

Midstream Adjusts For Emerging Utica

By Al Pickett
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Will the emerging development of deep Utica Shale wells across Pennsylvania, West Virginia and Ohio be aided by midstream infrastructure built for the Marcellus Shale in roughly the same area?

"It depends," answers Joe Fink, chief operating officer of CONE Midstream Partners, a master limited partnership created last September by CONSOL Energy and Noble Energy, a couple of years after the two producing companies formed a joint venture to develop the Marcellus.

"There is a really nice marriage between the dry Utica and the dry Marcellus," Fink remarks. "Developing the deep (dry gas) Utica in the wet regions of the Marcellus will require an entirely new gathering system. Generally, the only thing the two developments have in common is the land lease for rights of way. There will be synergies with their water systems, and perhaps some shared utilities or unused station ground, but for the most part, each is unique and the gas cannot be commingled."

He says economics won't allow dry Utica gas to be placed into a wet gas gathering system. "What a change," he exclaims. "While many operators were focused dominantly in wet areas of the Marcellus, operators with diverse wet/dry drilling programs will have a step advantage in both speed and cost in developing the dry Utica. It can provide a second life for our dry Marcellus gathering systems."

Whether the existing infrastructure can help development of the Utica may be questionable, but there is no denying

the midstream segment of the industry is going to play a huge role in developing both the Utica and Marcellus plays.

"Right now, there is a shortage of capacity," offers Stephen Arata, the new chief executive officer of Blue Racer Midstream. "There are a lot of projects under way: more than 20 billion cubic feet a day of new take-away capacity. This is all driven by projections. We forecast that in the next 10 years, U.S. demand for natural gas will be 100 Bcf/d, which is 25 percent more than today. And 40 percent of that will come from the Marcellus and Utica."

The challenge for midstream companies, according to Arata, is to stay ahead of pro-

duction, but not too far ahead. "We always try to keep things in balance," he emphasizes. "Most of the gas we handle has to be processed to pipeline quality. But we don't want low utilization of our system."

Joint Venture

Caiman Energy II and Dominion Resources Inc. came together in a joint venture two-and-a-half-years ago to form Blue Racer Midstream. Caiman Energy I sold its Marcellus rich gas gathering and processing system to Williams Partners in April 2012, and the Caiman management team formed Caiman Energy II later that year, according to Arata.

"The Utica was just starting, and we



Blue Racer Midstream's Natrium natural gas processing and fractionation facility, which is located on the Ohio River in Marshall County, W.V., has a processing capacity of 400 million cubic feet of natural gas a day. The facility's 123,000 bbl/d fractionator strips the ethane, propane, butane, and natural gasoline from the Y-grade natural gas stream fed into the plant.



thought there was room for another midstream player," he explains.

Caiman Energy contributed capital and midstream expertise, and Dominion contributed assets, including a 500-mile gathering system and the Natrium natural gas processing and fractionation facility in Marshall County, W.V., which was under construction when the two companies completed the joint venture. Arata says Blue Racer repurposed the gathering system to accommodate large volumes of rich gas production, made substantial expansions to its initial footprint, and increased processing and fractionation capacity.

Today, Blue Racer's gathering and processing "super system" serves nearly all of the Utica and portions of the Marcellus' rich gas fairway in the panhandle of West Virginia. He says Blue Racer's gathering system spans 13 Ohio counties and extends into Wetzel County, W.V.

The company's gathering system can move more than 2 Bcf of natural gas a day. Arata says Blue Racer has 650 miles of pipe in its system, with another 200 miles under construction. The company has 800 million cubic feet a day of processing capacity today, and expects to add more in 2016. Arata mentions that in addition to the Natrium facility, Blue Racer also operates its Berne natural gas processing plant in western Monroe County, Oh.

"All our customers can deliver gas into any part of our system," he says. "This enables them to deliver their product to any pipeline for processing at any of our facilities. We provide our customers with optionality so they can get their gas to more than one market, and have the ability to get the highest possible net back."

Arata says the fractionator at its 123,000 barrel-a-day Natrium facility on the Ohio River strips the ethane, propane, butane, propane and natural gasoline from the Y-grade stream.

"We help arrange markets for our producing customers, both for natural gas and purity products. Multimodal connectivity is available at Natrium through pipeline, trucking, barging on the Ohio River, or rail," he states.

"Ethane has to be kept cold, so Blue Racer has capacity on the ATEX ethane pipeline that runs to petrochemical plants on the Gulf Coast," Arata continues. "It also has capacity on the Mariner East II project to the Marcus Hook terminal in Philadelphia to batch ship propane and butane."

Strategic Advantage

Arata predicts development of the Utica is about to take off. "The rock in the Utica is great," he enthuses. "The

core of the rich part of the Utica is better than anything in the southwestern Pennsylvania Marcellus. People will be surprised how fast the Utica develops."

One advantage Blue Racer has, according to Arata, is the company's gigantic pipeline footprint in the region.

"The hardest asset to build is lengthy, large-diameter transmission pipeline," he offers. "It is hard to get rights of way, and you have to get the necessary customers to commit to build the lines. Dominion already had long-haul pipelines in place, so that is a big strategic advantage for us. We can connect anyone in the Utica to any of our processing facilities."

Arata says Blue Racer also has completed constructing a 20-inch, 17-mile pipeline that connects its Berne facility to Washington County, Oh., in the very southern part of the Utica.

"Our Washington County Connector can handle up to 400 MMcf/d," he states. "We are the only company that can get rich gas out of Washington County, and we are well positioned to be the midstream provider of choice in the area. People weren't sure if the Utica was going to extend that far south, but we are seeing some very good results in this area. It took risk capital to build that pipeline, but we are confident it will be a franchise position for us." □