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Allied Wireline Aims to Offer More Reliable, Efficient Logging Services

As producers continue to move more rigs away from dry gas plays to liquids-rich plays due to the significant price differentials, gas processors and other midstream companies aren't the only ones standing to benefit from the switch.

As more of these producers begin to drill in these liquids play they will look at logging their wells. Although the wireline logging industry has traditionally been dominated by large players such as Schlumberger, Baker Hughes, Halliburton and Weatherford International, independent Allied Wireline is moving into a sector that is seeing more and more independent producers arrive.

Allied Wireline can offer these smaller independents a reliable and efficient wireline logging choice through its long-term partnership with GE Oil & Gas that allows Allied Wireline the ability to offer customers exclusive access to GE's logging tools and related equipment.

"We're a new company and our early customers will be dominated by independents with majors coming later. We think we'll be working with the major E&P companies eventually, but it will take time to be qualified. The small and large independents will be a bigger part for us early on," Larry Albert, president and CEO of Allied Wireline, told Gas Processors Report.

Albert said that while the company is initially working with producers on liquids plays due to the market, he anticipates working with the same group of producers on gas as the market begins to recover. "The same people we work



Cockpit view of Allied Wireline's e-drive truck (Photo courtesy: Allied Wireline)

with today on the liquids-rich plays, we'll be working with on the gas plays when gas pricing improves. From a skill standpoint there's no difference between someone working on a gas or oil well."

"What we're trying to do is be very efficient. What's unique about the GE tools and the technology we incorporate in our trucks is that everything is designed to be very efficient at the well site due to proprietary e-drive technology. Logging trucks are designed with a big reel of steel cable (the "wireline") in them and the reel is typically powered by a hydraulic pump. Working with National Oil Well Varco ASEP

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division we have put together e-drive units that utilize a large electric generator and electric motor that controls the movement of the wireline in and out of the well,” he said.

The e-drive is more efficient and safer than hydraulic units according to Albert since they are controlled by modern software and computer controls and can be remotely operated, which allows Allied Wireline to rig up much quicker. Due to the advanced technology there is less chance of leaving tools in the well. The smaller size and weight of the GE tools also helps Allied be more efficient since the tools can more easily maneuver through adverse borehole conditions.

“We’re trying to be the company that delivers more efficiently, more safely and more reliably. The GE tools are designed to be very short and light so they can pass bends in the well much easier than other longer and heavier tools. Our customers also don’t need to drill their holes as deep because the tools have sensors that read the formation closer to total depth. As you get the tools closer and closer to the bottom of the well you don’t need to drill as deep to get logging measurements across the formations of interest. We think we can get to the bottom of the well quicker and faster than our competitors can. All that means savings for our customers: time, rig time, more opportunities to get logs when maybe they couldn’t get down with competitors’ products,” Albert said.

Although the company is new player in the field of wireline logging, having announced its relationship with GE in April and completing the field commercialization of its open-hole logging services in the fourth quarter of 2010, the company began to take shape in 2009.

“It was kind of the low cycle for the industry, which was pretty depressed. It wasn’t a good time to be thinking of a new oilfield service company of any sort given the state of the business at the time, but we noticed that there hadn’t been a fully-integrated independent wireline company since the 1970s,” Albert said.

Thinking that there might be a market for such a company, Albert began to put together plans to create Allied Wireline before the market rebounded. The timing actually worked as



Larry Albert, President and CEO of Allied Wireline

Photo courtesy: Allied Wireline

a benefit for the newly created company as it made hiring and staffing easier in a depressed market. “We figured if we could be ready and get off the ground early in 2010 we could take advantage of upturns in the market,” he said.

There are two segments in the wireline business: open-hole and cased-hole. Open-hole involves running tools down into the newly-drilled borehole to acquire data to tell if the well is productive or not, while cased-hole involves completing the well and includes logging the pipe in the ground to determine if the cement put in place is good or bad, logging to determine where production is coming from, plus perforating the wells to allow the oil and gas to flow. Perforating involves the

use of explosive shaped charges to shoot holes in the casing, through the cement and into productive rock formations.

“There are a lot of independents in the business in the cased-hole segment mainly because the technology threshold is not as high and there are a lot of independent suppliers for cased-hole technology. Open-hole technology is more complex with a very high R&D effort required,” Albert explained.

Allied Wireline was able to overcome this high threshold by forming a partnership with GE, which had been doing open-hole research and development for several years, but had not yet commercially deployed their technology. “Our idea was to entice GE into an agreement where we acquire their open-hole logging tools and surface technology and bring it into the U.S. market. We knew that if we could get into the open-hole business that the cased-hole business would be fairly easy to enter with plenty of opportunities to buy the equipment we needed,” he said.



Allied Wireline's e-drive truck (Photo courtesy: Allied Wireline)

Like many of the newer entries into the midstream, Allied Wireline found that the easiest, most secure route to obtaining capital was through the private equity market. Albert said that while money seemed to be looking for a place to work everyone was a bit cautious in 2009. The company found backers in Turnbridge Capital out of Dallas and Swift River Investments out of Boston. These companies then brought on smaller investors involved in oil and gas in Dallas, Houston and Louisiana.

Allied Wireline is planning to concentrate on a smaller area to reflect its early concentration on the liquids-rich plays in the Southwest – primarily the Permian, Ark-La-Tex, south Texas, north central Texas as well as the Mid-Continent.

Currently the logging tools and services offered by Allied Wireline and GE Oil & Gas are well suited to work in vertical wells, but Albert said that Allied Wireline met with GE officials regarding adding technology for use in horizontal wells that will further expand the company's potential client base since a large percentage of wells being drilled are horizontal.

INSIDE LOOK AT PROCESSING TRENDS

Caiman Energy Brings Ft. Beeler Processing Plant Online in Marcellus

Caiman Energy LLC completed construction on its Ft. Beeler cryogenic natural gas processing plant near Cameron, West Virginia and brought the plant, located in the Marcellus, online.

The facility, which has a processing capacity of 120 million cubic feet per day, will process rich gas produced by Chesapeake Energy Corp. in Marshall and Wetzel counties, West Virginia via a definitive long-term agreement.

"We are very pleased to be partnering with Caiman Energy to accelerate the development of this clean, abundant domestic resource. The continued development of the Marcellus shale is a significant step toward reduction of our country's oil imports, the creation of thousands of high-paying jobs in the U.S., and the payment of significant local, state and federal taxes," Jim Johnson, senior vice president of energy marketing for Chesapeake, said.

Caiman anticipates completing its 200 MMcf/d Ft. Beeler II processing plant by the end of the year. In addition, the company plans on exploring in the second quarter construction of a third cryogenic processing plant with 200 MMcf/d in capacity in the play.

These projects will be supported by the company's pipeline and gathering system in the play, which includes over 60 miles of high-pressure, large-diameter pipeline as well as over 60 miles of gathering lines.

The company also recently secured long-term contracts for acreage dedications with Gstar Exploration Ltd., Stone

"Typically with wireline companies, we work with gravity. We have a tool on the end of a wireline that is being lowered into a wellbore. That tool will drop as long as the wellbore deviations from vertical are less than about 60 degrees. Once that deviation goes closer to horizontal you can no longer use gravity to feed your tool into that well. We've got some ideas that include a memory mode that will log with tools run on the end of drill pipe. The tools can be deployed through the deviated section and when retrieved the log data can be dumped at surface. We will be working on other technologies such as batteries, turbines and wireless telemetry to get logging data into horizontal wells," he said.

Although Albert doesn't expect the market to really fully recover until after 2011, he expects growth this year, which combined with new tools from GE and expansion into other areas gives the company a bright future.

– Frank Nieto

Energy, Grenadier Energy Partners LLC and Drilling Appalachian Corp. along with its initial anchor tenants AB Resources LLC and Chief Oil & Gas LLC.

"We are very pleased with the significant scope and pace of our expansion in the Marcellus," said Caiman Energy president and CEO Jack Lafield. "We are committed to meeting the needs of our dedicated producer base. There are 10 rigs currently running on dedicated acreage in our rich gas areas. To meet our customers' expanding requirements for infrastructure, we expect to have total processing capacity of 520 mmcf/d online by the second half of 2012."

Lafield, along with his partners Danny Thompson and Rick Moncrief, formed Caiman Energy in February 2009 with an eye towards using the company's equity commitment from EnCap Energy Infrastructure Fund LP to build gathering systems and other midstream infrastructure in the Haynesville and Eagle Ford, but quickly turned its attention to the emerging Marcellus shale.

"One of the causes of delay in developing the Marcellus today is because of that lack of gathering and processing infrastructure. There are big pipelines shooting through the Marcellus, but they're up to 15 miles away. We have concluded that the Marcellus has more opportunities for our type of investments than the Eagle Ford and Haynesville. It's a huge play – about 15 times the size of the Barnett in size and the wells so far have been as good or better than the Barnett too," Lafield told *Gas Processors Report*. – Frank Nieto

MarkWest Liberty to Provide Marcellus Midstream Services to Chesapeake

MarkWest Liberty Midstream and Resources LLC, a partnership between MarkWest Energy Partners LP and The Energy & Minerals Group, announced the execution of a long-term agreement with affiliates of Chesapeake Energy Corp. to provide additional natural gas midstream services for Chesapeake's substantial rich gas Marcellus acreage in northern West Virginia.

MarkWest Liberty will provide the midstream services at its Majorsville, West Virginia processing complex, which includes a 135 million cubic feet (MMcf) per day cryogenic gas processing plant that is operating near capacity. MarkWest Liberty is nearing completion of a second 135 MMcf per day cryogenic plant at Majorsville and is evaluating the addition of a third plant. The natural gas liquids (NGLs) recovered at Majorsville are then transported via pipeline to MarkWest Liberty's fractionation, storage, and marketing complex in Houston, Pennsylvania.

By mid-2012, MarkWest Liberty will operate 745 MMcf per day of cryogenic processing capacity serving Marcellus rich-gas producers in southwestern Pennsylvania and

northern West Virginia from its Houston, Majorsville, and recently announced Logansport processing complexes. In addition, MarkWest Liberty provides integrated NGL transportation, fractionation, storage, and marketing services that are critical to optimizing rich-gas development in the northeast United States.

"We are excited to expand our long-standing relationship with Chesapeake and to further strengthen our midstream presence in the rich-gas areas of the Marcellus," said Frank Semple, chairman, president and chief executive of MarkWest. "Majorsville and Logansport are a key part of our long-term vision of developing world-class midstream infrastructure that extends from our fractionation and three processing complexes in southwestern Pennsylvania and northern West Virginia to our processing and fractionation assets in southeast Kentucky, including our recently announced acquisition of EQT's Langley processing complex. Our midstream presence in the rich-gas areas of the Marcellus and Huron/Berea shales significantly reinforces our position as the leading provider of midstream services in the Northeast."

Mainland, SEI Energy Ink Haynesville Marketing Agreement

Mainland Resources, Inc. entered a marketing services agreement with SEI Energy LLC to provide gas marketing options in its Haynesville shale operating area in Mississippi.

SEI Energy is a provider of marketing services and a purchaser of gas production in the Mississippi area. Its initial services will include an analysis of the Buena Vista area gas marketing conditions and outlook; availability of treatment facilities; pipeline availability and capacities; system pressures; gas quality specifications; midstream/gathering and downstream installation options; pricing strategies; cost benefit analyses and potential markets. SEI will also advise Mainland on natural gas liquids marketing options.

The parties have also entered a form of natural gas purchase agreement prior to Mainland initiating production.

Mainland chief executive Nick Atencio said, "As we enter into the analysis and testing phase for the Burkley-Phillips No. 1 well, it is important to have a more detailed understanding of the gas marketing, treatment and transportation environment in our operating area. This agreement allows us the flexibility to investigate the key factors related to monetizing gas in this area and also provides Mainland the ability to maximize revenues by maintaining the most competitive marketing terms available in our area."

MIDSTREAM NEWS

Marcellus Development Could Bolster W. Virginia's Economy

The development of the Marcellus shale play in West Virginia has the potential for significant economic development for the state, according to a new report from the West Virginia University College of Business and Economics, Bureau of Business and Economic Research (BBER). The report also examines potential impacts associated with the development of the shale play from 2010 to 2015, as well as the legal, regulatory and environmental issues associated with further development.

"West Virginia's natural gas industry accounted for over US\$12 billion in business volume and created over 24,400 jobs in 2009," said Dr. Tom S. Witt, BBER director and co-author of the study. "Out of this total, our study estimates that the Marcellus Shale play accounted for the creation of 7,600 jobs and \$2.35 billion in business volume, making it a significant contributor to the economic health of our state. The potential exists for upwards of nearly 20,000 jobs by 2015 if drilling grows at a 20% rate each year."

“This study documents the economic potential of the Marcellus shale play. However, its potential contributions to our state will only be possible with well informed public policy related to the taxation, regulation and environmental impact affecting the industry in our state,” said Corky DeMarco, executive director, West Virginia Oil and Natural Gas Association (WVONGA), which commissioned the report.

“Although the results of this study are encouraging, the general consensus throughout the industry is that the Marcellus only represents the tip of proverbial iceberg,” said Jim Crews, Nisource/Columbia Gas Transmission and WVONGA president. “Horizontal drilling and hydraulic fracturing technology will be exported to other shale and unconventional hydrocarbon sources in the basin, including previously abandoned formations and the economic results will be exponential.”

The report reviews the growth of the natural gas industry from 2001 through 2009 and estimates the total economic impact of the industry in 2009. While the bulk of the jobs created directly or indirectly was in the mining sector, there was significant job creation in other sectors of the economy.

With the development of new methods for the exploration and development of unconventional reservoirs such as those found in the Marcellus shale formation, West Virginia, along with other states in the region, has seen significant increases in exploration permits since 2005. In fact, West Virginia Marcellus shale permits issued through 2008 exceeded those of other Marcellus shale states.

To estimate the economic impact of Marcellus shale development in 2009, BBER researchers used information provided by drilling companies augmented by other data sources. Drilling costs in 2009 averaged \$1.5 million per well while well completion costs averaged \$2 million per well. In addition to location setup and drilling costs, the analysis also considered the costs of leasing, which averaged

\$914 per acre in 2009 in West Virginia. Using this information and the IMPLAN input-output modeling system, BBER researchers estimated that the total (direct, indirect and induced) economic impact of the Marcellus in West Virginia in 2009 was: business volume, \$2.35 billion; employee compensation, \$297.9 million; employment, 7,600; value added, \$1.26 billion; and associated state taxes, \$14.5 million. The study also estimates the future economic impacts of the development of this formation for the period 2010-2015 under different growth rates in drilling activity each year.

The study also examines tax policy issues facing the natural gas industry and the specific development of the Marcellus. Major taxes affecting the industry in West Virginia include property and severance taxes. At the present time Maryland, New York and Pennsylvania do not have severance taxes on the value of natural gas drilling or production while West Virginia’s severance tax rate is 5 percent of the gross value of natural gas production. Ohio imposes a severance tax on natural gas drilling and production at a rate of 2.5 cents per thousand cubic feet with some exemptions.

These taxes, as well as the overall regulatory environment, are continuing to evolve as states face increasing fiscal pressures as well as a recognition that continued development of this resource is important for economic development, particularly as it relates to downstream value added opportunities.

Other policy issues addressed in the study include regulation and environmental policy at the federal and state level, permits and the permitting process, divided estates, road utilization and workforce development.

The authors of the report are Amy Higginbotham, BBER economist; Adam Pellillo, BBER graduate research assistant; Dr. Tami Gurley-Calvez, BBER research assistant professor; and Dr. Tom S. Witt, BBER director and professor of economics.

CME Group Launches Pine Prairie Natural Gas Contracts

CME Group has introduced three new natural gas futures contracts physically delivered at Pine Prairie Energy Center (PPEC), which is owned by PAA Natural Gas Storage LP. The contracts will be traded on the NYMEX floor, electronically through *CME Globex* and available for clearing services through *CME Clearport*. The contracts will be listed on Feb. 6, 2011, for trading on Feb. 7, 2011.

The PPEC delivered natural gas futures contracts are an extension of CME Group’s flagship natural gas benchmark product offering by providing customers shorter-term contracts including: daily, balance-of-month and monthly contracts all with backstopped delivery. These contracts are sized at 2,500

million Btu per day (MMBtu/d) during the delivery period and priced at a minimum increment of \$0.0025 per MMBtu. PPEC has received Federal Energy Regulatory Commission approval to make modifications to the PPEC Gas Tariff allowing for new services to accommodate these contracts.

The three PPEC futures contracts to be listed include: PPEC Physically Delivered Natural Gas Daily/Weekend Futures (PPD), PPEC Physically Delivered Natural Gas BALMO Futures (PPB) and PPEC Physically Delivered Natural Gas Monthly Futures (PPM). These contracts provide the dual benefit of termination through backstopped physical delivery and security of an exchange-cleared transaction.

The physical delivery point for these contracts will be the PPEC, a highly-flexible salt cavern storage facility in Evangeline Parish, Louisiana. PPEC is strategically located 50

miles from Henry Hub and has nine interconnects to eight major pipelines that service the Gulf Coast, Midwest, North-east and Southeast markets.

FRACTIONATION SPREAD

Ethane and Isobutane Margins Improve at Both Hubs

Natural gas liquids (NGL) frac spread margins were a mixed bag again this week as ethane margins finally showed improvements, but these gains were offset by decreased margins for propane, butane and C₅₊.

The biggest improvement in margin at Conway was for isobutane, which rose 5% from last week as the product benefited from improved pricing due to demand from refiners to produce winter-grade gasoline as well as an improving differential with butane. While the Conway margin had the highest gain this week at either hub, the Mont Belvieu margin rose less than 1%.

Ethane had the largest margin improvement at Mont Belvieu this week as it rose 2% from the prior week. In addition, the margin for Conway ethane improved by 1% from last week as ethane prices rose at both hubs.

The improvements in the frac spread margin for both isobutane and ethane was even more impressive because natural gas feedstock prices rose 3% in value to US\$4.53 per million Btu (/MMBtu) at Conway and 4% to \$4.57/MMBtu at Mont Belvieu.

These improved gas prices resulted in the margins for propane, butane and C₅₊ falling at both hubs as the prices for these NGLs were stagnant this week. The largest drop in margin at Conway was for propane, which fell 3% followed closely by C₅₊, which also experienced a 3% drop in margin. The largest drop in margin at Mont Belvieu was for C₅₊, which was down 3% from last week.

Overall the theoretical NGL barrel price improved very moderately at Mont Belvieu to \$53.67 per barrel (/bbl) with a margin of \$36.97/bbl, a 2% decrease from last week. The theoretical barrel price at Conway was down very slightly to \$49.94/bbl with a margin of \$33.40/bbl, which was a 2% from last week.

The most profitable NGL to make at both hubs remained C₅₊ at \$1.59 per gallon (/gal) at Conway and \$1.64/gal at Mont Belvieu. This was followed, in order, by isobutane at \$1.37/gal at Conway and \$1.36/gal at Mont Belvieu; butane at \$1.17/gal at Conway and \$1.21/gal at Mont Belvieu; propane at 88¢/gal at Conway and 94¢/gal at Mont Belvieu; and ethane at 12¢/gal at Conway and 30¢/gal at Mont Belvieu.

Natural gas in storage for the week of January 14, according to the U.S. Energy Information Administration, was

down 243 billion cubic feet to 2.716 trillion cubic feet (Tcf) from the 2.959 Tcf reported the prior week. – **Frank Nieto**

Current Frac Spread (Cents/Gal)

January 27, 2011

| | Conway | Change from Last Week | Mont Belvieu | Last Week |
|---------------------------------|--------|-----------------------|--------------|-----------|
| Ethane | 41.92 | | 60.58 | |
| Shrink | 30.03 | | 30.30 | |
| Margin | 11.89 | 0.52% | 30.28 | 1.96% |
| Propane | 129.22 | | 135.48 | |
| Shrink | 41.49 | | 41.86 | |
| Margin | 87.73 | -3.25% | 93.62 | -2.27% |
| Normal Butane | 164.18 | | 168.52 | |
| Shrink | 46.98 | | 47.39 | |
| Margin | 117.20 | -1.51% | 121.13 | -2.14% |
| Iso-Butane | 182.45 | | 181.06 | |
| Shrink | 45.12 | | 45.52 | |
| Margin | 137.33 | 4.53% | 135.54 | 0.05% |
| Pentane+ | 209.40 | | 214.18 | |
| Shrink | 50.24 | | 50.68 | |
| Margin | 159.16 | -2.54% | 163.50 | -2.68% |
| NGL \$/Bbl | 49.95 | -0.07% | 53.67 | 0.02% |
| Shrink | 16.55 | | 16.69 | |
| Margin | 33.40 | -1.60% | 36.97 | -1.62% |
| Gas (\$/mmBtu) | 4.53 | 3.19% | 4.57 | 3.86% |
| Gross Bbl Margin (in cents/gal) | 76.64 | -1.72% | 86.17 | -1.62% |
| NGL Value in \$/mmBtu | | | | |
| Ethane | 2.31 | 2.42% | 3.34 | 2.90% |
| Propane | 4.49 | -1.27% | 4.70 | -0.46% |
| Normal Butane | 1.77 | -0.21% | 1.82 | -0.52% |
| Iso-Butane | 1.14 | 4.20% | 1.13 | 0.98% |
| Pentane+ | 2.70 | -1.23% | 2.76 | -1.21% |
| Total Barrel Value in \$/mmbtu | 12.40 | 0.04% | 13.75 | 0.29% |
| Margin | 7.87 | -1.68% | 9.18 | -1.39% |

Price, Shrink of 42-gal NGL barrel based on following: Ethane, 36.5%; Propane, 31.8%; Normal Butane, 11.2%; Isobutane, 6.2%; Pentane+, 14.3%, Fuel, frac, transport costs not included. Conway gas based on NGPL Midcontinent zone, Mont Belvieu based on Houston Ship Channel.

Shrink is defined as Btus that are removed from natural gas through the gathering and processing operation.

BOX SCORE

NGL Prices Remain Stable at Both Mont Belvieu and Conway

As the month January began to draw towards a close, natural gas liquids (NGL) prices remained largely flat at both Mont Belvieu and Conway with ethane and isobutane showing the greatest improvement at both hubs.

Conway isobutane rose 4% to its highest price in nearly a year at US\$1.83. The last time iso was valued higher at the hub was the week of January 27, 2010 when it was \$1.88. Mont Belvieu iso rose 1% to \$1.81, which hadn't approached this level in over two years since it was \$1.82 the week of September 3, 2008. This was also the first time since the week of September 22 that Conway iso had a greater value than its Mont Belvieu counterpart.

While winter-grade gasoline demand is playing a large part in these gains, iso's gains are also partially due to the market balancing itself out and returning iso's traditional price differentials with butane. Indeed at both hubs butane prices were down slightly from last week with the Conway price down to \$1.69 and the Mont Belvieu price down to \$1.64 despite the fact that butane demand is expected to increase in the next few weeks as a number of Fluid Catalytic Cracking units that produce butylene are expected to undergo maintenance turnarounds.

Ethane prices improved at both hubs for the second straight week as the product's balances continued to decrease. The Mont Belvieu price rose 2% to 61¢, which was its highest price since the final week of December 2010. The Conway price rose 1¢ to 42¢, which was still the second lowest price at the hub in 14 weeks.

Despite the cold weather in key markets propane prices fell at both hubs this week, although the Mont Belvieu price was largely unchanged at \$1.36. The Conway price fell 1% to \$1.29 due to a sizable inventory surplus in the region,

which isn't benefitting greatly enough from the increased heating demand to reduce this surplus.

Pentanes-plus (C₅₊) prices continued to have the highest value at both hubs this week, but it fell 1% in price at both Mont Belvieu and Conway. The Mont Belvieu price of \$2.14 was the lowest at the hub since it was \$2.12 the week of December 22, 2010. The Conway price of \$2.09 was the second highest price in over two years at the hub. Part of these increased prices is increased demand for C₅₊ as a diluent for Canadian tar sand production. – **Frank Nieto**

| Box Score | | | | | | |
|---------------------------|-------|--------|--------|--------|--------|---------|
| Mont Belvieu | Eth | Pro | Norm | Iso | Pen+ | NGL Bbl |
| Jan 19 - 25, '11 | 60.58 | 135.48 | 168.52 | 181.06 | 214.18 | \$53.67 |
| Jan 12 - 18, '11 | 58.87 | 136.10 | 169.40 | 179.30 | 216.80 | \$53.65 |
| Jan 5 - 11, '11 | 58.84 | 133.36 | 167.86 | 174.62 | 215.83 | \$53.05 |
| Dec. 29, '10 - Jan 4, '11 | 61.17 | 133.02 | 167.37 | 175.86 | 218.00 | \$53.52 |
| December '10 | 61.75 | 129.45 | 169.76 | 177.25 | 209.47 | \$52.77 |
| November '10 | 62.88 | 125.42 | 161.66 | 166.63 | 197.78 | \$50.96 |
| 4th Qtr '10 | 59.07 | 126.07 | 162.01 | 168.24 | 198.89 | \$50.59 |
| 3rd Qtr '10 | 44.99 | 106.98 | 138.23 | 143.25 | 171.45 | \$42.37 |
| 2nd Qtr '10 | 50.97 | 108.43 | 145.01 | 157.23 | 178.04 | \$44.64 |
| 1st Qtr '10 | 70.80 | 123.84 | 151.72 | 165.09 | 183.29 | \$50.45 |
| Jan 20 - 26, '10 | 76.30 | 127.98 | 162.75 | 176.60 | 184.80 | \$52.78 |
| Conway, Group 140 | Eth | Pro | Norm | Iso | Pen+ | NGL Bbl |
| Jan 19 - 25, '11 | 41.92 | 129.22 | 164.18 | 182.45 | 209.40 | \$49.95 |
| Jan 12 - 18, '11 | 40.93 | 130.88 | 164.53 | 175.10 | 212.00 | \$49.99 |
| Jan 5 - 11, '11 | 45.64 | 128.60 | 160.02 | 165.03 | 205.78 | \$49.56 |
| Dec. 29, '10 - Jan 4, '11 | 50.46 | 128.36 | 162.56 | 170.50 | 206.52 | \$50.65 |
| December '10 | 51.74 | 124.32 | 167.51 | 170.70 | 205.49 | \$50.57 |
| November '10 | 48.20 | 119.49 | 154.72 | 158.68 | 189.78 | \$47.36 |
| 4th Qtr '10 | 47.01 | 120.80 | 157.16 | 161.69 | 193.86 | \$47.80 |
| 3rd Qtr '10 | 31.16 | 101.46 | 132.39 | 141.93 | 163.91 | \$39.04 |
| 2nd Qtr '10 | 31.56 | 103.03 | 130.96 | 145.20 | 172.55 | \$39.90 |
| 1st Qtr '10 | 59.82 | 123.81 | 143.58 | 160.70 | 181.55 | \$48.69 |
| Jan 20 - 26, '10 | 65.65 | 129.32 | 158.93 | 174.58 | 183.30 | \$51.60 |

Data Provided by Intercontinental Exchange. Individual product prices in cents per gallon. NGL barrel in \$/42 gallons

PIPELINE NEWS

TransCanada Brings First Rockies Gas Pipeline Online

TransCanada Corp. reports that its Bison Pipeline is now operational. The 303-mile, 30-inch-diameter interstate pipeline has an initial capacity of 407 million cubic feet a day, all of which is currently under long-term contract. With additional compression, the pipeline is expandable to 1 billion cubic feet a day.

Bison begins in northeastern Wyoming and travels northeast through Montana and North Dakota before connecting with Northern Border Pipeline in North Dakota. Natural gas transported on Bison will reach Midwest markets via Northern Border, a pipeline partially owned indirectly through TransCanada's interest in TC Pipelines LP. Bison is TransCanada's first pipeline to access gas produced in the U.S. Rocky Mountain region.

"The Rockies was one of the last major North American producing basins that we weren't connected to," said Russ Girling, TransCanada president and chief executive. "Bison provides new options both to producers in the Powder River Basin and to consumers in the Midwest."

"Connecting to Northern Border provides a lower-cost overall competitive solution for Bison's customers, and it

adds value to an existing asset by strengthening its contract profile and diversifying its gas supply mix," he added.

With Bison operational, TransCanada has put into service six major projects in the last ten months. The initial phase of the Keystone Oil Pipeline began commercial operation; North Central Corridor and Groundbirch pipelines began shipping gas through TransCanada's Alberta System in 2010; Maine's largest wind project, Kibby Wind, became fully operational in late October; and the Halton Hills Generating Station in Ontario began producing power in the fall as well.

TransCanada will continue bringing large-scale projects into service in the coming months, including the Keystone Cushing extension, the Guadalajara natural gas pipeline in Mexico and the Coolidge Generating Station in Arizona.

Collectively, these projects are expected to generate approximately US\$1 billion of earnings before interest, taxes, depreciation and amortization (EBITDA) to TransCanada in 2011.

INTERNATIONAL NEWS

Chevron Accelerates Development of Platong II Project in Thailand

Chevron is planning to move up the development of its US\$3.1 billion Platong II natural gas project in the Gulf of Thailand from 2012 to 2011 in order to meet the growing demand in Asia for natural gas, according to *The Wall Street Journal*.

Jim Blackwell, president of Chevron Asia Pacific Exploration and Production, said that natural gas demand in Thailand grew 13% in 2010 as it provides roughly one-third of the country's electricity demand.

The Platong II project is located 120 miles offshore Thailand in shallow water and will have a capacity to process

up to 420 million cubic feet per day (MMcf/d) of natural gas and 18,000 barrels per day of natural gas liquids (NGL). Last spring, Chevron officials announced that the project was 49% completed and would process an average of 330 MMcf/d when it begins operations (see *Gas Processors Report 04/28/10*). Chevron holds a 69.8% interest in the project with Mitsui of Japan owning 27.4% and Thailand's state-owned PTT Exploration & Production owning the remaining 2.8% of the project. — Frank Nieto

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