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Wells Fargo lowers its NGL price outlook

Ethane, propane rally expected to begin in late 2012 or early 2013, analysis states

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

The forward natural gas liquid (NGL) market continues to grow bleaker as storage levels rise and demand falls. Due to these factors, Wells Fargo altered its Mont Belvieu forward pricing estimates for NGLs from $1.28 per gallon (/gal) to 99¢/gal in the second half of 2012 and from $1.29/gal to $1.05/gal in 2013.

The investment firm also reduced its outlook for NGL prices from 2014-16 from $1.17/gal-$1.26/gal to $1.11/gal-$1.21/gal. For the most part, Wells Fargo anticipates the price decrease to primarily come from ethane and propane with heavy NGL prices largely remaining at the same level.

"For heavier components of the NGL barrel, we have assumed current prices persist into the foreseeable future as we limited drivers for incremental demand versus rising supply from the start-up of new fractionation facilities in 2013," the firm said in its June NGL Snapshot.

Wells Fargo anticipates ethane demand improving in the second half of this year, but they do not expect a similar price increase, which they forecast between 30¢ to 35¢ per gallon (/gal), including transportation and fractionation costs.

TRENDING DOWNWARD | Wells Fargo has altered its Mont Belvieu forward pricing estimates for NGLs from $1.28 per gallon (/gal) to 99¢/gal in the second half of 2012 and from $1.29/gal to $1.05/gal in 2013.

"This is due to the fact that we expect low propane prices to act as a ceiling to any potential improvement in ethane prices. Although operating rates could increase as crackers return to service, the pickup in ethane demand could be partially offset by feed-slate shifting to propane from ethane by petrochemical plants," the report said.

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HIGHLIGHTS FROM TODAY'S EDITION

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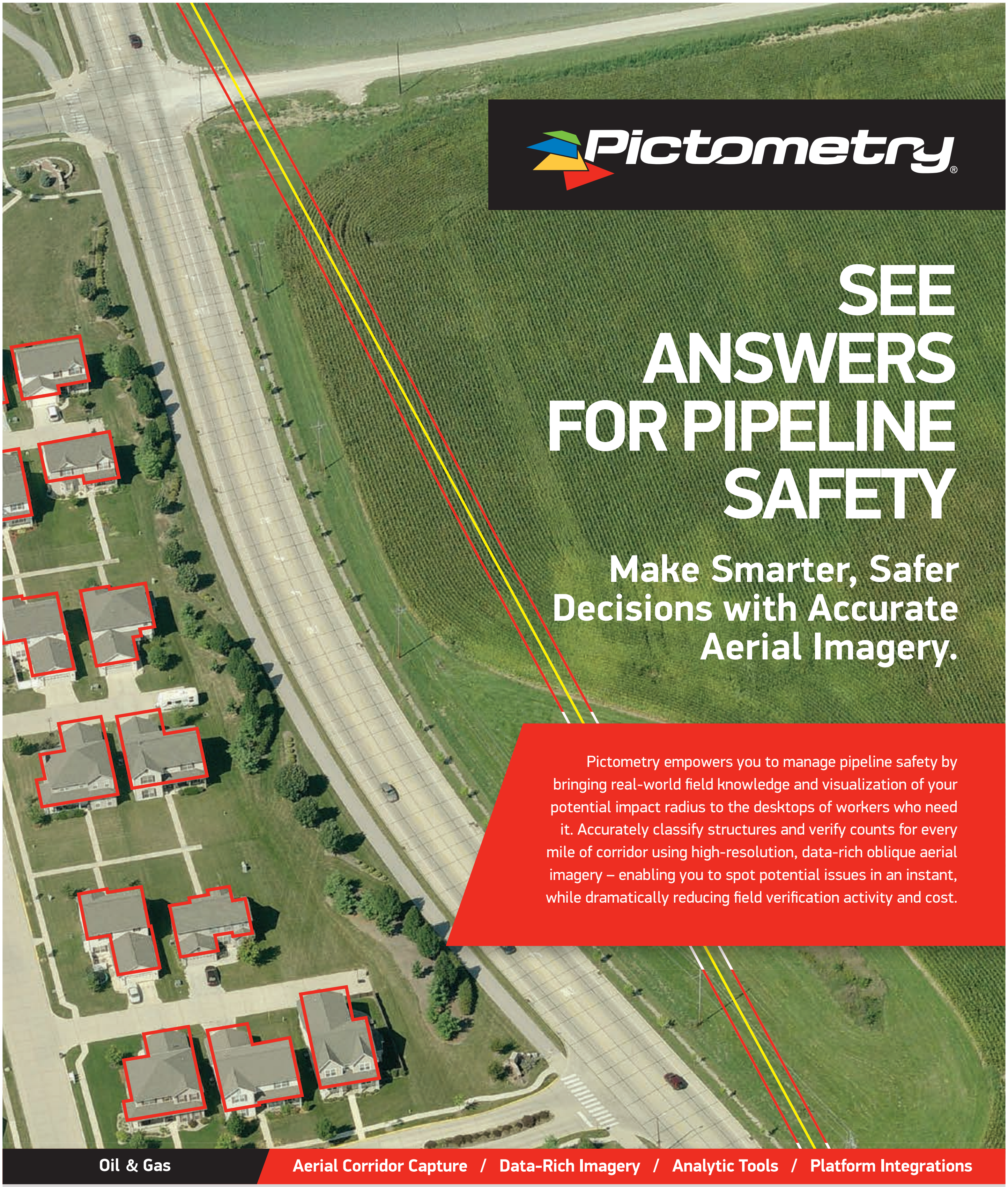

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Heavy NGL prices are on the rise as crude prices trend upward

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

Natural gas liquids (NGL) prices showed improvements the first week of July as heavy NGL prices followed the upward trend of crude oil, which has been rallying as concerns about an EU financial crisis has lessened.

Pentanes-plus (C_{5+}) prices were largely the same at both Mont Belvieu and Conway. The Texas price was $1.71 per gallon (/gal) while the Kansas price was $1.72/gal, which was the third straight week the Conway price was greater than at Mont Belvieu.

CURRENT FRAC SPREAD (CENTS/GAL)				
July 6, 2012	Conway	Change from Start of Week	Mont Belvieu	Start of Week
Ethane	4.58		27.43	
Shrink	17.64		17.90	
Margin	-13.06	-2.40%	9.53	-2.85%
Propane	52.68		80.66	
Shrink	24.37		24.73	
Margin	28.31	-1.02%	55.93	-0.07%
Normal Butane	91.38		120.40	
Shrink	27.58		28.00	
Margin	63.80	0.36%	92.40	4.50%
Iso-Butane	131.08		135.62	
Shrink	26.49		26.89	
Margin	104.59	5.05%	108.73	0.31%
Pentane+	171.90		171.14	
Shrink	29.50		29.94	
Margin	142.40	3.48%	141.20	8.50%
NGL $/Bbl	26.99	1.60%	35.38	2.67%
Shrink	9.72		9.86	
Margin	17.28	2.30%	25.52	3.74%
Gas ($/mmBtu)	2.66	0.38%	2.70	0.00%
Gross Bbl Margin (in cents/gal)	38.23	2.19%	58.54	3.42%
NGL Value in $/mmBtu				
Ethane	0.25	-4.98%	1.51	-1.01%
Propane	1.83	-0.38%	2.80	-0.05%
Normal Butane	0.99	0.36%	1.30	3.42%
Iso-Butane	0.82	4.07%	0.84	0.25%
Pentane+	2.22	2.93%	2.21	6.91%
Total Barrel Valuein $/mmbtu	6.10	1.30%	8.66	2.01%
Margin	3.44	2.03%	5.96	2.95%

NGL PRICES						
Mont Belvieu	**Eth**	**Pro**	**Norm**	**Iso**	**Pen+**	**NGL Bbl**
June 27 - July 3, '12	27.43	80.66	120.40	135.62	171.14	$35.38
June 20 - 26, '12	27.71	80.70	116.42	135.28	160.08	$34.46
June 13 - 19, '12	28.42	78.20	132.18	141.86	166.93	$35.74
June 6 - 12, '12	29.82	77.28	136.34	146.40	176.53	$36.83
June '12	28.19	78.11	127.86	141.05	169.28	$35.60
May '12	37.89	95.11	162.91	179.74	209.64	$44.73
2nd Qtr '12	37.00	97.80	160.76	175.08	207.57	$44.54
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
June 29 - July 5, '11	75.79	148.80	176.28	194.25	237.33	$59.93
Conway, Group 140	**Eth**	**Pro**	**Norm**	**Iso**	**Pen+**	**NGL Bbl**
June 27 - July 3, '12	4.58	52.68	91.38	131.08	171.90	$26.99
June 20 - 26, '12	4.82	52.88	91.05	125.95	167.00	$26.57
June 13 - 19, '12	5.96	52.66	108.15	132.23	173.17	$28.21
June 6 - 12, '12	9.68	56.94	118.10	135.94	180.17	$30.42
June '12	7.20	53.58	106.56	131.70	173.06	$28.42
May '12	11.85	72.43	138.80	163.54	202.23	$35.94
2nd Qtr '12	11.18	72.63	135.80	161.38	203.31	$35.72
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
June 29 - July 5, '11	55.58	141.08	161.13	180.83	222.30	$54.28

(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, by the close of the week the Mont Belvieu price had surpassed the Conway price again.

The improvement in crude prices should theoretically increase demand for gasoline blending, which helped support a 3% gain in butane prices at Mont Belvieu and a 4% gain in isobutane at Conway. Ironically, Mont Belvieu isobutane and Conway butane prices were both flat, seemingly

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NGL PRICES & FRAC SPREAD | Week in Review

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devoid of the same market improvements felt by their sister products.

While heavy NGL prices improved at both hubs, light NGL prices remained flat this week, although there are signs that improvements are coming. Ethane prices fell at both hubs this week, but it is likely that Conway prices have hit the floor as it is very difficult to see them decreasing much more than their current levels, short of a push to a negative price zone.

The Conway price decreased 4% to 5¢/gal, which is the lowest level in the 29 years that Midstream Monitor/Gas Processors Report has tracked prices. At times the price fell to 2¢/gal during the week before rebounding. This price resulted in the margin falling 2% to a theoretical margin of negative 13¢/gal. While there has been ethane rejection in various parts of the country, it is difficult for this to be more widespread given various contracts at processing plants and the fact that Mid-Continent ethane trading is primarily done as an E-P mix.

Mont Belvieu ethane prices decreased 1% to 27¢/gal, its lowest level since early 2002. Even with these low prices the margin at Mont Belvieu remained positive at 10¢/gal. However, continued ethane price decreases combined with improved gas prices could weaken the margin to the point where it is barely profitable once transportation costs are calculated.

KEY NORTH AMERICAN HUB PRICES	
2:30 PM CST / July 5, 2012	
Gas Hub Name	Current Price
Carthage, TX	2.87
Katy Hub, TX	2.88
Waha Hub, TX	2.82
Henry Hub, LA	2.91
Perryville, LA	2.89
Houston Ship Channel	2.85
Agua Dulce, TX	1.88
Opal Hub, Wyo.	2.73
Blance Hub, NM	2.71
Cheyenne Hub, Wyo.	2.74
Chicago Hub	3.00
Ellisburg NE Hub	3.11
New York Hub	3.19
AECO, Alberta	2.27

Source: Bloomberg

The good news is that ethane demand continues to increase as more ethane crackers come back online. Although there is the headwind of fractionators being taken offline for scheduled maintenance in the coming weeks, there is plenty of product to work off.

Propane continues to experience improved export demand, and although prices aren't exactly rallying they have reached the point where they're no longer suffering. A small price rally is also possible as EIA data indicates that the build-up of propane inventory levels is slowing down. Prices at both hubs have remained largely flat the past three weeks while margins have also slowed their decrease.

RESIN PRICES – MARKET UPDATE – JULY 5, 2012					
TOTAL OFFERS: 16,806,320 lbs		SPOT		CONTRACT	
Resin	Total lbs	Low	High	Bid	Offer
LDPE - Film	3,932,336	0.59	0.68	0.62	0.66
HDPE - Inj	3,215,520	0.58	0.62	0.54	0.58
PP Copolymer - Inj	2,662,208	0.58	0.77	0.63	0.67
LLDPE - Film	1,510,736	0.57	0.64	0.58	0.62
PP Homopolymer - Inj	1,437,736	0.635	0.66	0.61	0.65
HDPE - Blow Mold	1,130,472	0.58	0.65	0.54	0.58
LLDPE - Inj	997,288	0.61	0.66	0.6	0.64
HMWPE - Film	705,472	0.6	0.62	0.58	0.62
LDPE - Inj	454,552	0.67	0.7	0.63	0.67
GPPS	380,000	0.8	0.8	0.8	0.85
HIPS	380,000	0.94	0.95	0.92	0.97

Source: Plastics Exchange – www.theplasticsexchange.com

The theoretical NGL barrel improved 2% at Conway to $26.99 per barrel (/bbl) with a 2% gain in margin to $17.28/bbl. The Mont Belvieu barrel price rose 3% to $35.38/bbl with a 4% improvement in margin to $25.52/bbl.

The most profitable NGL to make at both hubs remained C5+ at $1.42/gal at Conway and $1.41/gal at Mont Belvieu. This was followed, in order, by isobutane at $1.05/gal at Conway and $1.09/gal at Mont Belvieu; butane at 64¢/gal at Conway and 92¢/gal at Mont Belvieu; propane at 28¢/gal at Conway and 56¢/gal at Mont Belvieu; and ethane at a theoretical negative margin at Conway and 10¢/gal at Mont Belvieu.

While improved natural gas prices aren't helping frac spread margins, they are a positive sign for the industry.

Though producers aren't likely to redirect rigs from liquids-rich plays towards pure gas plays in the short-term, increased cooling, heating and electric power generation demand will shorten the timeframe to when producers will return to such plays as the Haynesville and Barnett.

The sustained heat wave being experienced throughout much of the country is expected to continue next week and help work off more of the inventories built up during the mild winter.

According to the National Weather Service, the northern half of the United States is expected to experience warmer than normal temperatures next week with the southern half experiencing cooler summer temperatures.

Pennsylvania Senate passes tax credit for ethane cracker

The Pennsylvania Senate approved a state tax credit for a company to build a multi-billion dollar petrochemical plant in Beaver County. The measure, which was approved June 29 by a vote of 43-6, must still receive House approval before Gov. Tom Corbett can sign it into law.

The measure would place a Beaver County petrochemical plant operator in the Keystone Opportunity Zone, which eliminates specific state and local taxes for a specified time. In addition tax credits would be sold to companies doing business with Shell in the state in order to further enhance the attractiveness of the facility and bring business to the state. Tax credits would begin being sold in 2017.

The full amount of the tax credits and their length were not included in the Senate draft, but Gov. Corbett had previously sought an annual $66 million tax credit for a 25-year term.

In March, Royal Dutch Shell secured an option to build an ethane cracker in Monaca, Pa. in Beaver County at the current location of Horsehead Corp's zinc plant. If the option is exercised the location will house a $2.5 billion cracker that would be Shell's fifth in North America.

"This bill will help seal the deal," Sen. Elder Vogel, R-Beaver County, told the Pittsburgh Tribune-Review.

Eagle Rock restarts plant in Hemphill County, Texas

Eagle Rock Energy Partners LP (Nasdaq: EROC) successfully restarted its Phoenix-Arrington Ranch Plant in Hemphill County, Texas, serving the Granite Wash play.

On April 30, the Partnership reported an incident at its Phoenix-Arrington Ranch Plant. Following the incident, inlet natural gas volumes into the plant were shut-in. As and where possible, the Partnership has successfully diverted volumes to other Eagle Rock or third party processing facilities. Shut-in and diverted volumes will be restored to the Phoenix-Arrington Ranch Plant as expeditiously as possible.

The Partnership estimates the financial impact of the plant downtime to be approximately $2 to $3 million in adjusted EBITDA before the benefit of any insurance recoveries.

With the re-start of the Phoenix-Arrington Ranch Plant and the recently announced startup of its Woodall Plant, also in Hemphill County, Eagle Rock has approximately 190 million cubic feet per day of high efficiency cryogenic processing capacity serving the Granite Wash play.

Sunoco, Carlyle Group joint venture brings Philadelphia refinery to life

Sunoco Inc. and global investment manager The Carlyle Group announced a new joint-venture deal enabling continued operation of Sunoco's 330,000 barrel-per-day (b/d) Philadelphia refinery.

The refinery was scheduled for shut down in August of 2012. It will now be known as "Philadelphia Energy Solutions," according to a joint statement from the companies.

Under the deal, Sunoco will retain a "non-operating minority interest" while Carlyle will hold the majority interest and oversee day-to-day operations.

"Capital for this investment will come from the Carlyle Equity Opportunity Fund and the Carlyle Energy Mezzanine Opportunities Fund," according to the companies. "JPMorgan Chase has agreed to provide working capital

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financing for intermediate products owned by the refinery in the form of an asset-backed loan, subject to documentation.

"Subject to the execution of final agreements, JPMorgan's physical commodities division, JPMorgan Ventures Energy Corp., will supply the refinery with crude and non-crude feedstocks on a just-in-time basis and will purchase refined products from the refinery for off-take."

The deal is expected to close in the third quarter of 2012. Financial terms were not disclosed.

Cat cracker, hydrocracker projects

Meanwhile, the government of Pennsylvania "will invest in several capital intensive projects that are critical to the long-term economic viability of the facility," according to the companies.

Among the projects:

- Catalytic-cracker upgrading: The joint venture will "upgrade and refurbish the catalytic cracker, improving reliability and operating performance," according to the companies.
- A high-speed train crude-oil unloading facility: This new facility will "provide access to greater quantities of crude oil from North America (versus imported crude), particularly high-quality, low sulfur crude from the Bakken region in North Dakota."
- A mild hydrocracker and hydrogen plant: "By converting the existing middle distillate hydrotreater into a mild hydrocracker and constructing a natural gas-based hydrogen plant, the refinery will produce a more environmentally friendly mix of refined products."

Sunoco had threatened to close the refinery because of continuing losses and the poor profitability of many Atlantic Basin refineries. The company earlier closed its 178,000-b/d Marcus Hook, Pa., refinery, for the same reasons.

In similar move – and for the same economic reasons – ConocoPhillips sold its nearby 185,000-b/d Trainer, Pa., refinery to Delta Airlines last month. Delta is converting the refinery to maximum production of kero-jet fuel while minimizing gasoline output.

Sunoco chief executive Brian MacDonald, Carlyle managing director Rodney Cohen, Pennsylvania Gov. Tom Corbett and United Steelworkers union president Leo Gerard all endorsed the deal at the Philadelphia refinery news conference.

Gas Processors Association reaches RICE MACT settlement with EPA

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

The Gas Processors Association (GPA) announced it has reached a settlement agreement with the Environmental Protection Agency (EPA) for RICE MACT (Reciprocating Internal Combustion Engine and Maximum Achievable Control Technology). This ruling was proposed in 2009 in order to control air emissions from generators, compressors and other "stationary engines."

The settlement calls for EPA to identify "remote" engines using the Department of Transportation pipeline classification system. Remote engines would be subject only to work practice standards (e.g., good maintenance practices). Non-remote engines would be subject to a numeric performance standard that would require catalyst. The performance standard would require periodic emissions testing, but an affected source would not be in violation of the standard if an above-acceptable level is measured as long as timely corrective action is taken.

The proposed rule was published in the Federal Register on June 7. Following a 30-day public comment period the settlement will be final.

The original ruling was finalized on August 20, 2010, but members of GPA found that the final rule did not take several issues related to the midstream into consideration. In addition, the GPA found that the EPA had introduced new concepts into the final rule that were not part of the proposed rule.

This caused the GPA to file a petition of review in federal court and a petition for reconsideration with the EPA, which allows the GPA to sit down with EPA regulators to discuss these issues and amend the rule to address these concerns.

The specific issues that the GPA membership had with the RICE MACT rule is that it fails to distinguish between rural and urban areas in imposing MACT standards for engines; it also imposed monitoring requirements for major and area source engines that GPA impracticable and cost prohibitive.

DCP Midstream Partners acquires Crossroads system in East Texas

DCP Midstream Partners LP completed the previously announced $63 million acquisition of the Crossroads system from Penn Virginia Resource Partners LP. The Crossroads system acquisition, which is subject to certain customary purchase price adjustments, was financed at closing through borrowings under the Partnership's credit facility.

The Crossroads system, located in the southeastern portion of Harrison county in East Texas, includes an 80 million cubic feet per day cryogenic processing plant, approximately eight miles of gas gathering pipe, approximately 20 miles of NGL pipeline and a 50% ownership in an approximately 11-mile residue gas pipeline.

EQT Midstream Partners LP completes initial public offering

EQT Midstream Partners LP completed its initial public offering of 14,375,000 common units representing limited partner interests at $21.00 per common unit. The number of common units issued at closing included 1,875,000 common units that were issued pursuant to the full exercise of the underwriters' over-allotment option.

The Partnership received net proceeds of approximately $282 million from the offering, after deducting the underwriting discount and structuring fee, but before taking into account estimated offering expenses. The common units of the Partnership trade on the New York Stock Exchange under the symbol EQM.

The common units sold to the public represent a 40.6% limited partner interest in the Partnership. EQT Corp. holds the 2% general partner interest and the remaining 57.4% limited partner interest in the Partnership.

Citigroup, Barclays, BofA Merrill Lynch, Credit Suisse, J.P. Morgan and Wells Fargo Securities acted as joint book-running managers for the offering. Deutsche Bank Securities, Goldman, Sachs & Co. and RBC Capital Markets acted as co-managers for the offering.

Ortloff Engineers announces startup of 'gas plant in a bottle' facility

Ortloff Engineers Ltd. announced the startup of the first "gas plant in a bottle" facility. The undisclosed plant is processing a feed gas that is considerably richer than design. While the project ultimately included installation of additional refrigeration and column reboil capacity, the plant is now operating at or above design capacity and producing specification product at or above design recovery levels.

In 2011, Ortloff Engineers introduced a new process design and equipment concept for reducing the cost and plot space required for the typical cryogenic NGL/LPG recovery gas processing unit. Through an innovative use of integrated heat and mass transfer equipment, the "Gas Plant in a Bottle" concept consolidates most of the processing equipment found in a typical cryogenic gas plant into a single fabricated assembly or "bottle."

Company officials stated that considerable time and effort were dedicated to optimizing the unit to maximize product recovery for the richer feed composition. The primary design feature of the "bottle" concept, the Heat and Mass Transfer (HMT) module, underwent extensive evaluation to validate the design parameters used in sizing the first industrial-scale unit. The HMT module is operating with as much as 30% more liquid traffic due to the richer feed, and has shown no indication of flooding, while providing excellent mass transfer performance.

Among the design advantages of the "bottle" concept are lower plant cost, smaller plot space, less piping and reduced pressure drop with resulting lower compression power. It also requires fewer flanged connections, which reduces potential sources of leaks and atmospheric emissions, and fewer foundations mean less civil work and shorter construction schedules.

The "bottle" package was furnished by SME Products, LP (SME-P) and Dickson Process Systems.

Ortloff Engineers Ltd. provided the process technology and process engineering support for the "bottle" package.

HollyFrontier Corp. to purchase 70% interest in 400-mile pipeline

Holly Energy Partners LP (NYSE: HEP) plans to buy a 75% interest in a 400-mile, 12-inch refined products pipeline from its general partner, HollyFrontier Corp. (NYSE: HEP), for $315 million in cash and stock.

The purchase price of $315 million is expected to be paid with $260 million in cash and approximately 1 million Holly Energy common units valued at $55 million, issued to HollyFrontier.

The Unev Pipeline runs from Woods Cross, Utah, to Las Vegas, Nev.

As part of the transaction, HollyFrontier has agreed to forego its right to $1.25 million per quarter of incentive distributions from Holly Energy that the general partner would otherwise be entitled to receive over the 12 consecutive quarters following the closing of the transaction and an additional four quarters in certain circumstances.

HollyFrontier will also receive a profits interest that will be paid beginning the fifth year after the closing based on UNEV's EBITDA (earnings before taxes, interest, depreciation and amortization) for the fourth year following the closing, by which it would be entitled in certain circumstances to receive 50% of Holly Energy's portion of UNEV's EBITDA over $30 million, until the earlier of reaching a cap or 20 years following the closing.

The transaction is expected to close in July 2012. Both Holly Energy and HollyFrontier are based in Dallas.

Plains All American Pipelines, PNG expand credit facilities

Plains All American Pipeline, L.P. (NYSE: PAA) and PAA Natural Gas Storage (NYSE: PNG) announced they have expanded the size, extended the tenor and made other amendments to certain of their credit facilities.

PAA expanded its Hedged Inventory Facility from $850 million to $1.4 billion and extended the term by one year. The facility now matures in August 2014. PNG expanded its Revolving Credit Facility from $250 million to $350 million. This facility matures in August 2016.

"The expansion of PAA's Hedged Inventory Facility more than replaces the $500 million of three-year Sr. Notes maturing in September, 2012 that were utilized to supplement our hedged inventory facility. Furthermore, the increased size and amended terms of the facility support PAA's expanded activities related to the recent acquisition of BP's Canadian natural gas liquids business platform and will enhance PAA's ability to use its storage and related assets to capitalize on volatile market conditions in the crude oil sector," said Charles Kingswell-Smith, vice president and treasurer of Plains All American Pipeline. "We appreciate the continued support of the financial institutions with which we have long-standing relationships and with these amendments we also welcome new institutions to our bank group." – *Business Wire*

Enbridge hit with record $3.7 million fine in connection with 2010 oil spill

The U.S. Department of Transportation's Pipeline and Hazardous Materials Safety Administration (PHMSA) on July 5 proposed a record $3.7 million civil penalty and 24 actions against Enbridge Energy for the July 25, 2010, crude oil spill near Marshall, Mich.

"We will hold pipeline operators accountable if they do not follow proper safety procedures to protect the environment and local communities," said U.S. Transportation Secretary Ray LaHood.

PHMSA's investigation found multiple violations of its hazardous liquid pipeline safety regulations related to integrity management, failure to follow operations and maintenance procedures, and reporting and operator qualification requirements. PHMSA issued its notice and proposed civil penalty to Enbridge in a Notice of Probable Violation.

Enbridge's Line 6B ruptured on the evening of July 25, 2010, while the pipeline was in the process of a scheduled shutdown. Despite control center alarms, there were several attempts to restart the line, resulting in more pressure that expelled more oil.

On July 26, a local natural gas company employee notified the Enbridge control center about the spill. By that time, more than 20,000 barrels of crude oil had been spilled.

Enbridge has 30 days to respond to PHMSA.

ArcLight Capital Partners LLC to acquire Blackwater Midstream

Blackwater Midstream Corp. (OTCBB: BWMS), a company that specializes in the development and management of third-party petroleum, chemical and agricultural bulk liquid storage terminals, with operations in Louisiana, Maryland and Georgia, entered into a definitive agreement to be acquired by an affiliate of ArcLight Capital Partners, LLC, an energy-focused private equity investment firm, for approximately $44.1 million.

Under the terms of the agreement, holders of Blackwater's common stock will receive $0.64 per share in cash for each outstanding share of common stock they own. The holders of convertible notes will also be entitled to receive cash consideration based on the number of shares of common stock into which the notes are convertible. Taking into account the Company's indebtedness, the implied transaction value is approximately $48.7 million. Upon consummation of the merger, Blackwater's common stock will no longer be publicly owned or publicly traded.

Under the terms of the agreement, upon consummation of the transaction, Blackwater's stockholders will receive $0.64 per share, a premium of 29.4% over the average closing share price of $0.49 during the last 30-days ending June 28, 2012 and a premium of 32.1% over the average closing share price of $0.48 over the three-month period ending June 28, 2012.

Blackwater's board of directors unanimously approved the transaction and recommends that Blackwater's stockholders adopt the agreement. Blackwater expects to hold a special meeting of its stockholders to consider and vote on the proposed merger and merger agreement as soon as practicable after the mailing of the proxy statement to its stockholders.

GIP finalizes $2 billion acquisition of CHK's portion of partnership

Chesapeake Midstream Partners LP (NYSE:CHKM) announced that Global Infrastructure Partners (GIP) has closed the previously announced acquisition of all of Chesapeake Energy Corp's (NYSE:CHK) ownership interests in the Partnership. GIP paid $2 billion to acquire Chesapeake's general partner and limited partner interests.

DONE DEAL | In the closing of the Global Infrastructure Partners-Chesapeake Energy deal, GIT now owns 100% of the Partnership's general partner interest and 69% of the Partnership's limited partner units.

The closing results in GIP's ownership of 100% of the Partnership's general partner interest and 69% of the Partnership's limited partner units.

Chesapeake Midstream Partners LP (NYSE:CHKM) is the industry's largest gathering and processing master limited partnership as measured by throughput volume and owns, operates, develops and acquires natural gas gathering systems and other midstream energy assets. Headquartered in Oklahoma City, CHKM's operations are focused on the Barnett Shale, Haynesville Shale, Marcellus Shale and Mid-Continent regions of the U.S.

– Business Wire

Names of MDU Resources changed to reflected WBI Energy ownership

Williston Basin Interstate Pipeline Co., Bitter Creek Pipelines LLC and Total Corrosion Solutions, all subsidiary companies of MDU Resources Group, Inc. (NYSE: MDU), changed their name to be part of the newly created WBI Energy Inc. group of companies. Although all three companies have long been sister companies in the corporation, they operated somewhat separately under WBI Holdings.

In early May 2012, WBI Energy was created to more actively manage all operations under a single overriding brand.

The natural gas transmission pipeline operations will be within WBI Energy Transmission, Inc. and

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the gathering pipeline and related energy services will be part of WBI Energy Midstream LLC. The cathodic protection group, formerly known as Total Corrosion Solutions, will be known as WBI Energy Corrosion Services.

Crosstex completes $210 million acquisition of Clearfield Energy

The Crosstex Energy companies, Crosstex Energy LP (NASDAQ: XTEX) (the partnership) and Crosstex Energy Inc. (NASDAQ: XTXI) (the corporation), announced that the partnership has completed its previously announced acquisition of privately held Clearfield Energy Inc. for approximately $210 million in cash.

Clearfield is a 125-year-old crude oil, condensate and water services company with operations in Ohio, Kentucky and West Virginia. It is expected that the acquisition will be immediately accretive to distributable cash flow.

Clearfield's assets currently handle approximately 300,000 barrels per month of crude and condensate in Ohio, Kentucky and West Virginia. They include a 4,500-barrel-per-hour crude oil barge-loading terminal on the Ohio River; a 28,000-barrel-per-day crude oil rail-loading terminal on the Ohio Central Railroad network that Crosstex expects to expand to a 56,000-barrel-per-day facility by year-end 2012; and 200 miles of crude oil pipelines in Ohio and West Virginia.

The assets also include more than 500,000 barrels of above ground storage, six brine water disposal wells with two additional wells under development and an extensive truck fleet with a capacity of 35,000 barrels per day. Crosstex also acquired more than 2,500 miles of unused right of way for future expansions.

– *Business Wire*

Williams Partners taps Exterran for design, installation services in W. Va.

Exterran Holdings announced that Williams Partners has awarded the company a contract for the design, fabrication and installation of natural gas facilities in West Virginia. The facilities are part of Williams Partners' Ohio Valley Midstream business, which has a significant footprint in the natural gas liquid-rich portion of the Marcellus shale.

The project includes engineering and fabrication of two cryogenic gas processing plants with refrigeration, each with a capacity of 200 million standard cubic feet of natural gas per day (MMcf/d) produced from the Marcellus shale. Additionally, Exterran will provide site development, construction, installation and start-up for the two plants it develops as well as for a third 200 MMcf/d cryogenic plant.

"We are excited by this opportunity to partner with Williams and to build on our capability in the Marcellus shale play," said Exterran president and chief executive Brad Childers. "This demonstrates our ability to provide an integrated solution from engineering to start up while quickly supplying the equipment required. We look forward to start-up activities commencing late in 2013 and into 2014." – *Business Wire*

Fitch Ratings: Outlook remains stable for N.A. energy infrastructure projects

According to Fitch Ratings, the outlook for North American energy infrastructure projects remains stable.

Approximately 80% of current North American energy project rating outlooks are stable or positive and reflect mostly contracted revenue streams mitigating price and volume risk. However, exposure to merchant market energy and fuel price risks increase cash flow uncertainty in some cases and results in a few negative outlooks.

Fitch views the thermal power sector more cautiously, though the rating agency still carries a Stable outlook. Energy prices reflecting low demand and record-low natural gas prices have caused some merchant coal projects to default or restructure their debt due to weak margins. Stable outlooks dominate the sector due to long-term sales contracts underpinning most of Fitch's rated thermal projects.

The outlook for the renewable energy sector remains stable, reflecting mostly contracted revenues from strong utility counterparties.

Similarly, the outlook for the oil and gas sector remains stable. The primary reason is strong demand for pipeline and refinery capacity and contracted cash flows at liquefied natural gas terminals.

Panel: Transparency, public trust are keys to demystifying fracing

BY **NANCY AGIN** | HART ENERGY

As hydraulic fracturing continues to draw criticism from its uninformed naysayers and industry opponents, increasing transparency and rebuilding public confidence in oil and gas operations has become mission-critical to furthering the development of unconventional resources.

This is according to an environment and operating excellence panel that convened at the DUG Canada conference in Calgary, Alberta, last month.

"Today the public questions the ability of the industry to responsibly develop its resources and to manage its impact on the environment and on communities," moderator Kevin Heffernan, vice president, Canadian Society of Unconventional Resources, said in his introduction.

"I think environmental issues are the issues of our time," Tamboran Resources CEO Richard Moorman said.

In terms of global transparency, Moorman pointed to the effects -- both good and bad -- that the mass dissemination of news and myths concerning hydraulic fracturing, in particular, have had in the digital age. "Thanks to the internet and thanks to a very active information network [that is] sometimes fed by people who simply don't want any hydrocarbon development, information is transferred that can really impact [resource] development and practices in many countries," he said. "It's a real shame because so many countries have much to benefit from cheaper energy sources."

As a new entrant in a shale play, Moorman said most important is the question of how a company will "get its message across" to the community in terms of its best practices in unconventional resource development. "It's our responsibility to have an environmental footprint" and for the industry to stray away from the attitude that it "can do whatever it wants in the community because that is doing good in the community," he said.

Dave Collyer, president of the Canadian Association of Petroleum Producers, outlined the public concerns surrounding hydraulic fracturing with the idea that producers must earn and maintain "social license" within the community. In terms of people, the health effects of hydraulic fracturing chemicals have been called into question, he noted.

And in terms of the environment, the surface footprint; induced seismicity; wildlife disruption; air quality during the extraction, processing, delivery, and end-use of hydrocarbon resources; and the potential for groundwater contamination through the migration of fracturing fluids all must be considered when creating and communicating industry best practices.

"We do firmly believe shale gas is a game-changer," Collyer said, "and it's a great technology success story that has created a dynamic around social license that is very different. So if we look at what the industry needs to do to continue to be successful, we have to maintain an enhanced support from the public and stakeholders to allow us to do what we do (and to continue to do it well), and that's fundamentally about social license."

Environmental solutions

For sustainable water use, the industry is making efforts to reuse flowback and produced water via closed-loop systems, as well as using new technologies to treat flowback and produced water to minimize the environmental impact that might occur in unconventional resource development, according to the panel.

As part of its efforts to reduce its environmental footprint, Tamboran acknowledges the need to fracture without chemicals, Moorman said. Effective September 2011, the Tamboran board signed a declaration committing the company to hydraulically fracture without any chemicals in Ireland and Northern Ireland.

Additionally, the company is taking better care to manage its water at the well site more efficiently by using rainwater and groundwater rather than taking from public sources. Tamboran also has deployed a chemical-free, closed-loop water cleaning system with 100% recycling.

Understanding resource availability is crucial to creating better practices that can be conveyed to local stakeholders and communities, Sheldon Harbinson, vice president, Tervita, reiterated.

Leading practices in mitigating such risks, he said, include a baseline aquifer data assessment that allows for accurate monitoring and real-time adjustment in operations, a comprehensive environment and geology assessment to facilitate effective "frac planning," pad development for drilling to minimize surface impact, improved fracture and produced water storage and treatment to minimize contamination risk, and improved isolation through cement additives.

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The investment firm added that this situation is likely to last until late 2012 or early 2013, when there is a meaningful improvement in propane prices. The forecast anticipates an ethane price rally due to improved propane prices combined with a higher operating rate and ethane inventory levels returning to normal. Wells Fargo stated this rally is likely to be short-lived as prices come under pressure in Q2 2013 due to incremental supplies from eight new Mont Belvieu fractionators.

The pushback on ethane prices is expected to extend from mid-2013 until 2017, when a new batch of ethane crackers are brought online in the region. "Midstream companies appear to be adding fractionation capacity at a significantly faster rate than petrochemical companies are building out ethane cracking capacity," the report said.

Once fractionation and cracking capacities are on a more level playing field through the construction of three world-scale ethylene plants, the ethane prices will become balanced or slightly undersupplied.

Wells Fargo altered its capacity-based ethane supply and demand model based on the definitive plans of ConocoPhillips/Chevron, Dow Chemical and ExxonMobil to each build world-scale crackers in the Gulf Coast by including each of these proposed projects in their full analysis. Other crackers and petrochemical plants that have been announced by other companies remain in the firm's potential category.

This supply and demand model is assuming that ethane now comprises an average of 45% of the NGL barrel due to the composition in several unconventional plays that have a greater ethane mix. The model also assumes that new NGL fractionation expansions will operate at a 95% rate while not assuming any slowdown in drilling activity at this time. Steam crackers are assumed to operate at a 90% rate with petrochemical plants operating at higher than historical rates due to increased ethane supplies along with favorable economics. The firm is not assuming widespread ethane rejection in their model.

The long-term outlook for propane is positive, but Wells Fargo anticipates the market being modestly oversupplied in 2012 (approximately 30,000 barrels per day) and slightly oversupplied in 2013 (approximately despite recent improvements.

A modest rebound could be felt this winter based on incremental petrochemical feed-slate switching, the start-up of Enterprise Products Partners' 3.5 million barrel per month LGP export facility and normal winter heating demand. However, short of a colder-than-normal winter, inventory levels will remain greater than the five-year averages. By 2014, the firm said that the market could return to a balanced or even undersupplied level depending on export demand.

"By 2014, we believe the propane market should return to balance by a robust buildout of domestic LPG exports that could be absorbed by the global markets. Accordingly, our model simplistically assumes any excess propane supply not consumed in the domestic market will be exported. We forecast LPG export terminals are 90-95% utilized in 2012-13 and 50-60% utilized in 2014-16. If propane arbitrage differentials continue to favor export activity, we believe the U.S. propane market could become meaningfully undersupplied by 2014," the report said.

Export demand should remain strong in the foreseeable future as European and Asian ethylene producers have been converting their facilities to utilize light-end feedstocks rather than naphtha.

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