HARTENERGY

MIDSTREAM Monitor

VOLUME 29 / ISSUE 53 / September 9, 2011 *Formerly* GAS PROCESSORS REPORT

In This Week's Edition

FEATURE

Wells Fargo: Propane Supplies To Be Better Balanced In 2012

Propane supplies will be better balanced in 2012 than they were in 2011 with a nearly 3% increase, according to Wells Fargo's August 2011 NGL Snapshot. This increase will be mainly supported by increased natural gas processing capacity in Mont Belvieu and an increased focus on developing liquids-rich plays.

In the next three years, Wells Fargo anticipates the midstream building between 580,000 to 730,000 b/d of incremental fractionation capacity. This would equate to between 160,000 to 200,000 b/d of incremental propane supply. For 2011 and 2012, the firm forecasts year-on-year growth in propane supply from gas processing of 6% and 5.7%, respectively.

"Net-net, we forecast the propane to be relatively balanced from a supply/demand perspective in 2012. However, propane prices in 2012 could decline below 2011 levels (i.e., on a percentage of crude oil basis), as propane markets have been especially tight this year due to strong export activity. For 2012, we forecast a propane-to-crude oil ratio of 59%, which compares with our 2011 estimate of 62%," according to the investment firm.

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INSIDE LOOK AT PROCESSING

The China JV

For five years, the specter of Unocal Corp. loomed large in China-U.S. relations. Seeking to expand its global resource base in 2005, China's CNOOC Ltd. made an $18.5-billion play for the California-based integrated major. However, the proposed merger with the Chinese national oil company, 70% owned by the Communist government, set off some members of Congress.

Fellow California-based supermajor Chevron Corp. stepped up, offering an all-stock bid for Unocal that was less than CNOOC's all-cash offer on its face, but assured Unocal shareholders that the sale wouldn't become a forced taxable event in their portfolios. The Chevron bid won.

Since then, China's four national oil companies have ravenously spent $45 billion amassing assets around the world, according to Mergermarket, but ostensibly steered wide of the States. That is, until Chesapeake Energy Corp. announced in October 2010 that it would partner with CNOOC on a portion of its Eagle Ford shale project in South Texas. This time, CNOOC's onboarding the U.S. caused nary a stir publicly from Washington, and the Chinese were assigned a 33.3% interest in 600,000 net acres of Chesapeake's South Texas Eagle Ford leasehold position.

"The deal was significant because it marked the entry of a Chinese state-affiliated company into the U.S.," says Aubrey McClendon, Chesapeake chairman and chief executive. That entry could burst open a flood of Chinese capital into the U.S.

China already owns $2 trillion of U.S. debt, he notes. "I see this as recycling American trade deficits back into the U.S., putting Americans back to work, creating new flows

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Chevron CEO: Appropriate U.S. Policies Could Create 'Energy Renaissance'

The U.S. is poised for an "energy renaissance" that could drive significant job growth and lessen the country's dependence on foreign oil, but only with a working energy policy, Chevron Corp. CEO John Watson said recently.

Speaking at an industry function in Houston on August 31, Watson began by noting: "Energy is the industry that makes all others possible. There aren't many industries that can fairly be called indispensable, but the energy industry is surely one of them. It is absolutely essential to growth, development and prosperity for the country as a whole.

"If you're in my line of work, you hear a lot of predictions about what the future holds for energy. I've found it's best to stay focused on the fundamentals – on trends like population growth and the pace of global development. Those data will steer you clear of any illusions about the world's energy demands, and what it will take to meet them.

"Conservatively, we're looking at a 40% growth in global energy demand over the next 25 years. Over that same period, renewable sources are going to expand rapidly, but at nowhere near the pace required to keep up with overall demand," he said. "Most of our energy needs – roughly 80% – will continue to be met with fossil fuels.

"Likewise, consider the world's developing nations. Every one of them depends on those same conventional sources for their economic development," Watson said. "Follow the supply chain of economic growth in any region – and above all, along that arc from India through China to South Korea. Without exception, it leads you back to the energy sources we draw from the ground.

"And that's just the picture in today's world of nearly seven billion people. Consider a world of 9 billion by 2050 – all of them wanting to live and prosper as we do, and no less deserving of that chance. That's the level of demand we'll be facing. Meeting that demand requires exploration and production on a scale equal to the challenge.

The Chevron chief executive said the U.S. can respond to such a challenge in two ways:

"We can feel overwhelmed by the numbers and conclude that it simply can't be done, and lower our sights. Or we can have a more courageous response. We can face the challenge with all our powers of analysis, ingenuity and common sense.

But a fundamental fact is clear, Watson said – the world has the necessary resources.

"Far from peaking, the world's estimated base of recoverable oil and gas is continually rising. In fact, over the past 30 years, as the peak oil theory has gained traction in some quarters, the world's known reserves of oil and natural gas increased by roughly 130%, to 2.5 trillion barrels.

"So we have every reason to be confident. As vast as the world's energy needs are, we have the ability to meet them. Delivering that energy should be seen as a tremendous opportunity for our country."

The size of such an opportunity cannot be overestimated, Watson added.

"In fact, I believe we're within reach of an energy renaissance in the United States – a chance to harness this country's resources, shake off years of stagnation, and prosper and lead as we've done before.

"We could accomplish great things if America had a rational, robust and comprehensive energy policy. Such a policy would prepare us for rising demand. It would expand safe and responsible production at home. It would promote energy efficiency across the country. And it would encourage alternative sources, not by mandates and subsidies, but by allowing the market to identify the best new fuels and bring them up to commercial scale," he said.

"Make no mistake – this is not the kind of energy policy we have today. To the extent we do have an energy policy, it is paralyzed by a fundamental contradiction. On one hand, there is wide consensus in America that we should strive for energy security. Whether we can be truly energy independent is debatable, but we can certainly do much more to enhance our country's energy security.

"However, many of our policies are moving us in the opposite direction. We need an energy policy that is aligned with our objective of enhancing America's energy security, not just in words, but in actions," Watson said.

– Louise Poirier

KEY NORTH AMERICAN HUB PRICES	
2:30 PM CST / SEPTEMBER 8, 2011	
Gas Hub Name	Current Price
Carthage,TX	3.84
Katy Hub, TX	3.95
Waha Hub, TX	3.87
Henry Hub, LA	3.99
Perryville, LA	3.92
Houston Ship Channel	3.97
Agua Dulce TX	4.67
Opal Hub, Wyo.	3.85
Blance Hub, NM	3.82
Cheyenne Hub, Wyo.	3.81
Chicago Hub	4.02
Ellisburg NE Hub	4.38
New York Hub	4.24
AECO , Alberta	3.69

Source: Bloomberg

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Whiting Oil & Gas N.D. Processing Plant Set For November

Whiting Oil and Gas Corp. began building a $90 million, 30 million cubic feet per day natural gas processing plant in Belfield, N.D., this summer. The facility is being constructed by Westcon Inc. and is expected to be finished in November. Further details were not disclosed.

RESIN PRICES – MARKET UPDATE – SEPTEMBER 9, 2011					
TOTAL OFFERS: 20,067,308 lbs		SPOT		CONTRACT	
Resin	Total lbs	Low	High	Bid	Offer
HDPE - Blow Mold	3,994,152	0.64	0.77	0.64	0.68
LLDPE - Film	3,407,588	0.65	0.78	0.66	0.70
PP Copolymer - Inj	3,252,944	0.84	0.96	0.86	0.90
PP Homopolymer - Inj	2,703,104	0.83	0.91	0.84	0.88
HDPE - Inj	2,527,312	0.69	0.74	0.66	0.70
LDPE - Film	1,345,840	0.68	0.82	0.75	0.79
LLDPE - Inj	848,184	0.70	0.77	0.69	0.73
HMWPE - Film	760,000	0.70	0.74	0.67	0.71
LDPE - Inj	468,184	0.77	0.80	0.72	0.76
GPPS	380,000	0.91	0.91	0.86	0.91
HIPS	380,000	0.99	0.99	0.94	0.99

Source: Plastics Exchange – www.theplasticsexchange.com

Sunoco, MarkWest Continue To Expand Marcellus Ethane Projects

Sunoco Logistics LP (NYSE: SXL) and MarkWest Liberty Midstream & Resources LLC announced the successful completion of its Mariner West open season and the execution of its definitive transportation contracts for the project, which will deliver ethane from the Marcellus shale to the Sarnia, Ontario, Canada petrochemical market.

In addition, MarkWest Liberty announced it began the next phase of its Houston, Pa. fractionation facility last week. The 60,000 barrel per day (b/d) facility is the largest NGL fractionation, storage and marketing complex in the Northeast.

In conjunction with this announcement, MarkWest Liberty is also developing up to three large de-ethanizers at the Houston complex as well as its Majorsville processing complex in West Virginia. The combined capacity of these units will be 115,000 b/d of ethane with the first phase of the project having a capacity of 75,000 b/d when it comes online in mid-2013. This is also when the Mariner West project is set to begin operations.

"We are very excited about the successful open season for Mariner West," said Frank Semple, chairman, president and chief executive of MarkWest Energy Partners LP (NYSE: MWE), which co-owns MarkWest Liberty with The Energy & Minerals Group. "Sunoco Logistics and MarkWest have jointly developed this critical ethane pipeline project and both companies will provide significant value to our producer and petrochemical customers. The successful start-up of the next phase of our Houston fractionator, and the announcement of the de-ethanization facilities that will supply ethane to Mariner West, will add significant capabilities to MarkWest Liberty's existing world-class midstream and NGL infrastructure. The fractionation and marketing of NGLs is critical to the success of Marcellus producers and MarkWest Liberty is the leading provider of integrated NGL transportation, fractionation, storage, and marketing services in the liquids-rich areas of the Marcellus."

NEWS & TRENDS

Enterprise Products Partners, Duncan Energy Complete Merger

The previously announced merger between Enterprise Products Partners LP (NYSE: EPD) and Duncan Energy Partners LP was completed with over 99.9% of Duncan Energy unit holders voting in favor of the agreement.

Duncan Energy unit holders will receive 1.01 Enterprise common units for each Duncan Energy unit they hold. The agreement is expected to be immediately accretive in terms of distributable cash to unit holders and is expected to simplify Enterprise Products Partners' commercial, organizational and partnership structure.

"The completion of this merger is a major event in the history of Enterprise Products Partners," said Michael A. Creel, president and chief executive of the general partner of Enterprise. "In addition to being immediately accretive in terms of distributable cash flow per unit, this merger is the last step in simplifying Enterprise Product Partners' commercial and organizational structure. The combination of Enterprise's efficient partnership structure, a lower cost of capital as a result of eliminating our general partner incentive distribution rights and our large integrated system of midstream assets provides us with an excellent foundation to continue to grow our partnership and the value of our partnership units."

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Wells Fargo... *(continued from page 1)*

Wells Fargo estimates natural gas processing capacity will increase by 6%, which will more than compensate for a 3% decrease in propane imports from Canada. This balanced market in 2012 compares to the 2011 market, which has been undersupplied by approximately 30,000 b/d.

"In 2010, approximately 10% of U.S. propane supply was derived from imports, of which 79% was from Canada (via pipeline) and 21% from waterborne deliveries to the Gulf Coast and East Coast ...On the whole, propane imports have been declining steadily during the past five years. The reduction in propane imports reflects the combination of declining natural gas production in Canada and higher spot prices for propane in overseas markets," the report said.

The increased supplies will be balanced by an increase in export demands, which are expected to be 22% more than in 2011.

"On the demand side, we forecast total propane consumption of 1,307,000 barrels per day (b/d) in 2012, which represents a modest 0.8% increase over the 2011 level. The slight increase in estimated propane demand in 2012 is primarily due to higher forecasted export-related demand, which more than offsets the impact of lower assumed residential heating demand for propane," according to the report.

Because of the heavier yield, which consists of 45% ethylene and 15% propylene, from propane when cracked its petrochemical demand is driven by both ethylene and propylene pricing dynamics. Despite ethane consumption increasing throughout the past few months, propane consumption from petrochemical producers has remained flat.

"Notably, while several petrochemical companies have retooled existing heavy feedslate crackers to accept light-end feedstock, the uplift in demand has occurred primarily on the ethane side given its cash-cost advantage over other light-end feedstocks," according to the report.

On a long-term basis, propane demand may be increased from the petrochemical market as plants increase their use of on-purpose technology such as propane dehydrogenation (PDH). These units use various catalysts to split off hydrogen from propane to produce propylene. Wells Fargo noted that Dow Chemicals announced plans to build two new PDH units in 2015 and 2018. "With propylene prices likely to remain elevated due to the increased use of lighter ethylene feedstocks, PDH margins could remain attractive into the foreseeable future. This, in turn, could spur additional investments in on-purpose PDH plants."

One headwind facing the propane industry is residential demand decreasing from 2005 to 2010 by approximately 2% each year despite an increase in heating degree days by 1-2% annually. This decrease in residential demand has been attributed to conservation on the part of consumers because of higher propane prices as well as warmer-than-normal weather on the whole.

In addition, there have been fewer new homes constructed in 2009 and 2010 along with more homes relying on other forms of heating fuels, such as electricity, natural gas and fuel oil. Though propane enjoys a 14% pricing advantage over electricity, it is 31% more expensive than fuel oil and 152% more expensive than natural gas. Because of this, the investment firm anticipates residential demand for propane declining by 2.7% in 2011 and 4% in 2012.

Propane Exports Could Rise Considerably

The biggest story for propane supplies and prices this year has been the fact that supplies have been tight because of increased exports. Though supplies are expected to increase next year, exports are also expected to increase, which help to bring balance to the market rather than oversupply it.

Wells Fargo's analysts stated that they anticipate exports to increase because of global propane pricing differentials. Additionally midstream expansion projects that will more than double the existing propane export capacity and the aforementioned fractionation capacity expansions that will produce supplies, which will need to be exported to balance the U.S. supply and demand.

"The pricing disparity between domestic and global propane spot prices is likely to persist into the foreseeable future, in our view. Global demand for LPG has been buoyed by ethylene producers in Europe and Asia that have been retooling naphtha-based crackers to accept light-end feedstocks (e.g., LPG). While ethane represents an even cheaper feedstock alternative, most countries outside of the United States lack adequate pipeline infrastructure to provide petrochemical plants with a reliable source of ethane. The recent investments made by petrochemical companies in Europe and Asia to enable heavy crackers to accept light-end feedstock is driving higher demand for U.S. LPG exports. The U.S. should have a cost advantage over most other LPG exporting countries (with the exception of the Middle East and potentially Canada) due to the availability of inexpensive natural gas supply," Wells Fargo said.

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Ethane Price Outlook Unchanged

Wells Fargo's analysts stated that while propane prices may dip in 2012, they anticipate ethane prices to continue to recover in the near-term due to faster than expected heavy- to light-end steam cracker conversions. In addition to these conversions, the firm's positive outlook is further supported by ethane-to-crude improving from 30% at the start of 2011 to more than 36% by the end of August.

"However, we continue to believe that a temporary oversupply of ethane is a distinct possibility in the intermediate term (i.e., 2013-2015) given the pace of fractionation capacity buildout at Mont Belvieu and Conway. Longer term, we believe the ethane market could become balanced by 2016-17 if one of the two announced potential newbuild steam crackers get built or undersupplied if two or more of the announced world-scale ethylene plants are constructed," the report said.

– Frank Nieto

Encana To Sell Piceance Midstream Assets For $590 Million

Encana Oil & Gas (USA) Inc., a subsidiary of Encana Corp. (NYSE: ECA), agreed to sell a portion of its Piceance natural gas midstream assets in Colorado to a private midstream company for approximately $590 million.

"Following our Fort Lupton gas plant divestiture earlier this year, this Piceance divestiture represents our second successful step in capturing significant unrecognized value from our midstream assets. We have a strong track record of leading the construction of midstream facilities, which gives us the competitive advantage of being a first-mover in the development of natural gas resource plays. Once built and operating, the assets may be sold to premium midstream operators, freeing up capital for Encana to redeploy investment into its core business of growing natural gas and liquids production. As part of our midstream divestiture approach, we enter into competitive, long-term gathering and processing fee agreements with top-tier midstream firms -- on terms that provide cost stability for our ongoing natural gas developments and help us efficiently deliver natural gas and liquids to market, said Renee Zemljak, Encana's executive vice president, midstream, marketing and fundamentals.

"The market for midstream assets in the U.S. and Canada is very competitive as midstream investors are able to realize strong valuations that are not recognized when the same assets are contained inside larger, more diversified energy firms. We have additional divestiture processes under way as we continue to entertain considerable interest from prospective purchasers of our Cabin Gas Plant in Horn River and Cutbank Ridge midstream assets in Canada. We look forward to completing those divestitures and establishing long-term business relationships with industry-leading midstream companies."

These Piceance basin midstream assets, built in the past decade, serve Encana's Mamm Creek, Orchard and South Parachute production in the area around Rifle, Colo., about 180 miles west of Denver. They gather and transport about 500 million cubic feet per day (MMcf/d), and include about 260 miles of pipeline and 90,000 horsepower of compression facilities. The sale of the Piceance basin midstream assets is subject to certain regulatory approvals and customary closing conditions and is expected to close in the fourth quarter of 2011.

"Once we have completed the Piceance midstream asset sale, our 2011 net divestitures will stand at about $600 million. Total divestitures proceeds of about $1 billion are offset by about $400 million of acquisitions. Encana has initiated a number of divestiture and joint venture processes to ensure it meets its objective of $1 billion to $2 billion of net divestitures by around year-end. The current highly competitive midstream environment is resulting in significant interest in our Canadian midstream assets. Due to the strong interest that we have received, we are optimistic that one or more Canadian midstream divestitures will also be forthcoming by around year-end," said Randy Eresman, Encana's president and chief executive.

In addition to these well-advanced processes, Encana has previously announced a number of producing property divestitures, including its Barnett shale play in North Texas, portions of the Jean Marie in northeast British Columbia and its Carrot Creek assets in Alberta's deep basin. Encana has also re-initiated a process to find a joint venture partner for an interest in portions of its highly desirable Cutbank Ridge undeveloped assets.

"Our expectation is that some or all of these transactions, should we choose to proceed with them, will close in the months surrounding year-end. These proceeds will strengthen the company's balance sheet, providing greater financial strength and flexibility going into 2012," Eresman said.

The China JV... *(continued from page 1)*

of American oil and gas, and reducing oil imports. It's a big winner all around and on multiple levels. I'm thrilled about it."

Over time, considering CNOOC's working-interest carry over the life of the project, McClendon estimates its Chinese partner will invest upward of $20 billion of capital into the Eagle Ford alone. "That's $20 billion of American capital that might not ever have been repatriated and what industry but ours can bring back American capital in those quantities?"

Add to that, he says, "I think we're going to find an additional half-million barrels of oil and natural gas liquids flowing in the U.S. a day as a result of the Chinese capital infusion. We're going to create high-paying jobs for tens of thousands of Americans, and we're broadening the tax base. This deal does some wonderful things for America."

Ralph Eads, chairman, energy investment banking for Jefferies & Co. Inc., which advised Chesapeake in the Eagle Ford deal, says a Chinese investment in the U.S. is a meaningful sea change. "The Chinese are the biggest holders of financial capital in the world today, and have become the largest buyer and financier of oil and gas properties all over the world. The energy industry in the U.S. is in a position in which it needs capital. Now, the largest buyer of assets has decided to participate in the U.S. market. That's big."

CNOOC's Motivation

The Chinese E&P made a high-level decision to evaluate the deal but, with no shale experience, needed more technical expertise. In June, CNOOC chose Tudor, Pickering, Holt & Co. Securities Inc. as its advisor. The Houston-based investment-banking firm had represented Temasek in the earlier stock offering, so its name had become known in Asian energy-capital circles. Ward Polzin, managing director and head of A&D for TPH, and his team, including Lance Gilliland and Danny Rathan, led the technical and financial evaluation of the Eagle Ford joint venture for CNOOC.

Foremost, CNOOC was seeking knowledge of how to extract unconventional oil and gas resources—that is, oil and gas trapped in low-permeability and low-porosity rock, such as shale. In 2009, the country's energy consumption grew to tie that of the U.S. at 19.5% of all global daily supply; adding in demand in Hong Kong, its total exceeded that of the U.S. at 19.7%, according to BP Plc's annual global energy review. And, like the U.S., it is a net importer of crude oil.

Yet it holds vast unconventional resources—some 1,000 trillion cubic feet of coalbed-methane gas in place and a possible 1,200 Tcf from 25 known shale formations, according to Hart Energy's Global Shale Gas Study. To reduce pollution from coal-fueled power generation, the Chinese government is pushing to switch more plants to natural gas. Simply, CNOOC aims to take U.S. shale-gas players' rock-fracturing practices back home.

"They're no different than other foreign players wanting to do shale deals," says Polzin. "Not just for the technology, but economies of scale too—running 10 to 20 rigs in a single play. They want to live it. They have a massive country."

And to McClendon, that is good for the U.S. and the world. "If we can show the Chinese how to find shale gas, then that is less coal they're going to burn. If they can take what they're going to learn from us and go find more oil in China, then that's less competition for increasingly scarce conventional oil resources."

What about any concerns about exporting American technology? At the end of the day, it's not the technology or knowledge that's proprietary—it's the acreage, says McClendon.

"If I teach you how to find oil in the Eagle Ford, that's great, and so now you know how to do it. But if you don't have any acreage, you can't do it. Technology gets spread throughout the industry quickly anyhow, and that's good—best practices get followed that way. But what is proprietary is the acreage that you own. We're never fearful about a negative impact on us from bringing in a JV partner."

American oil- and gas-finding technology remains the envy of the rest of the world, he says. "Combine that with a resource base that, from an accessibility perspective, may be the best in the world. These international JV deals just drive home the point that America leads the world in energy technology and, perhaps, also in potential energy resource upside."

Another motivation is what McClendon dubs China's $2-trillion problem. "They have all of these American dollars and bonds that could possibly decline in value and what are they going to do with them? I think they would like to invest them in American resources. It provides a good way for them to reinvest their foreign currency holdings back into the U.S. into something more productive than buying a government bond."

Eads puts it this way: "Would you rather own Treasuries or Eagle Ford shale assets?"

Washington Winds

In 2009, President Obama and Secretary of State Hillary Clinton met with China President Hu Jintao and unveiled the U.S.-China Shale Gas Initiative, part of a broader joint initiative on clean energy. The cooperative effort, according to the White House, "will allow the U.S. and China to use experience gained in the United States to assess China's shale-gas potential, promote environmentally sustainable development of shale-gas resources, conduct joint technical studies to accelerate development of shale-gas resources in China, and promote shale-gas investment in China through the U.S.-China Oil and Gas Industry Forum, study tours and workshops."

Chesapeake leveraged this endeavor to get CNOOC in the front door. "The U.S government is not discouraging Chinese investment," says Eads. "They just want it to happen in an appropriate way."

International transactions come under the purview of the Committee on Foreign Investment in the U.S., headed by Treasury Secretary Timothy Geithner. CFIUS, as it is known, has the power to block or unwind any such deal.

"The deal was crafted to respect U.S. sensitivities," Polzin says. "The Unocal experience—when they were trying to buy the entire company and operate—was still fresh in their minds." This time, "they purposefully chose to buy a minority interest and be a quiet partner."

Once the deal was set but not yet announced, Chesapeake and CNOOC floated the agreement through channels in Washington. Each hired D.C. lawyers expert on the process, who talked with each department represented on CFIUS. They were asked, "Could you preview the deal to see if there are any problems, and do you think CFIUS would like to review it?"

The State Department previewed the deal and liked it. From Clinton's perspective, McClendon says, "the hope was that we could attract some Chinese capital back to the U.S., but also help them to decarbonize their economy."

Eads says it was important for CNOOC to be successful when coming back to the U.S. "They clearly wanted to prove they could come back," he says. "It's an important positive for CNOOC. They were ready to do it, and the joint venture was a good way for them to get comfortable with the U.S. and for the U.S. to get comfortable with the Chinese."

In the end, CFIUS quietly passed on the opportunity to review the deal, clearing the path. "The CFIUS process was not an issue," says Marko. "It was nicely handled by Chesapeake and its legal advisors."

The deal closed in November, merely a month after it was announced and conveniently two months before President Hu made a state visit to the U.S. "Had there been resistance," says Polzin, "they would have pulled back and tried to restructure."

Still, Polzin believes Washington's appetite for Chinese investment in U.S. assets has improved only marginally. "If we had Unocal sitting there today and a Chinese company wanted to buy it, I don't think they would get it approved today, either." The joint-venture structure was the right choice in the current political environment for getting the deal through.

McClendon says the deal drew so little attention from government regulators because it was clearly different than the Unocal deal. "This involved no control of assets. It was not an acquisition of a company. This is a passive investment in a non-operated position. They took a look at this and realized it was in the best interest of the U.S."

First and Second of its Kind

When the dust settled, CNOOC took a one-third interest in an undivided 600,000 acres in five South Texas counties. It paid $1.1 billion upfront, with an agreement to fund 75% of Chesapeake's drilling expenses up to another $1.1 billion. The $11,000 net present value per acre was the highest metric paid at the time.

It's a good deal for both sides, asserts McClendon. While expensive in its entirety, the price by the acre is cheap, he argues, when considering the resource value underneath. "We think that, in the Eagle Ford, there are 5,000 barrels of oil equivalent recoverable under every acre. How much is it worth to have the right to find 5,000 barrels of oil for $10 per barrel to develop? CNOOC paid about $11,000 per acre, which is the equivalent of $2.20 per barrel.

"It's a great trade for us because we were in it for 40 cents per barrel per acre. And it's a great trade for them because they are still in at a very attractive price."

– Steve Toon

NGL Energy Partners To Acquire Midstream Assets From SemGroup

NGL Energy Partners LP (NYSE: NGL) reached an agreement to acquire assets from SemStream LP, a subsidiary of SemGroup Corp. (NYSE: SEMG), in exchange for a combination of 8.95 million of its common units and $100 million in cash. The value of the combined units and cash is approximately $283 million.

NGL Energy Partners will acquire 12 NGL terminals with approximately 12 million gallons of propane above-ground storage and 3.7 million barrels of under-

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ground storage, along with a rail fleet of about 350 leased and 12 owned cars.

The agreement will increase NGL Energy Partners' cash flow due to the increased holdings in fee-based operations as well as increase SemGroup's earnings due to the increased investment in NGLs, which will add further growth opportunities.

Earlier this month, SemGroup announced the formation of the Rose Rock Midstream MLP to maximize its midstream holdings. The deal with NGL Energy Partners is expected to help the company further maximize profits by diversifying its interests and holdings.

"This transaction is the latest in a series of strategic initiatives designed to maximize the value of our assets and enhance our ability to grow the company," said Norman Szydlowski, SemGroup president and chief executive, in a news release. "We believe SemStream and NGL have complementary assets and competencies that will create significant operating synergies and growth opportunities. In addition, the transaction will free up debt capacity, enhancing SemGroup's ability to pursue future growth in its other business units and through potential acquisitions."

The agreement is expected to close by the end of 2011.

Osaka Gas To Build One Of The Largest LNG Tanks In The World

In an effort to meet Japan's increasing demand for LNG, Osaka Gas Co. announced plans to build one of the world's largest LNG tanks. The facility is to be located in Sakai and have a capacity of 230,000 cubic meters, and will cost close to 20 billion yen (US$258.5 million) to build.

The tank will be located at the site of a current tank that will be demolished with construction set to begin in September 2012. The facility aims to begin operations in November 2015 with most of the volumes coming from Australia.

Range Resources Executes First Ethane Sales Contract From Marcellus Shale

Range Resources Corp. (NYSE: RRC) announced it had reached an agreement to sell ethane from the Marcellus shale to NOVA Chemicals Corp. This contract is the first Range Resources has made to sell ethane from the play. It will be shipped to NOVA through MarkWest Liberty Midstream & Resources LLC and Sunoco Logistics Partners LP's Mariner West ethane pipeline that is expected to come online in late 2013 or early 2014.

"This is an important milestone in the development of the Marcellus shale. After years of planning and studying alternative solutions, this project is the first in a series of projects expected to be built to service the growing liquids-rich area of the Marcellus shale," John Pinkerton, Range's chairman and chief executive, said in a news release. "Range is excited to be associated with these organizations in pioneering the path of bringing much-needed ethane to the North American petrochemical industry. To Range, this contract will help assure us that we can continue to ramp up our Marcellus Shale development in the liquid-rich area of the play. We are pleased to have NOVA Chemicals as our first ethane customer and look forward to adding additional customers as our ethane production increases. Range is discussing potential sales arrangements with customers throughout North America, the United Kingdom and Europe illustrating the worldwide impact that the Marcellus Shale is having on Pennsylvania and the global petrochemical sector. This project will create good-paying, permanent jobs in Pennsylvania and neighboring states at a time when jobs are needed most."

Dominion Seeking To Export LNG From Cove Point

Dominion Resources Inc. filed an application with the U.S. Department of Energy to export up to 1 billion cubic feet per day of liquefied natural gas (LNG) from its Cove Point LNG terminal in Maryland by 2016.

Company officials stated that this first application is seeking to export LNG to countries with free trade agreements with the U.S, but will be followed by a second application seeking to export LNG to countries without such agreements with the U.S.

The application is one of a growing number of similar requests, and approvals, to export LNG from the U.S., where gas prices have been in a rut because of heavy production and smaller demand, to more profitable foreign markets.

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PIPELINES & TECHNOLOGY

Enterprise, Enbridge And Anadarko To Build Texas Express NGL Pipeline

Enterprise Products Partners LP (NYSE: EPD), Enbridge Energy Partners LP (NYSE: EEP) and Anadarko Petroleum Corp. (NYSE: APC) reached an agreement to design and build the Texas Express natural gas liquids (NGL) pipeline that will run 580 miles from Skellytown, Texas to Mont Belvieu.

The planned pipeline, which will have an initial capacity of 280,000 barrels per day (b/d) and be expandable to 400,000 b/d, will also feature two new gathering systems. One of these systems will connect the pipeline to processing plants in the Anadarko/Granite Wash region and the other system will connect the pipeline to processing plants in the Barnett Shale.

Enterprise will build and operate the Texas Express Pipeline, while Enbridge will build and operate the gathering systems. The project and its related gathering systems are expected to be brought online in Q2 2013.

"We are very pleased to partner with Enbridge and Anadarko on this project, which offers a comprehensive industry solution for addressing NGL transportation constraints that are currently limiting access to the largest domestic NGL market located along the Gulf Coast," said Michael A. Creel, Enterprise president and chief executive, in a news release. "The new pipeline and gathering systems, which are underpinned by long-term contracts, will also have the capability to provide takeaway capacity for other producing areas not presently served by the MAPL system, including Oklahoma's Granite Wash, the Anadarko-Woodford basin and the Barnett Shale. Wider access to multiple production areas, in addition to a competitive transportation fee structure, makes this an attractive option for producers and natural gas processors. NGLs controlled by affiliates of Enterprise, Enbridge and Anadarko will solidly anchor the project."

"Enbridge is also very pleased to be working with Enterprise and Anadarko on this critical NGL pipeline," said Mark Maki, president of Enbridge Energy Partners. "Through our extensive gathering and processing assets, Enbridge has developed a significant and growing NGL supply position in Texas and Oklahoma. The Texas Express Pipeline will provide guaranteed NGL access to the primary U.S. petrochemical market in Mont Belvieu, ensuring premium NGL netbacks for our customers. Importantly, the Texas Express pipeline fulfills a key strategic objective of Enbridge to extend our value chain from gathering and processing to include NGL transportation, providing Enbridge's unit holders with a new source of strong and stable cash flow."

Anadarko Vice President, Midstream, Danny Rea, said, "This project will further enhance our ability to consistently access premium Mont Belvieu markets and increase the wellhead netbacks for our growing NGL production from our Rockies and Texas assets, as well as better align our interests with the project developers through our equity participation."

Magellan Midstream To Reverse Houston-to-El Paso Pipeline

Magellan Midstream Partners LP (NYSE: MMP) is proceeding with the reversal and conversion of a portion of the partnership's 18-inch Houston-to-El Paso pipeline to crude oil service. The reversed pipeline system is expected to have an initial capacity of 135,000 barrels per day (b/d) to refiners in Houston and Texas City, supported by long-term committed volumes for a portion of this capacity.

"Magellan is pleased to announce that we have obtained the necessary commitment level and are moving forward with the reversal and conversion of a portion of our Houston-to-El Paso pipeline to crude oil service," said Michael Mears, chief executive of Magellan. "Current and forecasted future market dynamics favor the benefits of our pipeline project and customer interest has been strong as new outlets for West Texas crude oil are sought by producers.

"We believe our project represents the most direct and cost-efficient route to safely deliver growing West Texas crude oil production to the refineries in the Houston and Texas City area, providing alternative transportation options that will help alleviate the current crude oil oversupply situation in Cushing, Okla."

The project, which is expected to cost approximately $275 million, includes the following scope:

Reverse and convert the partnership's pipeline from Crane, Texas, to Houston to transport 135,000 bpd of crude oil from the West Texas Permian Basin to the partnership's East Houston terminal;

Construct 1.25 million barrels of crude oil storage at the partnership's facilities at Crane and East Houston;

Modify and extend an existing 20-inch pipeline from Magellan's East Houston terminal to the crude oil pipeline interchange at Speed Junction, Texas, which is located on the south side of the Houston Ship Channel in Pasadena, Texas;

Construct an additional 24-inch crude oil pipeline along the Houston Ship Channel that will be used to add incremental capacity and connections to several Houston Ship Channel refineries; and

Enhance the operational connectivity of the partnership's existing pipeline assets to transport up to 65,000 bpd of refined petroleum products to the El Paso market by using an alternate route including the western portion of the 18-inch pipeline from Crane to El Paso.

The Crane-to-Houston crude oil pipeline segment could be expanded to transport 225,000 b/d if warranted by additional commitments at an estimated incremental cost ranging from $80 million to $150 million, depending on whether a new pipeline segment is necessary to access crude oil from Midland, Texas.

Once these modifications are complete, Magellan will be able to provide crude oil delivery from Crane to the refineries along the Houston Ship Channel and the refining complex in Texas City. The partnership also is pursuing opportunities to provide outbound waterborne capabilities and connections to third-party pipelines that can transport crude oil to additional markets. Magellan will provide storage to facilitate these movements and will also offer additional crude oil storage for lease at its East Houston terminal.

The partnership had previously started the project's required permitting work and, subject to receiving the necessary permits and regulatory approvals, expects the reversed pipeline to be operational by mid-2013.

During the project construction phase and prior to the pipeline reversal, the partnership will continue to deliver refined products to West Texas for local demand in El Paso or further distribution to connecting third-party pipelines for ultimate delivery to markets in Arizona, New Mexico and northern Mexico.

Throughput at the current commitment level is expected to be accretive once the pipeline is operational in mid-2013. If throughput reaches the initial design capacity of 135,000 bpd from Crane, the project's $275 million cost is expected to generate returns more attractive than the six to eight times annual EBITDA (earning before interest, depreciation and amortization), or earnings before interest, taxes and depreciation, generally targeted for expansion projects.

Williams Receives FERC Approval To Provide Additional Gas Into Southeast

Williams Partners LP (NYSE: WPZ) announced that the Federal Energy Regulatory Commission (FERC) has approved a proposal to expand its Transco pipeline to provide an additional 225,000 dekatherms of incremental firm natural gas transportation capacity to serve growing markets in the Southeast region.

The Mid-South expansion project is designed to provide service to the city of LaGrange, Ga., Progress Energy Carolinas Inc. and Southern Company Services Inc.

"This project is yet another example of our ongoing commitment to provide economical transportation service from Mid-Continent natural gas supply sources at Transco's Station 85 pool to fast-growing markets in the southeastern United States," said Randy Barnard, president of Williams' natural gas pipeline business.

The expansion will consist of approximately 23 miles of new pipeline, a new compressor facility in Dallas County, Ala., and upgrades to existing compressor facilities in Alabama, Georgia, South Carolina and North Carolina. It will be constructed in two phases: 95,000 dekatherms will be placed into service in fall 2012 and 130,000 dekatherms will be put into service in summer 2013. The capital cost of the project is estimated to be $217 million.

The Transco pipeline is a 10,000-mile system that transports natural gas to markets throughout the northeastern and southeastern United States. The current system capacity is approximately 9.6 million dekatherms per day.

NGL PRICES

Conway Propane Prices Negatively Impacted By MAPL Outage

Natural gas liquid (NGL) prices continued to improve for the most part at both hubs this week with ethane and propane supplies below normal levels and improving crude prices. For the week of Aug. 31, the only NGL prices to fall were Conway propane and Mont Belvieu isobutane.

The 1% price drop in Conway propane is due to Enterprise Products Partners' Mid-America Pipeline (MAPL) outage that is causing gas to be stranded at Conway, according to En*Vantage. The price fell to $1.44 per gallon (/gal), its lowest price in a month. By comparison, Mont Belvieu propane improved

1% to $1.56/gal, the highest it has been since it was $1.58/gal the week of April 27.

Although Mont Belvieu isobutane fell 1% to $2.07/gal, the price was the second highest at the hub in a month. This decrease may be a result of lesser demand for alkylate due to the end of the summer driving season. However, Conway isobutane had the largest price increase at either hub as it improved by 7% to $2.04/gal on limited trading. The smaller sample size makes it difficult to analyze the market dynamics in place, but it should be noted that the lone day that isobutane was actively traded at Conway was Sept. 1, just before the Labor Day holiday.

Pentanes-plus (C_{5+}) showed the greatest strength between the two hubs with price increases of 3% at each location. This improvement was largely due to improved crude prices that were spurred on by strengthening in the stock market. The Mont Belvieu price rose to $2.40/gal, its highest price since the week of July 27, when it was $2.46/gal. The Conway price of $2.10/gal was also that hub's highest price since it was $2.22/gal the week of July 27.

Butane prices also benefitted from improved crude prices as the Mont Belvieu price rose 1% to $1.92/gal and the Conway price increased 2% to $1.65/gal. Both prices were the highest at their respective hubs since the week of July 27, when the Mont Belvieu price was $1.93/gal and the Conway price was $1.69/gal.

Ethane prices' relationship to crude prices was slightly below 35%, the level, which En*Vantage has said it needs to remain more preferred than naphtha. The Mont Belvieu price improved 2% to 70¢/gal, its highest price in a month. The Conway price had a larger increase at 3%, but had more ground to make up after losing more than 10¢/gal in value over the previous month. For the week of August Aug. 31, the price was 38¢/gal. This was the second lowest price at the hub since the week of September Sept. 15, 2010.

While ethane prices showed improvements at both hubs, the cracking capacity in the United States dropped to approximately 90% due to the 40-day planned maintenance of the 1.8 billion billion-pounds pounds-per per-year (lb/yr) Point Comfort (Texas) #2 cracker being down for maintenance for 40 days by its owner Formosa Petrochemical Corp., and the 45-day planned maintenance for at Exxonmobil's ExxonMobil's 2.175 lb/year facility in Baton Rouge, La.

– Frank Nieto

NGL PRICES

Mont Belvieu	Eth	Pro	Norm	Iso	Pen+	NGL Bbl
Aug. 31 - Sept. 6 '11	70.19	156.15	191.77	206.70	240.13	$61.27
Aug. 24 - 30 '11	68.78	154.14	189.36	208.14	233.78	$60.30
Aug. 17 - 23 '11	69.35	153.18	185.28	205.98	226.95	$59.53
Aug. 10 - 16 '11	67.92	151.60	182.42	201.00	223.26	$58.59
August '11	71.41	153.03	185.82	205.99	229.93	$60.06
July '11	79.50	152.47	187.05	203.97	246.50	$62.38
2nd Qtr '11	75.14	149.59	186.75	202.07	248.23	$61.42
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
Sept. 1 - 7, '10	47.08	108.30	137.15	138.80	173.03	$42.78
Conway, Group 140	**Eth**	**Pro**	**Norm**	**Iso**	**Pen+**	**NGL Bbl**
Aug. 31 - Sept. 6 '11	37.60	143.48	164.53	204.00	210.10	$51.59
Aug. 24 - 30 '11	36.32	144.76	161.44	190.00	204.20	$50.59
Aug. 17 - 23 '11	40.40	144.78	160.90	202.00	196.08	$51.00
Aug. 10 - 16 '11	40.60	143.54	156.06	192.50	201.50	$50.75
August '11	42.21	143.61	161.04	194.27	202.22	$51.38
July '11	55.57	143.17	169.35	193.79	227.52	$55.66
2nd Qtr '11	52.63	139.38	170.76	192.47	236.00	$55.34
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
Sept. 1 - 7, '10	33.37	104.23	133.80	143.00	166.87	$40.04

Data Provided by Intercontinental Exchange. Individual product prices in cents per gallon. NGL barrel in $/42 gallons | Source: Frank Nieto

FRAC SPREAD

Conway Ethane Margins Improve 12%

Frac spread margins for natural gas liquids (NGL) followed the prices at both hubs this week with margins up across the board aside from Conway propane and Mont Belvieu isobutane, which were the only NGLs to fall in both margin and price.

However, the largest increase in margin was for Conway ethane at 12%, which did not have the largest price increase at the hub. The margin increase was largely due to its large makeup of the theoretical barrel combined with stagnant natural gas feedstock prices and a 2% increase in its NGL price.

Following a 7% price increase, Conway isobutane's frac spread margin increased 9% as it nearly surpassed the margin for C_{5+} to become the most profitable NGL to make at the hub. The largest increase in margin at Mont Belvieu was for C_{5+} at 3% followed by ethane at 2%.

The theoretical NGL barrel remained stronger at Mont Belvieu than at Conway, but the Mid-Continent showed more improvements for the week of Aug. 31. The Conway barrel price increased 2% to $51.59 per barrel (/bbl) with a 3% improvement in margin to $37.67/bbl. The Mont Belvieu barrel price rose 2% to $61.27/bbl with a 2% improvement in margin to $47.10/bbl.

The most profitable NGL to make at both hubs was C_{5+} at $1.68 per gallon (/gal) at Conway and $1.97/gal at Mont Belvieu. This was followed, in order, by isobutane at $1.66/gal at Conway and $1.68/gal at Mont Belvieu; butane at $1.25/gal at Conway and $1.52/gal at Mont Belvieu; propane at $1.09/gal at Conway and $1.21/gal at Mont Belvieu; and ethane at 12¢/gal at Conway and 45¢/gal at Mont Belvieu.

Natural gas in storage for the week of Sept. 2, the most recent data available from the Energy Information Administration, again had a smaller injection level as it was 64 billion cubic feet as the injection season comes to a close. This week's storage level of 3.025 trillion cubic feet (Tcf) was 4% below the level of 3.156 Tcf posted last year at the same time and 2% below the five-year average of 3.085 Tcf.

According to the National Weather Service's forecast for the coming week, there should be less cooling demand as it is anticipated that the Northeast and Midwest will experience cooler than normal weather. It is expected that the West Coast, Southwest and Gulf Coast will experience warmer than normal weather for this time of year.

– Frank Nieto

Current Frac Spread (Cents/Gal)

September 9, 2011	Conway	Change from Start of Week	Mont Belvieu	Start of Week
Ethane	37.60		70.19	
Shrink	25.26		25.72	
Margin	12.34	11.57%	44.47	2.33%
Propane	143.48		156.15	
Shrink	34.90		35.54	
Margin	108.58	-1.17%	120.61	1.23%
Normal Butane	164.53		191.77	
Shrink	39.51		40.24	
Margin	125.02	2.53%	151.53	1.19%
Iso-Butane	204.00		206.70	
Shrink	37.95		38.64	
Margin	166.05	9.21%	168.06	-1.20%
Pentane+	210.10		240.13	
Shrink	42.25		43.03	
Margin	167.85	3.64%	197.10	2.97%
NGL $/Bbl	51.59	1.97%	61.27	1.62%
Shrink	13.92		14.17	
Margin	37.67	2.72%	47.10	1.63%
Gas ($/mmBtu)	3.81	0.00%	3.88	1.57%
Gross Bbl Margin (in cents/gal)	87.33	2.49%	110.16	1.59%
NGL Value in $/mmBtu				
Ethane	2.07	3.52%	3.86	2.05%
Propane	4.98	-0.88%	5.42	1.30%
Normal Butane	1.78	1.91%	2.07	1.27%
Iso-Butane	1.27	7.37%	1.29	-0.69%
Pentane+	2.71	2.89%	3.10	2.72%
Total Barrel Valuein $/mmbtu	12.81	1.77%	15.74	1.59%
Margin	9.00	2.54%	11.86	1.60%

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

August 2011 Frac Spread: Ethane Margins Crashed On Economic Uncertainty

Ethane frac spread margins took large hits at Conway and Mont Belvieu in August as natural gas liquid (NGL) and natural gas feedstock prices fell across the board due to the economic uncertainty caused by Standard & Poor's decision to lower the United States' credit rating.

Feedstock prices dropped 8% to $3.93 per million Btu (/MMBtu) at Conway and 11% to $3.91/MMBtu at Mont Belvieu. In comparison to feedstock prices, NGL prices performed better at Mont Belvieu and worse at Conway for the month. The theoretical NGL barrel price dropped 8% to $50.96 per barrel (/bbl) at Conway with a 9% drop in margin to $36.61/bbl. The theoretical barrel price was down 3% to $61.39/bbl at Mont Belvieu with a 1% drop in margin to $47.11/bbl.

While Mont Belvieu ethane's margin dropped 16% from the prior month, it was Conway ethane that experienced a monumental drop of 64% from July. Though the Mont Belvieu margin decrease was large, the Conway decrease was at a level not seen since the start of the recession in 2008. The good news is that both prices and margins experienced gains by the end of August and the beginning of September, which could be a sign that prices and margins bottomed out in early and mid-August.

Clearly, margins were stronger at Mont Belvieu than at Conway as C_{5+} margins had the second largest decreases at both hubs as they fell 8% at Conway and less than 1% at Mont Belvieu.

The most improved margin at either hub for the month of August was for Mont Belvieu propane, which rose 5% because of stronger demand from both the North American and foreign petrochemical industries that resulted in lower inventory levels. This also resulted in the Conway margin climbing 4% for the month.

The most profitable NGL to make at both hubs in August was C_{5+} at $1.64 per gallon (/gal) at Conway and $1.98/gal at Mont Belvieu. This was followed, in order, by isobutane at $1.51/gal at Conway and $1.68/gal at Mont Belvieu; butane at $1.26/gal at Conway and $1.51/gal at Mont Belvieu; propane at $1.08/gal at Conway and $1.20/gal at Mont Belvieu; and ethane at 10¢/gal at Conway and 45¢/gal at Mont Belvieu.
– Frank Nieto

Monthly Frac Spread (Cents/Gal)

AUGUST 2011	Conway	Change from Start of Month	Mont Belvieu	Start of Month
Ethane	35.80		70.90	
Shrink	26.06		25.92	
Margin	9.74	-63.85%	44.98	-15.59%
Propane	144.00		156.00	
Shrink	36.00		35.82	
Margin	108.00	3.70%	120.18	4.92%
Normal Butane	167.00		191.00	
Shrink	40.75		40.55	
Margin	126.25	2.73%	150.45	2.57%
Iso-Butane	190.00		207.00	
Shrink	39.14		38.94	
Margin	150.86	-6.05%	168.06	1.16%
Pentane+	208.00		241.00	
Shrink	43.58		43.36	
Margin	164.42	-8.02%	197.64	-0.26%
NGL $/Bbl	50.96	-8.38%	61.39	-3.34%
Shrink	14.36		14.28	
Margin	36.61	-8.62%	47.11	-0.85%
Gas ($/mmBtu)	3.93	-7.75%	3.91	-10.73%
Gross Bbl Margin (in cents/gal)	84.91	-7.95%	110.17	-0.69%
NGL Value in $/mmBtu				
Ethane	1.97	-35.14%	3.90	-13.87%
Propane	5.00	0.58%	5.42	0.86%
Normal Butane	1.80	-0.04%	2.06	-0.57%
Iso-Butane	1.18	-6.40%	1.29	-1.31%
Pentane+	2.68	-7.96%	3.11	-2.32%
Total Barrel Value in $/mmbtu	12.64	-9.67%	15.78	-4.16%
Margin	8.71	-10.51%	11.87	-1.78%

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

Bobcat Storage To Grow Capacity To 46 Bcf By 2015

It has been just over a year since Spectra Energy acquired Bobcat Storage Co. for $540 million from Haddington Energy Partners III LP and GE Energy Financial Services. Since that time, the facility has enabled the company to increase its storage capacity in the Gulf Coast to nearly 100 billion cubic feet (Bcf).

Spectra Energy will surpass this storage level next year when it brings on Bobcat Storage's third salt dome storage cavern. The facility's two storage caverns currently have a combined 18 Bcf of storage, according to the company. The company anticipates that it will have 46 Bcf of capacity at Bobcat by the end of 2015.

"What drew us to the Bobcat acquisition and why it will deliver premium value to our customers and investors: Natural gas storage is key to our business and this project, once complete, will ensure Spectra Energy's position as one of the largest salt dome storage providers in the Southeast," Greg Ebel, president and chief executive of Spectra Energy, said at the time of the acquisition last year.

"Power producers and marketers need and value the flexibility and rapid responsiveness of salt dome storage. We're providing customers with a lot more flexibility here. The Bobcat assets are ideally positioned in proximity to our existing storage, and pipeline infrastructure and can be easily integrated into our Gulf Coast storage and pipeline assets," Ebel added.

The facility is located 45 miles north of the Henry Hub in Point Barre in St. Landry Parish, La., and has access to five interstate pipelines. According to Hart Energy's Mapping & Data Services, these pipelines are Gulf South, Transco, Tetco, Florida Gas and ANR. Its associated gathering pipelines stretch 17.4 miles in all.

The top five firm storage customers at Bobcat Gas Storage are Merrill Lynch Commodities Inc. at 4 Bcf; Gavilon at 1.95 Bcf; Sequent Energy Management LP at 1 Bcf; Macquarie Cook Energy LLC at 1 Bcf; and Atmos Energy Marketing LLC at 1 Bcf.
– Frank Nieto

• Click here to download map and charts.

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