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ENVERUS
Midstream Intelligence
Serving the marketplace with news, analysis and business opportunities

ET to add SemGroup and its Houston crude terminal for $5B

Energy Transfer agreed to acquire **SemGroup Corp.** in a stock-and-cash transaction valued at $4.98 billion, a boon for ET's crude and NGL transportation businesses. The most prized asset: the Houston Fuel Oil Terminal, a crude export facility on the Houston Ship Channel with 18.2 MMbo of storage capacity, five deepwater ship docks and seven barge docks. The deal also expands ET's gathering and transport network into Colorado's DJ Basin and Alberta while expanding its Midcontinent gathering operations.

Will build 500,000 bo/d Ted Collins pipeline to connect 2 largest US crude terminals.

In January 2017, SemGroup acquired **Houston Fuel Oil Terminal Co.** from private equity firm **Alinda Capital Partners** in a $1.5 billion deal. HFOTCO is supported by stable take-or-pay cash flows from diverse, primarily investment-grade customers, ET said.

To link two of the largest crude terminals in the US, ET will build the 75-mile Ted Collins pipeline between HFOTCO and its existing 28 MMbo crude terminal in Nederland, Texas. When completed in 2021, the 500,000 bo/d pipeline will allow Nederland crude to be exported by HFOTCO.

Continues On PG.8

Tellurian receives biggest customer yet in India's Petronet

India's largest LNG importer, **Petronet LNG Ltd.,** plans to acquire an 18% equity stake into **Tellurian's** gas liquefaction facility in Louisiana as part of a tentative agreement valued at $7.5 billion. Under the MOU signed Sept. 21, Petronet and its affiliates also intend to negotiate the purchase of up to 5 mtpa from the Driftwood LNG export facility, which would mark Tellurian's biggest commitment yet. However, the details suggest Tellurian has delayed its final investment decision on Driftwood until 2020.

FID for Driftwood, originally set for H1, now looking like 1Q20.

Petronet said the agreement is subject to further due diligence and approval of its board. The companies aim to finalize the deal by March 31, 2020, at which time "we will have financing ready to close simultaneously, and then we will begin construction," Tellurian CEO Meg Gentle told Bloomberg. In effect, the agreement pushes the Driftwood FID back to 1Q19. Tellurian had previously expected to sanction the project in 1H19, then delayed the decision to 2H19.

Petronet will spend $2.5 billion for the Driftwood equity stake. The remaining $5 billion will come from a debt commitment, Gentle said.

Continues On PG.11

Trans Mountain progress in court marred by local opposition

Trans Mountain Corp., a Crown corporation owned by the Canadian government, received a court win in British Columbia on Sept. 17 for the Trans Mountain pipeline expansion project but continues to battle strong headwinds in reaching agreements with landowners, cities and indigenous groups along the proposed route. In the ruling, the BC Court of Appeals said the province cannot prevent or impede construction or operation of the pipeline, nor can it order assessments that the National Energy Board, now the Canada Energy Regulator, expressly refused to order.

The BC Court of Appeals ruled province's environmental certificate still valid.

The Squamish Nation argued that BC's environmental certificate for the project was no longer valid because the Federal Court of Appeal subsequently voided the initial federal review, ruling that the developers did not adequately consult with indigenous groups. The BC court rejected this argument, saying the province's consultation with the Squamish Nation was reasonable and met legal requirements despite the fact that the project was reapproved based on a new federal review that differed from the assessment used in issuing BC's certificate.

Continues On PG.15

MPLX issues $2B in notes as it swallows Andeavor debt

MPLX LP closed $2 billion in unsecured senior notes Sept. 9 in an underwritten public offering consisting of $1 billion of floating rate senior notes due 2021 and $1 billion of floating rate senior notes due 2022. The master limited partnership of **Marathon Petroleum Corp.** intends to issue more notes as it refinances all $3.75 billion outstanding senior notes of **Andeavor Logistics**, which it acquired in a deal that closed July 30.

Will issue more notes in bid to refinance all $3.75B outstanding ANDX senior notes.

The MLP intends to use some of the net proceeds from the $2 billion offering to repay, redeem or otherwise retire the $500 million of ANDX 5.500% senior notes that mature in October. It will also use some of the net proceeds to repay borrowings under its revolving credit facility and amended and restated intercompany loan agreement with MPC and for general partnership purposes.

Continues On PG.16

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ARK-LA-TEX REGION

EAST TEXAS & NORTH LOUISIANA

PP

1,178-Net Operated Wells.
ACQUISITION OPPORTUNITY
Covers 189,386-Net Acres. (100% HBP)
Cotton Valley Lime, Bossier, Taylor Sand.
180-Gross Locations Identified.
76% OPERATED WI; 61% Average NRI
Net Production: 86.9 MMCFED
EBITDA: $56,200,000
Net Resources: 275 MMBOE
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PP 2214DV

~14.48 MBOED

DEALS FOR SALE

SOUTH TEXAS

BEE CO., TX ASSETS FOR SALE

PP

60-Wells. 32-Producers. 6,388-Acres.
CONVENTIONAL TARGETS <6,000'
YEQUA, COOK MOUNTAIN
HOCKLEY, PETTUS
Significant Behind Pipe Recompletions
>60-Miles of 3D Seismic Data Available.
30-Immediate Drilling Prospects
~100% OPERATED WI; ~77% NRI
Net Sales: 2,519 BO & 10,815 MCF
Net Cash Flow: $166,589/Mn
32-Pump Jacks; 15-Tank Battery Facility
30-Prospect Reserves 6.4 MMBO & 9.3 BCF
Low Operating Expenses: $10,000 Mn
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SHALLOW

ABOUT THIS REPORT

Midstream Intelligence is published every three weeks and covers the midstream, downstream and LNG sectors primarily in North America, including new pipelines and other projects, the deal market, finance and regulatory updates.

All dollar amounts in this report are in US dollars unless otherwise stated.

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Access to overseas markets drives new pipeline projects

Growing US oil exports are at the heart of **Energy Transfer's** nearly $5 billion acquisition of **SemGroup,** the third-largest midstream transaction announced so far this year **(PG.1).** ET will pay a 65% premium for a collection of assets that is highly complementary to its existing crude oil and NGL transport businesses, with the crown jewel being SemGroup's Houston Fuel Oil Terminal. Highlighting the terminal's centrality to the deal, ET concurrently announced plans to build the 500,000 bo/d Ted Collins pipeline providing optionality between HFOTCO and its existing Nederland terminal, the two largest in the US.

IN THIS ISSUE

Gas exports are also driving pipeline projects, such as the now-operational Sur de Texas-Tuxpan gas pipeline **(PG.5).** Built by **TC Energy** and **Sempra Energy's** Mexican unit **IEnova,** the 2.6 Bcf/d line carries Eagle Ford and Permian gas volumes to supply Mexican power plants.

EOG to supply gas to Cheniere at price connected to LNG market indices (PG.9).

Additional gas pipelines will be built to support gas export via LNG. **Enbridge** signed a preliminary deal to work with **NextDecade** on the 137-mile Rio Bravo gas pipeline to feed a proposed 27 mtpa liquefaction facility in Brownsville with 4.5 Bcf/d from South Texas **(PG.3).** **Enterprise Products Partners** plans to extend its Acadian gas system in the Haynesville to connect 1 Bcf/d with third-party pipelines serving LNG facilities in Louisiana and Texas **(PG.5).**

In Canada, the search for new oil markets has led a new company, **Canadian Prosperity Pipelines Corp.**, to attempt to build a new 4,500-km, 1.1 MMbo/d pipeline from Alberta to New Brunswick for export at a marine terminal **(PG.6).** Meanwhile the government's effort to bring Alberta oil to the Pacific coast for export to Asia via an expanded Trans Mountain pipeline continues to face strong opposition from landowners, cities and indigenous groups along the route even after winning a key legal battle in British Columbia **(PG.1).**

Pipelines

Enbridge to help build pipeline to feed NextDecade LNG plant

Enbridge signed up to support two LNG projects in Brownsville, Texas, buying a minority stake in one and agreeing to support a pipeline proposed by another developer. The ship channel is the location of three proposed LNG export facilities.

NextDecade Corp. reached an MOU with Enbridge to jointly pursue the 137-mile Rio Bravo and other pipelines in South Texas. Rio Bravo will consist of twin 42-inch pipelines carrying up to 4.5 Bcf/d from the Agua Dulce area to the NextDecade's Rio Grande LNG, the largest of the three LNG projects proposed for Brownsville.

Rio Bravo's twin 2.25 Bcf/d pipelines to run 137 miles from Agua Dulce.

Both the pipeline and proposed 27 mtpa project received their final environmental impact statement in April. NextDecade signed in May engineering, procurement, and construction contracts with **Bechtel** for the first phase, which will cost $9.57 billion to build three 5.87 mtpa trains. A final investment decision is expected in Q4 with operations starting in 2023.

"With its Texas Eastern pipeline and recently completed Valley Crossing pipeline, Enbridge has extensive permitting, construction and operating experience in the state of Texas, especially in South Texas," NextDecade CEO Matt Schatzman said. The companies expect to finalize definitive documentation reflecting terms of the MOU in Q4.

A recent filing with the US Department of Energy revealed that Enbridge acquired a 10.5% stake in **Exelon's** proposed 6 mtpa Annova LNG terminal. The company said it does not intend to assume operatorship of the project.

Exelon owns 80.55% of Annova LNG. **Kiewit** and **Black & Veatch,** which hold the project's engineering, procurement and construction contracts, split the remaining 8.95%.

ARB's DJ South Gathering to construct Colorado pipelines

DJ South Gathering is holding a supplemental binding open season to obtain shipper commitments for a new pipeline system in the DJ Basin. The pipeline will transport crude from origin points in Adams and Weld counties, Colorado, to the Platteville and Lucerne stations in Weld County. The stations offer direct connections to Cushing on **Magellan Midstream Partners'** Saddlehorn, **Tallgrass Energy's** Pony Express and **SemGroup's** White Cliffs pipelines. The open season will end Oct. 1.

DJS intends to construct new origin locations in Adams and Weld counties with lateral pipelines from such origin locations to Platteville, Colorado. The proposed new origins are Bennett/Matador central receipt points in Adams County and the Badger CRP in Weld County. The **ARB Midstream** company will construct the 38-mile Matador pipeline from the Bennett/Matador CRP to the Platteville station and the 32-mile Badger pipeline from the Badger CRP to the Platteville station. It will also construct a 22-mile pipeline from Platteville to the Lucerne station. The DJS pipeline system is expected to be in service in January.

Touchdown gathering in New Mexico to move first oil in October

LM Energy Holdings completed Phase 1 of its Touchdown crude gathering system in the northern Delaware Basin. Formerly known as **Longhorn Midstream Holdings,** LM Energy is also building a gas system.

Phase 2, including crude expansion & new gas system, to enter service in 1Q20.

The Phase 1 pipeline system will begin transporting crude in October for certain contracted customers in Eddy County, New Mexico. As part of Phase 2, LM Energy is constructing the Touchdown gas gathering system and extending the Touchdown crude system.

Based upon current contractual commitments, the combined systems will include a total of more than 100 miles of low- and high-pressure pipelines. Phase 2 will begin operations in 1Q20 and serve multiple customers dedicated to both systems.

Dallas-based LM Energy was formed early this year with backing from private equity firm **Old Ironsides Energy.** Managing partners Mike Davis and Elliot Gerson held leadership positions at midstream companies that sold for a combined $2.95 billion in 2018.

Select Current Pipeline Construction Projects

Pipeline Name	Owner/ Operator	Type	From	To	Length (miles)	Capacity	Cost	In Service	Notes
Gray Oak	Phillips 66, Marathon	Crude	Orla, TX	Sweeny, TX	600	900 kbo/d	$2.7B	4Q19	Cost rising but on schedule
Midship	Cheniere, EIG	Gas	Kingfisher Cty., OK	Bennington, OK	199	1.44 Bcf/d	$680MM	YE19	Notice to proceed issued
EPIC Crude	EPIC, Noble, Altus, Rattler	Crude	Orla, TX	Corpus Christi	700	900 kbo/d	$2.1B	1Q20	Will run side-by-side with EPIC Y-Grade
Mountain Valley	EQM, NextEra, Con Edison, WGL, RGC	Gas	Wetzel Cty., WV	Chatham, VA	303	2.0 Bcf/d	$4.9B	1H20	Slowed by legal challenges
Line 3 Replacement	Enbridge	Crude	Hardisty, AB	Superior, WI	1,030	760 kbo/d	C$9.0B	2H20	MN permitting to continue until Nov
Gladiator	SemGroup, DCP	Crude	Jack Cty., TX	Houston	300	300 kbo/d	N/A	3Q20	Connects to converted Southern Hills NGL line
Baymark	Enterprise, Formosa	Ethylene	Bayport, TX	Markham, TX	90	N/A	N/A	4Q20	Provides access to new export terminal
Jupiter	JupiterMLP	Crude	Crane, TX	Brownsville, TX	650	1 MMbo/d	N/A	4Q20	Leads to planned export terminal
Permian Highway	Kinder Morgan, EagleClaw	Gas	Waha	Texas Gulf Coast	430	2.0 Bcf/d	$2.1B	4Q20	Construction contracts awarded
Midship	Cheniere, EIG	Gas	Kingfisher Cty., OK	Bennington, OK	199	1.44 Bcf/d	$971MM	YE19	FERC OKs initial capacity of 1.1 Bcf/d
Liberty	Phillips 66, Bridger	Crude	Bakken	Cushing	N/A	350 kbo/d	$1.6B	1Q21	Supplemental open season to come
Red Oak	Phillips 66, PAA	Crude	Cushing	Ingleside, TX	N/A	400 kbo/d	$2.5B	1Q21	Houston & Beaumont delivery options
Atlantic Coast	Dominion, Duke, Piedmont, Southern	Gas	Harrison Cty., WV	Robeson Cty., NC	550	1.5 Bcf/d	$7.0-7.5B	1H21	Segments slated to open in 2H20
Voyager	Magellan, Navigator	Crude	Cushing	Houston	500	400 kbo/d	N/A	1H21	Open season through August
Wink to Webster	PAA, ExxonMobil, Lotus, MPLX, Delek, Rattler	Crude	Wink, Midland	Webster, TX; Baytown, TX; Beaumont, TX	650	1 MMbo/d	N/A	1H21	Pipe ordered
Double E	Summit	Gas	Eddy Cty., NM	Waha	134	1.35 Bcf/d	$593MM	3Q21	XTO to send up to 500 MMcf/d
Seahorse	Tallgrass	Crude	Cushing	St. James, LA	700	400 kbo/d	N/A	3Q21	Leads to new export terminal
Whistler	MPLX, WhiteWater	Gas	Waha	Agua Dulce, TX	475	2.0 Bcf/d	N/A	3Q21	FID reached in June
Louisiana Connector	Sempra	Gas	St. Landry Parish, LA	Port Arthur, TX	131	2.0 Bcf/d	N/A	2Q23	Would feed Port Arthur LNG
Permian Global Access	Tellurian	Gas	Waha	Gillis, LA	625	2.0 Bcf/d	$4.2B	2023	Feeds proposed LNG export terminal
Coastal GasLink	TC Energy	Gas	Dawson Creek, BC	Kitimat, BC	416	2.1 Bcf/d	C$6.2B	2023	Looking for JV partners
Gazoduq	Gazoduq	Gas	Ramore, ON	Saguenay, QC	465	N/A	$3.4B	2H24	To feed Energie Saquenay LNG

Source: Enverus research

Pipelines

Taproot to expand in DJ Basin after Bonanza Creek dedication

Taproot Energy Partners secured a long-term acreage dedication for crude transportation from **Bonanza Creek Energy Operating Company,** a subsidiary of **Bonanza Creek Energy.** The agreement increases the total acreage dedicated to Taproot's Baja system to nearly 175,000 gross acres in the DJ Basin.

In conjunction with Bonanza Creek's dedication of nearly 70,000 gross acres in Weld County, Colorado, Taproot will extend its existing multi-service system about 35 miles south. The Rattlesnake extension will transport Bonanza Creek's crude to Baja for re-delivery at **Tallgrass Energy's** Buckingham terminal with ultimate delivery to Cushing.

Expansion will bring crude to Tallgrass' terminal on its Pony Express pipeline.

"The Rattlesnake extension is a transformational project for Taproot, creating the opportunity to expand our existing Baja system and become the first independent pipeline solution in the prolific northeast Wattenberg area to provide producers with direct pipeline access to the Buckingham Terminal," Taproot CEO Kevin Sullivan said. Rattlesnake is expected to enter service in 2Q20.

In addition to Rattlesnake, the company also intends to construct a truck unloading and storage facility strategically located to provide its producer and marketing customers with a premium crude delivery point in Weld County. Denver-based Taproot is backed by private equity firm **Energy Spectrum Capital.**

Enterprise Products plans Haynesville gas pipeline expansion

Enterprise Products Partners LP is planning to expand and extend its Acadian gas pipeline system from the Haynesville to the LNG market in southern Louisiana. The company will add an 80-mile pipeline originating near Cheneyville, Louisiana, on its Acadian Haynesville Extension to third-party connections near Gillis, Louisiana, including pipelines serving LNG facilities in south Louisiana and southeast Texas.

Project will expand its system capacity for Haynesville gas to 2.1 Bcf/d.

The new pipeline will have a capacity of roughly 1 Bcf/d and will serve a region with 15 Bcf/d of LNG feed capacity either operating or under construction. The company said it also plans to increase capacity on the extension by adding horsepower to its Mansfield compressor station in De Soto Parish. The project is expected to come online in mid-2021.

"The Haynesville region currently produces approximately 11 Bcf/d of natural gas, which is expected to grow to approximately 14 Bcf/d by 2025," CEO A.J Teague said. "Once this project is completed, our Acadian system will be able to deliver a total of 2.1 Bcf/d of Haynesville production into the LNG market."

Enterprise's Acadian system is comprised of 1,300 miles of pipelines linking gas supplies in Louisiana and the Gulf of Mexico with distribution companies, utility plants and industrial companies in the Baton Rouge, New Orleans and Mississippi River corridor. Its 357-mile Haynesville gathering system has a capacity of 1.3 Bcf/d and can treat up to 810 MMcf/d.

TC & IEnova's Sur de Texas-Tuxpan enters commercial service

Commercial operations have begun on the Sur de Texas-Tuxpan gas pipeline cross-border pipeline in the Gulf of Mexico, **TC Energy** said Sept. 17. The project of TC and **Sempra Energy's** Mexican subsidiary **IEnova** has a capacity of 2.6 Bcf/d and was mechanically complete in June.

480-mile pipeline runs mainly offshore from near Brownsville, Texas, to Tuxpan, Veracruz.

The 42-inch pipeline will feed several generation plants located in Altamira, Tuxpan and in the central region of Mexico through its interconnections with TC's Tuxpan and Tamazunchale gas pipelines. It runs 480 miles from the US border near Brownsville, Texas, to Altamira in Tamaulipas, from where it continues to Tuxpan in the state of Veracruz. The $2.6 billion pipeline was also the largest single source of foreign direct investment to Mexico in 2017.

The JV reached an agreement with the Mexican government in August that cleared the way for final startup of the project and four other pipelines the companies were building to export gas from the US to Mexico. President Andres Manuel Lopez Obrador had previously launched a review of the projects and requested international arbitration over $3 billion in force majeure payments. The companies declared force majeure because of protests, weather and alleged acts of extortion by local officials. The parties agreed to drop legal action.

Top 5 New Midstream Deals In This Issue

Date	Buyer	Seller	Value ($MM)	Deal Type	Asset Description
9/16	Energy Transfer	SemGroup	$4,978	Corp.	Operator of Houston oil terminal
9/5	New Jersey Resources	Macquarie Group	$368	Asset	Gulf Coast storage facilities
9/6	Ship Finance	Hunter Group	$180	Asset	Three VLCCs
9/6	Kinder Morgan	Southcross Energy	$76	Asset	Texas gas pipelines
9/17	ArcLight Capital	Southcross Energy	$32	Asset	Alabama and Mississippi gas pipelines
		Total	$5,633		

Note: Based on deals with disclosed values. Source: Enverus M&A Database

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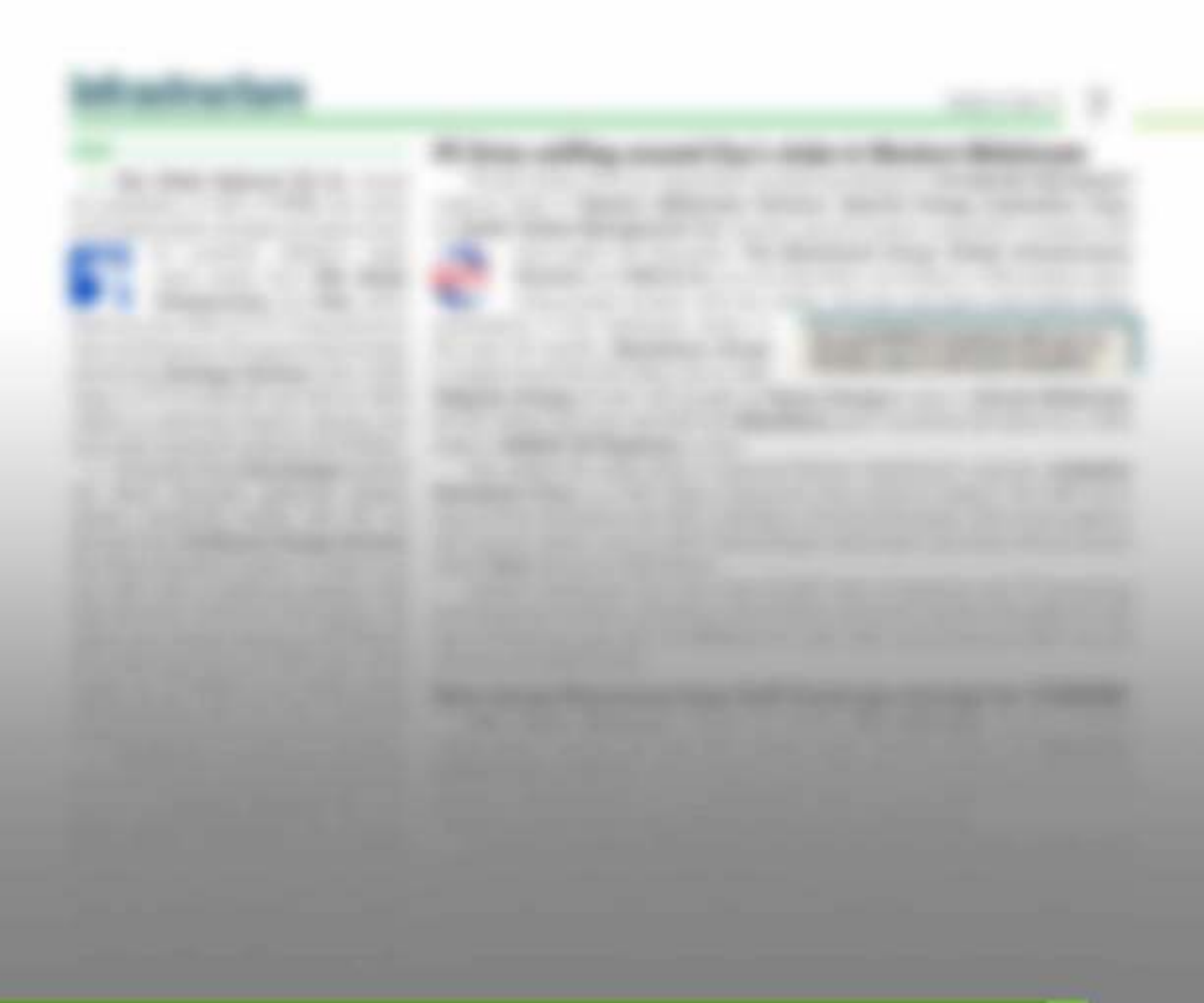

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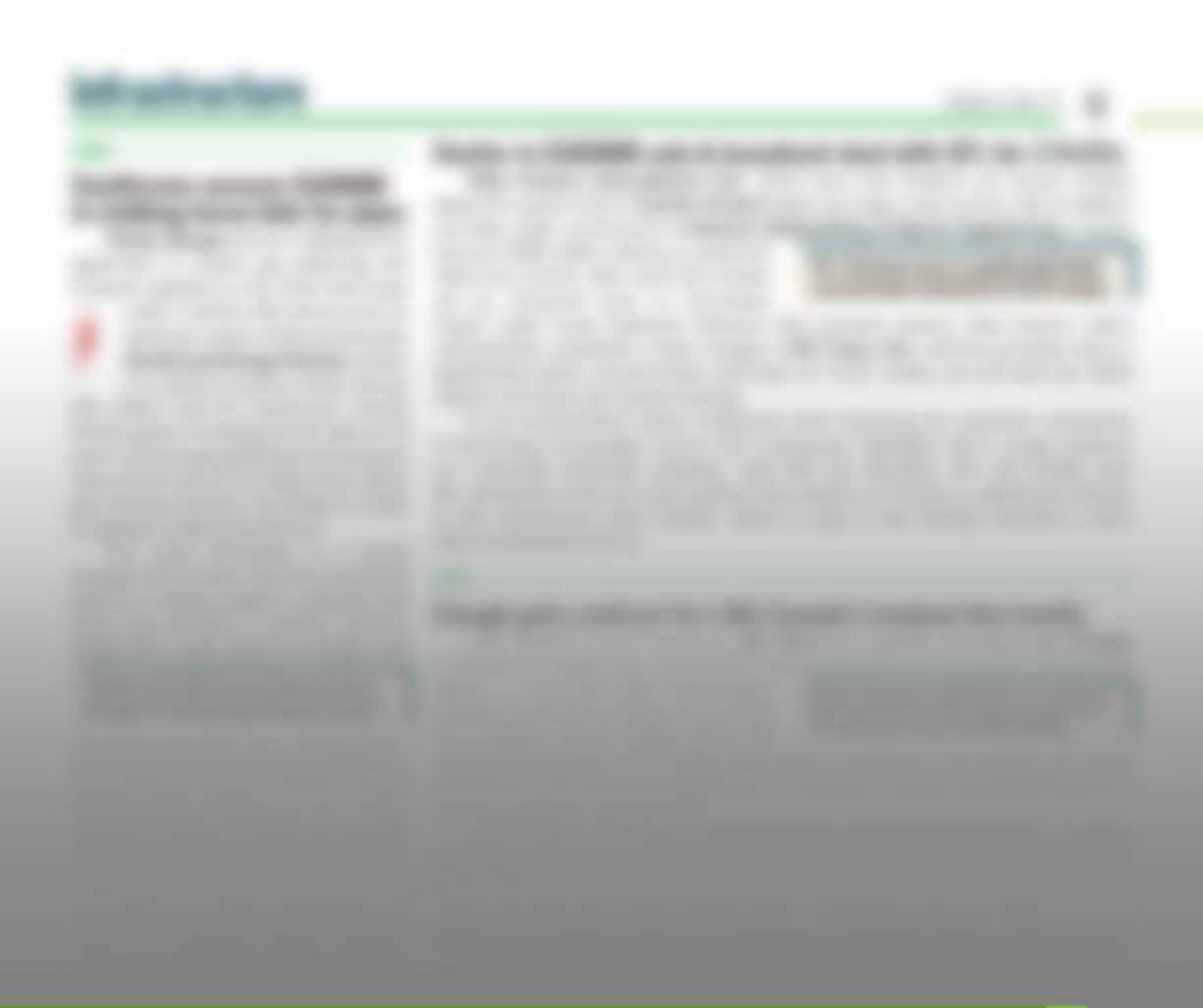

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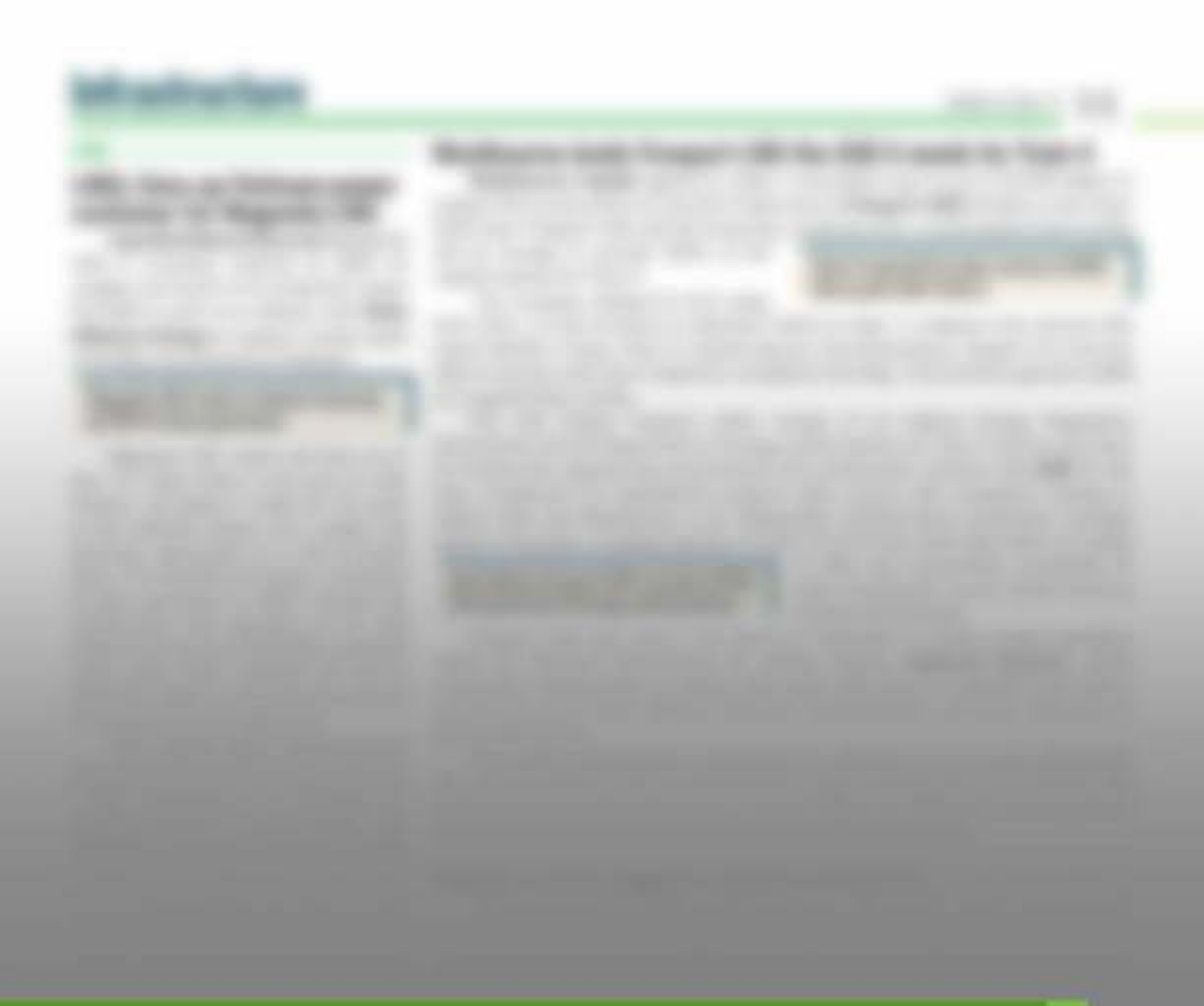

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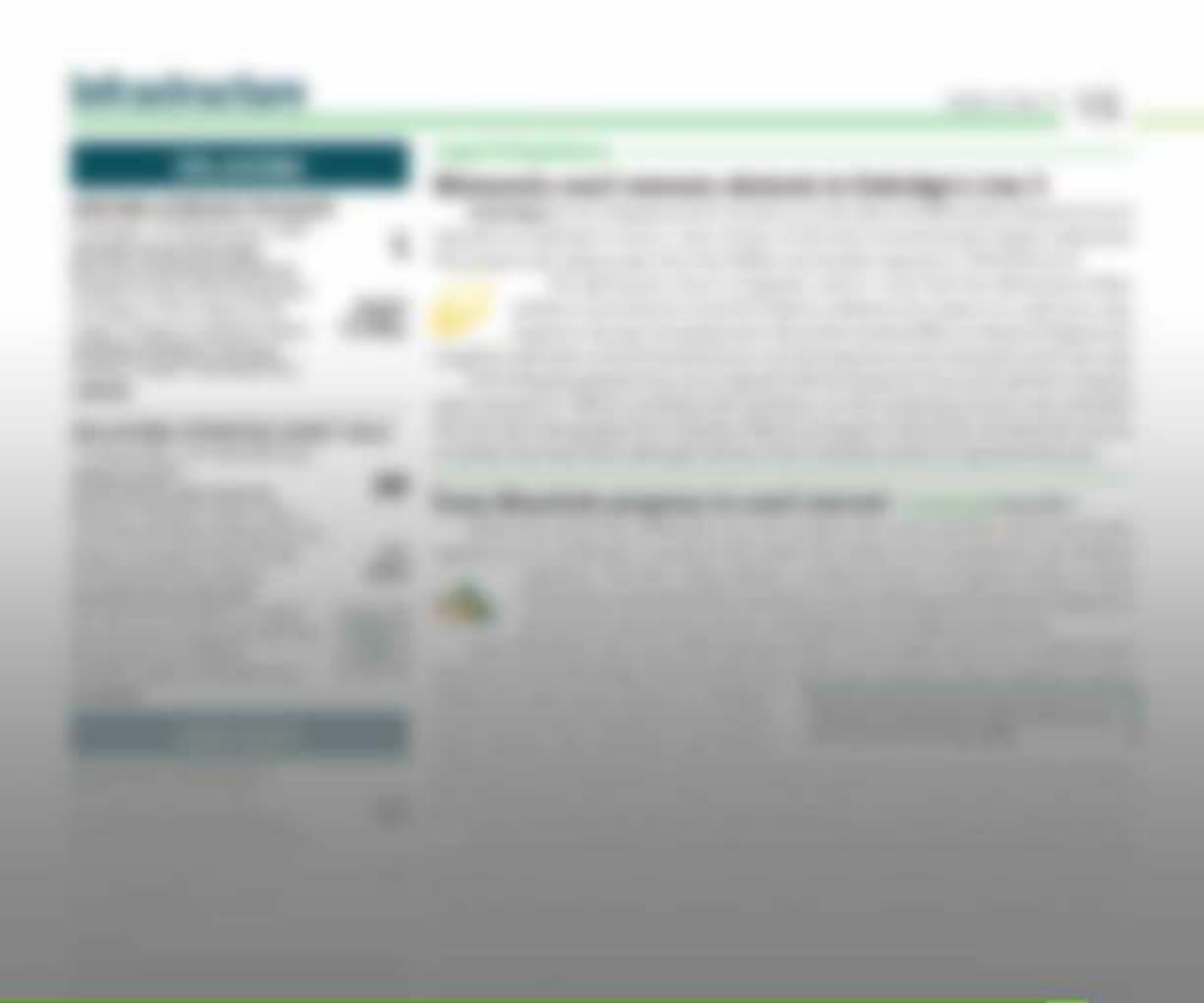

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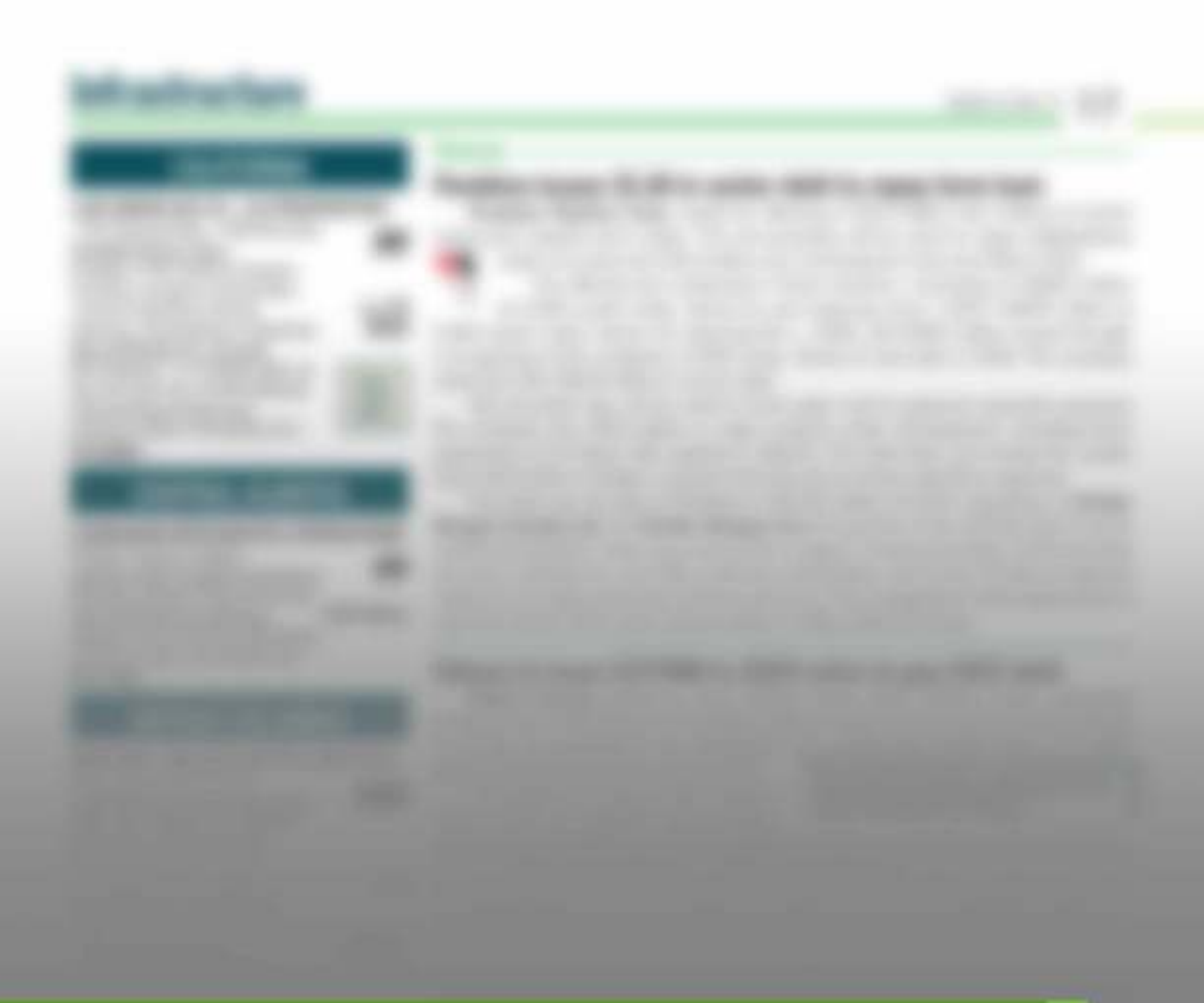

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