

Rangeland Energy's State Line Terminal, strategically located in the middle of the Delaware Basin, is home to the RIO Pipeline. The 110-mile, 12-inch pipeline has the capacity to transport more than 140,000 barrels per day from the terminal to its Midland, Texas, terminaling complex. All photos courtesy Rangeland Energy LLC



New Frontiers

Rangeland Energy brings its skill set to new borders.

By Brandy Fidler

Exiting the Bakken Shale didn't stop midstream operator Rangeland Energy LLC from pursuing new opportunities. The private-equity-backed company has focused on the Permian's Delaware Basin while extending its reach into western Canada and to Corpus Christi, Texas, along the Gulf of Mexico (GoM).

Formed in 2009 by Chris Keene, president and CEO, and Steve Broker,

executive vice president and COO, Rangeland Energy is based in Sugar Land, Texas, and backed by equity capital commitments from EnCap Flatrock Midstream.

The company's most notable success story includes its COLT crude oil distribution system located in North Dakota's Bakken and Three Forks shale oil producing region. The COLT system came into service in May 2012,

and by November 2012, the company sold the business for \$425 million to Inergy Midstream LP, now Crestwood Equity Partners LP.

The COLT System served as a point of liquidity for the distribution of Bakken crude oil across multiple North American markets, providing customers with crude oil storage, connectivity to Berkshire Hathaway's BNSF Railway, and various inbound



and outbound pipeline systems, according to the company.

“We were one of the first companies to participate in the crude-by-rail phenomenon,” Rangeland Energy President and CEO Chris Keene told *Midstream Business*.

Rangeland Energy II

Following the sale of Rangeland Energy I, Rangeland Energy II LLC was formed in January 2013—same name, but different goals in mind. Rangeland II has about 20 employees in Sugar Land and another 50 in the Delaware Basin.

“When you start a new company from literally a blank sheet of paper, it certainly helps to have a successful development on your resume—something that you’ve see all the way through from origination and development to execution and completion, and finally to exit. We definitely developed a niche in pipelines and terminals, complemented by rail facilities,” Keene said.

In 2014, Rangeland II began development of the RIO System. The system includes the RIO Hub, located near Loving, N.M. The terminal provides rail and storage services for inbound frack sand, and will serve as an origin facility

for crude oil and condensate that will be delivered to markets by both pipeline and unit trains.

“When we entered the Bakken Shale, we were, as a company, somewhat new to the rail business, so we learned that business because that was what the market was demanding. You saw that skill set transition over to our second company, where we leveraged our experience with oil and adapted that knowledge and skill set to frack sand.”

Rangeland imports frack sand from mines throughout the country, according to Keene.

“We are unloading inbound unit trains, transferring that sand into silos and then loading outbound trucks for our customers, which travel to the wellhead for use during the hydraulic fracturing process.”

The RIO Hub has been in operation a few years and is performing “extremely well for our Delaware Basin customers,” he said.

The crude mania has been driven by drilling technology, water and sand, Keene said, adding that those areas are huge energy drivers in the business today. “Because we were out there early, the initial demand in the Delaware



Night falls on Rangeland’s Geneva Terminal. The firm’s Geneva and Zurich terminals, located in Midland, Texas, provide valuable storage, terminaling services and connectivity to interstate pipelines that access the Cushing, Okla., trading hub; East Texas; and Gulf Coast markets.



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— **Chris Keene**, *CEO and president, Rangeland Energy*

Basin was for inbound sand and that primarily gets to the production area via rail. So, we adapted and moved into that business,” he added.

In addition to the RIO Hub, the RIO Pipeline came into service October 2016. The 110-mile, 12-inch pipeline has the capacity to transport more than 140,000 barrels per day (Mbbbl/d) from Rangeland’s State Line Terminal at the New Mexico/Texas border to Rangeland’s Geneva and Zurich terminals located in the heart of the Midland, Texas, terminaling complex.

“Our State Line Terminal is strategically located in the middle of the Delaware Basin producing region,” Keene said. “The terminal receives crude oil from both trucks and inbound pipeline, stages that crude oil in 170 Mbbbl of storage tanks, and then delivers that crude oil by pipeline to Midland.”

The Geneva and Zurich terminals provide valuable storage, terminaling services, and connectivity to interstate pipelines that access the Cushing, Okla., trading hub; East Texas; and Gulf Coast markets. With almost 600

Mbbbl of storage capacity—and the real estate to build more—Rangeland’s Midland terminals are poised to serve export pipelines out of the Permian. Furthermore, the RIO System is designed to operate as a batch system able to segregate and protect the quality of both industry-standard West Texas Intermediate and high-gravity crude oil deliveries.

Rangeland is executing an organic growth strategy in the Permian Basin. It is adding more customers and bringing more sand silos into service at the RIO Hub, as well as adding more crude oil volumes to the RIO System through extensions and/or expansions to the RIO Pipeline, construction of additional tankage at the company’s State Line and Midland terminals, and the construction of new terminals and connectivity at strategic locations in the basin.

“The company is well positioned with great assets and a strategic footprint located in one of the most attractive basins in North America. We look forward to growing both our frack sand and crude oil businesses,” Keene said.

Rangeland Energy III

In August 2015, EnCap Flatrock made a new equity commitment alongside an expanded Rangeland management team to form Rangeland Energy III, bringing in a new set of principals, including John Millar, senior vice president and chief commercial officer.

It is “a little unusual to have two portfolio companies operating at the same time, but again, for various reasons both from a company perspective and from a private equity perspective, we chose to do that,” Keene said.

Part of Rangeland III’s current focus is developing the South Texas Energy Products System (STEPS), an integrated hydrocarbon logistics system that will receive and store refined products, LPG and other hydrocarbons at a new terminal hub located in Corpus Christi and distribute those hydrocarbons by rail, pipeline and ship to market centers, including those located in Mexico.

The intent is to build a large-scale rail loading terminal for gasoline, diesel, propane and/or crude oil for delivery to various points along the Kansas City Southern (KCS) Railroad in Mexico or to other international markets via vessel, Millar explained.

Rangeland owns property on the KCS mainline not far from the Corpus refining center.

“We’re in discussions with a number of different parties who are interested primarily in propane right now, but companies are also testing the waters in the gasoline and diesel markets,” Millar said.

“Mexican energy reform is ongoing right now, so the prices are being deregulated over the course of this year. Interested participants here in the U.S. are trying to learn how those markets are going to work and working to understand issues like taxes and fees. We think STEPS will be very well-positioned once we sort through these issues with our customers.”

Rangeland III is also exploring the growth around Corpus Christi and looking at opportunities in addition to delivering refined products to Mexico.

“A lot of the growth we’re seeing revolves around transporting higher-

gravity crude from the Permian, specifically Delaware Basin, and moving it to either a splitter and/or a vessel for export. So, we're looking at projects to accomplish these goals at the same time we're advancing STEPS and a refined product strategy to Mexico," Keene said.

Conquering Canada

In September 2014, Rangeland III formed Rangeland Midstream Canada Ltd. to pursue midstream opportunities in western Canada. The Canadian subsidiary is led by industry veteran Briton W. Speer, who joined Rangeland Canada in August 2016 as vice president of business development. Headquartered in Calgary, Rangeland Canada's operational expertise spans the midstream value chain and includes gathering, compression, treating, processing and storage services for multiple commodities including natural gas, crude oil and NGL.

Rangeland is primarily targeting producers in the Montney shale play.

"We're not exclusively focusing on them, but the Montney shale is a huge gas reserve that saw its market dry up after the Marcellus Shale was developed," Millar said. "A lot of gas from western Canada moves to the eastern portion of North America. Marcellus production satisfied much of this demand. As a result, operators in the Montney are sitting on wonderful acreage with nowhere to go."

Once the Montney picks up, there will be a need for midstream assets including more gas processing, pipelines and gathering as well as large connector pipes to get to main transmission lines out of the area, according to Millar.

Rangeland seeks to distinguish itself in Canada by offering more than gathering and processing. The company is exploring creative ways to improve producer netbacks. Examples might include building modular depropanizers and using the team's rail experience to segregate propane upstream of the pipeline and fractionation center in Alberta and move propane out of the region via rail.

"We're bringing a U.S.-based midstream commercial model to Canada that they're not used to seeing. For the

right project, we will typically assume more capital risk and operating risk, betting that we'll benefit from the upside as the region grows and develops," said Millar.

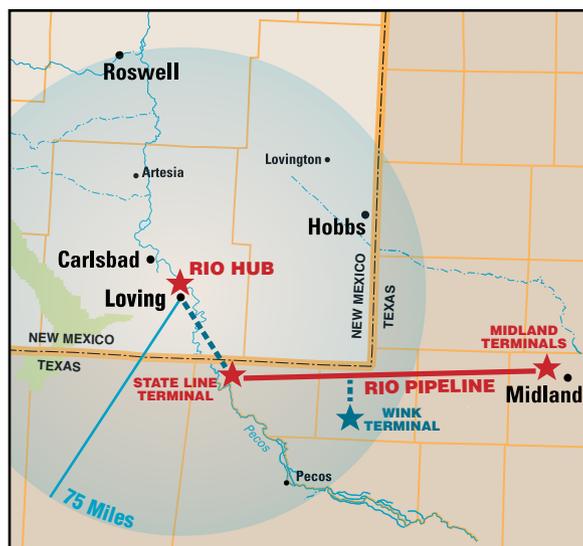
"What we see in Canada are attractive basins that lack infrastructure and are ripe for a new entrant, like a Rangeland Energy, to go in, bring an aggressive business model [and] some creativity, and fill a void that exists. We go in with a commitment to be more nimble, more aggressive, and more creative so we can help these producers get a better value for their commodities."

Pulling the trigger

In addition to greenfield developments, Rangeland III is active in the midstream M&A space, which includes purchasing gathering and related assets.

"Although we have not closed on a transaction, we are actively looking and involved in that space. We'll pull the trigger for the right deal," Keene said.

These deals would be on the smaller scale according to Keene, who said Rangeland III is always actively looking for assets that "we can grow and add



Developed in 2014, Rangeland Energy's RIO system is located near Loving, N.M. The terminal provides rail and storage services for inbound frack sand, and will serve as an origin facility for crude oil and condensate that will be delivered to markets by both pipeline and unit trains. Source: Rangeland Energy LLC

value to." For example, a producer might want to monetize certain midstream assets to generate funding for upstream development opportunities,' he said.

As far as additional financing for the projects, Keene said, "EnCap Flatrock has been a great sponsor. I am confident that we'll have all the financing we need. Rangeland's challenge is finding the right project so we can put that money to good use." ■

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Rangeland Energy LLC

Organized: 2009

Headquarters: Sugar Land, Texas

Areas of interest: Permian Basin, western Canada and Gulf of Mexico

Financial Partner:
EnCap Flatrock Midstream

Executive team:

- Chris Keene, CEO and president
- Steve Broker, executive vice president and COO, Rangeland Energy II

- Robert Singleton, senior vice president and COO, Rangeland Energy III
- George Dikeman, senior vice president and CFO, Rangeland Energy III
- John Millar, senior vice president and chief commercial officer, Rangeland Energy III

Website:
www.rangelandenergy.com

Source: Rangeland Energy LLC