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ET & Enterprise lead way as 2020 starts with $14B of bonds

Energy Transfer and **Enterprise Products Partners** each started the new year with triple-tranche, multibillion-dollar bond offerings resulting in a combined $7.5 billion of new midstream sector debt in the market. **Western Midstream (PG.16), Genesis Energy (PG.13)** and **Sempra Energy** subsidiary **Southern California Gas Co. (PG.16)** also issued bonds early into 2020. Midstream companies issued $14 billion in senior notes, preferred units or bonds in the first 10 days of January, compared with $16.2 billion in all of 2H19.

> Energy Transfer Operating floats $4.5B and Enterprise Products Operating $3B.

Top US midstream revenue generator ET, through its **Energy Transfer Operating** sub, floated $4.5 billion in senior notes and sold $1.6 billion of preferred shares on Jan 7. One day earlier, Enterprise, the US's largest midstream company by market cap, put $3 billion of senior notes on the market through its **Enterprise Products Operating** sub.

ET sold $1 billion of 2.9% senior notes due 2025 at 99.924% of par, $1.5 billion of 3.75% senior notes due 2030 at 99.843% and $2 billion amount of 5% senior notes due 2050 at 99.914%.

Continues On PG.15

Texas fractionation shortage to feel some relief during Q1

NGL pipeline construction to the Texas Gulf Coast has moved faster than fractionation projects, causing frac capacity to run short for much of 2018 and 2019, according to **Enverus' FundamentalEdge** report for January. However, though more pipelines are coming this quarter, the extended capacity crunch will begin to lift. **Oneok** and **Energy Transfer** will put into service fractionators in Q1 at the NGL hub of Mont Belvieu, Texas, and other projects will come in later this year and early 2021.

> Enterprise and Targa's pipelines out of the Permian started before new fracs finished.

Throughout most of 2018 and 2019, fractionation capacity ran tight in Texas. Two major Y-grade pipeline projects out of the Permian—**Enterprise Products Partners'** 550,000 bbl/d Shin Oak and **Targa Resources'** 300,000 bbl/d Grand Prix—came online in 2019 to feed more volumes to the Gulf Coast.

Two projects will add to this supply shortly. Oneok's Arbuckle II pipeline, a $1.36 billion newbuild, should go into service in Q1. Arbuckle II runs from northern Oklahoma to the Mont Belvieu hub.

Continues On PG.11

China agrees to buy $52.4B more US energy, but how is fuzzy

China committed to buy an additional $52.4 billion in US energy over the next two years under a Phase 1 trade deal signed Jan. 15. While the agreement suggests the end of a trade war that lasted more than a year, many analysts are skeptical whether China could meet that commitment.

> 25% tariff by China on LNG imported from US has yet to be lifted.

China bought $9.1 billion in US energy during 2017. The deal mandates this amount grow by $18.5 billion this year and by another $33.9 billion in 2021. The commodities that will be acquired were unspecified, but China will likely focus on crude and LNG imports as it attempts to reduce its use of coal.

However, a 25% tariff imposed by China on US LNG remains in effect for now. The tariff will be addressed in a Phase 2 trade deal, the timing of which is unclear. Even without the tariffs, US LNG exports are more expensive than other options, especially with Qatar increasing its export capacity.

On Jan. 20, days after the US trade deal was announced, China state-owned **Shenergy** signed a heads of agreement for LNG, not with a US supplier, but Malaysia's **Petronas.** Shenergy will get 1.5 mtpa for 12 years starting in 2022.

Continues On PG.10

Occidental to loosen ties with Western Midstream this year

Western Midstream Partners will become a stand-alone business as **Occidental Petroleum** moves to a minority stake. The deal is the latest step in Oxy's efforts to boost its balance sheet and exit non-core assets after its $57 billion acquisition of **Anadarko Petroleum,** the sponsor of Western. Anadarko's Permian holdings have always been the focus for Oxy, which showed that it wanted to exit Anadarko's midstream operations almost from the start.

> E&P firm intends to reduce stake in Western to below 50% this year.

Oxy intends to cut its stake in the master limited partnership below 50% this year, facilitate the movement of employees onto new Western payrolls, gradually reduce administrative services and expand Western unitholders' rights to replace the general partner under an amended limited partnership agreement. The E&P firm will pay $20 million to Western to defray anticipated transition costs, such as the establishment of stand-alone human resources and information technology functions. Oxy also signed new long-term gathering dedications, covering about 21,000 acres in Weld County, Colorado.

Continues On PG.16

Activity Index

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Projects

- **Enbridge** held a binding open season for up to 1 Bcf of peak storage service at the Dawn hub facility in Ontario. Shippers seeking access to flexible, customized storage to meet peaking service needs could submit bids of up to 1 Bcf for two years or longer, with service starting as soon as April 1. The hub can receive supply routes from Western Canada, the Midcontinent, Appalachia and the Rockies, and can serve markets in the Midwest, the Northeast and Eastern Canada. The open season ended Jan. 21.

- **Enterprise Products Partners'** 300 MMcf/d Mentone cryogenic gas processing plant in Loving County, Texas, has been placed into service, the company announced Jan. 21. The facility has the capacity to extract more than 40,000 bbl/d of NGLs. Enterprise also built 66 miles of pipelines to link Mentone to its NGL and gas pipeline networks. The gas processing plant is Enterprise's seventh in the Delaware Basin and bring its Permian capacity to more than 1.6 MMcf/d of processing and over 250,000 bbl/d of NGL extraction.

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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Debt market and China deals start 2020 with a bang

IN THIS ISSUE

Energy businesses seem to spend millions like Mardi Gras parades toss around beads. But 2020 started with billions—billions in debt, billions from China and the continuing breakup of assets from a multibillion merger.

Midstream companies issued $14 billion in senior notes, preferred units or bonds in the first 10 days of January—more than they did in the first five months of 2019. The transactions were focused on refinancing existing debt instead of funding a new surge in projects (PG.1).

China committed to buy $27.6 billion in US energy this year and $43.0 billion in 2021 under a new trade deal. While the easing of China trade tensions would seem to encourage the midstream sector, the size of the commitment raises some eyebrows—and caused others to roll their eyes in disbelief. China bought just $9.1 billion in energy during 2017, so an increase of that size could overwhelm LNG and crude export facilities (PG.1).

After its $57 billion acquisition of **Anadarko Petroleum, Occidental Petroleum** has been attempting to divest $15 billion of non-core assets. **Western Midstream Partners,** formerly Anadarko's master limited partnership, is on the non-core list, and both E&P firm and MLP are preparing for the breakup. Oxy has a timeline to reduce its position to a minority stake, but it did not say if it had a buyer yet (PG.1).

Kinder Morgan Inc. apparently had no trouble finding buyers for its stake in **Pembina Pipeline.** As part of Pembina's $3.29 billion acquisition of **Kinder Morgan Canada,** KMI received 5% of PPL common shares. It managed to sell all 25 million shares in less than a month for $764 million (PG.16).

Some A&D activity takes much longer. **Enbridge** closed the sale of several federally regulated gas gathering and processing assets in British Columbia to **Brookfield Infrastructure,** 18 months after the $3.27 billion deal was announced (PG.6). **Talen Energy** and **New Jersey Resources** took even longer, finally closing of the sale of the **Interstate Energy Co.** pipeline announced in 2017 (PG.5).

Pipelines

TC Energy intends to resume work on Keystone XL in February

TC Energy intends to restart pre-construction activities on the 1,179-mile Keystone XL crude pipeline as early as February and construction as soon as April. The company outlined the schedule in a filing to the US District Court of Montana, which had derailed efforts to work on the pipeline last year.

Construction in Nebraska set for June and in Montana and South Dakota for August.

The filing said TC plans to mobilize heavy construction equipment in Montana, South Dakota and Nebraska in February, start mowing and other site-clearing activities in March and move pipes to storage yards in April. TC expects to start construction of a Nebraska segment in June and full construction work in Montana and South Dakota in August. TC has yet to announce a final investment decision on the $8 billion project. After President Donald Trump granted permission for the Keystone XL to cross the US border from Canada, the court declared the presidential permit invalid in 2018 and halted pre-construction. Trump issued a new permit in 2019, but TC said the delay caused it to miss that year's construction season.

Projects

Outrigger II to build gas system for XTO in North Dakota

Outrigger Energy II entered the Williston Basin, signing a long-term definitive gas gathering and processing agreement with **XTO Energy** on Jan. 7. Denver-based Outrigger II will build, own and operate a gathering system and cryogenic plant to service the **ExxonMobil** subsidiary's production in Williams County, North Dakota.

The gathering system will comprise a 70-mile rich gas pipeline originating in eastern Williams County and terminating at a new 250 MMcf/d cryogenic gas processing plant located west of Williston, North Dakota. Plans are also underway for a plant expansion to 450 MMcf/d. The plant features ethane recovery and rejection capabilities that will provide direct market access to the 2.5 Bcf/d **TC PipeLines-Oneok** Northern Border pipeline system to Indiana and Oneok's NGL pipeline system. Future NGL fractionation facilities may be added to provide finished NGL products for local markets.

Outrigger II operates a 60 MMcf/d cryogenic plant and gas, crude and water gathering systems in the northeast portion of the DJ Basin in Weld County, Colorado. The first Outrigger entity developed systems in the Permian and Powder River basins until selling out in 2017. Its Permian assets, which included 80,000 bo/d of gathering, went to **Targa Resources** for $565 million plus up to another $935 million based on realized gross margin. **Tallgrass Energy** bought the 60,000 bo/d crude gathering system in Wyoming for $36 million.

Enbridge formally scuppers its crude facility to back Enterprise's

Enbridge formally withdrew an application for its own deepwater crude export facility off the Texas coast, throwing its support behind **Enterprise Product Partners'** competing project. The withdrawal was expected after Enbridge signed an LOI to jointly develop the Sea Port Oil Terminal, which would be able to fully load very large crude carriers.

The Calgary-based pipeline giant filed its application for the Texas Crude Offshore Loading Terminal with the US Maritime Administration in 2019, at nearly the same time as Enterprise filed for SPOT. Both projects were to be about 30 miles off Brazoria County.

The VLCC-capable projects had different fates. The Texas COLT was originally a JV with **Kinder Morgan Inc.** and **Oiltanking,** but KMI exited the project last March. By contrast, Enterprise made a final investment decision on SPOT in July after **Chevron** agreed to be the anchor shipper.

SPOT is designed to load VLCCs at rates of about 85,000 bo/hour, or roughly 2 MMbo/d, and will be connected to land by two 36-inch pipelines. Enterprise has said construction will take two years once approval is received.

Enbridge said it would consider reapplying for the Texas COLT should market demand warrant. The LOI gives Enbridge an opportunity for equity participation in SPOT. Enbridge is a 50:50 partner with Enterprise on the Seaway crude export terminal in Texas and its pipeline.

Select Current Pipeline Construction Projects

Oil Pipeline	Owners	Origin	Termination	Miles	kbo/d	Cost	Startup	Notes
EPIC Crude	EPIC, Noble, Altus, Rattler	Orla, TX	Corpus Christi	700	590	$2.1B	Q1	Will run side-by-side with EPIC Y-Grade
Line 3 Replacement	Enbridge	Hardisty, AB	Superior, WI	1,030	760	C$9.0B	H2	MN orders revision of final EIS
Gladiator	SemGroup, DCP	Jack County, TX	Houston	300	300	N/A	Q3	Connects to converted Southern Hills NGL line
Jupiter	JupiterMLP	Crane, TX	Brownsville, TX	650	1,000	N/A	Q4	Leads to planned export terminal
Ted Collins	Energy Transfer	Nederland, TX	Houston	75	500	N/A	2021	Connects to HFOTCO terminal
Cushing Connect	Holly, PAA	Cushing	Tulsa, OK	50	160	$130MM	1Q21	Connects to Holly refinery
Liberty	Phillips 66, Bridger	Bakken	Cushing	N/A	350	$1.6B	1Q21	Supplemental open season to come
Red Oak	Phillips 66, PAA	Cushing	Ingleside, TX	N/A	400	$2.5B	1Q21	Houston & Beaumont delivery options
Midland-to-ECHO 4	Enterprise	Midland	Houston	N/A	450	N/A	1H21	Expandable to 540 kbo/d
Wink to Webster	PAA, ExxonMobil, Lotus, MPLX, Delek, Rattler	Wink, Midland	Webster, Baytown, Beaumont	650	1,000	N/A	1H21	Pipe ordered
Gas Pipeline	**Owners**	**Origin**	**Termination**	**Miles**	**Bcf/d**	**Cost**	**Startup**	**Notes**
Midship	Cheniere, EIG	Kingfisher County, OK	Bennington, OK	199	1.44	1.49B	Q2	Delay blamed on rain and pipelines found during digging
Hammerhead	EQM	SW PA	Mobley, WV	64	1.6	$555MM	H2	Expandable by 200 MMcf/d
Mountain Valley	EQM, NextEra, Con Edison, WGL, RGC	Wetzel County, WV	Chatham, VA	303	2	$4.9B	H1	Slowed by legal challenges
Double E	Summit	Eddy County, NM	Waha	134	1.35	$593MM	3Q21	XTO to send up to 500 MMcf/d
Pecos Trail	Namerico	Reeves County, TX	Agua Dulce, TX	468	1.85	N/A	3Q21	Backed by PE firm Cresta Energy
Whistler	MPLX, WhiteWater	Waha	Agua Dulce, TX	475	2	N/A	3Q21	FID reached in June
Atlantic Coast	Dominion, Duke, Piedmont, Southern	Harrison County, WV	Robeson County, NC	550	1.5	$7.3-7.8B	1H22	US Supreme Court to hear case in H1
Delhi Connector	Tellurian	Richland Parish, LA	Gillis, LA	180	5	$1.5B	1H23	Binding open season complete
Louisiana Connector	Sempra	St. Landry Parish, LA	Port Arthur, TX	131	2	N/A	2Q23	Would feed Port Arthur LNG
Coastal GasLink	TC Energy	Dawson Creek, BC	Kitimat, BC	416	2.1	C$6.2B	2023	Looking for JV partners
Haynesville Global Access	Tellurian	Northern LA	Southern LA	200	2.0	$1.4B	2023	Preliminary routing
Rio Bravo	NextDecade	Agua Dulce, TX	Brownsville, TX	137	4.5	N/A	2023	To feed Rio Grande LNG
NGL Pipeline	**Owners**	**Origin**	**Termination**	**Miles**	**kbbl/d**	**Cost**	**Startup**	**Notes**
Arbuckle II	Oneok	Canadian County, OK	Mont Belvieu, TX	530	400	$1.36B	Q1	Expansion into KS planned
Baymark (ethylene)	Enterprise, Formosa	Bayport, TX	Markham, TX	90	N/A	N/A	Q4	Provides access to new export terminal
BANGL	MPLX, WhiteWater	Orla, TX	Sweeny, TX	400	500	N/A	1H21	FID expected by YE19

Source: Enverus research

Pipelines

- **Energy Transfer** applied to the Federal Energy Regulatory Commission for approval to increase certified capacity on its operated Rover pipeline to increase its certified capacity to 3.425 Bcf/d. When completed in 2018, the 713-mile pipeline from West Virginia and Pennsylvania to the Midwest hub in Ohio and Michigan's Vector hub was originally listed as a 3.25 Bcf/d pipeline. Rover said the increase does not entail any new construction or modifications but is just a reflection actual pipeline operating flow and pressure conditions.
- **EVX Midstream Partners** is adding 150 miles of pipeline to its water gathering systems in the Eagle Ford. The Phase II construction will increase the system to about 500 miles and capture water that was previously disposed by competitors, the **Five Point Energy**-backed company said. EVX also completed an extension with one of the Eagle Ford's leading producers. The deal gives EVX recycling opportunities throughout the basin and the exclusive opportunity to gather the producer's volumes for the remainder of the 10-year term, CEO Herb Chambers IV said.
- The Trans-Adriatic pipeline is more than 90% complete, and Azerbaijan President Ilham Aliyev said it should start bringing gas from the Shah Deniz II field to Europe this year. The €4.5 billion ($5 billion), 546-mile TAP connects with the Trans Anatolian pipeline at the Turkish-Greek border, crosses Greece and Albania and the Adriatic Sea, before reaching southern Italy. The JV is comprised of **BP** (20%), **SOCAR** (20%), **Snam** (20%), **Fluxys** (19%), **Enagás** (16%) and **Axpo** (5%).
- **Williams** started full service 11 months ahead of schedule on its Gateway expansion project, which will send up to an additional 65 MMcf/d to New Jersey area consumers. Gateway was an $85 million expansion of the existing Transco pipeline system with virtually all project activities confined to Transco's existing footprint in New Jersey. Construction began in early 2019, with an original in-service projection of November 2020. Williams partially attributed the early in-service date to close coordination with its customers, **PSEG Power** and **UGI Energy Services.**

A&D

Crew aims at cost & debt reduction in Septimus transactions

Crew Energy entered into a purchase and sale agreement with an undisclosed midstream company for the sale of 22% interest in both its operated Septimus gas processing facility and West Septimus gas processing facility in Northeast British Columbia for C$70 million ($54 million). The two companies will also form a strategic alliance to participate in future value creation opportunities. Crew separately exercised its option to acquire a 16% net interest in the NEBC facilities for C$11.7 million ($9 million). The company expects the two transactions to result in a C$2.1 million annual cash reduction and to reduce debt by C$58.3 million from C$355.6 million.

Crew will remain operator of the facilities in British Columbia with a 22% stake.

Septimus has a nameplate capacity of 60 MMcf/d, and West Septimus has 120 MMcf/d. Half the interest to be disposed of—11% for C$35 million—is expected to close later this quarter, and the remaining half is expected to close in Q4. As part of this transaction, Crew will enter into a 20-year processing arrangement with a C$6.4 million commitment.

The company has an option to dispose of up to an additional 11.43% net interest in the facilities to the buyer for up to C$37.5 million exercisable from Jan. 1, 2021, to June 1, 2023. If the option is exercised, Crew would be required to enter into a 20-year processing commitment with the purchaser and pay up to C$3.4 million in annual processing fees.

Crew's separately announced acquisition of an 16% net interest in the two facilities for C$11.7 million is expected to close Nov. 1. The purchase marks the termination of a 10-year processing agreement resulting in the elimination of C$5.9 million per year in processing fees. After closing of all these transactions, Crew will remain as operator of the NEBC facilities with a 22% net interest.

Crew will use the proceeds of the disposal to reduce outstanding indebtedness under its C$235 million credit facility, which had drawings of C$53 million at YE19. Crew's operations are primarily focused in the NEBC Montney. Its liquids-rich Greater Septimus area features an ultra-condensate-rich zone, which offers significant development and value creation potential over the long-term.

Canadian Scout Nov. 13

Crew's Montney wells outperform, drive condensate growth.

NJR completes purchase of Talen pipeline announced in 2017

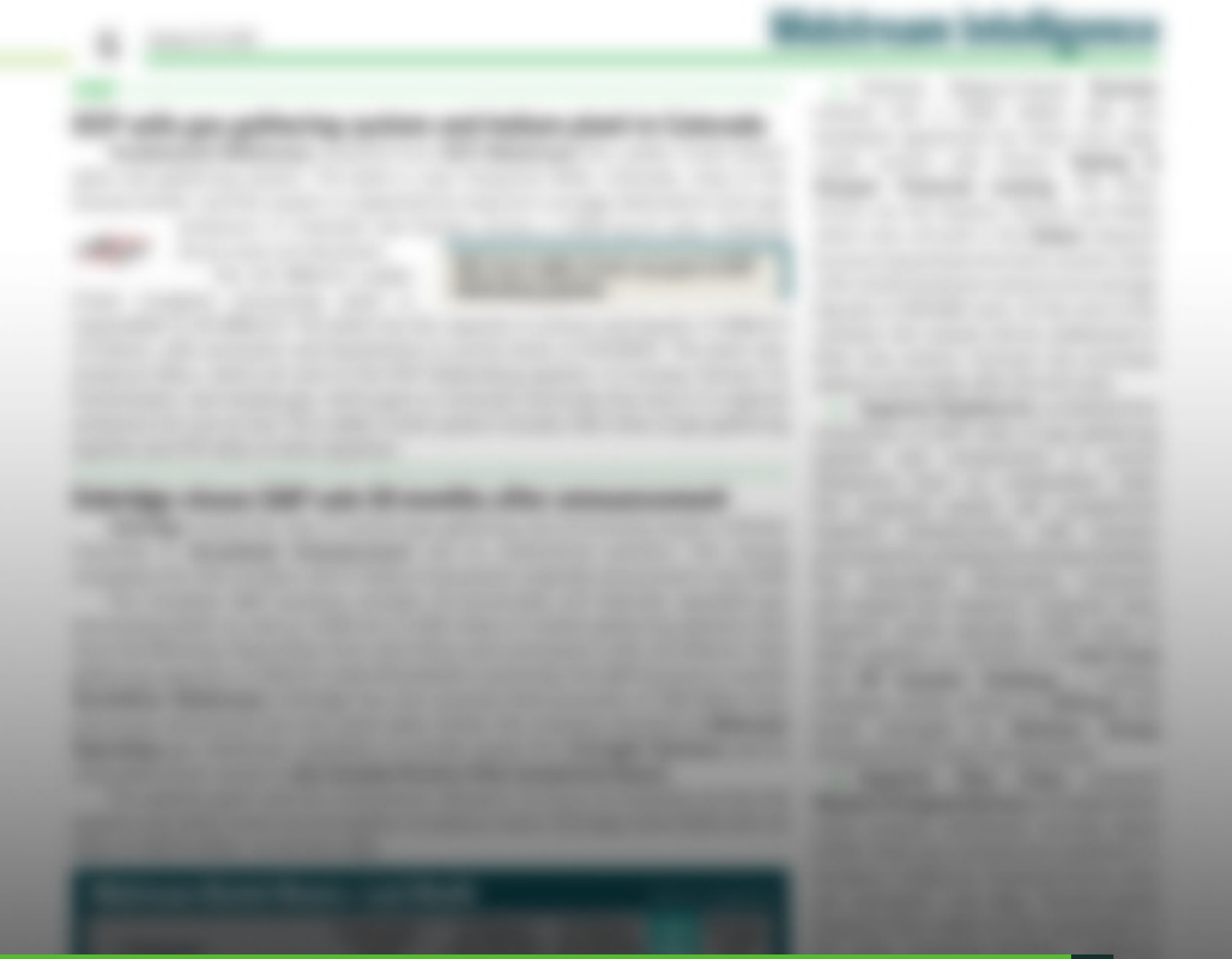
Talen Energy completed its sale of the **Interstate Energy Co.** pipeline to a subsidiary of **New Jersey Resources Corp.,** more than two years after the deal was announced. Part of the pipeline will be incorporated into NJR's Adelphia Gateway project, which received its certificate of public necessity from the Federal Energy Regulatory Commission last December.

50 miles of IEC pipeline in Pennsylvania to be repurposed into Adelphia Gateway.

IEC is an 84-mile gas pipeline between Marcus Hook and Martins Creek, Pennsylvania. As part of the agreement, the northern portion of the IEC pipeline will continue to supply gas to Talen's Martins Creek and Lower Mount Bethel generating stations. The southern 50 miles will be repurposed by Adelphia to flow gas to the greater Philadelphia region. NJR currently expects work to be complete and the project to be placed into service this year.

Upon closing, Talen Energy received proceeds in the amount of $155 million, which was in addition to $10 million received upon announcement of the transaction in October 2017. The closing proceeds are expected to be used for recourse debt reduction.

"The sale of IEC marks the last in a series of planned sales of non-core assets which were announced shortly following Talen Energy's take-private transaction," Talen CEO Ralph Alexander said. Private equity firm **Riverstone Holdings** acquired the remaining 65% of Talen in a $5.2 billion deal in 2016.



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