

Tortoise QuickTake Podcast

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Welcome to the Tortoise QuickTake podcast. Thank you for joining us. Today, a senior member of Tortoise provides a timely update on trending topics in the market.

I am Matt Sallee, Managing Director and Portfolio Manager at Tortoise Capital Advisors.

Well we finally did it. Oil broke the \$50 mark this week following more insurgent attacks on pipeline infrastructure in Nigeria which have now taken out over 700,000 barrels per day of oil production, bringing the country's production to its lowest level in 27 years. There doesn't appear to be an end in sight, as the group known as the Niger Delta Avengers confirmed Tuesday that they are not interested in negotiating with the government to end attacks. Add to this another weekly inventory draw in the U.S., and a strong set of product demand data, and you get a WTI price at its highest level we've seen since July 15th of last year. Unfortunately after hitting a closing high of \$51.23 Wednesday, oil slid Thursday and again Friday after the rig count increased, closing the week right about \$49.00.

After all the up and down, for the week:

- Oil gained a modest 60 basis points
- E&Ps and MLPs were basically flat, shedding 30 and 50 basis points, respectively
- While the S&P Energy Index gained 1.4%

Key news events last week include:

The Kingdom of Saudi Arabia released details on the National Transformation Plan or NTP. The NTP is part of the broader Saudi Vision 2020 plan announced by Prince Mohammed Bin Salman in April. The primary focus of the NTP is to generate \$140 billion of non-oil revenues by 2020, compared to about \$50 billion last year. Other goals of the plan include sustaining the current level of crude oil production while growing gas output 50%.

Also, Devon announced \$1 billion of upstream asset sales in East Texas, the Midcontinent and Northern Midland Basin with proved reserves of about 87 million barrels of oil equivalent.

Antero Resources announced that they've signed a definitive agreement to acquire 55,000 acres in the core of the Marcellus for \$450 million from Southwestern Energy. In conjunction, they increased their 2017 growth target to a range of 20-25% versus 20% previously. They also indicated that due to cost savings they are able to add another rig in the second half of this year without changing their capex budget.

In midstream news, Holly Energy Partners announced the acquisition of a 50% interest in the Cheyenne crude oil pipeline located in Wyoming for \$42.5 million. Related to the transaction, Holly's parent, HollyFrontier, executed a long term agreement increasing their minimum volume commitment on the pipeline.

Finally, Williams Companies announced a flat dividend for the quarter but as expected, warned they may choose to reduce the dividend level next quarter if the Energy Transfer merger is not consummated. As evidence of the market's expectation for this potential, the stock only traded down 1.5% following the news.

Capital markets remained active for E&Ps and are continuing to slowly thaw for midstream.

Starting with midstream, Tesoro Logistics and Rice Midstream both priced overnight equity offerings which traded well. TLLP priced 5.5 million units, upsized from 4.25 million, at a 4.5% discount in a well oversubscribed deal that traded up 7.5% from the deal price. Rice priced 8 million units at an 8.5% discount in a deal which traded up 1.3%. Both of these deals were prefunding dropdowns expected later this year.

In the E&P space, Antero offered 26.8 million shares at \$26.75, or a modest 2.9% discount. These proceeds were used to fund the previously mentioned acreage acquisition from Southwestern.

Additionally, WPX issued 49.5 million share at a 3.5% discount.

In fixed income markets, Weatherford International and Cheniere Energy both did high yield deals as fixed income markets continued to rise.

Last but not least, Chesapeake completed yet another debt for equity swap, its 3rd in less than a month, this one swapping 22 million new shares for \$125 million par value of notes.

Well that wraps up this week's podcast. Thanks for listening and go Royals!

Thank you for joining us. And stay tuned for our next cast. Have topics you want covered or other feedback to share? Write us at info@tortoiseadvisors.com

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