

Oxy selling midstream assets, terminal to Houston cos.

By Jen Para | Web producer, Houston Business Journal

Houston-based Occidental Petroleum Corp. (NYSE: OXY) is selling several of its midstream assets in two separate deals to Houston-based companies financed by a San Antonio-based venture capital firm.

In one deal, Sugar Land-based Lotus Midstream LLC will acquire Oxy's Centurion Pipeline, which is a 3,000-mile crude oil pipeline system, and a Southeast New Mexico crude oil gathering system, which is about 50 miles of crude oil pipelines, according to a press release from Lotus.

In the other deal, Houston-based Moda Midstream LLC will acquire the Oxy Ingleside Energy Center — which is a crude export terminal operated by a subsidiary of Oxy that's located at Port of Corpus Christi in Ingleside, Texas, per its website — along with liquified petroleum gas storage, berths and infrastructure, certain crude oil pipeline assets and offsite logistics locations, according to a press release from Moda.



Occidental Petroleum Corp. is selling several midstream assets, including the Centurion pipeline system, to two Houston-based firms.

Both transactions are expected to close in the third quarter of 2018. Both companies have been formed thanks to financial commitments from San Antonio-based EnCap Flatrock Midstream: Lotus was established in early 2018 thanks to a \$400 million commitment from EnCap, while Moda was formed in 2015 after securing \$750 million from EnCap.

Although financial terms were not disclosed, Oil and Gas Investor and Kallanish Energy report that the deals total \$2.6

billion.

Reuters reported in late July that Oxy was exploring options to sell midstream assets to raise about \$5 billion. These assets, per Reuters, included the Centurion pipelines, the Oxy Ingleside Energy Center among other assets. And with the capital from the sales, Oxy aims to invest in exploration and production while oil prices rebound, per Reuters.

The Centurion pipeline system covers about 3,000 miles from southeast New Mexico,

across the Texas Permian Basin to Cushing, Oklahoma, per the Lotus release. It also includes two crude oil storage terminals in Midland, Texas, and Cushing, and they have a combined storage capacity of about 7 million barrels and more than 125 truck stations. Additionally, The Southeast New Mexico gathering system has connections to the Centurion system, a third-party intra-basin system along with related infrastructure.

Lotus' purchase is supported by long-term revenue commitments from multiple customers, including Encap, and a long-term acreage dedication from Oxy, per the release. Paul Hastings LLP served as legal adviser to Lotus with partner Jimmy Vallee in from the firm's Houston office. Barclays Capital Inc. acted as financial adviser. Meanwhile, A Locke Lord LLP Houston team led by Michael Blankenship, Bill Swanstrom and Steve Peterson represented EnCap Flatrock Midstream as Lotus.

Meanwhile, the Oxy Ingleside Energy Center began operating in October 2016, per its website. It currently links the Eagle Ford Shale and Permian Basin to U.S. and international markets and will soon be directly connected to "multiple 'next generation' long-haul crude pipelines that allow for batching and segregation of crude oil deliveries at some of the most

competitive tariffs available to shippers," per the Moda release.

It's currently undergoing an expansion to its current oil storage capacity of 2.1 million barrels and three deep-water berths for crude oil, per the Moda release. The center is also designed to handle very large crude carriers, or VLCCs. In 2017, Oxy told Houston Business Journal that it was considering modifying the center to accommodate the VLCCs.

Moda's release added that the center is located on a 900-acre site that has "ample footprint for additional expansion opportunities."

As such, Moda Midstream stated that it plans to expand its own services to increase hydrocarbons passing through the center, per the release. A Locke Lord Houston team led by Steve Peterson, Bill Swanstrom and Michael Blankenship acted as legal adviser to EnCap Flatrock Midstream as Moda Midstream.

Oxy is No. 12 on Houston Business Journals' latest list of the largest locally based public companies. It reported \$12.51 billion in revenue, \$1 billion in net income and 11,000 global employees for fiscal year 2017. The median employee compensation was \$115,552.

Per reports, the sale of the midstream assets is the result from capacity bottlenecks in

the Permian from increased production, which increase capital expenditure to maintain current pipelines and build new pipelines to meet demand. ■