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Chesapeake announces major divestiture

Company to net $4 billion in three separate transactions

BY **FRANK NIETO** | EDITOR, MIDSTREAM MONITOR AND MIDSTREAMBUSINESS.COM

Chesapeake Energy Corp. (NYSE:CHK) on June 8 announced plans to sell its midstream assets in three separate transactions for total cash proceeds of more than $4 billion.

The midstream divestitures have been rumored for the past week as CHK has sought to make up for a cash-flow shortage.

The sales will enable the company to reduce its previously budget capital expenditures by roughly $3 billion during the next three years.

Terms call for CHK to sell its limited partner units and its general partner interests in its Chesapeake Midstream Partners LP (NYSE:CHKM) MLP to Global Infrastructure Partners (GIP) for $2 billion. GIP and CHK formed the MLP as a 50/50 joint venture in 2009.

The cash-flow shortage, which was estimated at possibly exceeding $22 billion by the close of the year by Alembic Global Advisors' James Sullivan, was caused by Chesapeake withdrawing from hedging contracts in late 2011, which resulted in the company being exposed to extremely low natural gas prices due to soft demand.

CASH-FLOW SHORTAGE | Chesapeake has been discussing plans to divest between $11.5 billion and $14 billion in assets.

The company has been discussing plans to divest between $11.5 billion and $14 billion in assets to recover from these associated difficulties.

CHK also reached an agreement to potentially sell certain gathering and processing assets in the Mid-Continent to CHKM along with a separate agreement to sell its interests in its wholly owned Chesapeake Midstream Development LP subsidiary to GIP.

Officials anticipate these two agreements to net total cash proceeds of more than $2 billion.

Terms provide GIP with a 45-day exclusive negotiation period and a 45-day extension period if a purchase price is agreed upon.

HIGHLIGHTS FROM TODAY'S EDITION

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NGL PRICES & FRAC

Weekly, monthly figures

Natural gas liquid prices fell this week, and May proved to be a very tough month. **PAGES 3 AND 5**

PROCESSING TRENDS

Taking 'baby steps'

Enterprise is taking a slow and gentle approach while it eases into the Eagle Ford and Haynesville, CEO Mike Creel says. **PAGE 6**

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A lump of concern

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TransCanada wins bid

The company has been selected to design, build and operate the Coastal GasLink pipeline. **PAGE 9**

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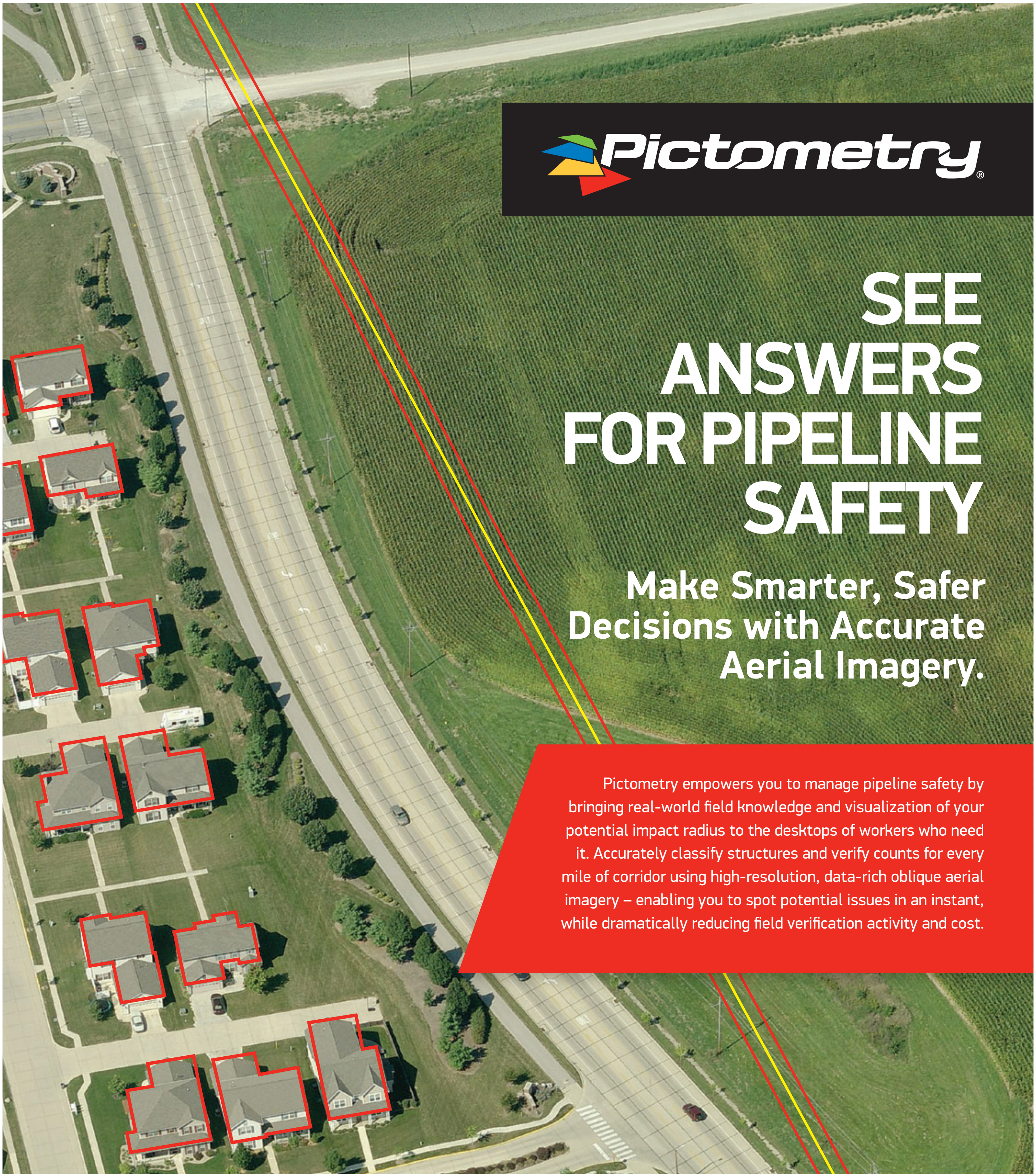
Challenging the EPA

A new report claims that the government has over-estimated natural gas emissions. **PAGE 11**



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NGL PRICES & FRAC SPREAD | Week in Review

NGL prices, margins fall along with crude prices

BY **FRANK NIETO** | EDITOR, MIDSTREAM MONITOR AND MIDSTREAMBUSINESS.COM

Natural gas liquids (NGL) prices continued to drop the week of May 30 through June 5 with prices falling across the board at both hubs, though they improved on June 6 after the market become oversold.

The NGL that took the biggest hit in value this week was once again ethane, which fell 17% to 30¢ per gallon (/gal) at Mont Belvieu and 18% 10¢/gal at Conway. Both prices were the lowest prices at the hubs since 2002. The Mont Belvieu price maintained a positive margin this week despite a 28% drop in its frac spread.

CURRENT FRAC SPREAD (CENTS/GAL)

June 8, 2012	Conway	Change from Start of Week	Mont Belvieu	Start of Week
Ethane	10.24		29.56	
Shrink	15.51		15.91	
Margin	-5.27	-50.59%	13.65	-28.34%
Propane	54.58		74.96	
Shrink	21.43		21.98	
Margin	33.15	-24.16%	52.98	-13.96%
Normal Butane	122.82		134.40	
Shrink	24.27		24.89	
Margin	98.55	-9.66%	109.51	-14.50%
Iso-Butane	138.82		151.44	
Shrink	23.31		23.90	
Margin	115.51	-9.22%	127.54	-12.24%
Pentane+	184.18		186.05	
Shrink	25.95		26.62	
Margin	158.23	-8.01%	159.43	-7.97%
NGL $/Bbl	30.83	-10.55%	37.20	-11.00%
Shrink	8.55		8.77	
Margin	22.28	-13.09%	28.43	-12.99%
Gas ($/mmBtu)	2.34	-2.90%	2.40	-3.61%
Gross Bbl Margin (in cents/gal)	49.44	-13.75%	64.80	-13.21%
NGL Value in $/mmBtu				
Ethane	0.56	-17.96%	1.63	-16.79%
Propane	1.89	-17.03%	2.60	-11.16%
Normal Butane	1.33	-8.40%	1.45	-12.67%
Iso-Butane	0.86	-8.22%	0.94	-10.99%
Pentane+	2.37	-6.39%	2.40	-6.44%
Total Barrel Valuein $/mmbtu	7.02	-11.06%	9.02	-11.28%
Margin	4.68	-14.64%	6.62	-13.77%

NGL PRICES

Mont Belvieu	Eth	Pro	Norm	Iso	Pen+	NGL Bbl
May 30 - June 5, '12	29.56	74.96	134.40	151.44	186.05	$37.20
May 23 - 29, '12	35.58	84.38	153.90	170.13	201.18	$41.79
May 16 - 22, '12	39.00	93.92	160.82	177.80	206.30	$44.37
May 9 - 15, '12	40.63	100.48	167.28	182.38	213.13	$46.33
May '12	37.89	95.11	162.91	179.74	209.64	$44.73
April '12	45.55	119.39	189.84	203.99	237.95	$52.78
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
June 1 - 7, '11	73.25	151.80	180.50	197.64	241.20	$60.47
Conway, Group 140	**Eth**	**Pro**	**Norm**	**Iso**	**Pen+**	**NGL Bbl**
May 30 - June 5, '12	10.24	54.58	122.82	138.82	184.18	$30.83
May 23 - 29, '12	12.50	65.78	134.08	151.25	199.05	$34.47
May 16 - 22, '12	11.78	70.58	134.45	153.40	197.66	$34.90
May 9 - 15, '12	13.04	77.54	141.00	165.10	200.36	$36.78
May '12	11.85	72.43	138.80	163.54	202.23	$35.94
April '12	14.42	90.99	160.18	190.26	230.04	$42.30
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
June 1 - 7, '11	46.52	139.52	164.80	182.13	229.12	$53.30

(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

However, Conway remained theoretically negative after a 51% drop in margin.

According to En*Vantage, there are reports of some ethane rejection in the Mid-Continent and Rockies. "The Mid-Continent ethane rejection is due to extraction economics. Ethane extraction economics are still attractive in the Rockies. However, for some players it is more economical to buy Conway

Continued on Page 4

NGL PRICES & FRAC SPREAD | Week in Review

Continued from Page 3

ethane and send it to Mont Belvieu rather than to recover it in the Rockies and send it to Mont Belvieu," the company said in its *Weekly Energy Report*. It is believed that any rejection taking place is less than 50,000 barrels per day.

Overall ethane remains positive at Conway since it is traded as an E-P mix and propane, despite challenges caused by a weak winter that resulted in a storage overhang. This excess storage combined with the product's close relationship with ethane at the hub resulted in a 17% drop in price to 55¢/gal for propane. This was the lowest price at Conway in nearly a decade. The margin still remained very strong despite a 25% decrease in the frac spread this week. Mont Belvieu propane dropped 11% to 75¢/gal, its lowest price since it was 68¢/gal the week of July 8, 2009.

As WTI crude prices fell to nearly $80 per barrel (/bbl), heavy NGL prices and margins suffered sizeable losses. Mont Belvieu butane and isobutane had the largest decreases as refining and LPG demand weakened. Butane fell 13% to $1.34/gal at Mont Belvieu and 8% to $1.23/gal at Conway. The Mont Belvieu price was the lowest at the hub since it was also $1.34/gal the week of Aug. 25, 2010 while the Conway price was the lowest since the week of July 7, 2010 when it was the same price.

KEY NORTH AMERICAN HUB PRICES	
2:30 PM CST / June 7, 2012	
Gas Hub Name	Current Price
Carthage, TX	2.30
Katy Hub, TX	2.36
Waha Hub, TX	2.35
Henry Hub, LA	2.33
Perryville, LA	2.29
Houston Ship Channel	2.35
Agua Dulce, TX	1.88
Opal Hub, Wyo.	2.26
Blance Hub, NM	2.36
Cheyenne Hub, Wyo.	2.24
Chicago Hub	2.39
Ellisburg NE Hub	2.25
New York Hub	2.48
AECO, Alberta	1.87

Source: Bloomberg

Mont Belvieu isobutane fell 11% to $1.51/gal, its lowest price since it was $1.49/gal the week of Sept. 22, 2010. Conway isobutane dropped 8% to $1.39/gal, the hub's lowest price since the week of Aug. 18, 2010 when it was $1.38/gal.

Once again C5+ prices had the lowest drop in price and margin of any heavy NGL due to its close relationship with crude prices. The Conway price fell 7% to $1.84/gal, the lowest price at the hub since it was $1.77/gal the week of Sept. 29, 2010. The Mont Belvieu price was down 8% to $1.86/gal from last week. This was also the lowest price at the hub since the week of Sept. 29, 2010, when it was the same price.

RESIN PRICES – MARKET UPDATE – JUNE 7, 2012					
TOTAL OFFERS: 22,960,484 lbs		SPOT		CONTRACT	
Resin	Total lbs	Low	High	Bid	Offer
PP Homopolymer - Inj	6,298,920	0.63	0.74	0.62	0.66
HDPE - Inj	4,813,268	0.585	0.66	0.56	0.6
PP Copolymer - Inj	3,652,000	0.65	0.8	0.64	0.68
LDPE - Film	3,022,324	0.63	0.72	0.64	0.68
HDPE - Blow Mold	2,269,564	0.58	0.65	0.56	0.6
LLDPE - Film	1,757,288	0.61	0.75	0.6	0.64
LDPE - Inj	548,000	0.68	0.74	0.64	0.68
LLDPE - Inj	542,736	0.63	0.66	0.62	0.66
GPPS	380,000	0.82	0.82	0.83	0.88
HIPS	380,000	0.96	0.96	0.95	1.00
HMWPE - Film	366,368	0.655	0.68	0.6	0.64

Source: Plastics Exchange – www.theplasticsexchange.com

These depressed prices and margins resulted in the theoretical NGL barrel price to drop 11% at both hubs. The Mont Belvieu price was $37.20/bbl with a 13% drop in margin to $28.43/bbl while the Conway price was $30.83/bbl also with a 13% drop in margin to $22.28/bbl.

The most profitable NGL to make at both hubs remained C5+ at $1.58/gal at Conway and $1.59/gal at Mont Belvieu. This was followed, in order, by isobutane at $1.16/gal at Conway and $1.28/gal at Mont Belvieu; butane at 99¢/gal at Conway and $1.10/gal at Mont Belvieu; propane at 33¢/gal at Conway and 53¢/gal at Mont Belvieu; and ethane at a theoretical negative margin at Conway and 14¢/gal at Mont Belvieu.

Natural gas in storage for the week increased only 62 billion cubic feet according to the EIA's latest data as demand is increasing significantly from power plants switching from coal to gas. The storage figure for the week was 2.877 trillion cubic feet (Tcf) compared to 2.815 Tcf the previous week.

We want to note that we have made some small alterations to our frac spread calculations based on updated data from the Gas Processors Association's NGL physical property tabulations. Specifically, we made slight changes to ethane and C5+'s NGL value per million Btu. Please contact Frank Nieto at fnieto@hartenergy.com if you would like an updated explanation of these calculations.

In May, margins took decisive dive as global concerns swelled

BY **FRANK NIETO** | EDITOR, MIDSTREAM MONITOR AND MIDSTREAMBUSINESS.COM

Frac spread margins took a nosedive during the month of May as global economic worries combined with lessened demand. Refinery turnarounds and low crude prices hurt heavy NGLs, while light NGLs battled high storage levels and bottlenecks.

The delay in obtaining regulatory approvals from the Canadian government caused Kinder Morgan to push back its E-P mix transportation service on the Cochin Pipeline from Conway to Sarnia, Canada, via the Mid-America Pipeline. The service, which will transport 13,000 barrels per day of the mixture to Nova's ethylene plant in Sarnia, was originally scheduled to start in April was pushed back to mid-May and continues to await approvals to start as we went to press.

This holdup has further exacerbated the bottleneck for E-P mix at Conway, which has a limited market and capacity for the product. As a result, ethane margins had an astronomical decrease in the month and theoretically turned negative.

We say theoretical because, as noted earlier, ethane is traded as an E-P mix at the hub and the other half of this product – propane – retained positive margins despite heavy losses. In addition to the bottleneck in the Mid-Continent, ethane was also recovering from the scheduled turnarounds at ethane crackers in the Gulf Coast the previous several months. While these facilities began to come back online in May, there was still a great deal of ethane storage to work off. This resulted in Mont Belvieu margins falling 49% in the month.

Large storage inventories also had large impacts on propane prices and margins in the month as there remains a very large storage overhang as a result of the mild winter that limited heating demand. In addition, prior to this mild winter a late harvest pushed back demand for crop drying to the point that it was almost non-existent.

Propane exports continue to experience a constant ebb and flow as demand from Europe and Asia began to wilt as their economic woes ramped up. Margins for propane were down 40% at Mont Belvieu and 43% at Conway, but remained firmly positive.

Heavy NGLs continued to be negatively impacted from the effects of scheduled refinery and isobutane alkylation unit turnarounds in the past few months along with crude prices taking a downturn.

The theoretical NGL barrel price dropped at both hubs with the Conway price falling 21% to $32.17 per barrel (/bbl) with a 28% drop in margin to $23.64/bbl while the Mont Belvieu price dropped 26% to $38.41/bbl with a 31% drop in margin to $29.77/bbl.

The most profitable NGL to make at both hubs was C5+ at $1.67 per gallon (/gal) at Conway and $1.66/gal at Mont Belvieu. This was followed, in order, by isobutane at $1.21/gal at Conway and $1.34/gal at Mont Belvieu; butane at $1.03/gal at Conway and $1.12/gal at Mont Belvieu; propane at 36¢/gal at Conway and 56¢/gal at Mont Belvieu; and ethane with a theoretical negative figure at Conway and 15¢/gal at Mont Belvieu.

MAY 2012 FRAC SPREAD - MONTH IN REVIEW (CENTS/GAL)

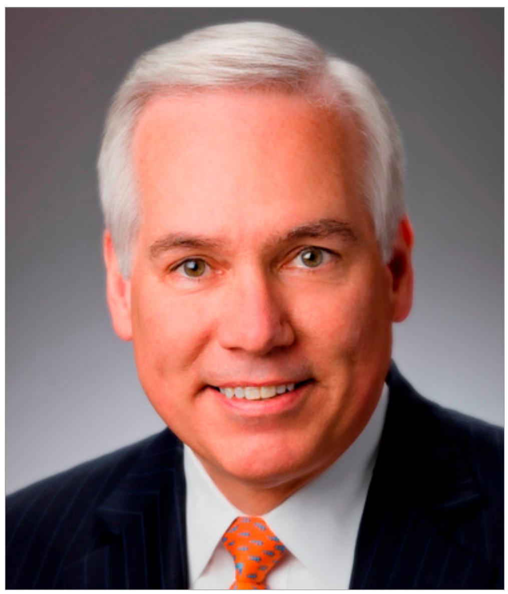
May 4, 2012	Conway	Change from Start of Week	Mont Belvieu	Start of Week
Ethane	13.70		47.09	
Shrink	14.61		14.94	
Margin	-0.91	-12.29%	32.15	-8.08%
Propane	84.96		116.40	
Shrink	20.15		20.61	
Margin	64.81	-8.80%	95.79	-5.83%
Normal Butane	156.76		191.54	
Shrink	22.81		23.33	
Margin	133.95	-3.72%	168.21	-1.14%
Iso-Butane	186.96		203.78	
Shrink	21.91		22.41	
Margin	165.05	-2.40%	181.37	-0.94%
Pentane+	224.84		235.03	
Shrink	24.68		25.25	
Margin	200.16	-2.48%	209.79	-2.33%
NGL $/Bbl	40.84	-1.05%	52.55	-0.71%
Shrink	8.06		8.24	
Margin	32.78	-4.16%	44.31	-3.53%
Gas ($/mmBtu)	2.20	13.99%	2.25	17.80%
Gross Bbl Margin (in cents/gal)	74.13	-4.51%	102.28	-3.73%
NGL Value in $/mmBtu				
Ethane	0.75	16.30%	2.59	-1.20%
Propane	2.95	-4.26%	4.04	-2.37%
Normal Butane	1.69	-1.49%	2.07	0.83%
Iso-Butane	1.16	-0.73%	1.27	0.82%
Pentane+	2.87	-0.91%	3.00	-0.50%
Total Barrel Valuein $/mmbtu	9.43	-0.90%	12.96	-0.89%
Margin	7.23	-4.70%	10.71	-4.09%

Enterprise: ATEX pipeline takes 'baby steps' in Marcellus, Utica

BY **FRANK NIETO** | EDITOR, MIDSTREAM MONITOR AND MIDSTREAMBUSINESS.COM

As the largest publicly traded energy partnership in America, Enterprise Products Partner's system connects to every ethylene plant in the country and 95% of every refinery east of the Rockies. This diversity gives the company a great advantage given the demand level for liquids and gasoline.

"We have an enterprise value of about $60 billion. We have a large set of assets across the midstream value chain…We access some of the most prolific basins in the U.S., accessing the NGLs, natural gas, and crude oil, and delivering those products to end-use customers," Mike Creel, the company's president and chief executive, said at the recent National Association of Publicly Traded Partnership's MLP Investor Conference in Connecticut.



FROM THE CEO | "We access some of the most prolific basins in the U.S., accessing the NGLs, natural gas, and crude oil, and delivering those products to end-use customers," says Mike Creel, Enterprise's president and chief executive.

Enterprise's diversified asset base includes more than 50,000 miles of pipeline, nearly 200 million barrels of storage, 25 natural gas processing plant and 20 NGL and propylene fractionators.

These assets work in both oil and gas and came through an aggressive but prudent growth strategy focused on maintaining a strong investment grade balance sheet in order to access the capital markets at reasonable terms and costs.

"We refer to our assets as a value chain because of how they connect...We're not upstream in the E&P business, but we do gather gas and crude oil. We take natural gas and process it through fractionators that we own. Mixed NGLs then go through pipelines that we own to fractionators that we own. Then the mixed NGLs are split into purity products and are stored in storage assets that we own," Creel said.

Not only does this extensive asset base provide Enterprise with protection against the natural ups and downs in demand levels throughout the energy mix, but each of these assets generates additional fee-based revenue.

"These are very nominal fees, but nonetheless they connect us with the producer and the consumer and they provide a seamless link. We're doing the same thing on the crude side and crude is the newer business for us, but we're following the same model. We want to make sure that our assets touch each other and that we're performing a service that the producer finds valuable and we're getting it to the end-use market or to the refining market," he continued.

This growth initiative will continue through $7.6 billion worth of projects that the company is currently working on between now and 2014. These projects will primarily focus on the Eagle Ford shale, Rockies, Permian Basin, Avalon shale, Bone Spring, as well as the Marcellus and Utica shales. Additional growth projects may be announced later this year for the 2014 and 2015 time period.

Creel said that the company intends to proceed cautiously with its growth into the Marcellus and Utica. "We're entering these two areas cautiously with some assets that we already own – taking baby steps, but it's an area that could look a whole lot like the Rocky Mountains did when we first got into that region."

The ATEX ethane pipeline in the Marcellus is the company's largest project in the play. The 1,230-mile, 16-inch pipeline will transport up to 190,000 barrels per day of ethane into a refined products pipeline that the company also owns. The project will only involve less than 370 miles of newly constructed pipe since it takes advantage of several underutilized assets.

Creel added that the company is considering altering the project to a 20-inch pipeline at an additional cost of approximately $24 million in order to also handle production from the Utica shale. This larger pipe would also allow the company to possibly move propanes, butanes or heavier NGLs out of the region.

"By doing a 20-inch pipeline, we have the flexibility at some point in the future to consider doing a

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Y-grade pipeline. We'll have to potentially loop that refined products pipeline, which you have less to do if you've already got that 20-inch upstream. Then you'd have to put a fractionator someplace downstream to fractionate that Y-grade stream into the component parts. But we want to have the flexibility to do that and it's much cheaper to think about it on the front end than to do it on the back end," he said.

Much of the company's growth projects will remain in Enterprise's biggest segment, the NGL market, which is expanding and diversifying across more geographic regions.

However, the company is also focused on growth in other parts of the value chain, including onshore natural gas pipelines. This segment represents approximately 18% of the company's gross operating margin and is its second largest business segment. Growth is occurring through systems in the Eagle Ford and Haynesville as well as through gathering lines in other plays.

GROWTH IN THE EAGLE FORD, HAYNESVILLE | Onshore natural gas pipelines represent approximately 18% of Enterprise's gross operating margin and is its second-largest business segment.

The company is also expanding its presence in the petrochemical market as the U.S. continues to experience a renaissance in this segment thanks to tremendous cost advantages due to increased NGL production.

"A lot of [our growth] is driven by the need for natural gas liquids by the petrochemical markets. It's amazing what has happened with the production of natural gas liquids. The U.S. petrochemical industry can now see that the supplies are real," Creel said. He added that the company has been supported in this segment from its TEPPCO acquisition .

Its smallest business unit is offshore pipelines and services, which is understandable given the black eye the industry received on this end from several spills in recent years, most notably BP and Anadarko's Deepwater Horizon incident in 2010 that halted the momentum of this segment.

Kinder Morgan completes Uinta, Eagle Ford joint venture

Kinder Morgan Energy Partners LP (NYSE: KMP) completed its acquisition of a 50% interest in a joint venture that owns the Altamont gathering, processing and treating assets in the Uinta basin in Utah and the Camino Real gathering system in the Eagle Ford Shale in Texas from Kohlberg Kravis Roberts & Co. LP for $300 million in KMP units. Kinder Morgan now owns 100% of the joint venture, 50% at KMP and 50% at Kinder Morgan Inc. (NYSE: KMI). The transaction is expected to be immediately accretive to KMP's distributable cash flow.

With more than1,100 miles of pipeline infrastructure, the Altamont system includes more than 450 well connections with producers, and it operates a processing plant with the design capacity of 60 million cubic feet per day (MMcf/d) and a 5,600 barrel per day (b/d) natural gas liquids fractionator. The Camino Real Gathering System has 150 MMcf/d of gas gathering capacity and 110,000 b/d of oil gathering capacity.

AMID to acquire majority interest in Chatom plant for $55 million

American Midstream Partners LP (NYSE: AMID) announced the execution of a purchase and sale agreement to acquire 87.4% of the Chatom Processing and Fractionation Plant and associated gathering infrastructure from affiliates of Quantum Resources Management LLC for $55 million in cash. Upon closing, the transaction is expected to be immedi-

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ately accretive to American Midstream's distributable cash flow per unit and result in an increase in distributions per unit of approximately 10% beginning with the third quarter 2012 distribution.

Chatom consists of a 25 million cubic feet per day refrigeration processing plant, a 1,900 barrel per day fractionation unit, a 160 long-ton per day sulfur recovery unit, and a 29-mile gas gathering system. Chatom generates nearly $8 million of annual EBITDA through gathering and processing raw gas, separating the crude oil and natural gas liquids (NGLs) from the gas, and fractionating the NGLs into purity products for sale to energy marketing companies. In addition, sulfur is extracted and sold to regional end users, and the residue gas is sold to a local distribution company.

Chatom is located in Washington County, Ala., approximately 15 miles from American Midstream's Bazor Ridge processing plant in Wayne County, Miss., and American Midstream intends to implement commercial and operational efficiencies between Chatom and Bazor Ridge.

"Chatom is a strategic asset that provides accretive cash flow and a platform for providing additional services to our customers," stated Brian Bierbach, president and chief executive of American Midstream. "This acquisition demonstrates our ability to find attractively valued opportunities that are complementary to our existing gathering and processing footprint, while also enhancing our service offering by providing fractionation and sulfur recovery. In addition to the anticipated distribution per unit increase beginning in the third quarter, we believe the Chatom acquisition will provide opportunities for incremental distribution increases in 2013 and beyond as we successfully expand the fractionator to serve new and existing NGL customers. This is an exciting transaction for American Midstream that will provide long-term value to our unitholders."

The 12.6% interest in Chatom that will not be acquired by American Midstream is owned by various unaffiliated individuals, estates and other entities.

American Midstream intends to finance the acquisition with borrowings under its revolving credit facility, including the exercise of increased credit facility commitments. The acquisition is expected to close in the second quarter of 2012 subject to customary closing conditions.

ExxonMobil may expand Baytown petrochemical plant

ExxonMobil Corp. may build a large-scale, multi-billion dollar ethane cracker at its Baytown, Texas, facility. The potential project would crack 1.5 million tons of ethane per year with construction beginning in March 2013 and completing in 2016.

"The proposed investment reflects ExxonMobil's continued confidence in the natural gas-driven revitalization of the U.S. chemical industry," the company said in a statement to Reuters.

The company filed permits with the Environmental Protection Agency and the Texas Commission on Environmental Quality and expects to make a final decision on the feasibility of the plant within a year. The Baytown complex currently operates a 584,000 barrels per day refinery with two chemical plants.

Eagle Rock processing plant in Granite Wash revs up

Eagle Rock Energy Partners LP (Nasdaq: EROC) announced the successful startup of its previously announced state-of-the-art 60 million cubic feet per day (MMcf/d) cryogenic processing facility in Hemphill County, Texas, in the heart of the prolific Granite Wash play.

The Woodall plant is strategically located on a 40-acre site owned by Eagle Rock in the center of the partnership's existing high-pressure gathering system near multiple residue gas pipeline outlets. Eagle Rock also constructed other intra-system pipeline enhancements in the immediate area to further facilitate product gathering, transportation and marketing to and from the Woodall plant. The supporting infrastructure and plant site were designed to accommodate one or more additional expansions.

The Woodall plant is currently flowing approximately 40 MMcf/d and is anticipated to be capable of meeting its full capacity of 60 MMcf/d during the next several weeks. As a result of the incident reported on April 30th, natural gas has been temporarily diverted from the partnership's Phoenix-Arrington Ranch plant to the Woodall plant to accommodate Eagle Rock's producer customers' natural gas volumes.

Shell taps TransCanada for Coastal GasLink pipeline

TransCanada Corp. (TSX:TRP) (NYSE:TRP) was selected by Shell Canada Ltd and its partners to design, build, own and operate the proposed Coastal GasLink project, an estimated $4 billion pipeline that will transport natural gas from the Montney gas-producing region near Dawson Creek, British Columbia, to the recently announced LNG Canada liquefied natural gas export facility near Kitimat, B.C.

The LNG Canada project is a joint venture led by Shell, with partners Korea Gas Corp., Mitsubishi Corp. and PetroChina Co. Ltd. Shell and TransCanada are working toward the execution of definitive agreements on the Coastal GasLink project.

"Our team has the expertise to design, build and safely operate pipeline systems. We look forward to having open and meaningful discussions with Aboriginal communities and key stakeholder groups, including local residents, elected officials and the government of British Columbia, where we will listen to feedback, build on the positive and seek to address any potential concerns," said Russ Girling, TransCanada's president and chief executive officer.

"Coastal GasLink will add value to British Columbians, particularly Aboriginals and communities along the conceptual route, by creating real jobs, making direct investments in communities during construction and providing economic value for years to come."

TransCanada currently has approximately 24,000 kilometers of pipelines in operation in Western Canada including 240 kilometers of pipelines in service in northeast BC, with another 125 kilometers of proposed additions either already having received regulatory approval or currently undergoing regulatory review. These pipelines form an integral and growing part of TransCanada's NOVA Gas Transmission Ltd. (NGTL) System. The company also owns other natural gas pipelines that have been safely operating in BC for more than 50 years as part of its Foothills pipeline system.

"TransCanada is a leading energy infrastructure company in North America, with a 60-year history of safe, efficient and reliable operation of our assets and a respect for the communities and environments where we operate," added Girling. "We appreciate the confidence that Shell and its partners have placed in us to build, own and operate this natural gas pipeline in British Columbia. We will work collaboratively with them, Aboriginals and other stakeholders as we launch into the initial phases of consultation and regulatory review."

The final pipeline route will take into consideration Aboriginal and stakeholder input, the environment, archaeological and cultural values, land use compatibility, safety, constructability and economics. As a member of both the world and North American Dow Jones Sustainability Indexes, TransCanada is an industry leader that is committed to minimizing the impact of its operations.

In addition to the transportation of BC natural gas to the West Coast, Coastal GasLink will provide options for shippers to access gas supplies through an interconnection with the NGTL System and the liquid NIT trading hub operated by TransCanada.

> The LNG Canada project is a joint venture led by Shell, with partners Korea Gas Corp., Mitsubishi Corp. and PetroChina Co. Ltd.

A proposed contractual extension of TransCanada's NGTL System using capacity on the Coastal GasLink pipeline, to a point near the community of Vanderhoof, B.C., will allow NGTL to offer delivery service to its shippers interested in gas transmission service to interconnecting natural gas pipelines serving the West Coast. NGTL expects to elicit interest in and commitments for such service through an open season process in late 2012.

"The potential Coastal GasLink pipeline project will allow British Columbians, and all Canadians, to benefit from the responsible development of valuable natural gas resources and will provide access to new markets for that gas. The project will also create substantial employment opportunities for local, skilled laborers and businesses as part of our construction team," concluded Girling. "We know the value and benefits that strong relationships in British Columbia can bring to this project and we look forward to deepening those ties as our extensive pipeline network grows to meet market and customer needs."

Kinder Morgan completes open season for Cochin reversal

Kinder Morgan Energy Partners LP (NYSE: KMP) completed a successful binding open season for its Cochin Reversal project which will allow the company to offer a new service to move light condensate from Kankakee County, Ill., to existing terminal facilities near Fort Saskatchewan, Alberta, Canada.

ABOUT THE COCHIN

A multiproduct pipeline consisting of approximately 1,900 miles of 12-inch pipe.

Operates between Fort Saskatchewan, Alberta, and Windsor, Ontario.

Traverses three provinces in Canada and seven states in the U.S.

Currently transports propane and ethane-propane mix to the U.S. Midwest and eastern Canadian petrochemical and fuel markets.

Underground storage, owned by third parties, is available at Fort Saskatchewan and Windsor.

During the open season, Kinder Morgan received more than 100,000 barrels per day of board-approved binding commitments for a minimum 10-year term. The approximately $225 million project involves Kinder Morgan modifying the western leg of its Cochin Pipeline to connect to Explorer Pipeline Company's pipeline in Kankakee County and to reverse the product flow to move the condensate northwest to Fort Saskatchewan.

"We are very pleased with the results of this open season and the strong commercial support we received demonstrates the need for cost-effective access to light condensate from both the Eagle Ford Shale and the U.S. Gulf Coast to the rapidly growing Canadian market," said Tom Bannigan, president of KMP's Products Pipeline group.

Subject to the timely receipt of necessary regulatory approvals and necessary capital improvements, light condensate shipments could begin as early as July 1, 2014. Based upon hydraulic models which were refined during the open season, the project is currently expected to provide approximately 95,000 barrels per day of light condensate capacity on Cochin, providing a new source of supply to meet the growing demand for this product.

Cochin is a multiproduct pipeline consisting of approximately 1,900 miles of 12-inch pipeline operating between Fort Saskatchewan, Alberta, and Windsor, Ontario. Cochin traverses three provinces in Canada and seven states in the United States, currently transporting propane and ethane-propane mix to the midwestern United States and eastern Canadian petrochemical and fuel markets. Underground storage, owned by third parties, is available at Fort Saskatchewan and Windsor.

Explorer Pipeline is a nearly 1,900-mile common carrier pipeline system that transports refined petroleum products, feedstock and diluent from the Gulf Coast throughout the Midwest. – *Business Wire*

Williams Partners announces Transco expansion open season

Williams Partners L.P. (NYSE: WPZ) announced it is initiating a non-binding open season from May 30 to June 28, 2012, for an expansion of its Transco interstate pipeline to provide incremental firm natural gas transportation capacity to markets in northern Georgia and Alabama by 2016.

The Dalton Expansion Project is being designed to provide up to 600,000 dekatherms per day of incremental firm transportation service on Williams Partners' Transco pipeline from interconnections accessing Marcellus natural gas production at its Zone 6 Station 210 pooling point to delivery points in northern Georgia and Alabama.

"The Transco pipeline is uniquely positioned to provide power generators and local distribution companies located in the southeastern United States with direct access to substantial Marcellus natural gas supplies," said Randy Barnard, president of Williams Partners' natural gas pipeline business.

The capacity, scope and cost of the project will be determined by the results of the open season.

The Transco pipeline is an approximately 10,000-mile transmission pipeline system which transports natural gas to markets throughout the northeastern and southeastern United States. The current system capacity is approximately 9.6 million dekatherms per day. – *Business Wire*

Tiger Infrastructure, Kiewit commit to joint venture

TKT Midstream Partners, a newly formed company, received equity commitments from Kiewit Corp. and Tiger Infrastructure Partners to support a strategy to invest up to $500 million in midstream energy sector companies and assets.

TKT will design, build, own and operate midstream assets and networks on behalf of North American exploration and production companies. The joint venture will focus on delivering the customized infrastructure design, construction, ownership and operation needed to bring hydrocarbons to market.

TKT aims to capture demand by E&P companies for infrastructure operators who have the resources and experience to provide certainty of timely, world-class execution for infrastructure build-out -- such as gathering systems, pipelines and processing plants -- allowing them to focus on their core business of exploration and production.

Report: EPA overstated GHG emissions by as much as 50%

A new report said that greenhouse gas emissions related to the production of natural gas has been overstated by the Environmental Protection Agency (EPA).

According to the study, which was released by URS Corp. and the LEVON Group and sponsored by America's Natural Gas Alliance (ANGA) and the American Petroleum Institute (API), methane emissions from liquids unloading are up to 86% lower than EPA estimates.

The EPA estimates found that liquids unloading accounted for 51% of methane emissions from natural gas operations. In addition, the report claimed that methane emissions from refractured wells are 72% lower than EPA estimates.

The report was commissioned after EPA released its new calculations in 2011 for methane emissions from natural gas operations. Both ANGA and API submitted concerned responses to the EPA findings that noted that the data was compiled from a small number of companies and wells. The URS/LEVON study analyzed well data from more than 20 companies and 91,000 gas-producing wells, or 18.80% of all gas-producing wells in the country. This figure was more than 10 times that used by the EPA.

"The EPA has been upfront that its data is limited in scope. This study confirms that EPA's estimate on emissions from operations are vastly exaggerated," Tom Amontree, executive vice president at ANGA, said.

The limited scope of the EPA's data was understandable considering the lack of a comprehensive estimate of well completions and well counts, the report said while noting that the data used came from HPDI, EIA and private sources. This combined data failed to differentiate from conventional and unconventional wells.

"Without a consistent measure for the quantity and type of wells, it is difficult to be confident of the accuracy of the number of wells that are completed annually, let alone the amount of emissions from them," the report said. – *Frank Nieto*

Chevron Phillips considers building plant in Iraq

Chevron Corp's Chevron Phillips Chemical Co. joint venture signed a letter of intent to study the feasibility of building an integrated petrochemical plant in Iraq. The study will include construction of a new facility along with upgrading an existing plant in the southern Basra province. The company declined to provide additional details on cost estimates or a potential timeline for the project.

MarkWest Utica to construct infrastructure in Utica shale

MarkWest Utica EMG, L.L.C., a joint venture between MarkWest Energy Partners, L.P. (MWE) and The Energy and Minerals Group (EMG) focused on the development of natural gas gathering, transportation, and processing and natural gas liquid (NGL) transportation, fractionation, and marketing infrastructure in the Utica shale in eastern Ohio, announced the completion of definitive agreements with Gulfport Energy Corporation (GPOR) to provide gathering, processing, fractionation, and marketing services in the liquids-rich corridor of the Utica.

SNAPSHOT | Industry Insight

Low coal prices will continue pushback on gas prices

BY **FRANK NIETO** | EDITOR, MIDSTREAM MONITOR AND MIDSTREAMBUSINESS.COM

Low record natural gas prices aren't only causing gas producers to dial back production, but coal producers are doing the same as natural gas is increasingly displacing coal at power plants.

According to Barclays Capital's Gas and Power Weekly Kaleidoscope for May 22, U.S. coal producers decreased production by 8%, or 80 million tons, and are negotiating deferment of shipments to customers as stockpiles near capacity.

The report stated that the storage market hasn't been completely exhausted yet, but utility stocks at power plants are nearing capacity. The added cost for storage at mines is further limiting that as an alternative.

> "We expect U.S spot domestic thermal coal prices to be shaped this year primarily by gas prices, with stocking and exports offering too small of an alternative."
> - Barclays Capital report

"We expect U.S spot domestic thermal coal prices to be shaped this year primarily by gas prices, with stocking and exports offering too small of an alternative. Coal producers have responded by cutting mine capacity, and spot coal prices have come under pressure," according to Barclays Capital.

While coal producers have sought to export production in order to work off excess storage, but low domestic coal production in Europe and China are slowing this option. The domestic coal market should improve somewhat next year as displacement pulls back slightly.

"We believe that there is really no U.S. home for incremental Appalachian coal as long as natural gas prices remain below $4.00 per million Btu (/MMBtu), and overseas coal prices do not offer an export potential that is a great alternative," the report said.

According to Barclays Capital, an average of 7 billion cubic feet per day of natural gas will replace coal-fired power generation in 2012. This translates into approximately 90 million tons per year of coal production in the Central Appalachian region. This has resulted in a cutback in production of 80 million tons of coal with surplus volumes being exported.

"Under normal circumstances, given the costs of coal at the mine, the costs of transportation to a port, and then the costs of freight, U.S. exports focus mainly on the Atlantic basin. Yet the Atlantic basin has seen soft demand this year. But even if overseas prices were attractive enough to encourage more U.S. thermal coal exports, infrastructure constraints limit export potential greatly," the report said.

Limited demand for coal from European markets may cause U.S. coal producers to turn their attentions to Asia, especially as these markets are more price sensitive and less quality conscious.

However, this market is also experiencing a softening in demand. Furthermore, U.S. imports face stiff competition in this region from China's traditional suppliers of coal – Australia and Indonesia – because of their significant cost and geographical advantages.

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