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MIDSTREAM
Business



Ryan Jaggi is
COO for Brazos
Midstream.

Cindy Jaggi is senior
vice president-
strategic process
transformation for
EnLink Midstream.

Dennis Jaggi is a
managing partner
and founder of EnCap
Flatrock Midstream.

The Interview

The Jaggis: *Midstream's Family Affair*

By Paul Hart

They say the midstream industry is a small, tight-knit link in the energy chain. Maybe so, and certainly none of the sector is more tightly knit than the Jaggi family: Father Dennis, based in Oklahoma City with one of the sector's largest private-equity firms; son Ryan in Fort Worth, Texas, with an up-and-coming, privately held midstream operator; and daughter-in-law Cindy in Dallas with one of the sector's largest players. Besides a name, they share two other attributes: All three are engineers by training and graduates of Missouri University of Science and Technology.

The trio gathered recently on a rainy morning in Dallas to share an impromptu reunion with Midstream Business. The lively conversation included tough, voice-of-experience business advice; touching family insights that made some eyes wet—and no small amount of laughter.

The Interview

MIDSTREAM How did each of you get started in the energy industry?

DENNIS I graduated back in 1970 and all I wanted to be was an automobile engineer but there were just no jobs. I went to work in Shreveport, La., with Texas Eastern Transmission and I've been in the midstream business ever since.

RYAN During college, I interned for a midstream company in Oklahoma and knew right away this was the sector of the energy industry I wanted to get into. Unfortunately, I graduated right after 9/11 and Enron, so as you can imagine it was a difficult time to start a career in energy. Luckily, I was able to find a small Fort Worth-based company by the name of XTO Energy that was hiring and I began my career in midstream operations.

CINDY I graduated from college and went to work for Exxon Mobil at the Baytown, Texas, refinery. Ryan and I were dating in college and he moved to Fort Worth soon thereafter and we wanted to get married. I actually took another job at a small chemicals company in Midlothian, Texas. I worked there for a year and a half and I just

really wanted to get back to oil and gas. Luckily, at the time, Crosstex Energy, now EnLink Midstream, was hiring and I got the job.

MIDSTREAM Give us some insight into a normal Jaggi family dinner. Do you discuss business around the table?

DENNIS Believe it or not, our industry isn't that big. Our portfolio companies are competing with EnLink and they're competing with Brazos—and EnLink and Brazos are competing with us. We tend to not share a lot of details. We talk about what's going on in the sector, but quite frankly, everyone else in the family thinks it's quite boring. [Laughter]

I have my other son, Greg, who is a police officer. He tells us police stories and they are much more exciting.

CINDY Our daughters, Jillian and Callie, probably know how to build a pipeline at this point. But for the most part, like Dennis said, there's so much of what we do that is confidential. Once something goes public, then we talk about it and ask each other, "How long have you known about that?"

If there is a conversation that gets into it, Greg usually shuts us down pretty fast.

DENNIS Yes, his stories are so much better!

RYAN It's about as entertaining as everybody thinks three engineers telling stories can be!

MIDSTREAM Which one of you is the smartest Jaggi? [Laughter]

DENNIS The answer is Cindy! I would say Cindy, Ryan would say Cindy and Cindy would say Cindy. We have a perfect measure of that because we all three went to the same university. We all have engineering degrees. There are some obvious grade points, which we won't go into detail about, but Cindy graduated summa cum laude. Ryan and I graduated "hakuna matata." [Laughter]

MIDSTREAM What would the three of you tell someone who was just entering the energy industry?

CINDY For me, I have worked with quite a few young engineers. For our young engineers at EnLink, I encourage them to get out in the field, really understand what's happening with the equipment, why we're doing things. What bothers the operations guys? What's the right way to build something? How can they help them?

It's really important for them to just get their hands dirty and ask a lot of questions. It's the one time in your life that no one expects you to know anything. Get out there and really ask questions—and ask the dumb questions—so that later on you are smart when you're in the next meeting, somewhere down the road.

DENNIS She got that from me! [Laughter]

If you can get into engineering and design, or construction and operations, then you're going to know all the basics. You're going to understand how each one affects the other and eventually how whatever you do there affects your performance with your contracted parties.

I think that's a great foundation. That's what Cindy had when she went to Exxon Baytown and what Ryan had

How Do You Say It?

"Jaggi" is not the most common family name around and its members can tell stories about how it gets mangled in conversations.

"I think what's really interesting is how everybody thinks they pronounce our name correctly and 90% of them are wrong," Ryan Jaggi said with a chuckle.

The family originally was German Swiss and Dennis' grandparents were the ones, like millions of others, who bravely sailed west across the Atlantic, seeking a brighter future in the New World.

"My family, both my grandfather and my grandmother on my dad's side, came over from Switzerland separately and then met in St. Louis and got married," Dennis Jaggi explained. "We have been back to the country twice. In 1986 my wife, Janet, my parents, my grandmother and our

sons Ryan and Greg made the trip. Then in 2007 my son Greg and his wife, Christie, and Cindy and Ryan made the trip back with Janet and me. We met all my family that's over there."

"It's amazing to do that," he added. "My family came from the little town of Reichenbach. None of us live there now, but in Switzerland they keep track of all written records. They don't have a Social Security system like ours. You go back to the family hometown and you're so well taken care of. They have all of the family records."

So what is the correct pronunciation? "A long 'A' and hard 'Gs,'" Cindy Jaggi replied.

"That's the way that my grandfather was told to pronounce it when he went through Ellis Island," her father-in-law added.

at XTO. As a result, both of them can go in meetings now and understand exactly what the challenges are.

I remember when Ryan and Cindy got out of school. The future I thought they had in midstream has turned out totally different. Back then I never expected that there would be more oil and gas developed. I figured nobody would ever build a 36-inch pipeline again in their lifetimes and that midstream would mean connecting wells here and there—and consolidation.

But it has been the most surprising thing in the world. It's just amazing the difference from when they first started to where it is right now. It's unbelievable. This country is blessed with more domestic oil and gas production than we ever thought possible.

RYAN I think it's important to spend time really learning the business and the best way to do that is to be in the field. I traveled all over the country as a young engineer building pipelines, gas processing plants and compression facilities. The lessons I learned during that time have helped me today better manage construction projects and field operations. I clearly understand how the two work together to prudently grow the business and deliver the best service to producer customers.

MIDSTREAM Cindy, what is it like to be a strong female executive in a male-dominated industry?

CINDY The culture that we have at EnLink is very supportive of diversity. We have really strong female executives and strong leadership here as well. Having women in executive roles is



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–Dennis Jaggi

pretty common here, but I don't think it is as common everywhere. Frankly, I love being a strong leader.

What is a little bit different is that coming up in this company—and even in the industry—you don't have a lot of examples right in front of you. There are a lot of us who are hoping to change that.

MIDSTREAM Cindy and Ryan, what would you say to your daughters if they wanted to go into the family business—other than they already now know how to build a pipeline?

CINDY Obviously, I'd be ecstatic if our girls wanted to go into engineering or even into this business. I give everybody who has a kid a book called “Rosie Revere, Engineer” and I tell them, “Be

an engineer, you're going to love it.” I'd be in full support.

I really want my girls to do something that they love, they enjoy and they are passionate about. That's something I show them all the time. Go out and do something that you're passionate about.

RYAN If they decide to pursue a career as an engineer, I'd fully support them. Most importantly I want them to do something they enjoy. Life is too short not to do something you love.

MIDSTREAM What about Grandpa? What would he do?

DENNIS I leave guidance of the children to the people who are raising them. But I also think it would be just great if



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—Cindy Jaggi

every one of my grandchildren decided to be an engineer.

But engineers are born. You just do not decide you are going to be an engineer, the math courses will kill you. You have to have a real love for math and a real love for a challenge because all engineering does is teach you how to solve problems that you don't understand.

MIDSTREAM Ryan, how have your experiences working for both public and private midstream organizations differentiated you from other people?

RYAN They were quite different experiences. I'm so grateful to have worked at a fast-growing E&P and learned the intricacies from a production perspective. At Brazos, I was able to use those skills and experiences, from dealing with production and reservoir engineers, to landowner relationships to the importance of meeting frack dates. There is a strong correlation between upstream and midstream, and my past experiences have allowed me to better understand our customer's needs.

MIDSTREAM Ryan, Brazos Midstream did a substantial \$1.75 billion deal recently with Morgan Stanley Infrastructure. Where does the firm go from here?

RYAN The Delaware Basin is experiencing a tremendous amount of activity and we believe Brazos will need to grow substantially in order to meet our producers' production forecasts. We have a third plant, Comanche

III, currently under construction and we are continuing to put in new pipelines and compressor stations. Brazos is very thankful for our relationship with Old Ironsides Energy, which supported us throughout our infancy, and is excited to now partner with Morgan Stanley as we grow the business. I think it was a perfect outcome as we look to our future.

MIDSTREAM Dennis, since you are on the financial side, there's a lot of money coming into the midstream

right now. Do you see enough good projects out there to employ all of it?

DENNIS In our world at EnCap Flatrock, we have about 16 active portfolio companies. The majority of them have found a niche and are in an area where they can grow. It's complicated because there are so many people out there trying to get in. There are so many dollars coming in.

It makes it harder to get a project started and it's really about the reputation and relationship a team has with a producer. As you know, our belief has always been that midstream success is driven by upstream success. You have to be in an area that has good drilling where producers are active.

MIDSTREAM In your opinions, what is the future of the midstream?

CINDY The technology we're using today has been around for a long time. I really see this industry becoming much more sophisticated in our use of technology and the use of our systems and data analytics, to really grow and be more efficient at what we do. We spend a lot of money in this sector. It's really about growing and making those investments in technology to just squeeze out a little bit more for the money we're spending.

DENNIS I was asked this question in a panel at a Jefferies conference the other day. I see a heck of a future for midstream right now. Even though we're pretty crowded and everybody is on top of each other trying to do it, when prices change and crude goes up or gas goes up there are thousands of known locations that can be drilled economically at \$3.50 gas or \$75 crude. When the prices hit that, the activity is going to follow and you're going to have a number of new wells being drilled in new areas.

Every well needs something from midstream. You are going to keep connecting them. Now, is growth going to be big cross-country pipelines? I don't know. I can't imagine that we haven't got the capacity balanced—or getting close to balanced—but there's going to be a lot of wellhead connects and servicing as prices go up.

MIDSTREAM What keeps you up at night?

RYAN I believe there will be a lot of consolidation in the future and rigs are going to be focused in smaller areas. You can see that happening now in the Delaware Basin. Where the rigs are focused, midstream is focused. I think that's what keeps me up at night—the increasingly competitive nature of our business and finding your niche as a company.

CINDY In all honesty, my kids keep me up probably more than anything I let at work keep me up. I'm the narcoleptic in our house. However, the thing that I think about from an industry standpoint is, how can we get better? How can we do it just a little bit better? For EnLink, as a publicly traded company, we have a very high standard for ourselves, for our operations guys and the employees that we have.

We want to do the best work that we can and making everything as safe as it can be. How do we have it all? How do we make sure that we have the best operations, that it's safe, that it's environmentally friendly, and that we're doing it at a price that's still competitive?

DENNIS From my operations background, which I'm out of now, what used to keep me up was worrying about that phone call at 2 a.m. That's a gut-wrenching feeling when they call on the weekend or in the middle of the night that something has gone wrong. In operations, it never goes right. It's always wrong. There are very big levels of wrong and I always think about that.

RYAN You never get a call saying, "Everything is running great."

DENNIS Nobody calls you to compliment you that you did everything you were supposed to do that day.

MIDSTREAM Do you expect consolidation to continue in the sector?

RYAN We've seen quite a few large transactions recently—Marathon, MarkWest and Andeavor, to name a few. It's the competitive nature of our business and I think we will see more consolidation in the years to come.

MIDSTREAM Dennis, you made the jump from operations and engineering to the finance side. Do you see your background as an advantage? Was it a difficult transition?

DENNIS It was difficult for me because my whole career had been engineering and operations all the way until I joined Texas Oil and Gas and Delhi Gas Pipeline. I was operations engineering manager and Bill Waldrip, my current partner at EnCap Flatrock, was there. He was also an engineer by training and background. I was promoted one day to the chief systems engineer. That job was to do all the economics on every well connect, discounted cash flows and rates of return. I'd never done any of those.

I got that background right then and through Delhi I ended up with contract administration. I had gas supply all working for me. I was working with the economics of a contract and how that worked. All that came together.

When I worked at Flatrock Advisors we did a lot of work for Crosstex. They were our biggest customer at the time. We took projects from start to finish. We'd looked at how they did it. We'd looked at all the contracts. We'd put the financial model together and then come up with a plan—if we pay this much for it, how could we make it better? That was the background that got us working within private equity.

What we do right now is similar. We look at projects, building the same kind of gathering systems, compressor stations, processing plants and terminals. I think economics and financials are easier than engineer-

ing. In some ways, I think it's much easier than engineering.

RYAN I also think it's important to understand the financial side of our business. I spent the majority of my career in project management and engineering, but understanding what makes you money is equally, if not more, important. Achieving my MBA helped me understand the bigger picture, which has been helpful in management at Brazos.

DENNIS It's great to have the ability to design and operate a compressor station, but the real question is, why are we building this station? How are we making money? That's where the fun part comes in.



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—Ryan Jaggi

The Interview

MIDSTREAM Private equity seems to be dominating in the midstream. Do you see that as a trend that's continuing or is all that money going to go someplace else someday?

DENNIS I think right now it's going to continue for a while. You've got several things working in your favor in private equity. First, stock prices and MLP units are down. They are capital-constrained or over-levered. Especially when the stock is down, they can't issue equity.

The kind of projects that we like—what Brazos did—is when we come into a new area and it's going to take two or three years of large capital commitments. You're spending millions and millions and millions of dollars building pipes and plants and compressor stations—and nothing is coming out. That model doesn't fit a public company like EnLink very well. Public companies can't afford to have hundreds of millions of dollars going out before revenues come in, which is why they like to buy our companies. Our money has already gone in and by the time we're ready to sell, our project's starting to make money.

The big money is in. They pay for it and they get cash almost immediately coming out. They can borrow. Our portfolio companies can't borrow until they start making money. Our private money fits this picture very well.

MIDSTREAM Where are the hot plays right now? Where is the next big thing?

DENNIS I believe right now Oklahoma has several brand-new plays that are coming on strong. One is the Merge, south of the Stack and north of the Scoop. I think that's going to be a big area. We haven't seen all the results yet. I believe the Arkoma area, which has been dormant for a long, long time, is starting to see a lot of life right now. I think there's some potential there.

I see people in the Austin Chalk again. It's like the gift that keeps on giving, it's been there forever. It's almost like, with this new technology, that wherever you have found oil and gas, you're going to be able to go back in and find some more.

When you do, then the midstream systems that are already there can't handle it, which gives us an opening. If it were right in the middle of an EnLink area that's an older area, they're going to have to put a lot of capital in.

It's almost like starting over. You don't have to have a big white space where there are no pipelines. You can have one area that's crisscrossed with lines, but they can't handle these 10 million-cubic-foot-per-day wells putting out five or six gallons of NGL per thousand cubic feet of gas. Your plant can't handle it, your compressors can't handle it, your lines can't handle it. It's going to cost all-new capital again, which usually gives us a chance, at least.

RYAN The great thing about the Delaware Basin is there are so many zones that are economic to produce. With two-mile laterals and multiwell pads, a producer could realistically leave a rig in one section for years and develop multiple different zones. I think going forward the Delaware will continue to be *one* of the biggest plays—if not *the* biggest play—in the U.S. It is the second-fastest-growing gas region and producers are drilling for oil. The amount of associated gas from these oil wells will continue to drive tremendous growth for a long time.

MIDSTREAM A fundamental change is occurring in the midstream because of the growth in U.S. exports. How is that changing the sector? The three of you are more focused on the upstream end—gathering, processing and transportation—but the sector will need new docks and terminals. Do you have any insights on how exports are changing the business?

CINDY For EnLink's next big play, we've talked a lot about the demand centers that we serve in Louisiana—exactly what you're talking about. How do we take the pipes that we have there and utilize them for export, getting supply into different areas?

DENNIS Corpus Christi [Texas] is a good outlet right now. We have one of our companies that has a piece of land there that we're working on. We're putting in levies and setting some tanks and

doing some transloading. We're in a lot of discussions with Mexico, they have a demand for refined products.

And, we have all these NGL coming out of that area. You can fractionate them, you can separate them out and you could take the crude oil and send it down there. We're looking at several projects in the Corpus area. We have gotten further into crude than we ever have before because, frankly, it's just such a big business right now.

MIDSTREAM Where do you go from here? What are your plans?

DENNIS Cindy made the Hart Energy Forty Under 40 last year. My plan is to try to make the Seven Over 70! (Laughter) That's my only hope right now.

No, Ryan and Cindy are in their prime. They are both doing very well and I am basically backing out. We have already brought new people into EnCap Flatrock and I think my job soon will be going to the lake more often.

CINDY I guess if I were just going to say one more thing it would be—as the outsider of the Jaggis—who was adopted by Dennis—it is this: It is so nice to belong to a family that you are so proud of all the time.

Wherever I go in this business, there is always somebody who knows my husband, or knows my father-in-law, or worked with them someplace. It is so nice. Every person that ever talks about either one of them just talks about their integrity and their work ethic and just how fun they are to be around. I'm so proud to be a part of this family.

RYAN This is an incredibly small industry, especially with a last name like ours. Everywhere you go, you end up meeting someone that has a connection with one of us.

Looking to the future, I'm confident in Brazos' growth plans in one of the best oil and gas producing regions in the U.S. We have an incredible team of employees and feel confident in our ability to continue to deliver excellent service to our trusted partners and customers. ■

Paul Hart can be reached at pdhart@hartenergy.com or 713-260-6427.