

June 11, 2018

What's New in Pipeline Infrastructure Updates in the Permian?

Stratas Advisors

This excerpt, which is from Stratas Advisors' North American Shale Infrastructure service, updates crude oil and condensate pipeline infrastructure updates in the Permian during the second quarter.

With Midland WTI crude pricing at double-digit \$/bbl discounts to Cushing WTI prices, and with Cushing WTI prices pricing at double-digit price discounts to Brent dated light crude, it is no wonder to us that the Permian area is very active in midstream infrastructure development. We are updating our database with no fewer than 12 project updates related to pipelines serving the Permian.

3 Bear Energy LLC launched a binding open season to obtain volume commitments and/or acreage dedications to support construction of the Hat Mesa System (a new crude oil gathering and transportation system) that will gather crude oil from origination points in Lea County, New Mexico, and deliver to destination points within the county. The Hat Mesa System will initially consist of 60 miles of varying pipe sizes up to 10 inches and is expected to be fully operational by mid-summer.

According to media reports, Buckeye Partners LP (NYSE: BPL) has canceled its open season for space on the 600 Mbb/d South Texas Gateway pipeline project. The company is yet to comment on the fate of the pipeline project.

Delek Logistics Partners (NYSE:DKL) announced the completion of its expansion project on the Paline pipeline. The expansion project increases the pipeline's capacity by 7 Mbb/d, bringing the overall capacity to 42 Mbb/d. The project came online in 1Q18.

Enterprise Products Partners LP (NYSE:EPD) had three project updates related to crude pipeline infrastructure. The company announced that its 416-mile Midland-to-Sealy pipeline is now in full service with an expanded capacity of 540 Mbb/d. It is capable of transporting batched grades of crude oil and condensate. With the completion of incremental tankage, as well as infrastructure and operating enhancements, the pipeline has an expected capacity of 575 Mbb/d, which is expected to come online in May and is fully subscribed under long-term contracts.

Enterprise disclosed that it plans to construct a 143-mile pipeline system. The system is expected to deliver more than 300 Mbb/d of crude oil and condensate from the Delaware Basin into Enterprise's Midland Terminal. The project is on schedule for completion in July 2018.

Enterprise announced a binding open season for expansion capacity on its West Texas System, which transports crude oil from points in New Mexico to the company's terminal in Midland, Texas. The open season is seeking customer commitments for incremental capacity on the West Texas System from the company's Lynch, Hobbs and Red Hills stations in Lea County, New Mexico, to the Midland terminal. At Midland, shippers will have access to storage and terminal services, as well as connectivity to multiple transportation alternatives such as trucking and pipeline infrastructure that offer access to various downstream markets, including the Gulf Coast. Service on the expanded West Texas System is expected to begin in 3Q18.

The joint venture of Phillips 66 Partners (NYSE: PSXP) and Andeavor (NYSE: ANDV), announced that it has

received sufficient binding commitments on an initial open season to proceed with construction of the 700 Mbbbl/d Gray Oak Pipeline system. The Gray Oak Pipeline will provide crude oil transportation from West Texas to destinations in the Corpus Christi and Sweeny/Freeport markets. Origination stations will be constructed in Reeves, Loving, Winkler, and Crane counties in West Texas, as well as from locations in the Eagle Ford production area in South Texas. The pipeline is expected to be placed in service by the end of 2019.

In its 1Q earnings call, Plains All American Pipeline LP (NYSE:PAA) disclosed that it plans to construct the Cactus II crude line at its fully expanded capacity of 670 Mbbbl/d. The company expects the line to begin service in 4Q19 with throughput volumes ramping up over a couple of quarters.

Energy Transfer Partners LP (NYSE:ETP) in its recent earning call revealed that phase one of the Permian Express pipeline was placed in service in 1Q18. The company also disclosed that it plans to commission phase II of the project by year-end. Phase one added 100 Mbbbl/d of takeaway capacity, while phase two will increase the capacity by 200 Mbbbl/d.

In its 1Q18 earnings call Energy Transfer Partners' CFO Thomas Long disclosed a plan to construct a 30-inch, 600 Mbbbl/d pipeline (with a maximum capacity of 1 MMbbbl/d) that will transport crude from the Permian to Nederland, Texas. The pipeline is expected to come online in 2020.

Jupiter MLP LLC plans to construct a 670-mile pipeline that will transport Permian crude to the Gulf Coast. The pipeline will originate in Orla, Texas, with additional inject and offtake points at Pecos and Three Rivers, Texas, and will terminate in the Port of Brownsville at the Jupiter Crude Upgrading, Processing and Export Terminal. The pipeline with a yet to be disclosed capacity is expected to come online year-end 2019.

San Mateo Midstream LLC announced its binding open season to gauge shipper interest in committed crude oil interstate transportation service on the Rustler Breaks Pipeline Project, a proposed 17-mile, 10-inch diameter crude petroleum gathering and transportation system. The system will originate in Eddy County, New Mexico, and interconnect with Plains Pipeline LP in Eddy County, New Mexico. The company is yet to disclose the capacity or the in-service date for the project.

Operator	Facility	Details	Capacity (Mbbbl/d)	Start Date	Project Status	Construction Cost (\$ Million)
3Bear Energy, LLC	Hat Mesa System	The Hat Mesa System will initially consist of 60 miles of varying pipe sizes up to 10 inches pipelines	-	2H18	Launched a binding open season	n/a

Buckeye Partners LP (NYSE: BPL)	South Texas Gateway Pipeline	The 600 Mbb/d pipeline, would deliver crude oil and condensate from Wink and Midland, Texas, to the company's existing refining and export facilities in Corpus Christi.	600	2019	Open season cancelled	\$1,800(*)
Delek Logistics Partners (NYSE:DKL)	Paline Pipeline Expansion	The pipeline was recently expanded	7	Completed 1Q18	Expansion project completed	n/a
Enterprise Products Partners LP (NYSE:EPD)	Midland-to-Echo (Sealy) Pipeline Expansion	The expansion increases the pipeline's capacity to 575 Mbb/d of batched grades and condensate.	275	Completed 2Q18	Project completed	n/a
	Delaware Basin to Midland Terminal Pipeline	A 143-mile pipeline system, which is expected to deliver more than 300 Mbb/d of crude oil and condensate from the Delaware Basin into Enterprise's Midland Terminal.	300	3Q18	New project	\$415(*)
	West Texas System Expansion	The system, transports crude oil from points in New Mexico to the company's terminal in Midland, Texas.	-	3Q18	Announced a binding open season	n/a

Phillips 66 (NYSE: PSX)/Andeavor (NYSE: ANDV)	Gray Oak Pipeline	The JV received enough volume commitments in the form of precedent agreements to hold a second binding open season.	700	4Q19	Binding season successful	\$1,700(*)
Plains All American Pipeline LP (NYSE:PAA)	Cactus II Pipeline (Permian Basin to Corpus Christi Pipeline)	The company plans to construct the pipeline fully expanded at 670 Mbb/d due to Permian crude production exceeding expectations.	670	4Q19	New project	\$1,100(d)
Energy Transfer Partners, L.P. (NYSE: ETP)	Permian Express Pipeline / West Texas Gulf	Permian Express III Phase I - Sunoco Logistics' expansion of its system by 100 Mbb/d with the Permian Express 3 project.	100	Completed 1Q18	Project completed	n/a
		Permian Express III Phase II - The Permian Express III will be completed in two phase. The second phase is expected to be completed in 2018.	200	4Q18	New project	n/a

	Midland to Nederland Pipeline	In its 1Q18 earnings call, CFO Thomas Long disclosed that they plan on constructing a new 30-inch, 600 Mbb/d pipeline to transport crude from the Permian to Nederland, TX.	600	2020	New Project	\$1,650(*)
Jupiter MLP, LLC	Jupiter Pipeline	The company plans to construct a 670+ mile pipeline from Orla, TX to Brownsville, TX.	TBD	4Q19	New project	\$1,900(*)
San Mateo Midstream, LLC	Rustler Breaks Pipeline Project	A proposed 17-mile, 10-inch diameter crude petroleum gathering and transportation system serving the Permian.	TBD	TBD	Announced binding open season	\$50(*)

(*) Construction estimates by Stratas Advisors, (d) Company disclosed construction cost.

Source: Stratas Advisors, company information.