HART

Gas Processors Report

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Inside Look at Processing Trends

2006 Best Year Ever for Enterprise Products Partners

Enterprise Products Partners made it official in its earnings call and earnings report released Wednesday: 2006 was the best year ever and company officials expect another good year in 2007.

Enterprise detailed its fourth quarter and calendar year 2006 performance and provided an overview of operations. As in the past, Enterprise is the first midstream company to report its quarterly performance, launching the earnings report season for the midstream sector. The company ended the record year with a record fourth quarter.

"Enterprise reported a solid fourth quarter which culminated an outstanding performance by our partnership in 2006," said Bob Phillips, Enterprise's president and CEO. "We think it was a great year for Enterprise, possibly the greatest year the partnership has ever had. We also think 2007 presents the same opportunities for growth and improvement. We did well in '06 and we expect to do similarly as well in 2007."

In addition, Phillips stressed that Enterprise continues to add new investments to their portfolio that will drive growth in 2008 and 2009. "A large part of our commercial development is focused on those out years. We think the environment looks equally well for those out years in new organic investment opportunities."

In 2006, Enterprise benefited from record processing margins and strong demand for finished products, Phillips said, stressing that the partnership is the industry leader in NGLS, fractionation and storage. The financial position and condition of the company has never been stronger, he maintained.

"Enterprise is very well positioned in all of our business segments. We are well positioned for the future," he said. "The disciplined investment approach began to pay off for us. We invested in solid projects over the past several years since our merger with Gulf Terra."

Enterprise reported a 22% increase in net income for the fourth quarter of 2006 to $133 million, or $0.25 per unit on a fully diluted basis, from $108 million, or $0.23 per unit, in the fourth quarter of 2005. Net income for the twelve months ended Dec. 31, 2006 increased by 43% to a record $601 million, or $1.21 per unit, compared to $420 million, or $0.91 per unit, for the twelve months ended Dec. 31, 2005.

Distributable cash flow generated in the fourth quarter of 2006 was $254 million, a 20% increase from $212 million in the fourth quarter of 2005.

Distributable cash flow for the fourth quarter of 2006 provided over 1.1 times coverage of the cash distribution to the limited partners. Distributable cash flow for the twelve months ended December 31, 2006 increased 9% to a record $992 million from $906 million for 2005.

Revenue for the fourth quarter of 2006 was $3.4 billion, down marginally from $3.8 billion in the fourth quarter of 2005.

In the fourth quarter of 2006, both revenues and operating costs and expenses were lower due to the decrease in the price for natural gas and NGLs from the fourth quarter of 2005.

Operating income for the fourth quarter of 2006 increased 16% to $206 million compared to $178 million for the fourth quarter of 2005. Gross operating margin increased 12% to $340 million for the fourth quarter of 2006 from $303 million for the same quarter in 2005.

Earnings before interest, taxes, depreciation and amortization ("EBITDA") for the fourth quarter of 2006 increased 12% to $319 million from $284 million for the fourth quarter of 2005.

Operating income increased by 30% to a record $860 million in 2006 compared to $663 million in 2005. Gross operating margin increased by 20% to a record $1.4 billion in 2006 from $1.1 billion in 2005.

EBITDA increased by 21% to a record $1.3 billion in 2006 from $1.1 billion in 2005. Operating income, gross operating margin and EBITDA for 2006 included approximately $64 million of recoveries under business interruption insurance

Gross operating margin from the natural gas liquids (NGL) pipelines and storage business was a record $90 million in the fourth quarter of 2006 which was a 47%, or $29 million, increase from $61 million earned in the fourth quarter of 2005.

This increase was partially attributable to an $18 million increase in gross operating margin for the Mid-America and Seminole pipelines to $53 million for the fourth quarter of 2006 from $35 million in the fourth quarter of 2005. These pipelines benefited from increased volumes and lower fuel costs.

The Mid-America and Seminole pipelines reported a 64,000 barrels per day (BPD) increase in NGL transportation volumes to 897,000 BPD for the fourth quarter of 2006 despite lower demand for propane in the fourth quarter of 2006 due to warmer than normal weather.

Also contributing to the increase for this business was an $11 million improvement in the gross operating margin from the Dixie Pipeline which benefited from a settlement of claims for injections of contaminated propane into the Dixie system by third parties as well as lower pipeline integrity costs. Total NGL pipeline volumes for the partnership increased to 1.6 million BPD in the fourth quarter of 2006 compared to 1.5 million BPD in the same quarter last year.

Enterprise's natural gas processing and related marketing business generated $91 million in gross operating margin in the fourth quarter of 2006, a 23%, or $17 million, increase from $74 million of gross operating margin reported in the fourth quarter of 2005.

Strong demand for NGLs, a favorable processing environment and higher levels of offshore natural gas production available for processing led to increased equity NGL production and fee-based processing volumes for the fourth quarter of 2006 relative to the same quarter of 2005.

Equity NGL production, which are NGLs that Enterprise earns and to which it takes title as a result of providing processing services, for the fourth quarter of 2006 increased by 64%, or 25,000 BPD, to 64,000 BPD while fee-based processing volumes for the fourth quarter of 2006 increased by 39%, or 620 million cubic feet per day to 2.2 billion cubic feet per day.

Higher gross operating margin from the partnership's Louisiana, Texas and Wyoming natural gas processing facilities during the fourth quarter of 2006 more than offset decreases from the Chaco processing plant and NGL marketing, which was also adversely impacted by lower demand for propane during the fourth quarter of 2006 due to warmer than normal weather.

Gross operating margin from the NGL fractionation business increased 30% to $22 million in the fourth quarter of 2006 from $17 million in the fourth quarter of 2005. Volumes at Enterprise's Louisiana fractionators improved significantly and resulted in a $12 million increase in gross operating margin for the fourth quarter of 2006 compared to the same quarter in 2005.

Louisiana fractionation volumes increased to 107,000 BPD in the fourth quarter of 2006 from 30,000 BPD in the fourth quarter of 2005 when NGL production in the region was adversely impacted by the lingering effects of Hurricanes Katrina and Rita. Total NGL fractionation volumes for the fourth quarter of 2006 were 344,000 BPD versus 236,000 BPD for the fourth quarter of 2005.

Enterprise's onshore natural gas pipeline and storage business earned gross operating margin of $72 million in the fourth quarter of 2006 compared to $95 million in the fourth quarter of 2005.

Natural gas transportation volumes for both the fourth quarter of 2006 and the fourth of 2005 were 5.9 trillion British thermal units per day (Toted). Most of the decrease in this segment was attributable to lower revenues from certain contracts for the San Juan natural gas gathering system in which fees are based on the San Juan natural gas price index. The San Juan natural gas price index was significantly higher in the fourth quarter of 2005 than the fourth quarter of 2006.

Gross operating margin from the San Juan system decreased to $26 million for the fourth quarter of 2006 from $56 million in the fourth quarter of 2005. Volumes on the San Juan system were stable at 1.2 Toted for both the fourth quarters of 2006 and 2005. Enterprise's Texas intrastate system partially offset this decrease by reporting a $9 million increase in gross operating margin for the fourth quarter of 2006 to $29 million from $20 million for the fourth quarter of 2005.

This improvement was attributable to a decrease in expenses and higher transportation fees. Volumes on the Texas intrastate pipeline were 3.2 Toted for the fourth quarter of 2006 versus 3.5 Toted for the same quarter in 2005.

Gross operating margin for the offshore pipelines and services segment was $27 million in the fourth quarter of 2006 compared to $15 million in the fourth quarter of 2005.

In general, this segment experienced lower volumes and higher operating expenses during the fourth quarter of 2005 as a result of the negative effects of Hurricanes Katrina and Rita.

Gross operating margin from offshore oil pipelines increased to $7 million in the fourth quarter of 2006 from $3 million in the fourth quarter of 2005. The increase was primarily due to earnings from the Constitution oil pipeline that was completed and began commercial operations in the first quarter of 2006 and increases in volumes on the Marco Polo and Poseidon oil pipelines.

Total offshore oil transportation volumes were 164,000 BPD in the fourth quarter of 2006 compared to 109,000 BPD in the same quarter of 2005. Gross operating margin from offshore natural gas pipelines was $9 million in the fourth quarter of 2006, which included $1 million of recoveries under business interruption insurance, compared to $5 million in the fourth quarter of 2005.

The Constitution natural gas pipeline, which was completed in the first quarter of 2006, provided $2 million of this increase.

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Enterprise Believes Gas-to-Crude Ratios Should Return to 2006 Levels

Jim Teague and Bob Phillips both agree that gas-to-crude ratios should return to what we saw last year.

In Enterprise's earnings conference call Wednesday, Teague pointed out that natural gas prices are naturally higher this time of year due to heating demand. But once winter is over, the strong storage overhang and increased production from the Rockies and other regions should work to push gas-to-crude rations back to last year's levels.

Phillips noted that gas-to-crude ratios are currently in the high 70% to 80% range which is up only marginally from the fourth quarter. The higher ratios can be attributed to the very recent drop in crude prices and the very recent increases in gas prices due to the weather, Phillips said.

Philips predicts the gas-to-crude ratios will return to the high 60% to low 70% level this year. However, for Enterprise the absolute price of NGLs are actually more important than the gas-to-crude ratio.

"A large part of our portfolio is percent of liquids contracts," he said. "We get paid for the processing service. We receive an equity portion of the liquids that we extract and sell on the open market. We still feel very comfortable with NGL prices."

He stressed that NGL prices are still at historically very high levels. Ethane is in the mid to high 50¢ range and propane is in the 90¢ range which are both healthy levels. Phillips said These strong NGL prices will contribute to Enterprise's processing performance in 2007, he added.

Meanwhile, Phillips pointed out that Enterprise continues to have a large, diversified processing portfolio. "We have very few traditional keep whole contracts in our processing portfolio," he said. "We renegotiated most of those contracts pre-Gulf Terra merger to margin band contracts. This limits our upside to a certain extent, but it also limits our downside when prices converge of go upside down."

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Enterprise's Petal Storage Fully Subscribed

The expansion of Enterprise Products Partners' Petal Mississippi storage facility is now fully subscribed and is set to placed in service by mid-2007, says Bob Phillips, Enterprise's president and CEO.

In addition, 5 BCF of new cavern storage is scheduled for an in service date of 2008. Two long-term customers have already signed up, and Phillips says there is a lot of interest in the remainder of the capacity, Phillips noted in an earnings conference call Wednesday...

Meanwhile, Enterprise is completing interconnects on its Texas intrastate natural gas pipeline in the Houston area to begin supplying Centerpoint by April 1. Plus, construction of Enterprise's fourth polymer-grade propylene fractionator at Mont Belvieu is expected to be completed and operational in the third quarter of this year.

In the Permian Basin, the Hobbs fractionator is on schedule for a mid-2007 completion. "We just recently signed an exclusive long-term contract with Huntsman Chemical for off take of ethane and propane from that Hobbs fractionator," Phillips said.

There were a record number of well connects on the Carlsbad and Waha systems in 2006, and Enterprise added a dew point plant on the Carlsbad system late last year that will help the partnership extract more NGLS from the region.

In the San Juan Basin, Enterprise singed two long-term gathering contracts with two of the partnership's top three producers. "The San Juan System completed over 400 new well connects in 2006, a 20% increase over the prior year," Phillips said.

Enterprise's Mid-America Pipeline expansion project is nearly complete with the pipeline looping portion of the project started and the pump station installation on schedule for a July 1 completion. This will add 50,000 b/d capacity to the Mid-America system.

Last year, Enterprise singed new long-term dedicated agreements with all but one of their shippers on the Mid-America pipeline. Phillips said this secures volumes for the future.

Meanwhile, Michael Creel, Enterprise's CFO, said the partnership is on target to spend \$1.5 billion to \$1.6 billion in capital projects in 2007

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Centre Partners Management Forms Nexus Gas Partners

New York private equity firm Centre Partners Management LLC and its Dallas-based affiliate Centre Southwest Partners LLC have entered the midstream sector through the formation of Dallas-based Nexus Gas Partners LLC.

Centre Partners is investing in Nexus through its Centre IV fund which has about \$780 million of committed capital. Scott Perekslis, Centre Partners' senior partner, said the equity firm will be looking for more investment opportunities in the next 18 to 30 months. He said Nexus looks to "build a high quality diverse" portfolio of midstream assets through organic developments and acquisitions.

"We recognize an attractive investment opportunity in the midstream segment, given the compelling industry backdrop, positive capital deployment trends of the upstream customers of the segment, and strong, recurring cash flow attributes of many of those assets in this industry," Perekslis said. "We believe we are well positioned to take advantage of the significant growth opportunities afforded us from our initial acquisition and other initiatives under consideration."

Earlier this month, Nexus Gas Partners acquired Dominion Midstream Services, which was previously a privately held company of the Dallas-based Dominion Gas Group. The acquired assets consist of the Logansport gathering and dehydration system which currently gathers approximately 100 million cfd of natural gas from the Joaquin Field in Shelby County and Panola County, Texas and the Logansport, grand Cane Spider and Benson Fields in Desoto Parish, La.

Dominion Gas Ventures, another Dominion Gas Group entity and long-standing participant in several segments of the energy industry, will continue to provide marketing-related services for several customers transporting volumes through the Logansport system. Producer customers for the system include BP, XTO, EOG Resources, KCS and Hunt. The system interconnects with Southern Natural Gas and Tennessee Gas Pipeline.

Nexus Gas Partners will be managed and co-owned by industry veterans Mike Davis and Fritz Brinkman.

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Pecan Pipeline Plans Two Barnett Shale Gathering Systems

Pecan Pipeline Company, a wholly owned subsidiary of EOG Resources, plans to build two natural gas gathering systems in the Barnett Shale.

The first system, located in Palo Pinto County, will include approximately 26 miles of 20-inch diameter pipeline with a designed throughput capacity of 250 million cfd of natural gas. The new pipeline will connect with Momentum Energy Group's existing pipeline and processing facilities. These combined systems will provide for the delivery of residue gas into both the Energy Transfer and Enterprise 36-inch pipeline and the Atmos 36-inch pipeline located near the town of Tolar. The gathering system is expected to operational by June 2007.

Pecan Pipeline also plans to construct a gas gathering system in Hill County that will have approximately 40 miles of 20-inch and 12-inch pipe with a designed throughput of 300 million cfd. The Hill County pipeline will connect to Energy Transfer's 42-inch pipeline that extends to Carthage, Texas. This system will be operational in September 2007.

Pecan Pipeline did not disclose the cost of building the two systems.

"Pecan Pipeline plans to pursue opportunities to construct and operate infrastructure necessary to gather, compress and condition EOG's natural gas as well as to provide these services for other operators in the Barnett Shale," said Pecan Pipeline President Andrew Hoyle. "We also plan to seek opportunities in other areas where EOG is active but pipeline access is not readily available."

Formed as a wholly owned subsidiary of EOG in June 2006, Pecan Pipeline Company will provide intrastate natural gas gathering services to complement EOG's as well as other operators' exploration growth in the Barnett Shale and other plays in Texas.

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Fractionation Spread

Current Frac Spread (Cents/Gal)		
Date: January 23, 2007	Conway	Mont Belvieu
Ethane	48.76	53.67
Shrink	46.01	48.56
Margin	2.75	5.11
Propane	85.72	88.06
Shrink	63.48	67.00
Margin	22.24	21.06
Normal Butane	97.25	105.78
Shrink	69.09	72.92
Margin	28.16	32.86
Iso-Butane	114.00	117.32
Shrink	71.86	75.85
Margin	42.14	41.47
Pentane+	121.25	124.75
Shrink	77.75	82.06
Margin	43.50	42.69
NGL $/Bbl	34.57	35.89
Shrink	25.32	26.73
Margin	9.25	9.16
Gas ($/mmBtu)	6.93	7.31
Gross Margin in $/bbl	20.06	20.92
NGL Value in $/mmBtu		
Ethane	2.68	2.95
Propane	2.98	3.06
Normal Butane	1.09	1.19
Iso-Butane	0.68	0.70
Pentane+	1.55	1.59
Total Barrel Value in $/mmbtu	8.98	9.49
Margin	2.05	2.17

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.

U.S. spot natural gas prices jumped to near seven-week highs on January 23 with strong weather demand giving the bulls reason to charge. The robust gas prices pulled frac spreads down in Conway and Texas with the gross margin in $/bbl slipping $1.78 at Conway to $20.06 and dropping $3.13 at Mont Belvieu to $20.92.

Below normal temperatures for most of the nation gave a strong boost to natural gas demand. The National Weather Service continues to forecast below normal conditions for most of the country to linger for the next two week, with the coldest weather concentrated over the Midwest. A cold weather outlook for propane-consuming regions should give a healthy boost to propane prices with forecasts of at least 90¢/gal as long as winter weather remains.

Winter 2007 is shaping up to be colder than winter 2006 which is giving the bulls more latitude. Forecasts for a cold February should also keep spot prices above the $7.00 mark. However, strong storage numbers continue to give the bears a strong voice in the market.

Currently, the bears are driving the crude market while the bulls are controlling the gas market. The bulls are also running the propane market while the bears are in charge of the ethane market.

In fact, Houston consultants EnVantage stress that the biggest threat to processors with keep whole margins is that ethane extraction will not be economical in February. "Even though Belvieu ethane prices should hold at least a 42.5% price relationship with crude, gas-to-crude ratios should remain in the 75% to 80% range, squeezing ethane margins in most processing locations below 6¢/gal," consultants Terry Ciliske and Peter Fasullo note in their weekly energy report.

"It is highly likely that across most processing regions it is not economical to recover ethane at current regional spot prices for gas," they stress.

Cash gas-to-crude ratios continue to strengthen and have gone from the low-79% level last week to the high 70% level this week in reaction to the much colder than normal weather in the Midwest and the Northeast. "Last year at this time when temperatures were 20% warmer than normal, cash gas-to-crude ratios were rapidly falling and reached 66% by the end of February," the consultants say.

They believe that gas-to-crude ratios could remain in the 70% to 75% range until March which will have an adverse impact on frac spreads compared to last year.

Meanwhile, cold weather also gave improved performance to the Canadian spot market. In fact, the return to typical weather for Canada is expected to erase Canada's inventory surplus, many traders believe. They say the continued cold spell could drain the inventory cushion by Feb. 2.

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Midstream News

Duncan Energy Partners Launches IPO at $19 to $21 per Unit

Duncan Energy Partners L.P. has commenced its initial public offering of common units which is expected to price beginning Monday.

Duncan Energy Partners is offering 13,000,000 common units (or 14,950,000 common units if the underwriters exercise their option to purchase additional common units in full) at a price between $19.00 and $21.00 per common unit.

When issued, the common units will be listed on the New York Stock Exchange under the ticker symbol "DEP."

Lehman Brothers and UBS Investment Bank are serving as representatives and joint book-running managers in the IPO. Citigroup, Goldman, Sachs & Co., Morgan Stanley, Wachovia Securities, A.G. Edwards, J.P. Morgan Securities, Merrill Lynch, Raymond James, RBC Capital Markets, Sanders Morris Harris Inc., Scotia Capital, Natexis Bleichroeder Inc. and Banc of America Securities LLC are serving as co-managers in the offering.

Duncan Energy Partners has been formed by Enterprise Products Partners to own interests in certain midstream assets of Enterprise and may, from time to time, acquire interests in midstream assets from affiliates of Enterprise or, under certain circumstances, from third parties.

Duncan Energy Partners will initially own 66% of the equity interests in subsidiaries that will be contributed to it by Enterprise, including subsidiaries holding the Acadian Gas, Sabine Propylene and Lou-Tex Propylene pipeline systems; the South Texas NGL pipeline system; and the Mont Belvieu NGL storage facilities.

Together, these assets will include:

• 33 salt dome storage caverns in Mont Belvieu, Texas with the capacity to store approximately 100 million barrels of NGLs and petrochemicals;

• over 1,000 miles of Louisiana intrastate natural gas pipelines with an aggregate capacity of approximately one billion cubic feet per day;

• a 284-mile petrochemical pipeline system on the U.S. Gulf Coast that transports chemical-grade and polymer-grade propylene; and

• a 290-mile pipeline system that will transport NGLs produced in South Texas to Mont Belvieu.

Duncan Energy Partners will use the net proceeds from the offering to distribute approximately $212.3 million, subject to adjustments, to an affiliate of Enterprise as a portion of the cash consideration and reimbursement for capital expenditures relating to the assets contributed to Duncan Energy Partners

In addition, proceeds will provide Duncan Energy Partners with capital to fund its share of estimated capital expenditures required to complete planned expansions to specified projects subsequent to the closing of the IPO.

Duncan Energy Partners will also use proceeds to pay other estimated net expenses associated with the IPO and related formation transactions.

In addition, Duncan Energy Partners will borrow approximately $200 million under its $300 million credit agreement and distribute $198.9 million of these borrowings to an affiliate of Enterprise in partial consideration for the assets contributed to Duncan Energy Partners upon the closing of the IPO.

If the underwriters exercise their option to purchase additional common units, Duncan Energy Partners will use all of the net proceeds from the sale of those common units to redeem an equal number of common units from an affiliate of Enterprise.

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Krimbill Resigns from Energy Transfer Partners to Stay in Tulsa

Mike Krimbill, Energy Transfer Partners' chief financial officer and a director, has resigned to stay in Tulsa as the company is closing its Tulsa office to concentrate operations in Dallas.

Vicki Granado, a spokeswoman for Energy Transfer Partners (ETP), said Krimbill wanted to remain in Tulsa because he has family and young children there. He will remain with ETP until a replacement is found. The company is actively seeking a replacement. "We have some mighty big shoes to fill," Granado said.

In a SEC filing last week, ETP said Krimbill will pursue outside business interests. Krimbill has 17 years experience with ETP and predecessor companies

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Independence Hub Set to Sail Next Week

Enterprise's Independence Hub is set to sail next week from its construction site in Corpus Christi, Texas to its location in Mississippi Canyon Block 920 of the eastern Gulf of Mexico and reach mechanical completion by mid-March.

In an earnings conference call Wednesday, Bob Phillips, Enterprise president and CEO said the platform should be on site Feb. 4 to 5 and will be met by the heavy lift vessel Balder. Installation of the mooring system will then begin and should be completed within 30 days. When the platform is mechanically completed in mid-March, Enterprise will turn it over to Anadarko which will operate the platform on behalf of the Atwater Valley Producers Group.

Enterprise expects to receive monthly payments of $4.6 million beginning April 1.

Natural gas production into the Independence facilities is currently scheduled to begin in the second half of 2007. Once production commences, in addition to the demand fees, the platform and pipeline will also generate incremental gross operating margin, net to Enterprise's interest, of approximately $17 million per year from volumetric fees for each 100 million cubic feet per day of average production.

The facility has the capacity to handle up to one billion cubic feet per day of production. The top side of the platform will be complete and flow lines will bed laid out to the wells by late July or early August, "Production tests from dedicated fields look very promising Phillips said.

Congressional approval to allow for drilling in the eastern Gulf of Mexico is also promising because the acreage is very close to the platform. "We think this adds a lot of long-term value to this project," Phillips said.

In addition to its monthly payment on the Independence Hub, Enterprise will receive a platform professing fee and a pipeline transmission fee. Phillips said this will add substantial upside to Enterprise's cash flow generation once it ramps up in the second half of 2007.

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Enbridge Applies With Canada's Energy Board for Pipeline Expansion

Enbridge Pipelines has applied to Canada's National Energy Board for the Alida, Saskatchewan to Cromer, Manitoba capacity expansion project (ACCE).

The estimated capital cost of the ACCE project is approximately C$14 million ($12 million).

The ACCE project involves the construction of a 60 km (37.28 mile) pipeline to transport NGLs from Alida to Cromer. Once the pipeline is commissioned in September or October of this year, an existing Westspur pipeline from Alida to Cromer that currently transports 3,140 b/d of NGLs will be converted to ship crude oil. To facilitate the change in service from NGL to crude, Enbridge has also applied for an increase in maximum allowable operating pressure on the existing pipeline.

The switch will enable Enbridge to raise the capacity of crude delivered between Alida and Cromer by nearly 20% from 157,300 b/d to 188,130 b/d.

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Encore Buys Anadarko's Wyoming Assets

Anadarko Petroleum Corp. has agreed to sell oil and natural gas properties in the Big Horn Basin in Wyoming for $400 million to Fort Worth-based Encore Acquisition Co. The sale was effective Jan. 1, and the deal is expected to close by March, subject to customary closing conditions and adjustments.

Encore said it plans to create a master limited partnership to hold at least some of the assets. Encore will take the MLP public and use the proceeds to pay down debt related to the acquisition.

The acquisition also includes the Elk Basin Gas Plant which produces NGLs from the produced gas in the Elk Basin Unit and injects waste gases into the field to maintain production.

The properties are comprised of the El Basin Unit and the Gooseberry Unit in Park County Wyoming. Encore's internal engineers have estimated that the properties have total proved reserves of approximately 20 millions BOE, which are 97% oil and 90% proved developed producing.

Encore estimates that 2 million BOE will require approximately $17 million to develop. The properties currently produce approximately 4,000 net BOE per day with an additional 350 net BOE per day of NGLS produced by the Elk Basin Gas Plant. The producing properties have a shallow one-year proved developed decline rate estimated at 6%. Encore estimates that the properties have a total proved reserves-to-production ratio of approximately 14 years. The properties will be 100% owned by Encore.

Encore's internal engineers have estimated that the proved developed properties will generate approximately $50 million in cash flow in both 2007 and 2008. Lease operating expenses are estimated to be approximately $10.25 per BOE.

"The luxury of these properties is that production can be held flat with a relatively modest $7 million annual investment and the remaining $43 million is available to grow production or to reduce debt," said Encore CEO John Brumley. "We are comfortable with waterfloods and tertiary recovery projects because they fit into our basket of expertise."

The sale is one more step in Anadarko's divestiture program. Anadarko Chairman, President and CEO Jim Hackett said the divestiture program allows Anadarko to concentrate on areas that can deliver strong, predictable growth for years to come.

"The sale of these oil fields furthers our efforts to concentrate our geographic footprint and high grade our assets," Hackett said. "We have significant positions in some of the most prolific basins in the Rocky Mountains. We have an extensive inventory of low-risk, repeatable projects, economies of scale and competitive advantages in the Greater Naturals Buttes area in Utah, Powder River Basin in Wyoming and Wattenberg field in Colorado.

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Propane Inventories Down Sharply

Cold temperatures in many areas of the nation contributed to push propane inventories down sharply last week by about 4 million bbls, the largest weekly decline seen so far during the 2006-07 heating season (October through March), according to the Energy Information Administration.

Over the past three weeks, the nation's primary propane supply has dropped by about 8.3 million bbls, a level that accounts for only about 60% of the most recent 5-year average monthly stock draw for this month.

As of Jan. 19, propane inventories stood at an estimated 53.6 million bbls, a level that was narrowed in recent weeks to only 1.2 million bbls above the same week last year.

Regional propane inventories were only moderately lower in the East Coast with a reported drop of 0.1 million bbls, but inventories in the Gulf Coast and Midwest regions reported much sharper declines that totaled 2.3 million barrels and 1.4 million bbls, respectively. The combined Rocky Mountain/West Coast regions reported an inventory decline of 200,000 bbls last week, a sharp drop most likely from an increase in agricultural demand stemming from the cold temperatures affecting the citrus groves around Southern California.

Propylene non-fuel use inventories reported a 200,000 bbl drop last week that accounted for a slightly higher 6% of total propane/propylene inventories compared with the prior week's 5.9 % share. Back to contents

NGL Price Boxscore

Improving Propane Performance Lifts Both Barrels

The Conway barrel inched up 4¢ to $34.57 and the Mont Belvieu barrel climbed 30¢ to $35.89 on improving propane prices and more robust gasoline numbers for the period ending Jan. 23.

Winter weather gave new strength to propane prices but strong storage numbers still kept propane below 90¢ in both Kansas and Texas. With more cold weather expected, most industry watchers believe propane will reach and maintain the 90¢ level, depending also on crude's performance. If winter weather makes an exit, propane will likely retreat to the 80¢ range.

The ethylene industry's operating rate has climbed to 87% this month from 85% in December which is giving a slight boost to ethane prices. However, the industry is still viewed as well supplied with strong feedstock flexibility. Demand is still soft with buyers looking for a price drop.

Merrill Lynch analyst Don Carson believes ethane integrated polyethylene margins will decline sequentially in the first quarter to 19¢/lb from 21¢/lb in the fourth quarter due to a lower first quarter starting point. First quarter 2007 performance will be significantly lower than the 33¢/lb margins in the first quarter of 2006 which saw inflated results due to the 2005 hurricanes.

In a Monday research report, Carson noted that ethylene spot prices rebounded roughly 2¢./lb to 33¢/lb last week amid a flurry of spot market activity and a 1¢/lb increase to 7¢/lb in ethane based ethylene spot margins. "With roughly 12% of U.S. ethylene capacity expected to be off-line in February, we believe buyers are covering for February outages, which is leading to both higher spot prices and volumes," Carson said.

Mont Belvieu	Eth	Pro	Norm	Iso	Pen+	NGL Bbl
Jan. 18-23, '07	53.67	88.06	105.78	117.32	124.75	**$35.89**
Jan. 11-16, '07	53.85	86.93	106.90	112.50	122.94	**$35.59**
Jan. 4-9, '07	56.53	86.78	107.14	108.94	125.64	**$36.09**
Dec. 27-Jan 3, '07	59.82	90.99	109.71	108.50	131.58	**$37.62**
December '06	63.16	96.84	112.84	114.89	133.29	**$39.28**
November '06	59.42	94.25	110.53	110.57	128.00	**$37.80**
4th Qtr '06	61.85	94.86	111.23	111.99	130.83	**$38.52**
3rd Qtr '06	74.42	109.82	128.36	129.37	152.40	**$45.06**
2nd Qtr '06	66.87	104.95	121.77	126.29	151.66	**$42.84**
1st Qtr '06	56.30	94.33	118.84	129.01	139.94	**$39.07**
Jan. 5 - 11, '06	64.59	99.27	132.71	139.95	147.14	**$42.44**
Conway, Group 140	**Eth**	**Pro**	**Norm**	**Iso**	**Pen+**	**NGL Bbl**
Jan. 18-23, '07	48.76	85.72	97.25	114.00	121.25	**$34.57**
Jan. 11-16, '07	48.00	84.99	99.81	111.50	122.79	**$34.53**
Jan. 4-9, '07	50.50	85.65	105.25	114.08	131.00	**$35.93**
Dec. 27-Jan 3, '07	52.00	89.27	108.92	115.88	135.83	**$37.18**
December '06	51.93	94.47	109.61	118.98	137.35	**$38.01**
November '06	51.91	94.67	104.79	111.94	127.25	**$36.90**
4th Qtr '06	52.31	94.13	105.88	114.65	129.25	**$37.17**
3rd Qtr'06	72.02	108.27	122.23	133.81	149.64	**$44.84**
2nd Qtr '06	63.60	104.24	117.65	130.82	162.14	**$43.51**
1 Qtr '06	53.86	92.07	117.35	136.58	147.34	**$39.60**
Jan. 5-11, '06	61.29	97.34	137.58	143.77	147.15	**$42.06**
Data Provided By ChemConnect. Individual product prices in cents per gallon.						

Gas Processors Report

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