HARTENERGY

MIDSTREAM Monitor

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TOP NEWS

Enterprise, Enbridge Complete Seaway Pipeline Reversal

Enterprise Products Partners L.P. (NYSE: EPD) and Enbridge Inc. (NYSE/TSX: ENB) announced that modifications to the Seaway crude oil pipeline allowing it to transport crude oil from Cushing, Oklahoma to the U.S. Gulf Coast have been completed. The pipeline is in the process of being commissioned, and the first flows of crude oil into the line are expected to begin this weekend. The reversal of the 500-mile, 30-inch diameter pipeline, which had been in northbound service since 1995, provides North American producers with the infrastructure needed to access more than 4 million barrels per day (b/d) of Gulf Coast refinery demand.

The reversal will initially provide 150,000 b/d of capacity, which is expected to increase to more than 400,000 b/d in the first quarter of 2013 with additional modifications and increased pumping capabilities.

Seaway Crude Pipeline Company LLC is a 50/50 joint venture owned by affiliates of

Enterprise Products Partners and Enbridge Inc. In addition to the pipeline that transports crude oil from Cushing to the Gulf Coast, the Seaway system is comprised of a terminal and distribution network originating in Texas City, Texas, which serves refineries locally and in the Houston area. The Seaway system also includes dock facilities at Freeport and Texas City.

– Business Wire

NGL PRICES & FRAC SPREAD

Ethane Prices Improve

Ethane prices picked up this week as light NGLs showed greater strength, if not higher values, than their heavy counterparts for the second straight week at both Mont Belvieu and Conway.

The market appears to be preparing for the expanded ethane cracking capacity that is set to come online as various crackers complete scheduled turnarounds this month. The Mont Belvieu price improved 8% to 41¢ per gallon (/gal) while the Conway price improved 25% to 13¢/gal. Despite the improvements, both prices are among the lowest at their respective hubs as the market remains depressed due to the inventory build-up caused by these outages.

In addition, both ConocoPhillips' Gulf Coast Fractionators and ONEOK's Mont Belvieu-1 fractionator are undergoing maintenance this month and won't be brought back online until next month. The market is expected to make a strong recovery by the end of the year once excess supplies have been absorbed and the additional fractionation and cracking capacity come online.

Propane prices dipped slightly at both hubs this week, but appeared to stabilize after steady decreases the previous three weeks. The Mont Belvieu price was down 2% to $1.01/gal while the Conway price was down 1% to 78¢/gal. There is still a large storage overhand to work off, but the good

(continued on page 3)

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news for propane is that export levels to Europe and Asia are high.

En*Vantage estimates that the EIA is underestimating weekly export figures for propane. The EIA has stated that propane exports are running at approximately 124,000 barrels per day (b/d); however, En*Vantage thinks that these figures are between 130,000 barrels per day (b/d) to 150,000 b/d in May. The company noted that the EIA stated that propane/propylene imports rose by 23,000 b/d the week of May 11. However, upon further inspection, it was discovered that these imports were not propane, but rather refinery grade propylene. The company contends that such miscalculations are affecting the market's true strength.

The relative strength of light NGLs occurred despite a further erosion of crude prices, which saw WTI prices fall below $95 per barrel (/bbl) this week due to increased storage levels that have reached more than 381 million barrels (bbls), according to the Energy Information Administration (EIA).

Current Frac Spread (Cents/Gal)

May 18, 2012	Conway	Change from Start of Week	Mont Belvieu	Start of Week
Ethane	13.04		40.63	
Shrink	15.40		15.54	
Margin	-2.36	39.40%	25.09	9.53%
Propane	77.54		100.48	
Shrink	21.25		21.43	
Margin	56.29	-3.90%	79.05	-4.40%
Normal Butane	141.00		167.28	
Shrink	24.06		24.27	
Margin	116.94	-4.96%	143.01	-5.23%
Iso-Butane	165.10		182.38	
Shrink	23.11		23.31	
Margin	141.99	-9.96%	159.07	-5.43%
Pentane+	200.36		213.13	
Shrink	26.03		26.25	
Margin	174.33	-6.28%	186.88	-3.90%
NGL $/Bbl	36.78	-2.53%	46.33	-1.52%
Shrink	8.50		8.57	
Margin	28.28	-5.16%	37.76	-3.24%
Gas ($/mmBtu)	2.32	7.41%	2.34	6.85%
Gross Bbl Margin (in cents/gal)	63.87	-5.18%	86.90	-3.22%
NGL Value in $/mmBtu				
Ethane	0.72	24.90%	2.23	8.49%
Propane	2.69	-1.05%	3.49	-2.20%
Normal Butane	1.52	-3.05%	1.81	-3.65%
Iso-Butane	1.03	-7.88%	1.14	-4.02%
Pentane+	2.55	-4.70%	2.72	-2.70%
Total Barrel Valuein $/mmbtu	8.51	-1.70%	11.38	-0.83%
Margin	6.19	-4.73%	9.04	-2.64%

NGL PRICES

Mont Belvieu	Eth	Pro	Norm	Iso	Pen+	NGL Bbl
May 9 - 15, '12	40.63	100.48	167.28	182.38	213.13	$46.33
May 2 - 8, '12	37.45	102.74	173.62	190.02	219.04	$47.04
April 25 - May 1, '12	47.09	116.40	191.54	203.78	235.03	$52.55
April 18 - 24, '12	47.66	119.22	189.96	202.12	236.22	$52.92
April '12	45.55	119.39	189.84	203.99	237.95	$52.78
March '12	50.09	125.86	192.84	207.42	245.13	$54.99
1st Qtr '12	53.93	125.90	192.36	204.32	238.95	$55.05
4th Qtr '11	84.49	144.13	188.16	227.18	224.44	$61.34
3rd Qtr '11	76.03	153.87	188.27	208.52	237.59	$61.59
2nd Qtr '11	75.14	149.59	186.75	202.07	248.23	$61.42
May 11 - 17, '11	74.21	151.30	186.96	204.88	251.77	$61.80
Conway, Group 140	**Eth**	**Pro**	**Norm**	**Iso**	**Pen+**	**NGL Bbl**
May 9 - 15, '12	13.04	77.54	141.00	165.10	200.36	$36.78
May 2 - 8, '12	10.44	78.36	145.44	179.22	210.24	$37.73
April 25 - May 1, '12	13.70	84.96	156.76	186.96	224.84	$40.84
April 18 - 24, '12	11.78	88.74	159.13	188.33	226.90	$41.28
April '12	14.42	90.99	160.18	190.26	230.04	$42.30
March '12	29.33	107.37	172.94	193.41	241.34	$48.21
1st Qtr '12	26.93	103.34	168.65	184.75	227.16	$45.92
4th Qtr '11	34.29	129.43	160.82	204.27	196.08	$48.23
3rd Qtr '11	46.69	143.07	166.30	199.68	210.98	$53.06
2nd Qtr '11	52.63	139.38	170.76	192.47	236.00	$55.34
May 11 - 17, '11	52.18	141.38	174.90	200.00	233.00	$55.72

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

(Left) 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

This is more than 11 million bbls higher than at the same time last year and 27 million bbls greater than the five-year average.

Weaker crude prices had a stronger effect on heavy NGLs as prices were down across the board at both hubs for these products. Isobutane prices took the biggest hit for the week as the Conway price tumbled 8% to $1.65/gal and the Mont Belvieu price moved 4% lower to $1.82/gal. This weakness was also caused by refinery and alkylation unit turnarounds.

Butane prices fell 4% to $1.67/gal at Mont Belvieu and 3% to $1.41/gal at Conway. The Conway price was the lowest since the week of Sept. 8, 2010, when it was $1.40/gal while the Mont Belvieu price was the hub's lowest since it was $1.67/gal the week of Feb. 2, 2011.

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Prices for C5+ at Mont Belvieu fell to their lowest levels in nearly two years, dropping 3% to $2.13/gal. This was the lowest at the hub since it was $2.12/gal the week of Dec. 22, 2010. The Conway price fell 5% to $2.00/gal., its lowest level since it was $1.98/gal the week of Dec. 28, 2011.

The theoretical NGL barrel price was also down this week at both hubs as it fell 3% to $36.78/bbl at Conway with a 5% drop in margin to $28.28/bbl. The Mont Belvieu NGL barrel price fell 2% to $46.33/bbl with a 3% drop in margin to $37.76/bbl.

Margins were largely down this week because of lower NGL prices combined with improved natural gas prices that rose 7% at both hubs. The lone NGL to experience improved margins this week was ethane. The most profitable NGL to make at both hubs was C5+ at $1.74/gal at Conway and $1.87/gal at Mont Belvieu. This was followed, in order, by isobutane at $1.42/gal at Conway and $1.59/gal at Mont Belvieu; butane at $1.17/gal at Conway and $1.43/gal at Mont Belvieu; propane at 56¢/gal at Conway and 79¢/gal at Mont Belvieu; and ethane at a slightly theoretical negative margin at Conway and 25¢/gal at Mont Belvieu.

Natural gas in storage for the week rose 61 billion cubic feet to 2.667 trillion cubic feet (Tcf) from 2.606 Tcf the previous week. This was 41% greater than the 1.893 Tcf storage level reported last year at the same time and the five-year average of 1.894 Tcf.

Cooling demand should increase in much of the country as the National Weather Service's forecast for the week includes warmer than normal weather in the Northeast, Midwest and Gulf Coast. Cooler than normal temperatures are expected in the Pacific Northwest and parts of Florida, while the rest of the country can expect normal spring temperatures.

– Frank Nieto

INSIDE LOOK AT PROCESSING

Copano Announces Expansions At Houston Central Plant

Copano Energy, L.L.C. plans to add an additional 400 million cubic feet per day (MMcf/d) of cryogenic processing capacity at its Houston Central complex, located in Colorado County, Texas, in response to continuing producer demand in the liquids rich Eagle Ford Shale play.

The expansion project will bring Copano's total high-efficiency cryogenic processing capacity at its Houston Central complex to 1 billion cubic feet per day. Anticipated capital spending for the expansion and associated facilities is estimated to be approximately $190 million, with an expected in-service date in mid-2014. Copano also announced execution of a new long-term fee-based gathering and processing agreement with a major Eagle Ford producer, which combined with previously announced producer commitments, will support the expansion. Copano has previously announced plans for an initial 400 MMcf/d of cryogenic processing expansion at Houston Central, which is expected to be in service in the first quarter of 2013.

"This second cryogenic expansion project reaffirms our commitment to being a leading midstream service provider in the Eagle Ford shale," R. Bruce Northcutt, president and chief executive, said. "While we expect to invest capital for this project at a five-times multiple or better, our producers and customers will also benefit from the expansion through enhanced performance and improved recovery of natural gas liquids."

Enterprise Investments Will Enhance Eagle Ford Presence

Last year, Enterprise Products Partners began a major push to expand its presence in the Eagle Ford shale through the start of a plan to invest $4 billion in growth capital projects in the play between 2010 and 2013.

This capital investment includes the construction of the company's sixth NGL fractionator at Mont Belvieu. During a recent conference call to discuss Q1 2012 earnings, Mike Creel, the company's president and chief executive, said that most of the projects will be completed in the second half of this year and Q1 2013.

The company is bringing its first natural gas processing plant in the play online in Q3 2012. Jim Teague, the company's executive vice president and COO,

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emphasized that the Eagle Ford requires more work than some other plays because of the lack of existing infrastructure suitable to the play's production.

"As we bring this first train into service, it's worth keeping in mind that this is much more than the first of three processing plants because this first plant has to be supported by the build-out of rich gathering and pipeline assets upstream of the plant, new natural gas and NGL takeaway infrastructure downstream, and storage and fractionation assets in Mont Belvieu," he said.

Enterprise is also constructing crude oil projects in the play, specifically the commission of Phase I of a crude pipeline from Marshall, Texas, to Sealy, Texas, along with the construction of its ECHO crude oil terminal.

In addition to projects in the Eagle Ford shale, Enterprise also announced several major projects in Q1 that are focused on other sections of the country. These include the ATEX ethane pipeline in the Marcellus shale; the looping and reversal of the Seaway crude oil pipeline in the Gulf Coast; the construction of a Gulf of Mexico crude oil pipeline to transport production from the offshore Lucius oilfield; the expansion of the Mid-America NGL pipeline in the Rockies; the joint construction of the Texas Express pipeline along with Anadarko Petroleum and Enbridge Energy Partners that will transport NGLs from the Rockies, West Texas and southern Oklahoma access to the Gulf Coast market; the addition of its seventh and eighth fractionation trains at Mont Belvieu; and the formation of the Front Range NGL pipeline joint venture with DCP Midstream and Anadarko Petroleum in the DJ basin.

"We are trying to do our part to make sure that what we are in five or six years will deliver the same kind of results that we are delivering today," Teague said. Aside from the ATEX pipeline, the company will add other projects in the Marcellus shale as it seeks to increase its presence in the play. Creel stated that it is unlikely that the company will buy into the play given the cost of assets in the region.

Teague noted that while there are significant hurdles in the midstream that the company has had to overcome in the midst of these projects, Enterprise's diversified focus built on fee-based contracts helped to overcome these negatives.

"We deliver [strong] results in the face of several challenges, including an extended turnaround environment in the ethylene industry, which contributed to much lower processing margins for ethane compared to a year ago, a horrible winter for both propane and natural gas, and a significant unplanned outage at our MTBE plant that hit us for more than $35 million against our budget. … Our diversified business model provided us with significant offsets to these negatives, including an increase in natural gas processing volumes due to production growth in the Eagle Ford and a lack of freeze-offs in places like the Rockies; higher realized natural gas processing margins; and additional volume across our export facility where we literally squeezed in every barrel we could while sometimes on the incremental cargoes enjoying margins that were two- and three-times above our normal contract rates," he said.

The weak winter resulted in a large build-up of propane supplies while ethylene plant turnarounds are resulting in a backlog of ethane supplies. Teague stated that this situation is causing the NGLs to work against each other in a negative way.

"While the reasons for the excess inventory levels are different, what we believe they have in common is that the large inventory builds are short-term in nature. …We are dealing with a competitive pricing environment between both, as petrochemical demand for either will be subjected to feedstock switching if one gets too expensive versus the other," he said.

The long-term outlook for ethane remains strong as the company anticipates pricing and demand to increase once the cracker and fractionator turnarounds are completed this summer. The biggest positive for the industry is that the petrochemical industry is responding very positively to plentiful, economic ethane by building new ethylene plants.

Enterprise is increasing its propane export capacity out of the Gulf Coast and anticipates construction to be completed by the end of the year. Teague said that the company is sold out of its export capacity for this year and close to being sold out for next year with the expanded capacity.

Like most other midstream companies, Enterprise's projects are focused on liquids-rich plays and production given the large price discrepancy between gas and liquids prices. However, Teague said that there remain opportunities on the dry gas side due to its integration with the company's NGL assets and increased power generation demand.

"While prices are currently depressed, producers are in the business to make money, and they continue to work on getting their costs down and, more importantly, they will continue to focus their efforts on rich gas and crude, leaving significant lean gas reserves on the shelf until prices recover," he noted.

– Frank Nieto

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Report: Utica Shale Joint Venture Buys Land For Processing Plant

Utica East Ohio Midstream LLC, a joint venture between Chesapeake Energy, M3 Midstream and EV Energy Partners, acquired a 117-acre plot of land in Hanoverton, Ohio to build a $400 million, 600 million cubic feet per day (MMcf/d) natural gas processing plant, according to a report in The Morning Journal (OH).

In March, the partners agreed to build a midstream complex in the Utica shale for $900 million. The land is located at 11687 Route 644 and was acquired for $1.8 million. It is expected that the plant will begin initial operations by May 2013.

The companies declined to comment on this report.

DCP Midstream Partners Committed To Growth Through NGLs, MLP Structure

During a conference call to discuss Q1 2012 earnings, Mark Borer, president and chief executive of DCP Midstream Partners, noted that the company remains committed to utilizing the advantages found in the MLP structure for growth.

"The first alternative is direct investment or acquisition in which we invest capital and assets with MLP-friendly characteristics, where those assets are really part of a larger strategic investment for DCP Midstream. The second alternative is an organic build project in which we provide the capital to construct all or part of an asset. A third alternative is the drop-down," he said.

Bearing this structure in mind, the Partnership completed several acquisitions designed to increase the company's fee-based NGL infrastructure. The first was the drop-down acquisition of the remaining two-thirds interest in DCP Southeast Texas Holdings for $240 million. This was followed by the purchase of a 10% interest in the Texas Express NGL pipeline from Enterprise Products Partners for $85 million.

DCP Southeast Texas Holdings is a fully integrated system composed of 675 miles of natural gas gathering and transportation pipelines, three natural gas processing plants with a total capacity of 400 million cubic feet per day (MMcf/d), and 9 billion cubic feet of natural gas storage capacity.

Enterprise, along with Enbridge Energy Partners, owns 35% of the Texas Express pipeline while Anadarko Petroleum owns the remaining 20%. The pipeline will stretch 580 miles from Skellytown, Texas, to Enterprise's NGL fractionation and storage complex at Mont Belvieu when it is completed in Q2 2013.

The continued strength of liquids prices compared to dry gas prices has provided plenty of new growth opportunities for the Partnership. Borer stated that the DCP enterprise as a whole had earmarked $4 billion toward new projects with a further $2 billion designated for potential growth opportunities. Approximately $3 billion of the funds would be co-investments between the general partner and the Partnership.

The bulk of these growth projects would be centered on transforming the company from a gathering- and processing-focused organization into a full NGL value chain midstream service provider.

– Frank Nieto

Reliance Industries Secures $2B Credit Facility For Petrochemical Plant Expansions

Reliance Industries Limited signed a $2 billion equivalent loan with nine banks covered by Euler Hermes Deutschland AG for a petrochemical plant expansions at Jamnagar, Hazira, Silvassa and Dahej in India. Funds will also be used to finance goods and services procured from German supplies.

The credit facility, which has a door-to-door maturity of 13 year, helps diversify RIL's funding sources and extend the maturity profile of its long-term debt in a cost effective manner, according to the company. V. Srikanth, joint chief financial officer of RIL, commented "We are delighted with the support provided by Euler Hermes for this landmark financing. This deal received strong support from international banks, particularly from German lending institutions. The better than sovereign assessment by Euler Hermes is a strong testimony of RIL's credit standing in the international markets."

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PIPELINES & TECHNOLOGY

Regency Energy To Expand Eagle Ford Gathering, Treating Assets

Regency Energy Partners LP (NYSE: RGP) announced it will construct an expansion of its Edwards Lime gathering joint venture in the Eagle Ford shale located in South Texas. The Edwards Lime expansion will increase the system's capacity by 90 million cubic feet per day (MMcf/d) to 160 MMcf/d, and will provide for additional crude transportation and stabilization capacity of 17,000 barrels per day (b/d).

Regency owns a 60% interest in Edwards Lime and operates the assets on behalf of the joint venture. The remaining 40% interest is owned by Talisman Energy USA Inc. and Statoil Pipelines LLC.

"This expansion will provide additional natural gas and condensate gathering and treating capacity in the liquids-rich Eagle Ford shale, and we believe this will be an accretive investment for Regency," said Keith Crawford, regional vice president of Regency.

"In addition, we are excited to work with our joint venture partners, who have dedicated production within an area of mutual interest to this project which will further expand Regency's presence in the Eagle Ford Shale," continued Crawford.

Contracts on the expansion are fee-based, which includes reservation fees. Capital expenditures related to the expansion are expected to total approximately $150 million. Regency will be responsible for approximately $90 million; this amount is included in Regency's previously announced 2012 growth capital projections. The project is expected to be complete in the fourth quarter of 2012.

KEY NORTH AMERICAN HUB PRICES	
2:30 PM CST / May 17, 2012	
Gas Hub Name	Current Price
Carthage, TX	2.51
Katy Hub, TX	2.54
Waha Hub, TX	2.52
Henry Hub, LA	2.61
Perryville, LA	2.50
Houston Ship Channel	2.55
Agua Dulce, TX	1.88
Opal Hub, Wyo.	2.45
Blance Hub, NM	2.45
Cheyenne Hub, Wyo.	2.40
Chicago Hub	2.60
Ellisburg NE Hub	2.38
New York Hub	2.69
AECO, Alberta	2.17

Source: Bloomberg

SemGroup To Build Crude Gathering System In DJ Basin

SemGroup Corp. announced plans to construct a new crude oil gathering system in the Denver-Julesburg Basin (DJ Basin) in Colorado. The project will support Noble Energy, Inc.'s efforts to move their production away from the wellhead.

"Demand continues to increase for midstream services out of the DJ Basin," said Pete Schwiering, vice president of SemGroup. "Strong crude prices provide attractive economics for producers in this play and we are excited to be working with Noble Energy to accommodate the increased production."

Once operational, the new gathering system, to be called the Wattenberg Oil Trunkline, will transport oil within the DJ Basin. The project will include a 37 mile, 12 inch pipeline system with 200,000 barrels of operational storage extending north from Rose Rock Midstream's Platteville Station, the origin point of White Cliffs Pipeline. The Wattenberg Oil Trunkline will connect to Noble Energy processing facilities in the heart of their producing areas and include facilities to unload trucks.

Noble Energy Inc. has entered into a long term agreement to use the asset. The project is expected be operational the third quarter of 2013.

– Business Wire

Spectra Energy To Invest More Than $4B In B.C. Midstream

Spectra Energy Corp (NYSE:SE) provided an update on its 2009-2013 $1.5 billion expansion program in British Columbia, which it says remains on track. The company is also poised to invest an additional $4-6 billion in B.C. beyond 2015.

The company's $1.5 billion expansion program was designed to safely, reliably and responsibly develop the necessary natural gas infrastructure to meet B.C.'s domestic natural gas needs, as well as those of other energy markets in North America. The recent expansion includes construction of two new natural gas processing facilities in northeast B.C., including associated natural gas gathering pipelines, and further expansion of the company's natural gas transmission

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system in B.C. These projects create more than 1,350 construction jobs and result in $120 million in contracts with northeast B.C. First Nations and local contractors in the province. In addition, as a result of Spectra Energy's extensive infrastructure and ongoing investments in B.C., the company's annual property taxes now total $64 million, supporting much needed services within the province. That makes Spectra Energy the single largest contributor to property taxes in the province.

"I'm pleased that we're aligned with the Province of B.C.'s natural gas and LNG strategies and am confident that our shared interests in job growth and economic development activity will continue for many years," Doug Bloom, president, Spectra Energy's Western Canadian Operations, said in a news release. "We've been investing in communities across B.C. since 1957 and believe we are an integral part of the province's energy sector. With over 850 employees living and working in the province and a natural gas system that delivers benefits for all B.C. residents, we remain committed to ongoing, responsible growth of B.C.'s natural gas sector."

Further infrastructure development will be required to unlock additional growth in the Montney, Horn River and other developing natural gas resource areas. Opportunities include additional natural gas gathering and processing services; extraction of natural gas liquids in the Montney region; and new pipeline transmission capacity to deliver incremental unconventional natural gas supplies to current - and emerging - North American markets. This next wave of expansion is also anticipated to include pipeline infrastructure in order to serve LNG export facilities on the B.C. coast.

"As the industry continues to develop natural gas supplies in B.C. to meet our domestic energy needs, we're also looking farther afield to Asia where they are looking for increased supplies of natural gas from diverse and stable suppliers," Bloom said.

"As we look ahead to large-scale pipeline projects that will connect natural gas from B.C. to Asian markets, Spectra Energy is committed to in-depth consultations with community members across the province," he continued. "We fully intend to incorporate local input into project design and ensure maximum benefits for communities across the province as we continue to grow our business."

NEWS & TRENDS

Excelerate Energy To Build First Floating Liquefaction Export Facility In U.S.

Excelerate Energy LP is moving forward with the development of the first floating liquefaction facility in the United States utilizing its Floating Liquefaction Storage Offloading vessel (FLSO) technology. The Lavaca Bay LNG project will be located in Port Lavaca, situated between Galveston and Corpus Christi on the Texas Gulf Coast, and will be designed to export liquefied natural gas (LNG) to markets worldwide by 2017.

Excelerate Energy's FLSO comprises 3 million tonnes per annum (MTPA) of production capacity, 250,000 cubic meters of LNG storage, and a fully integrated gas processing plant. With this gas processing capability, the FLSO can accommodate a wide range of gas compositions at its inlet making it well suited for virtually any application near shore or offshore. For those situations where gas processing is not required due to presence of existing processing facilities or where pipeline quality gas is used as the feedstock, the processing equipment can be removed and liquefaction capacity increased to 4 MTPA.

The FLSO will measure 338 meters in length, with a breadth of 62 meters. Front End Engineering and Design (FEED) is in an advanced phase and Excelerate is now entering into discussions with potential off takers and natural gas suppliers as well as investors and potential sources of finance to take the project forward. Excelerate Energy expects FEED to last until the end of 2012, and following its completion and successful permitting project delivery will take approximately 44 months from final investment decision (FID).

In its initial phase, the Lavaca Bay LNG project will consist of one permanently moored FLSO with multiple connections to the onshore natural gas grid in South Texas. The project will be designed with the potential for expansion and the addition of a second FLSO over time for a total production capacity of

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up to 8 MTPA. Excelerate Energy expects to begin the export authorization and Federal Energy Regulatory Commission (FERC) permitting immediately, and is in the process of completing its site-specific final front-end engineering design (FEED) effort.

"Excelerate Energy applies the same philosophy to its liquefaction vessel design as it does to its regasification vessel fleet – essentially using proven technology in an innovative way to provide more efficient and timely solutions to the LNG industry," stated Rob Bryngelson, Excelerate Energy president and chief executive. "Port Lavaca provides us with the unique opportunity to further capitalize on our position as a market leader in floating LNG solutions."

Excelerate Energy selected Port Lavaca for the site of the facility because of its direct access to the highly liquid south Texas natural gas market, access to the Atlantic Basin through the Gulf of Mexico, and potential access to the Pacific basin with the widening of the Panama Canal. The facility will interconnect to the region's existing pipeline system in order to obtain natural gas and liquefy it onboard the vessel. The Port Lavaca location being developed by Excelerate Energy has previously received FERC approval as an LNG import facility, which should facilitate the permitting process.

RESIN PRICES – MARKET UPDATE – MAY 17, 2012					
TOTAL OFFERS: 20,229,232 lbs		SPOT		CONTRACT	
Resin	Total lbs	Low	High	Bid	Offer
PP Homopolymer - Inj	4,320,324	0.69	0.78	0.66	0.7
LDPE - Film	3,290,072	0.68	0.76	0.67	0.71
HDPE - Inj	3,042,348	0.615	0.675	0.59	0.63
LLDPE - Film	2,377,772	0.68	0.77	0.64	0.68
PP Copolymer - Inj	1,818,644	0.73	0.8	0.68	0.72
HDPE - Blow Mold	1,543,220	0.61	0.675	0.59	0.63
LDPE - Inj	793,656	0.7	0.75	0.67	0.71
HMWPE - Film	763,196	0.64	0.73	0.64	0.68
LLDPE - Inj	760,000	0.66	0.69	0.65	0.69
GPPS	760,000	0.82	0.82	0.85	0.9
HIPS	760,000	0.97	0.97	0.97	1.02

Source: Plastics Exchange – www.theplasticsexchange.com

AltaGas Reaches Settlement Agreement For SEMCO Acquisition

AltaGas Ltd. (TSX:ALA) (TSX:ALA.PR.A) (TSX:ALA.R) reached a settlement agreement with the staff of the Michigan Public Service Commission (MPSC) with respect to its acquisition of SEMCO Holding Corp. The settlement agreement is subject to final approval by the MPSC.

AltaGas previously announced the proposed acquisition of SEMCO on February 1, 2012, subject to receipt of all regulatory approvals. SEMCO is the sole shareholder of SEMCO Energy, Inc. a privately held regulated public utility company headquartered in Port Huron, Michigan. SEMCO indirectly holds a regulated natural gas distribution utility in Alaska through ENSTAR Natural Gas Company and an interest in a regulated natural gas storage utility in Alaska under construction called Cook Inlet Natural Gas Storage Alaska, LLC. SEMCO also indirectly holds a regulated natural gas distribution utility and an interest in an unregulated natural gas storage facility in Michigan.

The process for obtaining regulatory approval from the Regulatory Commission of Alaska is progressing with a hearing date scheduled for May 30, 2012.

Closing of the transaction is expected in third quarter 2012 after receipt of all regulatory approvals.

Linde, American Power Group To Expand Use Of LNG In E&P Segment

Linde North America announced its Energy Solutions business has formalized a joint marketing agreement with American Power Group (APG) to introduce and expand the use of liquefied natural gas (LNG) in oil and gas exploration and production (E&P). Linde and APG will work together to offer customers a comprehensive solution for the safe, economic and efficient use of LNG in retrofitted dual-fuel diesel engines.

Linde provides expertise in the supply, production, logistics and on-site application of LNG and other cryogens, as well as oil and gas field services. APG provides a patented dual-fuel technology that converts diesel engines to run on an average of 40% to 60% LNG or other natural gas sources.

"Our joint working relationship with APG enables oil and gas customers working in exploration and production to leverage the economic, environmental and operational benefits of LNG," said Bryan

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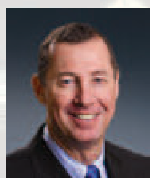

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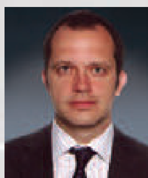

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Luftglass, head of strategic marketing and business development for Linde Energy Solutions. "Working together, we can convert and fully service an LNG fueling program for oil and gas E&P."

Engines targeted for retrofitting for dual use of diesel and LNG include E&P drilling rigs, horizontal and vertical drilling equipment, high pressure fracturing equipment and goods-hauling vehicles, including trucks transporting water, sand, cement, piping and other E&P goods.

As part of their agreement, Linde and APG will evaluate expansion of LNG applications to other fields. LNG is an economical alternative to diesel. It can be sourced domestically, is recognized for its lower air emissions and prices are predicted to remain stable as new technologies enable extraction from vast natural gas reserves.

– Business Wire

Inergy Midstream Acquires US Salt From Inergy

Inergy Midstream, L.P. acquired 100% of the membership interests in US Salt LLC (US Salt) from Inergy L.P. (NRGY) for total consideration of $192.5 million. The transaction is expected to be immediately accretive to NRGM unitholders on a distributable cash flow per unit basis.

"The acquisition of US Salt represents the first drop down transaction for NRGM and complements our existing natural gas and NGL storage and transportation platform nicely. This transaction demonstrates our commitment to growing NRGM's distributable cash flow and delivering on the growth expectations for the company," said John Sherman, president and chief executive of NRGM.

US Salt, located on the shores of Seneca Lake outside of Watkins Glen, New York, is one of five major solution mined salt manufacturers in the United States, producing evaporated salt products for food, industrial, pharmaceutical, and water conditioning uses. The US Salt operations are complementary to NRGM's existing midstream energy storage platform. The solution mining process used by US Salt creates salt caverns that can be developed into usable natural gas and natural gas liquids (NGL) storage capacity. US Salt has approximately 10 bcf of available cavern space that can potentially be developed into additional natural gas storage capacity.

Bill Moler, senior vice president and COO of NRGM, added, "US Salt is characterized by very stable cash flows and adds substantial growth opportunities to our gas and NGL storage business at NRGM."

The consideration of $192.5 million consists of $182.5 million of cash, which will be drawn on NRGM's revolving credit facility, and $10 million of NRGM common units issued directly to NRGY. On April 16, 2012, NRGM exercised a $100 million accordion expansion of its revolving credit facility, increasing the total borrowing capacity to $600 million.

– Business Wire

Peregrine Midstream Partners' Subsidiary Fast Tracks Ryckman Creek Gas Storage Facility

Ryckman Creek Resources LLC, a wholly-owned subsidiary of Peregrine Midstream Partners LLC, started gas injections at its new high-deliverability, multi-cycle (HDMC) Ryckman Creek gas storage facility in southwestern Wyoming near the Opal Hub. Construction of the 35 billion cubic feet (Bcf) facility started in late September 2011. First gas injections from Northwest Pipeline commenced on May 1, 2012, followed by gas injections from Overthrust Pipeline several days later.

Ryckman Creek will have interconnections with five interstate pipelines, all of which are connected to the Opal Hub, including Questar, Ruby and Kern River in addition to Northwest and Overthrust. Gas injections from the various pipeline interconnections will commence in phases over the next few months as each interconnect becomes operational, until reservoir commissioning and pad gas injections have been completed this summer. Commercial operations are scheduled to start by September 1, 2012, with the first injections of customer gas.

"Even though we got a late start on construction last fall due to issues beyond our control, we have been able to keep the overall project on schedule, pulling some work originally scheduled for completion in 2013 into this year," said Darrell Poteet, Peregrine executive vice president, pipelines and surface facilities development and management. "We battled the Wyoming winter at 7800 feet on the top of a mountain to achieve an in-service date that will allow our customers to start injecting gas this fall and withdraw gas this coming winter. We didn't want our customers to have to wait until next year for the facility to come online. This would have been a significant accomplishment in any weather, but

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especially so in freezing cold mountaintop conditions.“

Ryckman Creek construction includes six injection/withdrawal wells; two re-entry observation wells and two re-entry/recompletion saltwater disposal wells; a central gas/liquids separation and processing facility; 4.8 miles of new eight-inch diameter storage field flow lines; nearly 4 miles of 16-inch diameter header pipeline; one unidirectional and four bi-directional pipeline interconnects and meter stations; and approximately 30,000 horsepower of electric-drive compression.

Initial working gas capacity for Ryckman Creek's first phase is 18 Bcf for the 2012-13 gas storage season, which will increase to 25 Bcf by spring 2013 and 35 Bcf by spring 2014. A planned Phase II expansion would increase total working gas capacity to 50 Bcf or more depending on market demand. Maximum Phase I injection capability will be 350 million cubic feet per day (MMcf/d with a maximum withdrawal capability of 480 MMcf/d.

SNAPSHOT

Despite Challenges, Chesapeake Energy Remains Confident

Chesapeake Energy Corp. has faced considerable challenges the past month as its founder, chairman and chief executive, Aubrey McClendon, has been the subject of a shareholder lawsuit and an SEC investigation. These actions resulted in McClendon's decision to step down as chairman of the company upon the hiring of a new independent, non-executive chairman.

The investigation and lawsuit centered on personal loans that McClendon allegedly took against company assets totaling $1.1 billion. These loans were granted against his participation in the Founder Well Participation Program (FWPP) that was designed to provide him with the right to participate and invest in new wells drilled on the company's holdings. In addition to McClendon's announcement to stand down as chairman, the company also announced it would terminate the FWPP 18 months early.

During a conference call to discuss Q1 2012 earnings, McClendon stated that in addition to allowing Chesapeake to offer strong corporate governance standards, the appointment of a new chairman would also allow him to better focus on the company's transformation into a major oil producer. Part of this transformation includes asset monetization and completing joint venture objectives.

"Despite all of the noise…my primary job as CEO has been, and always will be, to build long-term value along with attractive short-term returns for the company and all of its stakeholders. That is the task at hand, and that is and has been my primary focus for the past 20 years," he said.

The first quarter saw the company continue to increase is liquids production, as it grew 69% on a year-on-year basis with a finding cost of $7.14 per barrel of oil equivalent. This resulted in Chesapeake finding approximately 300 million barrels of liquid equivalents.

Despite these positives, McClendon stated that the company reported its first earning miss as earnings per share (EPS) were 18¢ per share (/share) instead of the expected 29¢/share. This miss was attributed in part to lower natural gas and NGL prices along with greater costs associated with operating oil wells. In addition, he stated that the company had frontloaded its CapEx drilling completion leasehold costs, which further eroded its EPS.

However, all of these negatives are short-term in nature according to the company as CapEx spending will decrease throughout the year and liquids prices will recover, McClendon said. He noted that with additional fractionation and cracking capacity coming online that increased future NGL production will be able to be absorbed by the market.

In addition, much of the end-use production of NGLs is being exported in some way, he said. "We're pretty confident that NGL values, at the end of the day in the U.S., will be supported by what's happening around the world. People need to realize that in Conway ethane prices are only 20% of what they are at Mont Belvieu, but that's going to get fixed…The U.S. has the lowest feedstocks for the petrochemical industry in the world. As a consequence, you'll see plenty of demand pick up as well."

The company's aggressive leasehold acquisition program has positioned it with the number one or two spot in many of the best shale plays in the country. These include the Utica, Mississippi Lime, Granite Wash, Cleveland, Tonkawa, Powder River, Niobrara, Marcellus, Haynesville, Bossier, Eagle Ford and Barnett.

Because of these assets, McClendon stated the Chesapeake had no interest in entering Canada or any other regions outside of the United States. Indeed, the company isn't just transitioning from producing gas to producing liquids, but from searching for new leases, to developing their current assets.

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"With the very best asset base in the business, it's now time to transition our business from being an aggressive new play identifier, leasehold acquirer and play developer into a more deliberate but very high-quality manufacturing company that will focus on achieving returns on capital on the assets we already own," he said.

The company's asset monetization plan will also help to improve its balance sheet, as it has monetized $2.5 billion out of an expected $11.5 billion to $14 billion of assets for 2012. These plans include the sale of its assets in the Permian basin; a joint venture in the Mississippi Lime; the sale of various non-core oil and gas assets; and partial monetization of its oilfield service and midstream assets.

Chesapeake Secures $4 Billion Loan

In an effort to ensure financial flexibility while conducting these monetizations and completing its conversion to a liquids-focused producer, Chesapeake announced a $4 billion unsecured loan from Goldman Sachs Bank USA and the Jeffries Group.

"We now have substantially enhanced our liquidity and that will ensure that we can conduct our asset monetization transaction from a position of strength," McClendon said during a separate conference call to discuss the loan.

The company intends to utilize the loan to repay a secured revolver that it felt was threatened by low natural gas prices. Despite the positive talk, there remain questions about whether the company can maintain its current spending levels even with the loan and whether the company could divest its assets in the timeframe and at prices it is seeking.

The company's S&P rating was downgraded to "BB-" from "BB" with a negative outlook. Fitch Ratings also revised its outlook for the company from stable to negative. "The company's 2012 spending plans remain essentially unchanged in terms of magnitude and will create a large funding gap between cash flow from operations and capital spending and leasehold acquisitions, which is expected to be filled mostly from proceeds from asset sales and various monetizations. Given the size of this gap, Fitch believes that the company's credit quality is likely to come under pressure," Fitch Ratings said.

Chesapeake Midstream Outlook For 2012 Unchanged

During a separate conference call to discuss Q1 2012 earnings for Chesapeake Midstream Partners, Mike Stice, the MLP's chief executive, said that the company's outlook for 2012 remains unchanged despite the curtailment of natural gas production by Chesapeake Energy.

"We are experiencing some impact from these production cuts, particularly in our Haynesville shale region. However, after one quarter of very strong results, we remain confident in the 2012 full-year outlook of $475 million of EBITDA (earnings before interest, taxes, depreciation and amortization) and $734 million of capital expenditures for the entire business. We intentionally structured this business to deliver growing, predictable cash flows, even in volatile times, and the business model and the business itself are proving very effective in delivering on expectations for investors," he said.

This business model includes 100% fixed-fee contracts with 10-year minimum volume commitments from Chesapeake and Total in the Barnett and three-year minimum volume commitments from Chesapeake in the Haynesville. These contracts provide the company with predictable and stable cash flow.

Chesapeake Midstream has similar predictable income levels through its Appalachian Midstream Services operation in the Marcellus that it acquired in a dropdown from Chesapeake in December. The Partnership has EBITDA guarantees from Chesapeake of $100 million in 2012 and $150 million in 2013.

CapEx spending in the quarter was primarily focused on the Marcellus, which accounted for more than half of such spending at $80.1 million in the quarter. Much of this spending thus far was focused on connecting wells in the play to its gathering and transportation systems.

Stice said that the company remains committed to its strategy of spending approximately $500 million per year for the next few years on dropdowns from Chesapeake. These potential acquisitions include assets in the Mansfield, Haynesville, Eagle Ford, Granite Wash, Mississippi Lime, Niobrara, Cleveland/Tonkawa, and Utica shales. However, it is unlikely that with gas prices being at such a low level that any dropdowns in the near-term will focus on dry gas assets.

There does remain the possibility of the company seeking to divest other assets. When asked during the Q&A session of the conference call to discuss the loan, McClendon stated that the company was open to the possibility of divesting its interest in Chesapeake Midstream. However, he noted that it was unfair to focus on one asset base over another at this time. In a separate call, Stice said it was his opinion that the MLP structure provided Chesapeake with the greatest value for the monetization of its midstream assets.

– Frank Nieto

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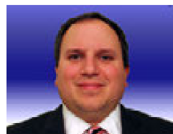

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