

MIDSTREAM *Monitor*

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FEATURES

Matador Sells Midstream Project In Loving County, Texas

By DARREN BARBEE, Hart Energy



In a deal made that has become reliable money for E&Ps in 2015, Matador Resources Co. ([MTDR](#)) has agreed to sell its midstream assets to EnLink Midstream Partners LP ([ENLK](#)) for \$143 million.

In tiny Loving County, Texas, where 86 people occupy 668 square miles, Dallas-based Matador built its largest midstream project, the Loving County System. Its processing plant was barely running two weeks when the deal was announced Sept. 15.

Amid the iffy upstream A&D market, E&Ps have been successfully selling midstream assets. In the first half of 2015, Hess Corp. ([HES](#)) sold 50% interest in its Bakken Shale midstream assets for \$5.4 billion. In the Eagle Ford, Pioneer Natural Resources ([PXD](#)) received about \$1 billion for its midstream assets.

More recently, Eclipse Resources Corp. ([ECR](#)) sold EnLink its Utica Shale condensate stabilization facilities in August for \$37.3 million.

Matador's cryogenic natural gas processing plant has an inlet capacity of a 35 million cubic feet per day (MMcf/d). The deal also includes a leasehold dedication and six miles of high-pressure gathering pipeline.

Both companies come up roses in the transaction.

Matador estimates it will have \$500 million in liquidity and nothing drawn against its \$375 million borrowing base at closing, which is expected in the fourth quarter of 2015. Matador can also defer taxes related to the sale of the Loving County System through potential like-kind exchange transactions.

For EnLink, a spinoff of Devon Energy Corp.'s (DVN) midstream assets that merged with Crosstex Energy, the acquisition doesn't meaningfully change its 2016 outlook, said Darren Horowitz, analyst, Raymond James.

The Matador assets provide EnLink a leverage-able foothold in the Delaware Basin.

However, the upside could be generated by potential commercial synergies related to EnLink's other regional assets. To that point, EnLink expects to allocate \$400-500 million in capital, including the Matador acquisition, to the Delaware Basin over the next 18 months.

| Matador Operations At A Glance | |
|--|--------------------|
| Avg. Daily Production, Q215 | 26,601 boe/d |
| ▪ Oil (% total) | 13,847 bbl/d (52%) |
| ▪ Natural Gas (% total) | 76.5 MMcf/d (48%) |
| Proved Reserves | 87.0 MMboe |
| Market Capitalization | \$1.9 billion |
| Capex | \$425 million |
| Net Acreage | 143,653 |
| Net engineered drilling locations | 1,362 |
| ▪ Eagle Ford | 240 |
| ▪ Permian | 960 |
| ▪ Haynesville/Cotton Valley | 162 |
| <i>Source: Matador Resources Co.</i> | |

Mark Reichman, research director, Simmons & Co. International, said the transaction will make EnLink more competitive in the Delaware Basin with Matador as an anchor customer.

Matador's processing plant currently handles 19 MMcf/d of natural gas.

Under the terms of the transaction, Matador will dedicate about 11,000 gross acres under development in Loving. Matador will also enter a 15-year, fixed-fee gathering and processing agreement and provide a volume commitment in exchange for priority one service.

"The transaction enhances ENLK's competitive position in the Permian," Reichman said. "It enhances the partnership's ability to grow revenue sourced from customers apart from its largest customer and sponsor, Devon Energy and offers significant expansion potential."

Matador will hold on to its natural gas gathering system up to a central delivery point and its other midstream assets in the area, including oil and water gathering systems and salt water disposal wells.

The company had several opportunities to do a deal on the assets from a number of midstream companies, said Joseph Wm. Foran, chairman and CEO. Matador chose EnLink because of its record of integrity and performance.

“This transaction reflects the tremendous opportunity both Matador and EnLink see in the Delaware Basin, particularly in and around our Wolf prospect area in Loving County, Texas,” Foran said.

‘We Have Been Here Before,’ CEO Reminds Forum

By PAUL HART, Hart Energy



Looking at the energy industry’s current challenges, it’s important to remember that “we have been here before,” Greg Armstrong, chairman and CEO of Plains All American, emphasized in his address at the September luncheon of the Houston Producers’ Forum. And as in past cycles, supply, demand and prices could change quickly, he told the audience.

“When I first agreed to speak here in October 2014, little did we know what was going to happen,” Armstrong said, pointing out what has happened to crude oil prices in 11 months.

To illustrate his point, Armstrong presented slides from presentations he gave at past forum luncheons in 1999, 2002, 2007 and 2009. “There’s a lot of relevance to the thoughts I articulated years ago,” he said, emphasizing the industry went through difficult times in the past before booms. In a humorous side note, Armstrong noted technology proved one problem in assembling his new presentation, pointing out software used 16 years ago is not fully compatible with today’s software—a reminder of how long ago his first presentations were.

“We’ve been through a lot of cycles. Crude oil prices have been as low as \$12 a barrel (bbl) and as high as \$140/bbl” since Plains and its predecessor companies started in 1981, he said. Market trends have varied widely, “but throughout that time period we have been able to generate a very successful growth profile.”

Reflecting on charts showing 16 years of oil price trends, Armstrong said there has been a progression up and to the right, adding that “there has been a tremendous amount of volatility” as prices swung up and down, reflecting supply and demand trends in past times.

Today’s crude oversupply situation could change quickly, Armstrong stated. He said in 1986, the world demand for oil was 59 MMbbl/d and OPEC had about 15 MMbbl/d of unused capacity, or about 25% of demand at the time. Now, world demand is around 94 MMbbl/d but OPEC has only about 4 MMbbl/d of excess capacity, or scarcely more than 4% of demand.

“So it really doesn’t take much in a 94 MMbbl/d world to come out of balance with a combination of decreasing production or increasing demand,” he said, adding that Plains monitors crude prices and supply closely due to the nature of its business.

“Our revenue base is extensive and crude-centric,” Armstrong said, pointing out Plains moves some 4.3 MMbbl/d of crude, including purchases of more than 1 MMbbl/d from more than 2,200 different producers. As one of the midstream’s biggest players, Plains’ assets include more than 50 different crude-oil grades. It has 125 MMbbl of liquids storage and some 18,900 miles of pipelines and “a large rolling stock of trucks, trailers, rail cars—about anything it takes

to get crude oil from the wellhead to the refinery.” The firm also can process 8.5 billion cubic feet per day (Bcf/d) of natural gas and has 97 Bcf of gas storage capacity.

That big asset profile allows Plains to enjoy a close-up view of trends in the industry, he said. “We’ve never lost our roots that allow us to understand what’s going on in the field, that allow us to understand where to build a pipeline, or to purchase a pipeline. We have to have an appreciation for the reserves.

“We have a staff of engineers and analysts who do a tremendous amount of work on the supply and demand sides,” Armstrong added. “We get a lot of information that gives us real-time data on the market” that can be used to build an accurate business model. “On balance, that gives us the power to control our own destiny, especially in an environment where there is less than full utilization of our assets.”



Greg Armstrong, chairman and CEO of Plains All American

Armstrong reminded the audience that some recent economic projections by Plains were criticized at the time by the investment community as overly negative, compared to what its peers were projecting. “But they are working from a much smaller footprint. They may be giving the best call they can from the information they see,” he said, pointing out data that Plains used, and its projections, have since proved to be correct.

Based on that large volume of data, Armstrong said Plains is “very bullish in the long term and intermediate term about the crude oil business.” But the short term “could be very challenging,” he cautioned.

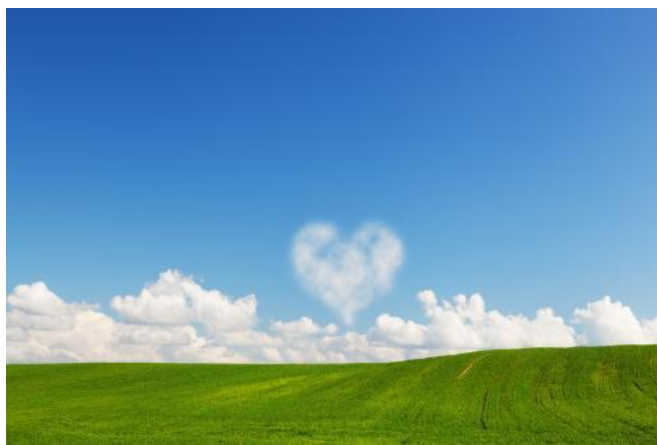
“From a midstream standpoint, we think that there will be continued expansion in some areas and [asset] rationalization in others. In some areas today we actually have excess capacity but within the regions there is still a lot of internal development,” said. He cited as an example the Permian Basin may be, overall, well served now while the developing Delaware Basin in the southwest corner of the Permian “is very, very active right now. There’s not enough takeaway capacity, but there’s plenty of capacity once you get it to Midland or one of the other centers.”

Pulse Of The Heartland Slows

By CARYN LIVINGSTON, Hart Energy

TransCanada Corp.’s Heartland Pipeline project is being dialed back from its previous expected in-service date, the company said during a recent earnings call. The project was originally expected to enter service during the second half but construction has been slowed to account for crude production cuts in Alberta and other pipeline delays.

“On our Heartland Pipeline, we continue to enjoy solid commercial support, and we’ve elected to proceed with the project at a time when the committed volumes require transportation,” Paul Miller, TransCanada’s president for liquids pipelines, said. “We continue to contract up Heartland, but we are aligning the in-service date with Heartland when we need to move those volumes to the marketplace.”



When those volumes will need to be moved to market is unclear, and the company did not disclose a new expected in-service date for the pipeline.

Midstream construction projects

“A lot of the commercial underpinning for Heartland is tied to Energy East and Keystone XL,” Miller explained. Both Energy East and Keystone XL have faced a variety of project delays—including a change of scope for Energy East when its original design called for a Québec marine terminal near a Beluga habitat, and an extensive legal battle in the U.S. over Keystone XL’s route.

TransCanada will revisit setting a new in-service date for Heartland once it becomes clearer to company leadership when the two projects will enter service, “or as we contract independent volumes on Heartland,” Miller said.

The company filed a permit application for Heartland’s terminal facility in May 2013 and for the pipeline in October 2013 with the Alberta Energy Regulator (AER). In February 2014, the application for the terminal facility was approved. In May 2015, the entire project was approved by the AER.

When the Heartland project enters service, it could transport up to 900,000 barrels per day (bbl/d) of crude oil on a 125-mile pipeline connecting the Edmonton, Alberta, region to facilities in Hardisty, Alberta. The associated terminal will have a storage capacity of up to 1.9 million bbl of crude oil.

Saudis Maintain Grip On Asian Crude Market Share

By JOSEPH MARKMAN, Hart Energy

Saudi Arabia’s strategy of sacrificing revenue to maintain market share succeeded for the first six months of 2015, the U.S. Energy Information Administration (EIA) reported.

From January through June, the Saudis’ exports to seven major trading partners in the region averaged about 4.4 million barrels per day (bbl/d), more than half of the country’s total crude oil exports. Market share held steady at 16% in China, 33% in Japan and 19% in Thailand. Share slipped to 20% from 21% in India, and to 33% from 34% in South Korea. The only sharp decline was to 18% from 26% in Singapore. Share rose a bit in the Taiwan market, to 33% from 32%. Overall market share in the region dipped to 23.2% from 23.9% in the same period in 2014, a difference of about 700,000 bbl/d.

The strategy has not been effective in the North American market, however, where U.S. producers were able to increase production in unconventional plays with fewer rigs in the first half of the year.



“E&P companies in the U.S. have been forced to be leaner and meaner in terms of their operating efficiency,” Regina Mayor, KPMG LLP’s Houston-based national sector leader for its energy and natural resources practice, told energy journalists at a recent briefing. “I don’t know that the Saudis were necessarily considering that in play.”

Long-term trends, however, will likely cut into the Saudis’ global crude market share. The EIA cited increasing competition from other crude oil-exporting countries, as well as Saudi Arabia’s shift in its own domestic energy market. Russia has expanded its crude exports to China and Japan and for a time exceeded the Saudi share of the Chinese market earlier this year. The potential for increased volumes of Iranian crude on the global market, as a result of the lifting of sanctions, could cut into the Saudi market share as well.

Saudi Arabia has added 800,000 bbl/d of refining capacity in the last two years with the opening of two facilities. Its capacity now stands at 2.9 million bbl/d, part of a strategy to reduce dependence on imports of petroleum products.

Assuming that the Saudis continue to increase refinery input, the amount of oil available for export could decline, the EIA speculates, reducing market share in Asia and other parts of the world. However, Saudi Arabia could be positioned to gain share in the distillate, jet fuel and gasoline markets.

FRAC SPREAD

Building The Floor: Fundamental Improvements In The Crude Market Are Helping The Market Reach A Bottom

By FRANK NIETO, Hart Energy

NGL prices continued to make small gains the second week of September as West Texas Intermediate (WTI) crude oil made similarly modest gains on the news that inventory levels decreased 2.1 million barrels (bbl). A turnaround may not be expected in the short-term, but slight improvements are likely to continue that will support WTI prices in their current \$30/bbl to upper \$40/bbl price range, according to En*Vantage.

“It appears that we are in a bottoming [out] process for oil prices and evidence continues to build that the fundamentals are slowly improving,” En*Vantage said in its Sept. 17 *Weekly Energy Report*. These fundamentals include global oil demand, which is expected to reach a five-year high this year, according to the International Energy Agency; U.S. production is falling; and there is further weakening of some of the lesser global producers, as well as funding shortfalls for Iraq to continue development of its southern oil fields.

While WTI prices showed limited strength, C5+ prices fell at both Conway and Mont Belvieu despite having the closest relationship with crude. The Conway price fell 4% to 95 cents per gallon (/gal), though this was its second-highest price in more than a month. The situation was the same at Mont Belvieu as C5+ was down 1% to 97 cents/gal, its second-highest price in a month. Though WTI is helping to pull C5+ prices up, the lack of production out of the Canadian oil sands is limiting diluent demand.

| CURRENT FRAC SPREAD (CENTS/GAL) | | | | |
|---|--------|---------------------------|--------------|-----------|
| SEPTEMBER 18, 2015 | Conway | Change from Start of Week | Mont Belvieu | Last Week |
| Ethane | 15.90 | | 18.23 | |
| Shrink | 17.04 | | 17.30 | |
| Margin | -1.14 | 24.09% | 0.93 | 180.09% |
| Propane | 42.30 | | 44.10 | |
| Shrink | 23.54 | | 23.91 | |
| Margin | 18.76 | 13.00% | 20.19 | 6.86% |
| Normal Butane | 50.56 | | 55.84 | |
| Shrink | 26.65 | | 27.07 | |
| Margin | 23.91 | 5.51% | 28.77 | 2.44% |
| Isobutane | 59.60 | | 56.64 | |
| Shrink | 25.60 | | 26.00 | |
| Margin | 34.00 | 2.81% | 30.64 | 2.47% |
| Pentane+ | 95.36 | | 96.98 | |
| Shrink | 28.50 | | 28.94 | |
| Margin | 66.86 | -4.64% | 68.04 | -0.45% |
| NGL \$/Bbl | 18.36 | -0.01% | 19.08 | 0.71% |
| Shrink | 9.39 | | 9.53 | |
| Margin | 8.97 | 2.05% | 9.55 | 3.02% |
| NGL Value in \$/mmBtu (Basket Value) | | | | |
| Ethane | 0.88 | 0.19% | 1.00 | 1.84% |
| Propane | 1.47 | 4.19% | 1.53 | 2.15% |
| Normal Butane | 0.55 | 1.46% | 0.60 | 0.49% |
| Isobutane | 0.37 | 0.73% | 0.35 | 0.60% |
| Pentane+ | 1.23 | -3.84% | 1.25 | -0.77% |
| Total Barrel Value in \$/mmBtu | 4.49 | 0.49% | 4.74 | 0.98% |
| Margin | 1.92 | 3.90% | 2.13 | 4.20% |

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.

Ethane fundamentals are also improving as frac spread margins are hypothetically positive at Mont Belvieu and nearly positive at Conway due to stagnant gas prices. While gas prices can be expected to improve during the winter heating season, ethane prices are expected to begin to climb out of the sub-20 cents/gal level they have been trading at for the better part of a year.

According to En*Vantage, ethane balances will tighten in the next six months as new ethane cracking capacity is brought online along the Gulf Coast via expansions. The company anticipates ethane storage levels to fall to 10 million bbl in December, their lowest levels in a decade.

“If our forecast is correct then over the next six months it will become more difficult for ethylene producers to easily access incremental ethane supplies from commercial salt domes, meaning that some of the 500,000 to 600,000 bbl/d of ethane being rejected will have to be economically dispatched at prices that give producers in those regions the sufficient frac spread to recover ethane. The first processing regions to experience positive frac spreads will be on the Gulf Coast, followed by West Texas and some parts of the Midcontinent,” the company said.

On the flip side, propane inventory levels are expected to hit a record high of 96 million bbl in October. This is an extremely high storage overhang to work off with crop-drying demand expected to account for 3 million bbl and heating demand accounting for up to 30 million bbl. In addition, as noted last week, some customers are already buying supplies ahead of the demand seasons, so some of the expected demand has already been worked off the storage level. The

good news is that new propane export capacity is coming online this season, though there isn't a consensus on how high export demand will be this season.

Natural gas production is starting to level off, though still it remains very strong, according to Bentek. The company forecast that production in the lower 48 states averaged 72.1 billion cubic feet per day (Bcf/d) in August. This was

| NGL PRICES | | | | | | |
|------------------------|-------|--------|--------|--------|--------|----------------|
| Mont Belvieu | Eth | Pro | Norm | Iso | Pen+ | NGL Bbl |
| Sept. 9 - 15, '15 | 18.23 | 44.10 | 55.84 | 56.64 | 96.98 | \$19.08 |
| Sept. 2 - 8, '15 | 17.90 | 43.17 | 55.57 | 56.30 | 97.73 | \$18.95 |
| Aug. 26 - Sept. 1, '15 | 17.93 | 38.98 | 52.00 | 53.38 | 90.80 | \$17.72 |
| Aug. 19 - 25, '15 | 18.31 | 37.02 | 49.58 | 50.96 | 89.64 | \$17.27 |
| August '15 | 18.55 | 37.35 | 50.57 | 51.80 | 94.58 | \$17.76 |
| July '15 | 17.59 | 40.40 | 53.80 | 54.94 | 108.91 | \$19.20 |
| 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 |
| Sept. 10 - 16, '14 | 23.43 | 108.36 | 126.30 | 127.84 | 207.02 | \$40.60 |
| Conway, Group 140 | Eth | Pro | Norm | Iso | Pen+ | NGL Bbl |
| Sept. 9 - 15, '15 | 15.90 | 42.30 | 50.56 | 59.60 | 95.36 | \$18.36 |
| Sept. 2 - 8, '15 | 15.87 | 40.60 | 49.83 | 59.17 | 99.17 | \$18.37 |
| Aug. 26 - Sept. 1, '15 | 14.63 | 35.64 | 46.66 | 55.50 | 93.26 | \$16.91 |
| Aug. 19 - 25, '15 | 15.78 | 33.44 | 44.18 | 51.92 | 88.12 | \$16.26 |
| August '15 | 15.71 | 33.52 | 44.88 | 51.94 | 93.63 | \$16.67 |
| July '15 | 14.51 | 32.64 | 47.53 | 49.40 | 106.60 | \$17.32 |
| 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 |
| Sept. 10 - 16, '14 | 23.33 | 108.14 | 125.34 | 138.32 | 201.34 | \$40.64 |

| RESIN PRICES – MARKET UPDATE – SEPTEMBER 18, 2015 | | | | | |
|---|-----------|-------|-------|----------|-------|
| TOTAL OFFERS: 20,175,512 lbs | | SPOT | | CONTRACT | |
| Resin | Total lbs | Low | High | Bid | Offer |
| HDPE - Inj | 5,731,408 | 0.55 | 0.64 | 0.52 | 0.56 |
| LDPE - Film | 4,407,084 | 0.58 | 0.85 | 0.55 | 0.59 |
| LLDPE - Film | 3,438,232 | 0.57 | 0.675 | 0.53 | 0.57 |
| HDPE - Blow Mold | 2,072,324 | 0.565 | 0.58 | 0.52 | 0.56 |
| HMWPE - Film | 1,587,312 | 0.555 | 0.6 | 0.54 | 0.58 |
| PP Homopolymer - Inj | 1,015,932 | 0.58 | 0.685 | 0.58 | 0.62 |
| LLDPE - Inj | 705,472 | 0.62 | 0.64 | 0.57 | 0.61 |
| LDPE - Inj | 688,644 | 0.585 | 0.66 | 0.59 | 0.63 |
| PP Copolymer - Inj | 529,104 | 0.59 | 0.63 | 0.6 | 0.64 |

Source: Plastics Exchange – www.theplasticsexchange.com

essentially unchanged from July production levels. The bulk of this production is occurring in the Permian, which had 276 rigs active in August.

This increase is having a negative impact on gas prices, which fell 2% at both hubs. The positive takeaway for NGL producers is that it helped improve frac spread margins with only C5+ showing weakness in margin from the prior week.

However, the most valuable NGL to make at both hubs was still C5+ at 67 cents/gal at Conway and 68 cents/gal at Mont Belvieu. This was followed, in order, by isobutane at 34 cents/gal at Conway and 31 cents/gal at Mont Belvieu; butane at

24 cents/gal at Conway and 29 cents/gal at Mont Belvieu; propane at 19 cents/gal at Conway and 20 cents/gal at Mont Belvieu; and ethane at negative 1 cent/gal at Conway and 1 cent/gal at Mont Belvieu.

Natural gas storage injection levels were still high even as the shoulder season approached as the U.S. Energy Information Administration reported that storage rose by 73 Bcf to 3.334 trillion cubic feet (Tcf) the week of Sept. 11 from 3.261 Tcf the previous week. This was 16% higher than the 2.878 Tcf posted last year at the same time and 4% greater than the five-year average of 3.209 Tcf. Cooling demand should remain higher for late September as the National Weather Service is forecasting warmer-than-normal temperatures throughout the country.

MORE TOP STORIES

PennTex Continues To Grow Terryville Complex In Louisiana

PennTex Midstream Partners LP ([PTXP](#)) said its Mt. Olive facility in northern Louisiana has been completed and placed in-service.

The Houston company expects this to increase its natural gas processing capacity to 400 million cubic feet per day (MMcf/d) in the region's Terryville Complex.

Located near Ruston, La., the Mt. Olive facility consists of a 200 MMcf/d design-capacity cryogenic natural gas processing plant with onsite liquids handling facilities for inlet gas as well as additional residue gas and NGL pipelines.

The 14-mile residue gas pipeline has throughput capacity of about 400 MMcf/d and provides market access for residue natural gas from the company's processing plants. The 41-mile NGL pipeline has throughput capacity of more than 36,000 barrels per day and provides transportation to downstream markets for NGLs produced from the Partnership's processing plants.

To date, the project has generated 22 full time jobs, about 600 construction jobs and engaged approximately 20 local firms, the release said.

The completion of the plant is the second phase of the company's Terryville Complex assets. The first phase of development was completed in May. It included the Lincoln Parish plant, a 200 MMcf/d design-capacity cryogenic natural gas processing plant, and 31 miles of related natural gas gathering and residue gas transportation pipelines.

The company provides gathering, processing and transportation services for customers in the Terryville Complex under long-term, fee-based agreements.

FERC Will Consider Atlantic Coast Pipeline Construction Application

Atlantic Coast Pipeline LLC (Atlantic) formally applied to the Federal Energy Regulatory Commission (FERC) for permission to build the Atlantic Coast Pipeline (ACP), a press release said Sept. 18.

Four major U.S. energy companies – Dominion, Duke Energy, Piedmont Natural Gas and AGL Resources-- formed Atlantic to build and own ACP.

The 564-mile pipeline would transport natural gas from Harrison County, W.Va., southeast through Virginia with an extension to Chesapeake, Va., and south through central North Carolina to Robeson County.

Pending regulatory approval, construction is scheduled to begin in the second half of 2016. ACP is scheduled to be in service in the fourth quarter of 2018, the press release said.

FERC will certify the public benefit and necessity of the project. FERC and other participating agencies will examine public safety, air quality, water resources, geology, soils, wildlife and vegetation, threatened and endangered species, land and visual resources, cultural and historic resources, noise, cumulative impacts and reasonable alternatives.

Atlantic has considered more than 3,000 miles of potential routes and made hundreds of route adjustments based on discussions with landowners, public officials and others. Atlantic has participated in more than 60 public meetings involving individuals, agencies and organizations.

"The Atlantic Coast Pipeline is essential to meeting the clean energy needs of Virginia and North Carolina, and has significant benefits for West Virginia as well," said Diane Leopold, president of Dominion Energy, the Dominion business unit responsible for building and operating the project.

"The ACP will enhance overall energy reliability in the region, bringing natural gas that will heat homes and power businesses, support thousands of jobs, and promote lower energy prices and economic development. It will be used to fuel a new generation of efficient power stations being built to achieve future federal and state environmental regulations.

Gov. Earl Ray Tomblin of West Virginia, Gov. Terry McAuliffe of Virginia and Gov. Pat McCrory of North Carolina support ACP, as do other federal, state and local officials, Atlantic said. A three-state coalition of more than 150 business and labor organizations, EnergySure, also supports the pipeline.

Ownership stakes in Atlantic are: Dominion, 45%; Duke Energy, 40%; Piedmont, 10%; and AGL Resources, 5%.

House Of Representatives Energy Panel Passes Bill Repealing Export Ban

A bill to repeal a 40-year-old ban on U.S. crude oil exports was passed on Sept. 17 by the House of Representatives energy panel.

The legislation, which passed 31 to 19, is expected to be passed by the full House in coming weeks.

But it is not backed by President Barack Obama and a similar bill in the Senate faces an uncertain future because backers need the support of several Democrats to ensure its passage.

Representative Fred Upton, a Michigan Republican and the chairman of the House Energy and Commerce Committee, cited studies that say freeing exports may lower gasoline prices. He said eliminating the trade restriction would help allies in Europe that are dependent on Russia for much of their crude.

Congress passed the bill after the 1973 Arab oil embargo spiked crude prices and led to fears of petroleum shortages. But thanks to fracking, horizontal drilling and other advanced techniques, the United States has been undergoing a six-year oil boom and now vies with Russia and Saudi Arabia for the spot of the world's top oil producer.

Domestic oil output has "flipped the script," Upton said.

Democrats who voted against the bill said they were concerned about the environmental consequences of increased domestic oil drilling and the possible loss of jobs at refineries and in shipbuilding.

Frank Pallone, the top Democrat on the panel, said the bill was "completely unnecessary" because Obama already has the authority to ease or remove restrictions on crude oil exports.

In addition, several Democrats said they worried the measure would give U.S. officials the power to weaken the nearly 100-year old Jones Act, a law that requires the use of U.S.-flagged and crewed ships on shipments between domestic ports, or to prohibit the closure of a port for national security reasons. - **REUTERS**

Alaska Sees TransCanada's LNG Project Stake Worth Up To \$100 Million

Alaska could pay \$70 million to \$100 million for TransCanada's 25% stake in the midstream and upstream sectors of the proposed Alaska LNG project, Governor Bill Walker said on Sept. 17.

Walker has recommended to legislators that the U.S. state should buy the stake, adding to a similar stake in a planned liquefaction plant and giving it a quarter share of the giant 20 million tonnes per annum export project.

Developed by ExxonMobil Corp. ([XOM](#)), ConocoPhillips ([COP](#)) and BP Plc ([BP](#)), the Alaska LNG project draws on gas from Alaska's North Slope and includes an 800 mile pipeline to Nikiski on the Kenai Peninsula where the gas would be liquefied for export as early as 2024, most likely to Asia.

Walker, who last December became the governor, has pushed for the project since 1999, but now says he is confident that it will go ahead.

"I've been very pleased with the interest in this project from the market. We're the closest (to Japan), shipping time seven days so that's a significant advantage."

Walker estimated the cost of the project at \$45 billion to \$60 billion, with plans for FEED to start in the first quarter of 2016.

Unfinished LNG export projects around the world are struggling to be completed because the market has become hugely oversupplied over the past year as production, especially in Australia, soars just as demand slows along with economic growth.

Benchmark Asian spot LNG prices have fallen by two-thirds since last peaking in 2014, although the long-term demand outlook for natural gas is healthy as the fuel is expected to take market share from thermal coal to generate electricity. Alaska LNG has federal approval to export up to 2.55 billion cubic feet per day of gas for 30 years, equivalent to over 3% of U.S.-supplies, but it still requires an environmental review and final investment decision (FiD).

To ensure the project goes through, Walker said the state was planning a provision that in case one partner quits, its share is equally distributed among the remaining stakeholders.

Walker said Alaska LNG's supplies would be priced flexibly, according to customer needs, including an option of a link to the U.S. Henry Hub gas price and a cocktail of Japan's oil prices. - **REUTERS**

Rancho II Pipeline Starts Transporting Crude Oil

Enterprise Products Partners is now shipping crude on its 480,000 barrels per day Rancho II pipeline from Sealy, Texas to its Echo terminal, in Houston, Texas.

The pipeline was originally slated for completion in the July, but a start date was pushed back to the third quarter.

Construction on the line finished at the end of August, according to a company spokesperson. – **REUTERS**

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