

In This Week's Edition

FEATURE

Hart Energy Exclusive: At DUG 2011 George W. Bush Shares History, U.S. Energy Outlook 1

INSIDE LOOK AT PROCESSING

DCP Midstream To Build Eighth Processing Plant In DJ Basin..... 1

Odum: Shell's Long-Term Energy Focus Is On Natural Gas 2

Wood Mackenzie: Cornell Study Overestimated Frac Emissions By Up To 90%..... 3

OTC 2011: Economides--Natural Gas To Lead 'New Energy Economy' 5

Will MLP Tax Treatments Be Nullified? 7

NEWS & TRENDS

Enterprise To Increase Propylene Frac Capacity At Mont Belvieu..... 7

Nuevo Midstream To Restart Natural Gas Processing Plant 8

DCP Midstream To Provide NGL Transportation, Fractionation Services..... 9

FERC Authorizes Golden Pass For Phase 2 Commissioning Completion..... 9

Crestwood Midstream Partners Announces Improved 1Q 2011 Results, Revised 2011 Outlook..... 9

PIPELINES & TECHNOLOGY

Williams Partners Acquires 24.5% Interest In Gulfstream System..... 10

NGL PRICES

Volatile Crude Prices Cause NGL Prices To Weaken..... 10

FRAC SPREAD

Frac Spread Margins Up Due To Reduced Natural Gas Prices..... 12

April 2011 Frac Spread: Margins Improve Despite Large Feedstock Price Gains 13

SNAPSHOT

CGT Supplies Natural Gas To Growing Southeast Region..... 14

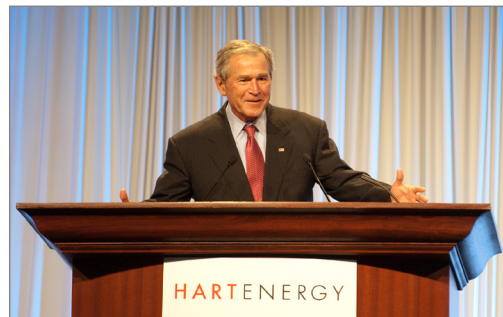
FEATURE

Hart Energy Exclusive: At DUG 2011 George W. Bush Shares History, U.S. Energy Outlook

Arguably, being president of the United States is one of the toughest jobs around. But, it also has its bright spots, according to former President George W. Bush. At Hart Energy's 6th annual DUG conference, recently in Fort Worth, Texas, Bush engaged nearly 2,400 attendees during a special luncheon with a frank and sometimes humorous speech on the reasons behind his recent memoir, his presidency, and his outlook for energy.

Bush set the tone early by flatly declining to criticize his successor.

"Doing so would be bad for the country and the presidency," he said. "The current president has plenty of critics, and he doesn't need a former president piling on."



President George W. Bush delivered the keynote address at Hart Energy's 6th Annual DUG Conference in Ft. Worth, Texas. Photo by Alexander Rogers

He then shared some thoughts on why he wrote his memoir, Decision Points, which he happily, openly promoted to the audience.

"This book is meant to be a data point for future historians. It is also a way to put

(continued on page 4)

INSIDE LOOK AT PROCESSING

DCP Midstream To Build Eighth Processing Plant In DJ Basin

Due to increased production out of the DJ Basin and Niobrara shale, DCP Midstream LLC announced it will build the \$270 million LaSalle cryogenic natural gas processing plant along with an associated gathering system in Weld County, Colorado.

The 110 million cubic feet per day (MMcf/d) plant will be the company's eighth plant in the region when it is completed in mid-2013.

"We're adding larger diameter, high-pressure gathering lines in the greater Wattenberg field area to increase capacity on our older gathering system from the '70s and '80s and lower the pressure in the field itself, which producers believe will help the wells perform better," Bill Waldheim, president of

the company's northern business unit, told Midstream Monitor.

He added that the plant is expanding the super-system with enough capacity to handle all of the gas that can be produced from the two plays. Once complete the system will have a total processing capacity of 510 MMcf/d.

"These high-pressure lines are going to be laid in an area where we can continue to improve on the system as the processing capacity is increased," he said.

The newer gathering trunklines are being added along the perimeter of the basin with one being added to the north and west of the proposed site for the LaSalle plant. This site was selected due to the amount of new permitting and activity in the area.

(continued on page 6)

Odum: Shell's Long-Term Energy Focus Is On Natural Gas

While some segments of Wall Street may question the decision to produce natural gas over crude oil given the current price differentials between the two products, Marvin Odum, president of Shell Oil Co., said that his company will do just that based on industry forecasts.

"In 2012, Shell will produce more natural gas than oil. That's not an accident. It's worth pursuing and it will be a preferred fuel [in the future]," Odum said recently at the Energy Information Administration's Annual Conference in Washington.

While oil prices are expected to remain much greater than gas prices over the near-term, he said that Shell's approach is to plan for the long-term. "As a company and an industry we have to take a very long-term view on energy opportunities out there. This isn't about what the price is next week or even next year, it's a 10-, 20-, 30-, 40-year forecast because of the scale of some of these projects."

Most industry analysts estimated that there is a supply of more than 200 years' worth of natural gas globally, with a supply of 100 years' worth of gas in North America. It is for this reason that among international oil companies, Shell is the second largest gas producer and the largest producer of liquefied natural gas (LNG) after having invested more than \$17 billion in North American gas exploration and development during the past 10 years.

Although the company is making large investments in natural gas, Odum said that Shell is focusing on other forms of energy since it believes the future will depend on properly utilizing all energy sources.

"I try very hard to leave out the word 'solution' because it implies that

the problem is gone. Too often people use that word to imply that one energy source, or a few energy sources, will fix everything. We know that our energy problems will never be 'solved.' Figuring out how to use the most of what we have, how best to use it, and how to develop new sources will always be something to aspire to. That's why we need an approach to energy that is as dynamic as the challenge. We need an approach that's only constant is constant evolution and improvement....It will take a sustained effort," he said.

Besides natural gas and oil, Shell is investing in hydrogen, gas-to-liquids and biofuels, among other resources. While each of these energy sources has its own positives and negatives, gas will clearly be a key fuel in the future, according to Odum.

"What we know about natural gas is: we know there's a lot of it, especially in North America, and we know that it is cheaper than many other forms of energy. We know it's a cleaner burning fuel. We know that capturing and using it is easier than ever," he said.

The wealth of knowledge surrounding natural gas is another feather in its cap as a preferred fuel for the future. In addition to its abundance and lower emission rate compared to other fossil fuels, natural gas also offers strong financial benefits to the United States, Odum said.

"We're seeing other benefits, including from the petrochemical industry. Ethane associated with domestic natural gas production is creating a competitive advantage for petrochemical makers due to its lower cost and steady supplies," he said.

This boon to the petrochemical industry is estimated by the American Chemistry Council at adding both jobs and



Marvin Odum, President, Shell Oil Co.

improving the economy. The Council said that a 25% increase in ethane production would add 17,000 high-paying jobs directly related to the industry, 400,000 outside of the industry, and add billions of dollars to the U.S. economy.

"The policymakers are looking at new ways to spur job growth and lower the deficit, so it's hard to imagine why a responsible energy policy with more natural gas exploration and production isn't sailing through Congress," Odum said.

Part of the hesitation from policymakers to fully embrace natural gas is due to questions about the safety of hydraulic fracturing, but he said these reports are incomplete and irresponsible. "Make no mistake, hydraulic fracturing can be done without harming the environment."

Shell supports regulations that require companies to disclose their fracturing chemicals as well as strict adherence to the highest safety standards.

"It is our job to prove we can be trusted to do the right thing...Responsible operators should have no problem complying. The best operators should work to improve the process. New technologies and procedures will reduce the amount of fresh water drawn from local

sources and new water storage and recycling innovations will minimize the footprint of natural gas development. Our goal is to get to the point where we effectively recycle 100% of the water that we use. We're effectively already there in the Marcellus, [shale]" Odum said.

However, while Shell remains very positive on the future of natural gas, he cautioned the desire to pit one energy source against another. This sets the stage for conflict between energy indus-

tries and harms the ability for compromises to be created.

Pushing back the development of secure, domestic energy sources will continue to force the U.S. to import oil from countries that are less secure, less stable and less environmentally controlled than the U.S.

"At a time when we can't be sure when or where the next volatile shift in markets or geopolitics will arrive, why would we want to add another layer of uncertainty to the mix?"

"We know that reducing demand and increasing supply is the surest way to build a stable energy future, but our political climate doesn't always make that easy. Too often decisions deal in hyperbole and rhetoric rather than in facts... From my perspective, and the perspective of Shell, it shouldn't be that difficult to create a prudent energy policy that ensures current and future demands are met. We need to pursue all options and I don't think there's a lot of debate regarding that," he said. – **Frank Nieto**

Wood Mackenzie: Cornell Study Overestimated Frac Emissions By Up To 90%

Cornell University's recent study which claimed that emissions released during the hydraulic fracturing process to complete horizontally drilled natural gas wells were up to 20% greater than emissions related to the use of coal has gained much attention, but a review of the study by Wood Mackenzie questions these findings.

"Based on our analysis of production rates and current industry practices from 100 unconventional plays, and using IPCC standards for methane global warming potential, we conclude that the Cornell study overestimated the impact from emissions during well completions by up to 90%," Wood Mackenzie said in a report.

The report stated that the Cornell study overestimated the average volume of natural gas vented during the completion and flowback stages by 60-65% as well as not considering the number of "green" completions, or reduced emission completions (REC), being done, especially in mature plays.

"Green completions not only significantly reduce emissions but also allow producers to capture the value of the flowback gas, which has served to increase the adoption of practices and technologies to capture these initial volumes," Wood Mackenzie said.

This completion technique is not employed throughout the industry because of the need for an operational pipeline and specialized equipment. However, Wood Mackenzie noted that the value of selling the additional volumes captured would more than offset the costs associated. The company estimated that producers can capture up to \$9 billion of incremental value by capturing wellhead gas through 2020.

These completions are being utilized in the Barnett, Jonah, Pinedale, Wamsutter, and Fayetteville among other established plays. Wood Mackenzie estimated that 100% of flowback gas is captured by using REC at Jonah and Pinedale, while 90% of this gas is captured at the Barnett through REC and 70% from the Piceance, Fayetteville and Wamsutter.

The Cornell study's findings were focused on methane gas vented during the life of an unconventional gas well. The study estimated that methane emissions during well completions were approximately 1.9% of the estimated ultimate recovery.

Wood Mackenzie stated that Cornell's estimates did not account for the fact that producers are reducing venting and fugitive emissions related to unconventional gas production.

The company pointed out that in addition to not considering the use of reduced emission completions, the Cornell study also assumed that all gas produced during the completion process was vented and not flared, which can reduce emission levels; and overestimated the amount of gas vented in the flowback and drill-out phases.

"The study derived a simple average of gas vented from four unconventional plays based on obsolete and erroneous data and applied the results to more than 100 unconventional gas plays, including shale plays," Wood Mackenzie said.

– **Frank Nieto**

KEY NORTH AMERICAN HUB PRICES	
2:12 PM CST / May 12, 2011	
Gas Hub Name	Current Price
Carthage, TX	3.96
Katy Hub, TX	4.06
Waha Hub, TX	4.01
Henry Hub, TX	4.10
Perryville, LA	4.03
Houston Ship Channel	4.04
Agua Dulce, TX	4.14
Opal Hub, WY	3.85
Blance Hub, NM	3.90
Cheyenne Hub, WY	3.90
Chicago Hub, IL	4.15
Ellisburg NE Hub, NY	4.70
New York Hub	4.33
AECO, ALBERTA	3.86

Source: Bloomberg

Hart Energy Exclusive: At DUG 2011 George W. Bush Shares ... (continued from page 1)

you in my shoes. As a nation we all lived through some pretty tumultuous events during my years in office, and I wanted to convey a sense of what it was like to be in the center of the storm. The book is also based on certain decisions I made. Writing it was the end of a presidency—with an exclamation point.”

The scope of the book covers, among many things, why he ran for president in the first place, his faith, his father—former President George H. W. Bush—his wife, former First Lady Laura Bush, and dealing with how, at one point, alcohol had started to come ahead of his family.

“If you’re a father, give your child unconditional love,” he stressed. “I wouldn’t be standing here if I didn’t quit drinking and if I didn’t have the unconditional love of somebody I admire.

“Running for president is risky. You can run and lose. Then you get to hear people say, ‘What a pathetic candidate.’ Or you can run and win. Then they’ll say, ‘What a pathetic president.’ Either way, it doesn’t matter if you have the unconditional love of someone you admire, and I admire George H. W. Bush—a lot.”

For the rapt audience, he also recalled some of the more challenging events that unfolded during his time as president—and the controversial decisions that followed. These included the September 11 attacks, the capture and interrogation of Khalid Sheikh Mohammed—the chief operating officer of al-Qaeda—and navigating the initial signs of the country’s pending economic meltdown.

If he had to relive these moments, Bush said he wouldn’t change the decisions he made.

Following his formal remarks, Bush sat down with Oil and Gas Investor’s Editor-in-Chief, Leslie Haines, to share his thoughts on energy, being

Commander-in-Chief and his advice for E&P professionals.

Haines: The U.S.’ natural gas supply has increased tremendously thanks to the shale plays. What are your thoughts on energy right now, and do you think the U.S. should ever export natural gas?

President Bush: Yes. I think the issue is whether or not we’re going to have that much. First, it’s a blessing that we have as much natural gas as we do. You keep hearing the phrase ‘we’re addicted to oil.’ What that means is that there are too many foreign policy issues that come to the Oval Office as a result of being dependent on other nations’ oil. Thankfully most of it comes from Canada. But when you’re looking at getting resources from the Middle East—where they don’t like us—that becomes a national security issue. Therefore, less dependency on oil from overseas is in our nation’s best interest.

Natural gas is a blessing in that it’s domestic. The question is whether or not parts of our country are so anti oil and gas that they’re going to use false science to prohibit the use of hydraulic fracturing.

As extensive as the Marcellus shale play may be, a good energy policy would involve moving natural gas up east through pipelines and replacing subsidized heating oil. Some folks are saying that the water supplies would be forever polluted, but if that were the case, everybody in Texas would already be dead.

This industry needs to stand up and say that the false sciences against hydraulic fracturing are not in the nation’s interest.

I also believe we need to pursue nuclear power. I readily concede that it’s going to be a little more difficult after the incident in Japan, but we need electricity and need to make the best use of that

which is available, including natural gas and nuclear power.

In order to develop technology you have to be wealthy. In order to be a wealthy nation, you have to be willing to grow your economy, and one way to do it is to make sure you have enough energy, and natural gas can help with that. I just hope reasonable minds prevail when it comes time for making policies.

Haines: Have you ever ridden in a natural gas vehicle?

President Bush: No...I’ve ridden in Air Force One, and I do miss that (laughing)... I also miss being Commander-in-Chief. You can’t imagine what it was like to look somebody in the eyes who volunteered and salute them—people who signed up after 9/11 who knew what they were getting into.

Haines: What advice would you give to professionals actively trying to produce oil and gas?

President Bush: Use other peoples’ money, particularly on an exploratory well. Seriously, you don’t need advice from me. If I was worth a damn finding oil I wouldn’t be sitting here as a former President.

Honestly, when it comes to politics, fight back. Remind people how important it is that we produce energy domestically.

Also, supply and demand works. It’s going to be interesting to watch how the high price of gasoline begins to affect people’s minds. When I was president and the price of gasoline went up, everybody screamed, ‘What are you going to do about it?’ and all you can say is, ‘I’ll investigate.’

Truthfully, the only thing you can do is increase supply. Remember, right after the price of gas went up there was an outcry of ‘Drill baby, drill!’—People began

to realize that constricted supply would affect the price of crude, which in turn affects the price of gasoline.

...Looking back on my time as president, I knew some things were going to happen; I just didn't know they'd be as tumultuous as they were. I'm surprised at how joyous the experience was. It was that way for me because I had a fabulous

team of people around me; two, I had a strong family; and three, I stayed connected to old friends.

People used to ask if it bothered me when I got criticized. Not really. What did bother me was when my father got criticized. Actually 1992 was probably the most painful year of my life, because I watched a good man get defeated for

the presidency. By the time I was running for president the criticism seemed mild. I grew to understand that if you believe in something and you're not willing to compromise on it, the criticism becomes nothing but background noise, [and] if you're leading an organization, it's essential that you keep your eye on the horizon.... – Bertie Taylor

OTC 2011: Economides—Natural Gas To Lead ‘New Energy Economy’

A new, realistic blueprint for energy security must come to bear on U.S. energy policy—and soon—if the country is to begin weaning itself off of its dependency on foreign oil in the wake of sociopolitical instability in the Arab world.

Dismissing corn-based ethanol and carbon sequestration as “gimmicks” and contending that solar and wind power would be “thermodynamically impossible” to adopt, Dr. Michael J. Economides said he believes the predominant fuel of a “new energy economy” will be likely be natural gas, given its abundance and economic and environmental benefits.

But while gas supplies continue to build, a switch to natural gas as the primary energy resource in the U.S. certainly “won't happen overnight,” according to Economides.

The professed “failed comedian,” geopolitical commentator and professor of chemical engineering at the University of Houston's Cullen College of Engineering recently spoke at a topical luncheon at the Offshore Technology Conference in Houston about certain geopolitical risks affecting the current energy landscape.

In fact, due to large-scale LNG developments in Qatar, Egypt and Russia, Economides said he anticipates there will be 10 billion cubic feet per day of excess supply in the coming years, with “a major Btu disparity” lasting decades. This, he added, will be due to technol-

ogy challenges, and not just resource availability.

And while excess supply will surely have a considerable impact on near-term gas prices in both the U.S. and Europe, particularly as more shale gas resources flood the market, transportation robustness and homogeneous prices the world over will equalize in the longer term, he said. Specifically, Economides said he expects to see \$5 gas during the next few years, followed by a price hike to \$8.

On the opposite side of the energy coin, Economides also acknowledged a topic that continues to drive current energy investment decisions, particularly during the nascent economic recovery—global oil prices. While oil futures remain in a constant state of flux, the U.S. and European benchmarks have already topped \$110 per barrel this year, pricing in on heightened geopolitical risk.

According to Economides, who predicted last March that oil would take on triple digits in early 2011, headlines have ruled this bullish momentum. “The price of oil should really be around \$80 per barrel,” he calculated, but a series of headlining crises in early 2011 have propelled prices to levels comparable with 2008's, before the financial crisis here

Resin Prices					
Market Update – May 12, 2011					
TOTAL OFFERS: 13,819,548 lbs		SPOT		CONTRACT	
Resin	Total lbs	Low	High	Bid	Offer
PP Copolymer - Inj	4,431,036	0.9	1.05	0.99	1.03
LLDPE - Film	2,049,104	0.88	1.03	0.97	1.01
HDPE - Blow Mold	1,935,588	0.67	0.8	0.72	0.76
LDPE - Film	1,851,864	0.77	0.8	0.75	0.79
HDPE - Inj	1,569,932	0.78	0.93	0.89	0.93
HMWPE - Film	705,472	0.75	0.75	0.71	0.75
PP Homopolymer - Inj	380,000	0.9	0.9	0.86	0.91
LDPE - Inj	380,000	0.98	0.98	0.94	0.99
GPSS	264,552	0.77	0.77	0.74	0.78
HIPS	168,000	0.78	0.93	0.84	0.88
LLDPE - Inj	84,000	0.77	0.77	0.77	0.81

Source: Plastics Exchange – www.theplasticsexchange.com

and abroad brought the global economy to its knees.

Conversely, speculation can also weigh on oil prices, as evidenced by recent news of Osama bin Laden's death, which fueled speculation and tipped off a substantial 12% decrease in oil prices last week as investors seemingly grew risk averse about potential retaliation claims from certain terrorist camps in an already simmering Middle East.

Uncertainty in the oil markets was an element Economides referenced in relation to the U.S. and Europe's future energy security as the turmoil in the Middle East and North African region continues to affect energy markets and will likely do so for years to come. He also attributed the recent surge in pump

prices (particularly in Europe) to the loss of high-quality Libyan crude, which is light and therefore “hard to replace.”

Meanwhile, he said, OPEC has little spare capacity “behind the valve,” presenting yet another serious challenge for global energy markets.

Farther East, however, lies an even bigger geopolitical challenge that will affect the U.S. during the next several decades, according to Economides. In its unabated quest to secure new energy resources across the globe during the last few years, it would appear that “China has gone berserk,” he said.

During his frequent visits to advise key energy players, “the questions I get asked a lot (by the Chinese) are ‘what is the U.S.’s energy policy’ and ‘why is the U.S. letting us do this?’,” he said, noting that his answers to both of these telling questions remains one and the same: “I don’t know.”

To the Chinese, which Economides described as “great imitators” (rather

than innovators), in the bigger macro-economic picture, energy equals power and a clear-cut policy ensures that it will have a secure place in the rapidly developing and industrialized world. “The Chinese are capitalizing on this,” Economides said, adding that the country has already surpassed the U.S. as the world’s leading energy consumer.

Meanwhile, it is the hope of many that the latter view will begin shaping up domestic energy policies in the U.S, as well, although Economides is not so optimistic that this will take place under the current administration’s supervision.

In late March, however, U.S. President Barack Obama acknowledged that Americans “cannot keep going from shock to trance on the issue of energy security, rushing to propose action when gas prices rise, then hitting the snooze button when they fall again.” The President went on to outline an ambitious plan to reduce America’s oil imports by one-third by 2025.

But while Obama pitched a series of initiatives aimed at, among other things, increased domestic oil production and the accelerated use of renewable fuels and natural gas, the U.S. arguably remains gridlocked in terms of its current energy policies.

Ever the realist, Economides pointed out that America, whose lifeblood is oil and gas, has a long way to go before it is able to transform its energy practices. Based on his estimations, traditional hydrocarbons (coal, oil and natural gas) supplied some 87% of U.S. energy demand 40 years ago and it is still supplying at that level today.

Given this statistic, solar and wind resources (which account for roughly 1% of energy supply) simply “cannot cut the mustard” against combustible hydrocarbons and nuclear in the implementation of a new energy economy, Economides said. — **Nancy Miller**

DCP Midstream ... (continued from page 1)

“Traditionally there have been a lot of vertical wells drilled in the field that would generally be considered pretty small, but the addition of horizontal drilling and its increased production has increased the need for larger diameter gathering in the area,” Waldheim said.

The LaSalle plant will connect to the other plants in the region’s super-system. “In the future, should we want to optimize the field, we can shut down some of the less efficient plants and further depend on the newer, more efficient plants with ethane extraction capabilities. For now we need all of them running due to the amount of production out of the basin,” he said.

DCP Midstream’s strategy in the basin continues to be driven by producer activity with the company attempting to stay ahead of producer demand. The addition of this new deep-cut cryogenic capacity follows this path since producers have created better natural gas liquids (NGL) takeaway capacity. Combined with the recently completed Mewborne plant, the LaSalle plant will represent 225 MMcf/d of cryogenic capacity being added to the region in a short period of time.

“I think we have enough gas and NGL takeaway in the region. As you go more deep-cut cryogenic, we’ve been installing amine systems to get the CO₂ out of the gas. We’ve had cryogenic capacity on the ground, but we’ve never been able to go

deep-cut ethane because we haven’t had the NGL takeaway,” he said. This NGL takeaway is allowing the company to go deep-cut at its Lucerne, Mewborne, Platteville and Roggen plants in addition to the new LaSalle plant.

The Lucerne plant has a capacity of 40 MMcf/d, Mewborne is 125 MMcf/d, Platteville is 65 MMcf/d and Roggen has a capacity of 70 MMcf/d. The other plants in the system are the Eaton plant at 10 MMcf/d; Greeley at 30 MMcf/d; and Spindle at 40 MMcf/d. Gas processed at the DCP Midstream plants in the area will be directed to the Colorado Interstate Gas pipeline system to serve Colorado and the Mid-Continent. — **Frank Nieto**

Will MLP Tax Treatments Be Nullified?

Are Master Limited Partnerships (MLPs) and Royalty and Unit Trusts in the U.S. in danger of losing the very tax treatments that have attracted so much productive capital from so many individual retail investors in the energy patch?

The National Association of Publicly Traded Partnerships (NAPTP) is monitoring moves by the Obama Administration that may force these businesses to restructure themselves and begin paying their taxes as corporations, according to a May 2 report by The Hill news source.

The report said that one NAPTP executive “recently signaled” that it came by “information indicating that the administration wanted large so-called pass-through entities—businesses that pay taxes through the individual code—to be subject to corporate taxation.

The Hill was paraphrasing the email it obtained that was written by the NAPTP’s executive director, Mary Lyman, which reportedly read, “Treasury Department staff are working on a tax reform proposal that reportedly would include corporation taxation of any pass-through entity with gross receipts of \$50 million or more.”

The Hill noted that recent comments by White House spokespersons and even Treasury Secretary Timothy Geithner indicated the administration was not only hammering out a corporate tax reform plan but also that Treasury officials “have discussed the issue with stakeholders.”

The report noted that Secretary Geithner and the Finance Committee chairman for the U.S. Senate, Max Baucus from Montana, have each expressed “skepticism about allowing some businesses to pay taxes as individuals.”

“I think, fundamentally, Congress has to revisit this basic question about whether it makes sense for us as a country to allow certain businesses to choose whether they’re treated as corporations for tax purposes or not,” Geithner reportedly said to the Senate Finance Committee in February.

Under Section 7704 of the U.S. tax code, entities that are structured as MLPs do not pay corporate taxes themselves, but rather pass tax liability through to the partnership owners, provided that at least 90% of gross income meets the definition of “qualified income.”

That section defines qualifying income as “income and gains derived from the exploration, development, mining or production, processing, refining, transportation (including pipelines transporting gas, oil, or products thereof), or the marketing of any mineral or natural resource (including fertilizer, geothermal energy, and timber).”

As one might guess from that definition, a great number and likely majority of MLPs make their earnings by operating energy and natural resource assets.

This includes the numerous downstream logistics operators including bellwether names such as Enterprise

Products Partners, Plains All American Pipeline Partners, Buckeye Pipeline Partners, NuStar Energy Partners, Enbridge Pipeline Partners, Tesoro Logistics LP, Sunoco Logistics Partners and many more which Hart Energy’s Refinery Tracker routinely follows.

Investors provide their capital to such publicly traded partnership MLPs knowing that the investment returns may be greater because aggregate tax rates and payments for a given partnership’s owners may end up being less than the corporate tax rate or payment that would have occurred if such an operation would have been treated and taxed as a corporation.

That tax-efficient characteristic is a good portion of the attraction to investors in publicly traded partnerships such as energy MLPs.

But that characteristic is also the attraction to legislators looking for new tax revenues.

Certainly, the potential restructuring of tax treatment for publicly traded partnerships, amid the already rancorous debate about oil and gas tax credits, will become a hot topic of interest in the weeks and days ahead.

A change in MLP tax treatment could fundamentally shift the capital structure and costs for much of the U.S. energy industry, from the upstream to the downstream and across the entire oil, gas, liquids and petrochemicals value chains.

— Greg Haas

NEWS & TRENDS

Enterprise To Increase Propylene Frac Capacity At Mont Belvieu

Enterprise Products Partners LP, Houston, has reported plans to expand its polymer grade propylene (PGP) fractionation facility at the partnership’s Mont Belvieu, Texas complex, which will add approximately 7,500 barrels per day

(b/d), or 500 million pounds per year, of incremental PGP production. The expansion is expected to be in service in the first quarter of 2013. When completed, the expansion would increase Enterprise’s net capacity to produce PGP at its

Mont Belvieu facility by more than 10% from 73,000 b/d (approximately 4.9 billion pounds per year) to roughly 80,500 b/d (approximately 5.4 billion pounds per year).

To produce PGP, which is approximately 99.5% pure propylene, Enterprise fractionates refinery grade propylene (RGP), which is approximately 60% to 65% propylene, with the remainder being propane and butane. PGP is used in the production of plastic consumer products, coatings, pharmaceuticals, detergents and solvents. Since 2000, demand for PGP has increased by 20%; however, the supply of PGP produced as a co-product from the cracking of crude oil derivatives in the production of ethylene has declined approximately 40%. This decline is attributable to ethylene producers using more NGLs, such as ethane and propane, as feedstocks instead of more costly crude oil derivatives.

“The shift to NGL feedstocks by the ethylene industry, which is driven by the disparity between natural gas and crude oil prices, has led to a significant

reduction in co-production of propylene at North American petrochemical facilities,” said A.J. “Jim” Teague, executive vice president and chief operating officer of Enterprise’s general partner. “This is placing a premium on fractionation services like those Enterprise provides at its Mont Belvieu complex. Planning for future growth, we oversized portions of the last propylene fractionator we built in 2007, which results in lower capital costs associated with this current expansion.”

Refining economics that have led to increased availability of RGP on the market are also helping to drive the expansion project. The partnership has secured a portion of the feedstock required to supply the new fractionator and continues to work with various refiners. Additionally, the partnership has been in discussions with a number of petrochemical compa-

nies to acquire the incremental PGP production associated with the expansion.

Enterprise has an extensive integrated propylene infrastructure system that complements the expansion project. With an RGP pipeline gathering system that connects to 13 refineries, as well as marine, rail and truck transportation capabilities at the Mont Belvieu complex, Enterprise can receive supplies from 57 facilities across North America and continues to look for other reliable sources of RGP. On the delivery side, Enterprise connects to 15 consumers of PGP propylene with two other connections under construction and scheduled for completion in 2011. The partnership also has the only operating PGP export terminal in the U.S., located in Seabrook, Texas. This facility enables Enterprise to provide PGP to growing international markets.

Nuevo Midstream To Restart Natural Gas Processing Plant

Nuevo Midstream, LLC, Houston, has reported that, with the addition of a recent 6,500-acre dedication in the Avalon shale trend, the company has sufficient acreage, volume and well commitments to support the recommissioning of its refrigerated JT processing plant and fractionator near Orla, Texas.

Nuevo Midstream will also upgrade its Ramsey gas gathering system with increased treating and compression capacity, 11 miles of new eight-inch pipeline and a new interconnect with the Enterprise Products pipeline nine miles south of the plant, bringing the total system to 141 miles of high and low-pressure pipeline.

The gathering system crosses through Eddy County in southeast New Mexico and Culberson, Loving and Reeves coun-

ties in west Texas and currently serves 38 natural gas producers. The plant recommissioning and expansions to the Ramsey gathering system are expected to be complete by August 2011.

The second phase of Nuevo’s expansion plan anticipates the addition of 30 to 50 million cubic feet per day (MMcf/d) of cryogenic processing capacity at the Reeves County facility coming on line in October 2011. Drilling projections from numerous existing and potential customers are expected to support further system extensions and capacity upgrades.

“We are pleased to announce the first expansion of our Ramsey gas gathering system,” said Jay Lendrum, Nuevo Midstream’s president and chief executive. “Recognizing the need for a rapid and ro-

bust response to the accelerating producer activity in the area, we have taken the first step in a planned, multiphase expansion to serve producers pursuing the liquids-rich Bone Springs, Wolfcamp and Avalon Shale plays and looking for the infrastructure and flexible downstream options they need to move gas to high-value markets.

We are in advanced discussions with a number of producers regarding acreage and production commitments to support additional significant expansion of the processing and treating capacity of the Ramsey system as well as further extensions to our gas gathering lines with an ultimate goal of as much as 250 MMcf/d in total processing capacity serving these emerging plays.”

DCP Midstream To Provide NGL Transportation, Fractionation Services

DCP Midstream LLC (DCP), Denver, Colo., and Targa Resources Partners LP have reported that they have entered agreements which provide a long-term anchor commitment to the DCP Midstream Sandhills Pipeline LLC (Sandhills Pipeline) and an interconnection of the Sandhills Pipeline to a new delivery point with Targa's Cedar Bayou Fractionators LP facility (CBF) at Mont Belvieu, Texas. DCP is in negotiations with several customers to sign long-term commitments to the Sandhills Pipeline.

Additionally, DCP and Targa announced jointly their entry into an agreement for a long-term anchor commitment by DCP for a new, 100,000 barrels per day (b/d) fractionation expansion at the Targa-operated and majority-owned CBF facility located at Mont Belvieu.

"We are very excited to work with Targa to provide a new, fee-based NGL

transportation and fractionation solution for the increased production of NGLs from West and South Texas," said Tom O'Connor, chairman, president and chief executive officer of DCP. "We continue to see a very favorable response to this critical infrastructure solution."

DCP initiated an open season in November 2010 and is in the process of securing right-of-way and environmental permits for the Sandhills Pipeline. The new, 700-mile pipeline system will transport Y-grade natural gas liquids (NGLs) from gas plants in the Permian Basin and South Texas to the various fractionator facilities along the Gulf Coast along with the Mont Belvieu NGL hub.

The Sandhills Pipeline will serve the NGL transportation needs of Targa's gas plants, existing DCP gas plants and the new 200 million cubic feet per day (MMcf/d) DCP Eagle gas plant designed

to serve Eagle Ford Shale gas development. In addition, DCP is securing long-term commitments from other third-party shippers.

The Sandhills Pipeline and CBF are coordinating these projects toward a first half of 2013 completion of construction and commencement of operations.

Significantly, the Sandhills Pipeline along with CBF's new fractionation expansion will allow DCP to provide a full scope of midstream energy services to handle producers' increased liquid-rich natural gas production from the new Avalon Shale/Bone Springs areas, as well as the Eagle Ford Shale area. Producers can be assured of transparent, fee-based transportation and fractionation services with deliveries to CBF's fractionator, Targa's associated storage and terminalling facilities as well as other facilities at the Mont Belvieu NGL hub.

FERC Authorizes Golden Pass For Phase 2 Commissioning Completion

Golden Pass LNG Terminal LLC, Houston, has reported that it has been granted authority by the Federal Energy Regulatory Commission (FERC) to place into service the Phase 2 terminal facilities.

Phase 2 commissioning activities and performance tests of its liquefied natural gas (LNG) receiving terminal were successfully completed in late April. Golden Pass LNG previously announced that Phase 1 commissioning activities and performance tests were completed in early March. As also previously announced, the FERC authorized **Golden Pass Pipeline LLC** (Golden Pass Pipeline) to place in ser-

vice the 69-mile interstate pipeline that transports gas from the terminal facilities to downstream markets. Combined Phase 1 and Phase 2 operations will enable nominal send out capacity of more than 2 billion cubic feet per day of natural gas from the terminal.

Golden Pass LNG and Golden Pass Pipeline operate state-of-the-art terminal and pipeline facilities near Sabine Pass, Texas. These facilities are designed to safely and reliably receive and transport natural gas throughout Texas and Interstate Markets. Now fully operational, the terminal is among the largest LNG import facilities

worldwide, with the capacity to import 15.6 million metric tons of LNG annually. The pipeline, with multiple intra and interstate connections, is capable of transporting an average of 2.5 billion cubic feet per day of natural gas.

Golden Pass LNG Terminal LLC and Golden Pass Pipeline LLC, are joint venture companies formed by affiliates of three of the world's largest and most experienced oil and gas companies: Qatar Petroleum International, the international arm of Qatar Petroleum (70%), and the remaining by ExxonMobil (17.6%) and ConocoPhillips (12.4%).

Crestwood Midstream Partners Reports Improved 1Q 2011 Results, Revised 2011 Outlook

Crestwood LP, Houston, has reported its adjusted earnings before interest, income taxes, depreciation and accretion (EBITDA) increased 44% to \$20.6 mil-

lion for the three months ended March 31, 2011, compared to adjusted EBITDA of \$14.3 million during the first quarter 2010. Adjusted distributable cash flow

increased 50% to \$18.1 million in the recent quarter as compared to \$12.1 million in the first quarter 2010. Adjusted net income for the first quarter

2011, increased by 83% to \$11.3 million, (\$0.33 per unit) from the comparable period in 2010. EBITDA, distributable cash flow and net income have been adjusted to reflect approximately \$2.0 million of non-recurring transition services, transaction due diligence and advisory expenses incurred during the first quarter 2011, which are related to the Quick-silver Gas Services and Frontier Gas Services acquisitions completed in October 2010 and April 2011, respectively. Improved operating results in the first quarter 2011 were primarily driven by increased natural gas gathering volumes through the Partnership's Barnett Shale assets and did not include any results of operations from the assets acquired from Frontier, which will be reflected in the Partnership's results beginning in the second quarter 2011. Net income for the first quarter 2011 was \$9.4 million, compared to \$6.2 million during the first quarter 2010.

"We are pleased to announce another strong quarter of year-over-year performance for Crestwood LP during the first quarter 2011, despite some weather related volume disruptions to our gathering operations in North Texas," stated Robert G. Phillips, chairman, president and chief executive of Crestwood LP's general partner. "Our Barnett Shale assets benefited from increased production due to more well completions and connections to our systems, the completion of new gathering laterals on the Alliance and Lake Arlington systems and improved run times for our facilities, resulting in a 53% increase in gathering volumes from the first quarter 2010, and a solid 10% sequential growth in gathering volumes from the fourth quarter 2010. We accomplished this volume growth despite a period of severe winter weather in February 2011, which reduced volumes due to freeze-offs and shut-ins and temporarily delayed ongoing drilling, well completion and connection work by

our customers. Importantly, our operating expense per unit continues to decline both year-over-year and sequentially, which is an indicator that our assets are running more efficiently as volumes increase in the Barnett Shale region."

"Additionally, on April 1, 2011, we completed a major element of our diversification strategy with the acquisition of Frontier's gathering, processing and treating assets located in the Fayetteville Shale in Arkansas and the Granite Wash in the Texas Panhandle. These assets are in premier natural gas basins and are anchored by long-term agreements with high-quality producers such as Chesapeake Energy, BHP Billiton, BP Energy and Exxon Mobil's XTO subsidiary," continued Phillips. "We are excited about integrating the Frontier assets into our operating platform and expanding the systems through several organic growth projects which we identified during due diligence."

PIPELINES & TECHNOLOGY

Williams Partners Acquires 24.5% Interest In Gulfstream System

Williams Partners LP, Tulsa, Okla., has reported it has completed the acquisition of an additional 24.5% interest in the Gulfstream interstate gas pipeline system from Williams for \$330 million.

Williams Partners now owns a 49% interest in the Gulfstream system, while Williams directly holds a 1% interest. Spectra Energy Corporation

and its subsidiaries own the additional 50% interest.

Williams Partners' total consideration for the 24.5% interest in Gulfstream included \$297 million in cash and \$33 million in WPZ limited-partner and general-partner units.

Williams Partners funded the cash portion of the acquisition with its re-

volving credit facility. The transaction is expected to be immediately accretive to distributable cash flow for Williams Partners, on a per-unit basis for the partnership's unitholders.

Gulfstream is a 745-mile interstate gas pipeline system that extends from the Mobile Bay area to markets in Florida.

NGL PRICES

Volatile Crude Prices Cause NGL Prices To Weaken

Natural gas liquid (NGL) prices fell the week of May 4 due to the volatility of crude oil prices. Only Conway ethane experienced a price improvement during the week for any NGLs at Mont Belvieu and Conway.

While the Conway price for ethane was up 1% to 57¢, the hub's price has been the slowest moving of any NGL and it is likely that this gain is part of a market correction rather than simply increased demand at the hub. The price was the highest at the

hub since it was 60¢ the week of February 24, 2010. However, nearly every other NGL has been hitting their highest prices in three years time rather than one. Indeed, while the Mont Belvieu price fell 1% to 82¢ from last week, this remained the

second highest price at the hub since it was 95¢ the week of September 3, 2008.

The NGL with the biggest drop in price at both hubs was butane, which fell 4% at both Mont Belvieu and Conway. As the demand for butane fell off due to refiners switching from winter-grade gasoline to summer-grade gasoline, the price was expected to fall. En*Vantage reported that strong co-product prices for butadiene and propylene prices helped to shift ethylene production economics away from ethane. However, there has not been a dramatic shift from ethane to either butane or gas oil because there isn't enough of either for crackers to consume. The Mont Belvieu price of \$1.91 was the lowest price at the hub since it was \$1.85 the week of April 13 while the Conway price of \$1.76 was the lowest at the hub since it was \$1.70 the week of April 13.

Butane's sister product, isobutene, managed to largely hold firm on prices at both hubs as it fell 1% to \$2.08 at Mont Belvieu and remained at \$1.99 at Conway. Isobutane prices continue to benefit from strong demand for alkylate.

The price for Mont Belvieu propane fell 3% to \$1.53 the week of May 4 while the Conway price dropped 2% to \$1.43. Propane prices remained healthy due to low inventory levels for the NGL, which is keeping demand high for the product despite the end of the heating season.

Pentanes-plus (C5+) prices also remained relatively stable at both hubs from the prior week as the Mont Belvieu price fell 3% to \$2.61 and the Conway price fell 3% to \$2.49. – **Frank Nieto**

NGL PRICES						
(Note: This is the section formerly called "Box Score" in Gas Processors Report)						
Mont Belvieu	Eth	Pro	Norm	Iso	Pen+	NGL Bbl
May 4 - 10, '11	82.08	153.44	191.03	208.00	260.80	\$64.18
April 27 - May 3, '11	83.46	158.38	199.94	210.30	268.58	\$66.04
April 20 - 26, '11	81.55	148.10	193.73	205.30	259.75	\$63.46
April 13 - 19, '11	73.13	142.06	185.18	201.58	251.30	\$60.33
April '11	75.74	144.44	189.72	203.15	256.33	\$61.63
March '11	68.59	139.76	181.80	192.01	243.97	\$58.42
1st Qtr '11	63.74	137.32	175.07	186.15	228.46	\$55.82
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
May 5 - 11, '10	52.43	110.50	145.72	161.42	180.00	\$45.40
Conway, Group 140	Eth	Pro	Norm	Iso	Pen+	NGL Bbl
May 4 - 10, '11	57.08	143.34	176.33	199.00	249.25	\$57.91
April 27 - May 3, '11	56.23	146.30	183.33	199.00	258.13	\$59.09
April 20 - 26, '11	55.50	137.48	177.90	199.98	251.53	\$57.21
April 13 - 19, '11	50.36	131.40	170.28	195.50	241.18	\$54.43
April '11	54.31	134.59	175.54	199.58	246.21	\$56.18
March '11	50.44	129.33	169.43	190.30	244.91	\$54.26
1st Qtr '11	46.30	128.26	164.69	186.06	225.91	\$51.80
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
May 5 - 11, '10	31.26	107.56	132.26	146.00	178.93	\$40.91

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

FRAC SPREAD

Frac Spread Margins Up Due To Reduced Natural Gas Prices

Although natural gas liquids (NGL) prices were down the week of May 4, frac spread margins improved in some cases due to 10% drops in natural gas feedstock prices at both Conway and Mont Belvieu.

The price of natural gas fell to \$4.05 per million Btu (MMBtu) at Conway and \$4.14/MMBtu at Mont Belvieu due to steady decreases in commodity prices during the week.

Some NGL frac spread margins gained ground during the week of May 4 due to the fact that NGL prices didn't drop as much as gas prices. The largest gains were posted by ethane, which improved by 15% at Conway and 3% at Mont Belvieu. The next largest gains were posted by isobutane with a 3% improvement at Conway and a 1% improvement at Mont Belvieu.

The two NGL margins that fell at both hubs the week of May 4 were butane at 2% at Conway and 3% at Mont Belvieu and C5+ with a 2% drop at Conway and a 1% decrease at Mont Belvieu. Both NGLs had the largest price decreases for the week, which caused the drop in margins.

The theoretical NGL barrel price also fell at both hubs the week of May 4, but at a much slower rate compared to the drop in natural gas prices. The theoretical barrel at Conway was down 2% to \$57.91 per barrel (/bbl), but experienced a 1% gain in overall margin at \$43.11/bbl. The Mont Belvieu theoretical barrel price fell

3% to \$64.18/bbl with a 1% drop in overall margin to \$49.06/bbl.

The most profitable NGL to make at both hubs remained C5+ at \$2.04 per gallon (/gal) at Conway and \$2.15/gal at Mont Belvieu. This was followed, in order, by isobutane at \$1.59/gal at Conway and \$1.67/gal at Mont Belvieu; butane at \$1.34/gal at Conway and \$1.48/gal at Mont Belvieu; propane at \$1.06/gal at Conway and \$1.16/gal at Mont Belvieu; and ethane at 30¢/gal at Conway and 55¢/gal at Mont Belvieu.

Natural gas in storage for the week of May 6, the most recent data available from the Energy Information Administration, increased 70 billion cubic feet to 1.827 trillion cubic feet (Tcf) from 1.757 Tcf the previous week. This was 12% below the storage level of 2.076 Tcf recorded last year at the same time and 2% below the five-year average of 1.864 Tcf.

The U.S. National Weather Service's forecast for the coming week may see cooling demand down slightly due to its call for cooler than normal weather for this time of year in much of the country. The West Coast, Southwest and most of the Midwest are expected to experience cooler than normal temperatures. New England, the Gulf Coast and a portion of the Great Lakes area are expected to experience warmer than normal temperatures with the rest of the country experiencing normal spring weather.

— Frank Nieto

Current Frac Spread (Cents/Gal)				
MAY 12 2011	Conway	Change from Last Week	Mont Belvieu	Last Week
Ethane	57.08		82.08	
Shrink	26.85		27.45	
Margin	30.23	14.81%	54.63	2.90%
Propane	143.34		153.44	
Shrink	37.10		37.92	
Margin	106.24	1.19%	115.52	-0.78%
Normal Butane	176.33		191.03	
Shrink	42.00		42.93	
Margin	134.33	-1.63%	148.10	-2.85%
Iso-Butane	199.00		208.00	
Shrink	40.34		41.23	
Margin	158.66	2.97%	166.77	1.26%
Pentane+	249.25		260.80	
Shrink	44.91		45.91	
Margin	204.34	-1.82%	214.89	-1.33%
NGL \$/Bbl	57.91	-2.00%	64.18	-2.81%
Shrink	14.79		15.12	
Margin	43.11	1.17%	49.06	-0.50%
Gas (\$/mmBtu)	4.05	-10.20%	4.14	-9.61%
Gross Bbl Margin (in cents/gal)	98.92	1.35%	114.33	-0.44%
NGL Value in \$/mmBtu				
Ethane	3.20	25.49%	4.52	21.12%
Propane	5.05	7.07%	5.44	5.73%
Normal Butane	1.98	7.94%	2.15	8.67%
Iso-Butane	1.24	5.57%	1.29	5.22%
Pentane+	3.30	1.03%	3.44	11.02%
Total Barrel Value in \$/mmbtu	14.77	9.07%	16.84	10.94%
Margin	10.42	7.63%	12.38	9.46%

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. | Source: Frank Nieto

April 2011 Frac Spread: Margins Improve Despite Large Feedstock Price Gains

(Note: This is not this week's Frac Spread)

Natural gas liquid (NGL) frac spread margins were up across the board in the month of April 2011, with the lone exception of Conway C5+. These margin improvements were despite large gains posted in natural gas feedstock prices at both hubs, whose negative effects on margins were undone by significant NGL price gains at both Conway and Mont Belvieu.

The largest gains by far were posted by ethane, which experienced a 41% improvement at Conway and a 25% improvement at Mont Belvieu due to increased demand from the U.S. petrochemical makers based on significant price advantages they are enjoying from large productions of cheap ethane.

The second largest margin gains experienced at both was for butane, which had a 7% increase at both Conway and Mont Belvieu. This increase was due to its usage by crackers to produce ethylene, which experienced increased demand in the month.

Margins for C5+ were truly a mixed bag in April as the Mont Belvieu margin improved by 10% during the month due to the large run-up in crude prices, but the Conway price didn't match such gains and caused the margin to fall 1% during the month.

The theoretical NGL barrel price rose 8% at Conway in April to \$59.15 per barrel (/bbl) with a 6% improvement in margin to \$43.26/bbl. The Mont Belvieu theoretical barrel enjoyed a larger improvement during the month as it rose 10% to \$65.37/bbl with a 9% gain in margin to \$49.07/bbl.

The most profitable NGL to make at both hubs was C5+ at \$2.08 per gallon (/gal) at Conway and \$2.17/gal at Mont Belvieu. This was followed, in order, by isobutane at \$1.56/gal at Conway and \$1.63/gal at Mont Belvieu; butane at \$1.38/gal at Conway and \$1.53/gal at Mont Belvieu; propane at \$1.06/gal at Conway and \$1.16/gal at Mont Belvieu; and ethane at 29¢/gal at Conway and 53¢/gal at Mont Belvieu. – **Frank Nieto**

Current Frac Spread (Cents/Gal)

April 2011	Conway	Change from Start of Month	Mont Belvieu	Start of Month
Ethane	58.20		82.12	
Shrink	28.84		29.57	
Margin	29.36	41.23%	52.55	24.70%
Propane	145.37		156.80	
Shrink	39.85		40.85	
Margin	105.52	5.09%	115.95	2.74%
Normal Butane	183.50		198.87	
Shrink	45.11		46.25	
Margin	138.39	6.48%	152.62	6.83%
Iso-Butane	199.00		207.63	
Shrink	43.33		44.42	
Margin	155.67	3.75%	163.21	2.79%
Pentane+	255.85		266.40	
Shrink	48.24		49.46	
Margin	207.61	-1.35%	216.94	10.10%
NGL \$/Bbl	59.15	7.73%	65.37	10.33%
Shrink	15.89		16.29	
Margin	43.26	6.01%	49.07	8.79%
Gas (\$/mmBtu)			4.46	15.25%
Gross Bbl Margin (in cents/gal)	4.35	12.69%	114.29	8.54%
NGL Value in \$/mmBtu				
Ethane	3.20	25.49%	4.52	21.12%
Propane	5.05	7.07%	5.44	5.73%
Normal Butane	1.98	7.94%	2.15	8.67%
Iso-Butane	1.24	5.57%	1.29	5.22%
Pentane+	3.30	1.03%	3.44	11.02%
Total Barrel Value in \$/mmbtu	14.77	9.07%	16.84	10.94%
Margin	10.42	7.63%	12.38	9.46%

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. | Source: Frank Nieto

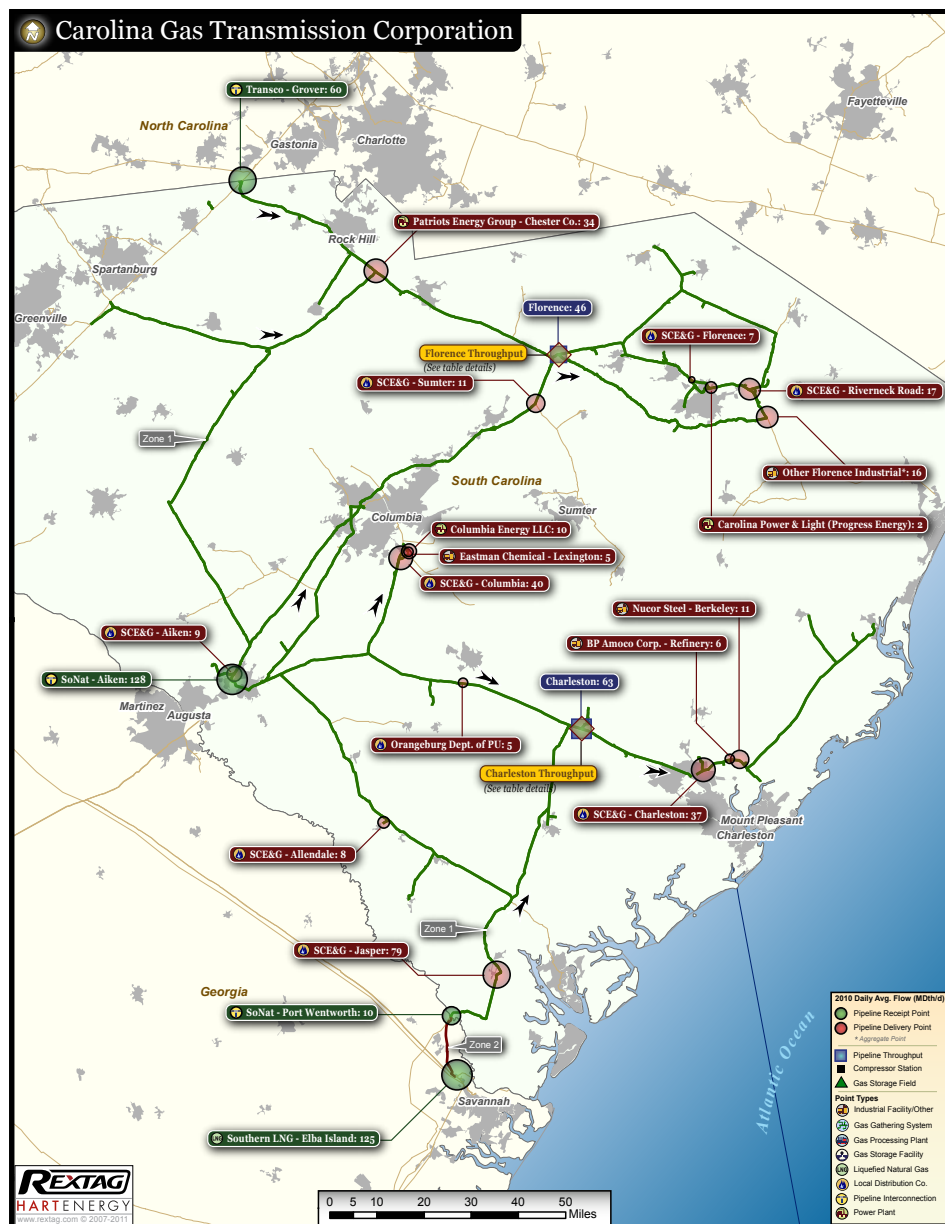
SNAPSHOT

CGT Supplies Natural Gas To Growing Southeast Region

Carolina Gas Transmission Corp. (CGT) is an interstate natural gas transportation company that transports natural gas throughout the southeast region of the United States. It was formed through the 2006 merger of two of SCANA Corp.'s wholly owned subsidiaries: SCG Pipeline and South Carolina Pipeline Corp, according to the CGT website.

CGT has 1,500 miles of pipeline, a system capacity of 500 million cubic feet per day (MMcf/d) and three compressor stations, according to Hart Energy Mapping and Data Services.

According to the U.S. Energy Information Administration, in 2002, the Elba Island, Georgia, LNG import facility reopened after being closed since 1980. To provide transportation services to a key customer of the facility, the SCG Pipeline Co. system built a 200 MMcf/d, 18-mile natural gas pipeline in 2003 between Elba Island and a new 875 MW natural gas fired power plant located in southeastern South Carolina. This pipeline, in addition to a restored twin-pipeline system between the Elba Island facility and Southern Natural Gas Co.'s system in Georgia, can currently deliver up to 1.2 billion cubic feet per day into the CGT system (which was reclassified as an interstate system in 2004). (continued)



The top transport customer is South Carolina Electric & Gas Co. with 290,000 dekatherms per day (Dth/d), followed by SCANA Energy Marketing Inc. with 198,000 Dth/d. Rounding up the top 10 are Patriots Energy Group with 67,000 Dth/d; Nucor Corp. with 15,000 Dth/d; Eastman Chemical Co. with 9,000 Dth/d; Alumax Of South Carolina Inc., American Gypsum South Carolina, LLC, and Clinton-Newberry Natural Gas Authority, all with 3 Dth/d; and Agy Aiken, LLC, and Dak Americas, LLC, with 2 Dth/d.

The top receipt point for 2010 was SNG Aiken Point, and the top delivery point for the same year was South Carolina Electric and Gas Co. in Jasper County, South Carolina. – **Rebecca Torrellas**

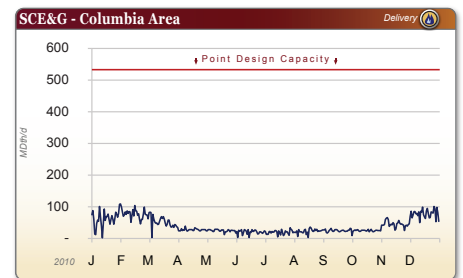
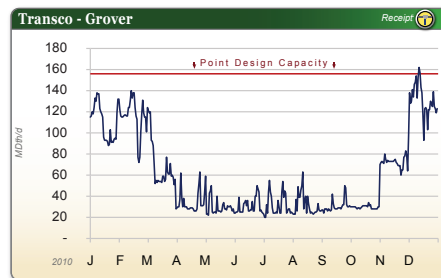
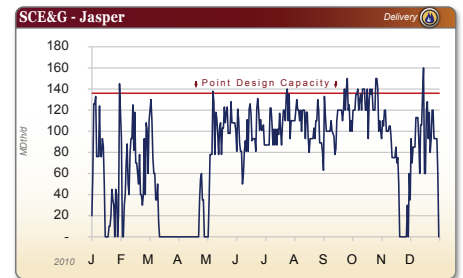
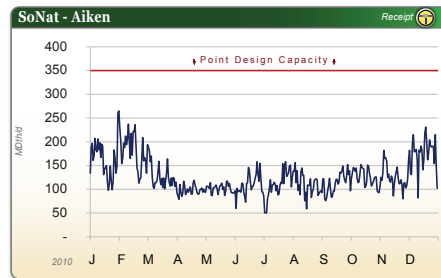
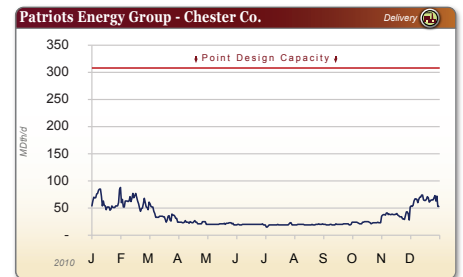
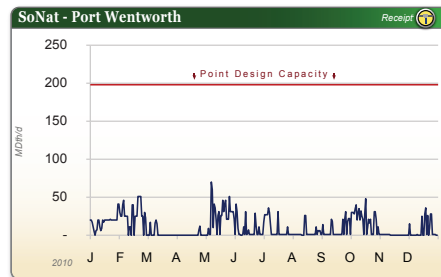
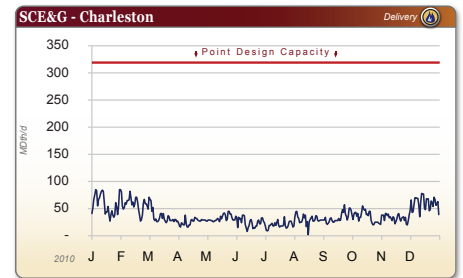
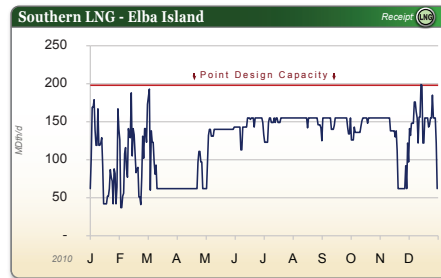
Carolina Gas Transmission Corporation - Pipeline Statistics

General Information			FERC Code: 199	
Owner:	SCANA Corporation	System Capacity:	0.5 Bcf/d	
Operator:	Carolina Gas Transmission	Seasonal Storage:	None	
Miles of Pipeline:	1,500	Compressor Stations:	3	

Top 10 Transport Customers			Capacity (MDth/d)		
Rate	Customer Name	Capacity	Rate	Customer Name	Capacity
RATE	South Carolina Electric & Gas Company	290	RATE	Alumax Of South Carolina, Inc.	3
RATE	Scana Energy Marketing, Inc.	198	RATE	American Gypsum South Carolina, Llc	3
RATE	Patriots Energy Group	67	RATE	Clinton-newberry Natural Gas Authority	3
RATE	Nucor Corporation	15	RATE	Agy Aiken Llc	2
RATE	Eastman Chemical Company	9	RATE	Dak Americas, Llc	2

Source: Hart Energy Mapping and Data Services

Carolina Gas Transmission Corporation - Major Receipt & Delivery Points



Source: Hart Energy Mapping and Data Services

BECOME A MEMBER OF **MIDSTREAM.com** *Business*

MEMBERSHIP INCLUDES

- Complete access to prices & markets including crude oil, natural gas, NGL prices, frac spread, and petrochemical prices.
- Weekly analysis and updates in the *Midstream Monitor* PDF newsletter.
- Subscription to *Midstream Business*, a monthly midstream magazine.



www.midstreambusiness.com/membership

Contact Information:

FRANK NIETO Editor
fnieto@hartenergy.com

REBECCA TORRELLAS
 Online News Editor
rtorrellas@hartenergy.com



HART ENERGY

1616 S. Voss, Suite 1000 • Houston TX 77057-2627 • USA
www.hartenergy.com | www.midstreambusiness.com
 Midstream Monitor is published weekly by Hart Energy and is included with a premium subscription to midstreambusiness.com. Premium subscriptions are \$995 per year.

Copyright 2011. All rights reserved. Reproduction of this newsletter, in whole or in part, without prior written consent of Hart Energy is prohibited. Federal copyright law prohibits unauthorized reproduction by any means and imposes fines up to \$100,000 for violations. Permission to photocopy for internal or personal use is granted by Hart Energy provided that the appropriate fee is paid directly to Copyright Clearance Center, 222 Rosewood Drive, Danvers, MA 01923. Phone: 978-750-8400; Fax 978-646-8600; E-mail: info@copyright.com.

SHARON COCHRAN Circulation Coordinator
 E-mail: scochran@hartenergy.com

Mail: Hart Energy Publishing, LP
 1616 S. Voss. Ste. 1000
 Houston, TX 77057 USA

Order Today!

Call: 1-212-608-9078
 Fax: 1-212-608-9357