Headline: From Wellhead to Water

Subhead: ONEOK and MPLX have formed a joint venture that expands and extends our natural gas liquids value chain, as well as provides additional value to our customers.

The global demand for liquefied petroleum gas (LPG) exports is rising.

LPG serves as a vital energy source for residential, commercial and industrial applications, including cooking, heating and petrochemical processes. Rapid urbanization, population growth and economic development in regions like Asia-Pacific and the Middle East are driving its demand.

As countries seek reliable and efficient energy sources, LPG exports are becoming increasingly critical in meeting global energy needs. As key players in the midstream energy sector, ONEOK and MPLX are in a great position to help address those needs.

That's why the two companies have formed joint ventures to construct a new 400,000-barrel per day (bpd) LPG export terminal in Texas City, Texas, and a new 24-inch diameter pipeline from ONEOK's Mont Belvieu, Texas, storage facility to the new Texas City terminal.

"This project allows us to give our customers a fully integrated value chain from wellhead to water," said Sheridan Swords, executive vice president and chief commercial officer.

"This will add a much needed area of service that will benefit customers and consumers alike," said Swords.

"It's going to make us more competitive across the whole value chain – and that integrated value chain helps us be more dynamic in our businesses," Swords said.

Historically, ONEOK has relied on others to export our product, explained Brandon Long, senior vice president, commercial – NGL and marketing. "But, as our peers continued to grow their own supply and fractionation capacity, they have not needed as much of our supply. So, this joint venture made sense to us to step out on our own to add value all the way across the last mile of our system."

About the Export Terminal and Pipeline

Texas City Logistics LLC (TCX), the export terminal joint venture, is owned 50% by ONEOK and 50% by MPLX. MPLX will construct and operate the facility, the completion of which is expected in early 2028. The export terminal will leverage MPLX's existing location and infrastructure, providing construction timing and cost benefits.

The 400,000-bpd loading throughput is expected to be primarily low-ethane propane and normal butane, with ONEOK and MPLX each reserving 200,000 bpd for their respective customers.

ONEOK's and MPLX's shares of the total investment in the export terminal are expected to be approximately $700 million each for a total of $1.4 billion. The Mont Belvieu to Texas City pipeline joint venture, MBTC Pipeline LLC, is 80% owned by ONEOK and 20% by MPLX. ONEOK will construct and operate the pipeline. ONEOK's and MPLX's combined investment in the pipeline is expected to be approximately $350 million.

"We've been intentional and disciplined about going forward with this type of project," Swords said. "We've been evaluating projects like this for years, and we're very comfortable with where this project sits today and how we can better compete in the marketplace."

"And, with a project that we can grow further, this dock and pipeline are both expandable beyond the 400,000 bpd," Swords added.

"Some joint ventures might only make sense on paper," said Russ Arnold, vice president, commercial marketing. "But, both parties bring something unique to the table."

"It's not only an NGL strategy for ONEOK to go from wellhead to the water," he continued. "We already export refined products and crude oil, and we are moving closer to the wellhead with the Medallion and EnLink acquisitions. This dock leverages the benefits of these acquisitions and makes ONEOK a more integrated company."

Arnold was among those working on the project before it was announced, often alongside Ross Crutchfield, associate general counsel in Tulsa, Oklahoma.

"One of the most challenging aspects of the transaction was the dual nature of its structure," Crutchfield said. "Since there are two different joint ventures involved in the project – the export terminal, operated by MPLX, and the pipeline, operated by ONEOK – we always had to be mindful of how concepts would apply across **both** joint ventures. For example, if we required MPLX to do something under the operating agreement for the export terminal, we also had to be comfortable with that same obligation applied to ONEOK for the pipeline."

Of particular note, Crutchfield related, were two days of in-person meetings with MPLX at its headquarters in Findlay, Ohio, last fall. "That was very helpful, just being in the same room with them and getting to know them better," he said. "Because joint ventures are so relationship-driven, you really need to have a comfort level with the people you're working with, and we were able to grow the relationship through the negotiations."

'Location, Location, Location'

"Building this terminal and pipeline checks a lot of boxes for us, as well as for MPLX, so it integrates all assets for both companies – it is great how it all comes together."

Perhaps one of the biggest boxes checked is location. During an earlier earnings call, Swords reiterated the strategic rationale of the project: "location, location, location. We have access to the open waters at this location, significantly better than the other docks in the area."

"The site had all the elements we needed," Arnold said. As a brownfield construction site (a previously developed property), a lot of the infrastructure is already in place, which greatly reduces costs. Plus, the proximity to ONEOK's NGL system and storage enables us to easily get our products to the dock.

“This project also is noteworthy because it enables us to connect the dots all the way from the source of the product to the end user of the product,” Arnold said. “Also, it’s a way for us to continue adding customer value, from the molecule throughout the value chain.”

And connecting these dots, as President and CEO Pierce Norton has mentioned in recent years to employees, stakeholders and the public alike, delivers energy products and services vital to an advancing world, making a difference in the lives of people in the U.S. and around the globe.

PHOTOS


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