

Fort Worth company puts focus on Delaware Basin

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Even with the departure of many workers from XTO Energy, Fort Worth remains an energy powerhouse. But most companies here focus on exploration and production, not midstream.

That's not the case with Brazos Midstream Holdings LLC, a midstream company that has its sights on crude oil gathering, natural gas gathering and processing, compression, treating, water and condensate handling and stabilization.

Geographically, that focus is currently the Texas side of the Delaware Basin, within the greater Permian Basin, where Brazos' midstream infrastructure is anchored by long-term acreage dedications covering over 225,000 acres with top-tier Permian operators currently moving towards full-scale development.

Locating in Fort Worth was a "strategic decision," said Stephen Luskey, chief commercial officer at Brazos, as many of the companies working in West Texas were going to need midstream infrastructure.

In May, the company announced the completion of multiple crude oil and gas gathering and processing projects in the southern Delaware Basin, one of the most active oil and gas producing basins in the United States.

Brazos commenced operation of a new 60 million cubic feet per day (MMcf/d) natural gas processing plant, Comanche I, several new compressor stations and approximately 150 miles of large diameter,



Brazos Midstream

low- and high-pressure gas gathering pipelines.

The project also included the construction of 35 miles of crude oil gathering pipelines, two crude oil storage terminals with a combined capacity of 50,000 barrels and connections to multiple downstream crude oil pipelines.

The company's gathering systems have been designed to support multi-well pad development, which is anticipated to accelerate throughout 2017 and 2018.

To accommodate this growth, Brazos also announced a second gas processing plant, Comanche II, which will increase the company's current processing capacity by 200 MMcf/d and is expected to be operational in early 2018. Brazos is supported by equity commitments from Old Ironsides Energy LLC and a revolving credit facility, so more investments are likely, according to the company.

"We are excited about the high-quality assets our team has constructed over the past 18 months," said Brad Iles,

CEO at Brazos. "Our investment creates a franchise with enhanced midstream service offerings in one of the most economic oil and gas producing regions in the country."

Brazos' timing may be spot on as analysts estimate the industry poured more than \$25 billion into land acquisitions last year, three times the previous year's amount. That cash influx will bring drillers to make good on that investment, and those drillers will need someone to transport their oil or gas

Investors are attracted to the Permian Basin for a variety of reasons, but one key reason is that the breakeven cost of drilling horizontal wells is relatively low, shielding investors from most energy price fluctuations. The Dallas Fed says that Permian crude oil production was 2.34 million barrels per day in May, up 50,000 barrels per day from April.

For Brazos, the Delaware Basin area is a perfect location, said Luskey. "There is a lot of historical activity in the

basin, but with a great need for shale-quality infrastructure, so we felt confident it was a spot where we could invest substantial growth capital at a relatively low risk."

The fully-operational Comanche I cryogenic natural gas processing plant and associated pipelines are located in Ward, Reeves and Pecos counties, Texas, in the Delaware basin. Once operational, the Comanche II gas processing plant will bring Brazos' total operated processing capacity in the Delaware Basin to 260 MMcf/d.

"With multiple productive zones in and around our area of operation, we expect drilling activity and volume growth to remain strong for years to come," Iles said. "This further emphasizes the critical importance of our strategically located platform and the timely expansion of our processing capacity."

Prior to Brazos' formation, Iles served as senior vice president of business development for EnLink Midstream, formerly Crosstex Energy. Iles

led all of EnLink's business development efforts for both the natural gas and liquids business units.

Other members of the Brazos team aside from Iles and Luskey include William Butler, chief financial officer, and Ryan Jaggi, chief operating officer.

Butler previously served as chief financial officer at Athlon Energy Inc. until the company was acquired by EnCana Corp. in November 2014.

Luskey most recently served as regional vice president for EnLink Midstream and was responsible for the company's Permian business development activity.

Having worked in both the upstream and midstream sectors, Jaggi's energy experience includes the engineering, project management, and operations of all wellhead, gas gathering, treating, processing, and liquid handling facilities, most recently with Wildcat Midstream.

Both Butler and Jaggi previously held positions at XTO Energy.

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