatures in the Northeast and Midwest that caused storage levels to be quickly worked off and caused a spike in prices to nearly \$4.50 per MMBtu.

Despite this the overall winter was warmer than normal, which has been the trend for the past five years and much of the previous 20 years. On the one hand there is cause for an optimistic outlook that the weather is bound to be colder than normal for the full season, which would be a large positive for prices and to work off the storage overhang. On the other hand, should this trend of warmer-than-normal winters continue, then storage can be expected to grow, which would drive prices down.

Simmons & Co. anticipate gas prices to trade at the same level as the five-year average of \$3.76 per MMBtu. The company anticipates a price range of between \$3.50 to \$4.50 per MMBtu in 2014. "Despite our 2014 gas outlook being very similar to 2013, we are becoming increasingly positive on the long-term gas outlook as the demand horizon is approaching which highlights the need for improved gas prices to incentivize production," the report said.

Plains, Enterprise To Expand Eagle Ford JV Pipeline

BUSINESS WIRE

Plains All American Pipeline,LP (PAA) and Enterprise Products Partners LP will expand their Eagle Ford JV crude oil pipeline. The expansion will increase the pipeline's capacity to 470,000 barrels (bbl.) per day of light and medium crude oil grades to accommodate additional volumes expected from PAA's Cactus Pipeline that is currently under construction. The Eagle Ford JV pipeline expansion is expected to cost approximately \$120 million and is expected to be in service second-quarter 2015.

The Eagle Ford JV Pipeline system, most of which is currently in service and expected to be completed by September 30, is a 50/50 joint venture between PAA and Enterprise that serves the Three Rivers and Corpus Christi refineries and other markets via marine transport facilities at Corpus Christi.

The pipeline expansion will be completed in stages that include adding pumping capacity and looping certain segments of the existing system. The expansion also includes constructing an additional 2.3 million bbl. of operational storage capacity in Gardendale, Tilden and Corpus Christi.

The Cactus Pipeline is being constructed by PAA from McCamey, Texas in the Permian Basin area to Gardendale in La

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Salle County, Texas. The pipeline will have an initial capacity of 200,000 bbl. per day and is expected to be in service second-quarter 2015.

NY State May Change Tune On LNG Infrastructure

BY **CHRISTINA ALTY** | ASSISTANT EDITOR, MIDSTREAM BUSINESS

While much of the county has jumped on the band wagon and embraced liquefied natural gas (LNG) fueling stations, the state of New York has not embraced the trend or much of anything that has to do with the oil and gas industry thus far.

There are currently 35 LNG fueling stations in 14 states scattered around the U.S., according to data from the U.S. Department of Energy (DOE) but New York up until recently hasn't been on board.

The Department of Environmental Conservation (DEC) has proposed the addition of Part 570 to 6 NYCRR of the Environmental Conservation Law (ECL) to establish a permitting program for the safe siting, construction, and operation of LNG facilities and transportation of LNG in New York State.

The article classifies "LNG facilities are those that either store LNG in a tank system or convert LNG into natural gas through vaporization. The two types of facilities that DEC expects to permit most frequently include facilities to fuel trucks and facilities that store LNG as a backup heating fuel."

The DEC is currently accepting written comments on the proposal until November 4.

Additionally, the ECL requires the DEC "to adopt regulations establishing criteria for the siting of LNG facilities to protect public health and the environment of the State. To fulfill this requirement, DEC must promulgate regulations prior to any new LNG facilities being sited and operated, which can only occur in areas of the State not impacted by any moratorium."

There is moratorium that has been in place since 1978 following a maintenance accident at a Staten Island LNG facility. "The moratorium was lifted on April 1, 1999 for all of New York except municipalities with a population of 1 million or more (i.e., New York City)."

The moratorium has been extended every two years by the State and expires April 1, 2015.



Opening The Door? | New York may lift a moratorium on LNG, which would allow LNG stations, like the one above, to be built in the state. (Courtesy: Clean Energy Fuels)

If all goes as proposed, companies would be able to apply for LNG import/export terminal (regulated by the federal government) permits as well and with the growing price of natural gas aboard this could be very attractive.

A public hearing for the proposed regulations is scheduled for October 30 at the DEC office in Albany.

Pembina Announces Simonette Pipeline Expansion Project

Pembina Pipeline Corp. plans to proceed with a \$115 million expansion of its Peace Pipeline System between Simonette and Fox Creek, Alberta. The Simonette Pipeline Expansion is expected to initially deliver approximately 40,000 barrels (bbl.) per day of additional liquids to Pembina's Fox Creek Terminal.

At Fox Creek, this incremental production will access Pembina's previously announced Phase I and II Peace Pipeline mainline expansions from Fox Creek to the Edmonton area markets. In addition, once the project is complete, Pembina expects to have sufficient capacity and operational flexibility within the Simonette to Fox Creek corridor to transport substantially all future volumes nominated through the open season process (Phase III Peace Pipeline mainline potential expansion plans) announced last March.

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The Simonette Pipeline Expansion will require the installation of approximately 37 miles of 16-inch pipeline along Pembina's existing right-of-way.

The pipeline is expected to be in-service third-quarter 2014.

In conjunction with the Simonette Pipeline Expansion, Pembina is also installing eight clean crude oil and condensate truck unloading risers at the Fox Creek Terminal which it anticipates will be in service in the fourth quarter.

Aux Sable, Summit Midstream Announce Purchase Agreement

Aux Sable Midstream LLC and Summit Midstream Partners LP signed a long-term gas purchase agreement for liquids rich natural gas gathered on SMLP's Bison gathering system. The rich natural gas will be conditioned at ASM's Palermo Plant and then transported via ASM's Prairie Rose Pipeline and the Alliance Pipeline for processing at Aux Sable Liquid Products LP's Channahon, Illinois 2,100 million cubic feet (MMcf) per day natural gas liquids (NGL) extraction and fractionation facility.

Under the agreement, SMLP will dedicate gas gathered from their Bison gathering system in Burke and Mountrail counties to ASM up to 25 MMcf per day with options to increase volumes as they develop.

Triangle Petroleum Announces Caliber Expansion

Triangle Petroleum Corp. and its joint venture (JV) partner First Reserve's Energy Infrastructure Fund is expanding the Caliber Midstream Partners LP. midstream and infrastructure system. The expanded Caliber system will service all Triangle-operated acreage in McKenzie County, North Dakota. The project includes a 50,000 barrel bbl. per day pipeline from the Caliber Central Facility to Alexander, North Dakota, where Caliber plans to build 40,000 bbl. of crude oil storage and related infrastructure, providing Triangle and other customers with access to multiple crude oil pipelines, rail terminals and market centers in the Williston basin

Expansion service lines include crude oil stabilization and transportation, produced water transportation and disposal, and freshwater delivery services. The expansion is expected to be in service by June 2014.

Sunoco Logistics To Hold Open Season For Pipeline

Sunoco Pipeline LP will commence an open season for its Permian Express 2 Pipeline. The pipeline will provide additional crude oil takeaway capacity for the growing production in the Permian Basin. The pipeline will originate at multiple locations in West Texas: Midland, Garden City and Colorado City. Permian Express 2 will have access to multiple SXL and third-party pipelines to provide producers the ability to reach various markets and refineries on the Gulf Coast and in the Midcontinent.

"We remain bullish on the Permian Basin's growth," Michael J. Hennigan, president and chief executive said. Crude oil production in this basin is projected to increase annually by approximately 200,000 barrels (bbl.) per day according to latest industry and consultant estimates. We are proceeding with the open season to determine market interest to develop this project."

Sunoco will construct 300- to 400-miles of pipeline pending customer interest for various locations. The Permian Express 2 pipeline is anticipated to have an initial capacity of approximately 200,000 bbl. per day and is expected to be operational second-quarter 2015.

Navigator Energy Services Announces Binding Open Season

Navigator Energy Services LLC announced an open season to solicit long-term shipper volume commitments of crude oil from non-affiliated shippers for capacity on a new crude oil pipeline system (BSG System) originating in the area of Big Spring, Texas, for deliveries to the Colorado City Tank Farm outside of Colorado City, Texas.

The BSG System, with a targeted in-service date in fourth-quarter 2014, will consist of approximately 190 miles of crude oil

NEWS & TRENDS | Up To Date

gathering and transmission pipelines to be located in Howard, Martin, Mitchell, Borden and Glasscock counties in Texas.

Deliver to the BSG System can be done via gathering lines at central delivery points and/or via four truck injection stations. The BSG System will be designated to receive and transport up to 75,000 barrels (bbl.) of oil per day. The BSG System will have operational storage capacity for approximately 250,000 bbl. with an additional 200,000 bbl. of planned storage capacity available for third-party lease.

The binding open season began September 18 and ends October 18.

Athabasca Oil To Sell Portion of Light Oil Infrastructure

Athabasca Oil Corp. entered an option agreement with a third party that give Athabasca the option of selling up to a 50% interest in its Kaybob area light oil infrastructure for up to \$145 million cash.

Under the terms of the agreement, Athabasca has the right on or before December 31 to sell the counter party a 25% to 50% working interest in Athabasca's light oil pipeline and any other infrastructure assets in the Simonette area of northern Alberta for up to an additional \$15 million cash. Athabasca would remain the operator for both Kaybob and Simonette infrastructure assets.

The option does not prevent Athabasca from including any infrastructure related to the option agreement as part of a JV, other material transaction involving P&NG rights, or exploring other avenues to monetize the infrastructure.

Blueknight, Advantage Pipeline Start Up Pecos River Pipeline

Blueknight Energy Partners LP (BKEP) and Advantage Pipeline LLC announced the startup of Phase I of the Pecos River Pipeline in West Texas.

BKEP has approximately 30% ownership and operates the pipeline under a long-term service agreement with Advantage. On September 17 commercial service started on Phase I of the system consisting of the Highway 18 Station near Grandfalls, Texas



Operations Under Way | The Pecos River Pipeline began operations after completing Phase I of its construction.

and 36 miles of pipeline connecting to the Longhorn Pipeline in Crane, Texas. The 16-inch diameter pipeline and associated terminals addresses the vital need for increased transportation capacity capable of efficiently transporting crude to Gulf Coast markets from the active West Texas producing region.

Completion of Phase II is expected before year end and will extend the pipeline an additional 29 miles to the west where it will capture produced volumes in Reeves, Culberson, Pecos and Ward counties.

Update: Williams Moves In 2012 Processor Rankings

We are updating our 2012 top natural gas processor rankings after receiving updated information from Williams. The company was previously ranked sixth in our rankings, but have moved to third with 4.4 billion cubic feet (Bcf) per day in volumes. This represents a 3% gain from their updated 2011 figures of 4.3 Bcf per day. This increase is a result of the figures that had previously not been converted to per day basis. Midstream Monitor apologizes for the inaccuracy.

SNAPSHOT | Industry Insight

Making The Case Against Unfair OCTG Imports

BY **RANDY BOSWELL** | SPECIAL TO HART ENERGY

We all know the U.S. midstream business is going strong. We've seen the domestic sectors, ranging from engineering to rail, enjoy substantial growth over the past few years. The problem is, we're not seeing the same strength in the very backbone of midstream infrastructure. The U.S. oil country tubular goods (OCTG) industry has been on the verge of breaking right under our noses, under an onslaught of unfairly traded and illegally subsidized imports.

Specifically, India, the Philippines, Saudi Arabia, South Korea, Taiwan, Thailand, Turkey, Ukraine and Vietnam are suspected of dumping OCTG in the United States, where the import product sells for about 12% less than domestic OCTG. Imports from these countries increased from 840,313 net tons in 2010 to 1,771,320 net tons in 2012, and the numbers have continued to be elevated in 2013. In the first quarter of this year alone, 425,987 net tons of imports entered the market from the nine subject countries — displacing domestic steel.

After rigorous investigation, the U.S. International Trade Commission (ITC) unanimously ruled to proceed with a full investigation of the unfair trade practices that circumvent U.S. regulations. Anti-dumping petitions were filed against OCTG from all nine countries, and countervailing duty petitions were filed against OCTG from India and Turkey. The Steel Caucus is expected to testify at a full ITC hearing early next year.

Meantime, it's imperative to take a stand on this issue by not using unfairly traded OCTG. This isn't just about protecting a few jobs in small Steel Valley towns. This is about protecting a U.S. industry. And this is our chance to take action in a way that will have a deeper impact than you might realize. The following are some reasons why you should care about OCTG imports:

Unfair imports tie up capital on the ground

Distributors usually invest a significant amount of money into stocking unfairly imported OCTG so that it's easily accessible when needed. But if it's not needed — if drilling activity slows, and slows line pipe construction and fabrication in the process — then these distributors are stuck with OCTG on the ground



Cause For Concern | The use of illegally imported OCTG hurts the U.S. economy by diminishing domestic jobs. (Courtesy: Energex Tube)

that they can't sell. Because their capital is tied up in that product, the distributors can't invest in other opportunities that may come along. What's more, if the price of steel drops while the OCTG sits idle, the value of that inventory drops, too. In the end, no matter how you look at it, the distributors suffer a financial hit.

The U.S. economy suffers when unfair imports flood the market

When companies buy unfairly-traded OCTG imports, domestic mills may be forced to slow production. That means fewer shifts at each mill, and eventually fewer mills.

For example, the Wheatland Tube facility in Warren, Ohio, employs 150 people who work three shifts, five days a week. If this facility had to close due to lack of demand for its products, those 150 people would be out of work, and the many others who support the plant would suffer as well. That includes those who finish the pipe and manufacture the thread protectors, couplings and other components used in conjunction with the products.

Randy Boswell currently serves as president for Energex Tube. He is responsible for sales, marketing, and operations relating to energy products (OCTG & Line Pipe). He is also responsible for sales forecasting and plan development.

The views expressed in this article are those of the author and do not necessarily represent the views of, and should not be attributed, to Hart Energy.

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LEAD STORY | From The Front

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first shipped from Houston. “This is a huge paradigm shift for our nation,” he added.

In his panel presentation, Mike Howard, chief executive of San Antonio-based Howard Midstream Energy Partners LLC, told the audience DUG Eagle Ford provides his firm with an annual opportunity to reflect on how it has grown since its founding in 2011. And grow it has, he said, with Howard Energy now having more than 500 miles of pipeline in the Eagle Ford. It provides gathering, processing, compression, amine treatment “and all the usual midstream services.”

But to assure continued growth, Howard Energy management “made a very conscious decision about a year ago that we need to cut the molecule in more ways” to find new markets for the play’s abundant gas liquids. He mentioned the firm’s new Reveille processing plant north of Laredo, Texas, which is on schedule to start up in January 2014 and which will add 200 million cubic feet per day to the play’s gas processing capacity. Meanwhile, it has stepped out to offer new midstream services, including a rail hub at Three Rivers, Texas.

Other plays

“So what else is there to talk about,” Howard asked in his discussion of the region. He answered his question by pointing out South Texas also has potential through development of other plays — the Pearsall, Olmos and Austin Chalk among others — that can keep the region’s producers and operators busy “for a hundred years to come.”

In keeping with Waterworth’s comments on exports, Howard discussed Mexico’s growing demand for natural gas, a big market for the Eagle Ford that will exist for years to come — even if Mexico begins to develop its own gas reserves, he added.

The U.S. in general, and Texas in particular, has a huge advantage because of its existing midstream infrastructure, Howard said. He added Texas has 370,000 miles of pipeline in service, compared with 5,580 miles of pipeline serving all of Mexico.

Mexican gas exports could reach 5 Bcf to 6 Bcf per day in a few years, “and how often do you see 5 to 6 Bcf of new demand show up?” he said.

The third member of the panel, Rick Wilkerson, president and chief executive of Tulsa-based Velocity Midstream Partners LLC, gave details about his company’s rapid expansion in the Eagle Ford, saying his private firm has an advantage because “it can take a little more risk” than public firms in building midstream infrastructure as production grows. That risk has been rewarded well as the play has grown in recent years, Wilkerson said.

Velocity has its new East Eagle Ford and Central Eagle Ford gathering systems under construction that will eliminate the need for a substantial amount of truck traffic in the play. The new systems also will help midstream operators meet stringent demands for product purity. “It’s important to keep the stream neat,” he added.

His firm is not a gas liquids marketer but Wilkerson mentioned the multiple, and close, markets for Eagle Ford gas liquids represent a significant plus for the unconventional play, compared to other unconventional plays in North America.

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