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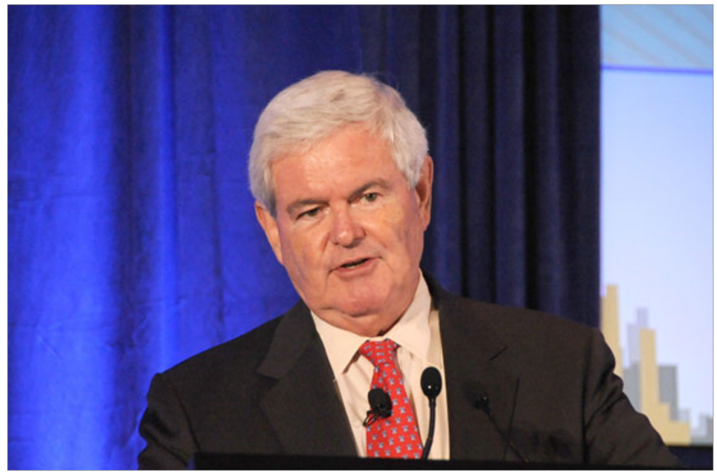
Gingrich Offers His Views On Energy

BY **STEVE TOON** | HART ENERGY



Former House Speaker and Republican presidential candidate Newt Gingrich, watching the failed attempt of the Congressional Super Committee last year to find an additional $1.5 trillion in debt savings over 10 years, pondered the possibility that oil and gas development might be a solution offering long-term national security benefits. He also recognized the fact that the federal government holds mineral rights to 279 million acres.

Gingrich called Noble Royalties Inc. founder, president and chief executive Scott Noble and posed this question: "If the federal government were to manage the American people's land with a fiduciary attitude comparable to that of a private firm, how much royalty would you generate, and in the process of that economic activity, how much in taxes would be generated?" It turns out the amount was larger than the Super Committee was looking for.

Gingrich and Noble presented their findings at Hart Energy's A&D Strategies and Opportunities conference in Dallas. Together, they discussed this and energy policy in America with Hart Energy in an exclusive interview.

Hart Energy What role does energy play in the upcoming election?

Gingrich Energy is extraordinarily important. It is the No. 1 plank in (Republican candidate Mitt) Romney's plan for the middle class. It is something people instinctively believe represents opportunity. They identify it with jobs and economic growth, with national security, and lower prices. From their standpoint, it's a triple win. Energy itself is a job producer. Look at North Dakota at 3% unemployment. Less-expensive energy is a manufacturing-jobs producer. So in a state like Ohio, which now has an oil play, a gas play and a big manufacturing base, you've got a lot of positive talking points.

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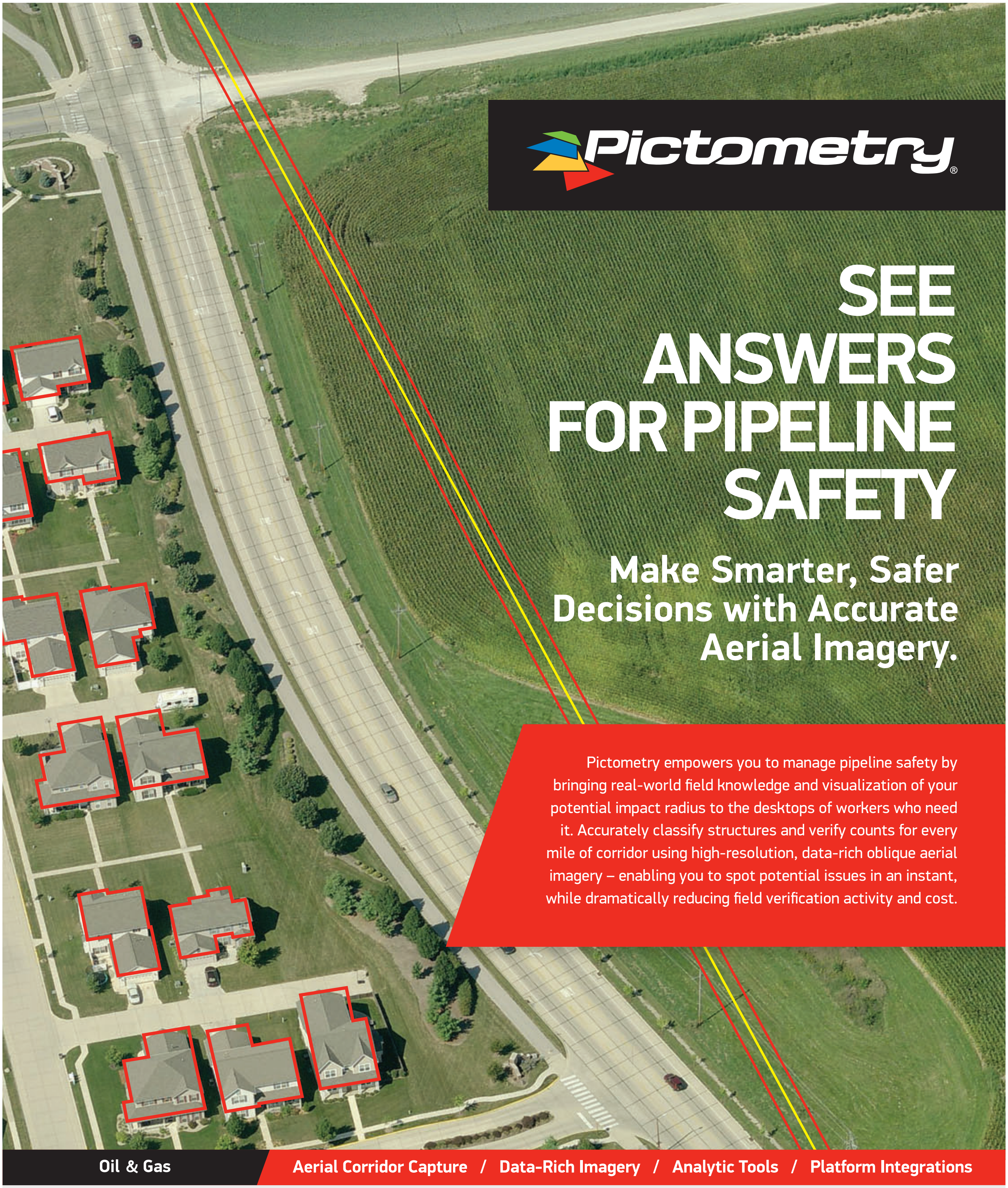

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NGL PRICES & FRAC SPREAD | Week in Review

Gulf Coast Outages Cause Ethane Prices To Tumble

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

Natural gas liquids (NGL) prices and margins took a downturn this week as they followed the general decline in crude oil and natural gas prices.

Crude prices spent the week in the close to $90 per barrel (bbl.) while gas prices remained under $3.00 per million Btu (/MMBtu) at both Conway and Mont Belvieu. The Conway price remained $2.73/MMBtu, but the Mont Belvieu price dropped 2% to $2.80/MMBtu.

CURRENT FRAC SPREAD (CENTS/GAL)

September 21, 2012	Conway	Change from Start of Week	Mont Belvieu	Start of Week
Ethane	14.68		29.74	
Shrink	18.10		18.56	
Margin	-3.42	-877.07%	11.18	-6.96%
Propane	79.76		90.98	
Shrink	25.01		25.65	
Margin	54.75	-8.70%	65.33	-4.97%
Normal Butane	142.94		156.52	
Shrink	28.31		29.04	
Margin	114.63	1.36%	127.48	1.16%
Iso-Butane	193.90		177.36	
Shrink	27.19		27.89	
Margin	166.71	-2.16%	149.47	4.56%
Pentane+	208.72		211.78	
Shrink	30.28		31.05	
Margin	178.44	-1.11%	180.73	-1.73%
NGL $/Bbl	38.75	-3.51%	42.73	-1.74%
Shrink	9.97		10.23	
Margin	28.78	-4.67%	32.50	-1.52%
Gas ($/mmBtu)	2.73	0.00%	2.80	-2.44%
Gross Bbl Margin (in cents/gal)	64.86	-5.00%	74.24	-1.69%
NGL Value in $/mmBtu				
Ethane	0.81	-20.82%	1.64	-4.19%
Propane	2.77	-6.14%	3.16	-4.27%
Normal Butane	1.54	1.09%	1.69	0.48%
Iso-Butane	1.21	-1.86%	1.10	3.39%
Pentane+	2.69	-0.95%	2.73	-1.84%
Total Barrel Valuein $/mmbtu	9.02	-4.51%	10.32	-2.08%
Margin	6.29	-6.34%	7.52	-1.95%

NGL PRICES

Mont Belvieu	Eth	Pro	Norm	Iso	Pen+	NGL Bbl
Sept. 12- 18 '12	29.74	90.98	156.52	177.36	211.78	$42.73
Sept. 5 - 11 '12	31.04	95.04	155.78	171.54	215.74	$43.49
Aug. 29 - Sept. 4 '12	31.29	89.48	152.53	170.53	212.68	$42.46
Aug. 22 - 28 '12	31.27	84.28	151.90	169.76	217.47	$42.11
August '12	33.52	89.68	145.60	162.29	209.65	$42.04
July '12	33.11	87.19	131.77	150.81	186.00	$39.04
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
Sept. 14 - 20, '11	78.61	159.90	196.74	220.92	241.44	$63.74
Conway, Group 140	**Eth**	**Pro**	**Norm**	**Iso**	**Pen+**	**NGL Bbl**
Sept. 12- 18 '12	14.68	79.76	142.94	193.90	208.72	$38.75
Sept. 5 - 11 '12	18.54	84.98	141.40	197.58	210.73	$40.16
Aug. 29 - Sept. 4 '12	20.98	80.33	142.55	195.50	208.00	$39.83
Aug. 22 - 28 '12	19.04	75.88	144.24	196.45	209.46	$39.19
August '12	18.77	74.27	130.46	169.74	201.94	$37.01
July '12	7.80	57.01	103.02	145.79	183.28	$29.81
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
Sept. 14 - 20, '11	45.60	142.02	177.02	215.50	203.96	$53.27

(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

In addition, midstream facilities that have been operating at reduced capacity rates in the Gulf Coast negatively impacted NGL prices. According to En*Vantage, Targa Resource's Venice and Yscloskey natural gas processing plants are dealing with flooding related to Hurricane Isaac. Enterprise Products Partners' Norco fractionator lacks sufficient supplies of Y-grade NGLs, which is causing it to operate at reduced capacity.

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NGL PRICES & FRAC SPREAD | Week in Review

Continued from Page 3

In addition, three ethane crackers in the Gulf Coast are operating at reduced capacity or are down for maintenance. The Dupont cracker in the region is down completely as it undergoes repairs, but should be back online by the first week of October. Flint Hills Resources' Port Arthur cracker is also scheduled to undergo a 30 to 45-day turnaround. In addition, Exxon Mobil's Baton Rouge cracker and Shell's Norco cracker are operating at reduced rates.

This caused Mont Belvieu prices to fall 4% to 30¢ per gallon (/gal), their lowest price since the week of July 4, when they were 28¢/gal. The margin fell 7% to 11¢/gal. While the Mont Belvieu price and margin were negatively affected, Conway E-P mix was worse off. With less of a market, Conway volumes were left stranded in the Midcontinent and plunged 21% in value to 15¢/gal. Worse, the margin crashed and turned negative for the first time in five weeks. Clearly, Conway E-P mix prices are extremely fragile and are at the mercy of even the smallest changes in the market, keeping them vulnerable for some time.

Propane prices were volatile this week as there was a great deal of activity in trading. However, this was not reflected in the price at either hub, as prices and margins were both down. Once again, the Mont Belvieu market was stronger than its Conway counterpart due to the fact that propane is more closely connected in the Midcontinent.

KEY NORTH AMERICAN HUB PRICES	
2:30 PM CST / September 20, 2012	
Gas Hub Name	Current Price
Carthage, TX	2.69
Katy Hub, TX	2.79
Waha Hub, TX	2.77
Henry Hub, LA	2.76
Perryville, LA	2.74
Houston Ship Channel	2.83
Agua Dulce, TX	1.88
Opal Hub, Wyo.	2.78
Blance Hub, NM	2.79
Cheyenne Hub, Wyo.	2.72
Chicago Hub	2.95
Ellisburg NE Hub	2.87
New York Hub	2.88
AECO, Alberta	2.43

Source: Bloomberg

The Mont Belvieu price decreased 4% to 91¢/gal while the Conway price fell 6% to 80¢/gal. Both were the second-highest at their respective hubs in the past month as export demand has been stronger, especially from Asia as it prepares for the start of its heating season.

The lone NGL to experience a price increase at both hubs was butane due to refiners switching from summer-grade gasoline to winter-grade gasoline. The Mont Belvieu price increased slightly to $1.57/gal, its highest price since it was $1.61/gal the week of May 16. The Conway price rose 1% to $1.43/gal, its highest price in a month.

RESIN PRICES – MARKET UPDATE – SEPTEMBER 20, 2012					
TOTAL OFFERS: 11,126,716 lbs		SPOT		CONTRACT	
Resin	Total lbs	Low	High	Bid	Offer
PP Homopolymer - Inj	2,835,392	0.60	0.73	0.63	0.67
HDPE - Blow Mold	1,508,840	0.66	0.75	0.64	0.68
HDPE - Inj	1,405,012	0.66	0.69	0.64	0.68
LDPE - Film	1,404,552	0.69	0.77	0.69	0.73
LLDPE - Film	1,016,276	0.66	0.71	0.64	0.68
PP Copolymer - Inj	964,184	0.59	0.75	0.64	0.68
HIPS	548,000	1.04	1.08	0.98	1.03
LLDPE - Inj	464,000	0.69	0.77	0.66	0.70
GPPS	380,000	0.93	0.93	0.87	0.92
LDPE - Inj	380,000	0.72	0.75	0.69	0.73
HMWPE - Film	220,460	0.74	0.74	0.66	0.70

Source: Plastics Exchange – www.theplasticsexchange.com

The theoretical NGL barrel price fell 4% to $38.75/bbl. at Conway with a 5% drop in margin to $28.78/bbl. The Mont Belvieu price dropped 2% to $42.73/bbl. with a 2% drop in margin to $32.50/bbl.

The most profitable NGL to make at both hubs was C_{5+} at $1.78/gal at Conway and $1.81/gal at Mont Belvieu. This was followed, in order, by isobutane at $1.67/gal at Conway and $1.50/gal at Mont Belvieu; butane at $1.15/gal at Conway and $1.28/gal at Mont Belvieu; propane at 55¢/gal at Conway and 65¢/gal at Mont Belvieu; and ethane at negative 3¢/gal at Conway and 11¢/gal at Mont Belvieu.

Natural gas in storage for the week increased 67 billion cubic feet (Bcf) according to the Energy Information Administration. The storage level rose to 3.496 trillion cubic feet (Tcf) from the previous week when it was 3.429 Tcf. This represented a 10% increase over the 3.176 Tcf figure posted last year at the same time and a 9% increase over the five-year average of 3.218 Tcf.

Cooling demand should continue to lessen throughout much of the country next week according to the National Weather Service's forecast. The service anticipates cooler-than- normal temperatures for this time of year along the East Coast with normal late September temperatures throughout the Midwest and Gulf Coast.

DOE Delays LNG Export Report For Second Time

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

The U.S. Department of Energy (DOE) delayed its report on the expansion of liquified natural gas (LNG) exports for the second time in the past year. The report was initially expected to be released in March.

The report's findings are likely to prove critical in any decisions to expand LNG exports as the DOE has stated that it will not decide on the matter until the report is completed. It is expected that the report's release will be before the end of the year, but after the November presidential election.

Thus far, only Cheniere Energy's Sabine Pass terminal has received approval from the DOE to export LNG from the U.S., but other projects are still waiting for a final decision on their applications.

"The Department of Energy takes its statutory responsibility to make public interest determinations on natural gas export applications very seriously and is committed to taking the time necessary to get the decisions right," the department said in a news release.

Many LNG import terminals that were commissioned at a time when it appeared that the U.S. would need to import natural gas to meet demand are seeking permission to reverse flow to more lucrative foreign markets. The surge in production from North American shale plays has left these facilities largely unused.

> "The Department of Energy takes its statutory responsibility to make public interest determinations on natural gas export applications very seriously..."
> - U.S. Department of Energy

While LNG exports would help terminal operators and natural gas producers, critics contend that exports would drive up gas prices for both consumers and manufacturers. The critics have argued that higher prices would hinder economic growth by cutting further into consumers' pockets, but also push back on the significant gains made by both the U.S. petrochemical and manufacturing industries.

WAIT TILL NOVEMBER | A decision on most LNG export applications has likely been pushed back to after the Presidential elections since the DOE delayed its report for the second time this year.

In a research note, ClearView Energy Partners said that President Obama might seek to reach a compromise with both sides of this argument by capping LNG exports at up to 7.4 Bcf.

Caballo Building Mississippi Lime/Woodford Processing Plant

Caballo Energy LLC is building a new cryogenic processing plant to serve expanding natural gas production in the liquids-rich Mississippi Lime and Cana Woodford Shale plays. Known as the Carmen Gas Processing Plant, the new facility will have the capacity to process 60 million cubic feet (MMcf) of natural gas per day, bringing Caballo's processing capacity in the region to approximately 100 MMcf per day. The Carmen plant will be in service by the end of the first quarter of 2013. The plant is strategically located near Carmen, Oklahoma, at the intersection of the liquids-rich Mississippi Lime and Cana Woodford Shale plays. The 160-acre site allows for the construction of a second cryogenic processing plant at the same location.

The new Carmen plant and Caballo's existing Eagle Chief plant serve the company's Eagle Chief system, which includes more than 600 miles of natural gas gathering pipelines and compression facilities located in Alfalfa, Blaine, Garfield, Major and Woods counties. Caballo delivers processed gas to the ONEOK Gas Transportation and Panhandle Eastern Pipe Line. NGLs are delivered to the ONEOK NGL Pipeline. The Eagle Chief system also includes salt-water disposal and crude oil gathering systems. Caballo acquired the Eagle Chief system in December 2011.

Caballo also announced the addition of three new executives who will play key leadership roles as the company continues to expand. Glenn Powell has joined Caballo as chief commercial officer. Powell previously served as the chief operating officer at Atlas Pipeline Partners LP and has significant experience in commercial development. Wayne Bennett has also joined Caballo as director of engineering operations. Prior to joining Caballo, Bennett served as senior engineering technician for ScissorTail Energy LLC (now Copano Energy LLC) and as area manager for the Elk City subsidiary of Atlas Pipeline Partners LP. He brings Caballo extensive experience in the construction and operation of natural gas processing plants and pipeline systems. Finally, Rich McCullough has joined Caballo Energy as vice president of finance and accounting. McCullough is a certified public accountant and most recently served as the manager of financial reporting for Alliance Resource Partners LP and an audit manager for Grant Thornton LLP. He has important experience in the midstream natural gas business and expertise in various technical accounting matters including business combinations and derivatives.

"The construction of the Carmen plant is a first but very important step in our expansion of the Eagle Chief system," said Bob Firth, Caballo president and chief executive, in a release. "The liquids-rich gas found in the Mississippi Lime and Cana Woodford shale formations provides an attractive return for producers, even under current pricing conditions. We believe this area has significant potential for future growth and we are excited to be in a position to provide the processing capabilities our customers need. Our plans also call for the development of an additional cryogenic processing plant next to the Carmen plant. An additional plant could be up and running rapidly depending upon market conditions and demand, further enhancing our ability to meet the needs of our customers. Additionally, the hiring of these three highly experienced executives enhances an already strong management team and opens up new business avenues."

Summit Acquires Midstream Assets In Piceance, Uinta Basins

Summit Midstream Partners LLC announced September 14 that it has entered into an agreement with La Grange Acquisition LP, a wholly owned subsidiary of Energy Transfer Partners LP, to acquire ETC Canyon Pipeline LLC for $207 million.

Canyon gathers and processes natural gas in the Piceance and Uinta basins located in Colorado and in Utah. The gas gathering and processing system consists of more than 1,600 miles of pipe, 44,000 horsepower of compression, processing assets with a total capacity of 97 million cubic feet (MMcf) per day, and two NGL injection stations. The acquisition is subject to certain regulatory approvals and customary closing conditions. Closing is expected to occur in the fourth quarter of 2012.

Williams Increasing Focus On Fee-Based Operations

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

In the past several years, Williams has begun to expand its operations from primarily the Rockies to more regions of the country with an increased focus on fee-based midstream assets.

The company anticipates that NGL margins will decrease from 25% of its overall business in 2011 to 13% by 2014. At the same time, its fee-based operations will increase from 24% in 2011 to 35% by 2014.

"On one side we've got supply growth. On the other side, we're seeing a large increase in demand growth. In between comes a lot of new infrastructure. Not just to consume these natural gas resources, but the NGLs coming off this production as well as the petrochemical industry that's expanding rapidly as well. We think Williams is extremely well-positioned to provide a lot of that large-scale infrastructure," Alan Armstrong, president and chief executive of Williams, said at the recent Barclays CEO Energy/Power Conference in New York.

He noted that since the increase in demand is coming from the power side, it requires large capital investments. While these projects require large amounts of capital to start, the positive is that they have very sustainable demand growth.

Although the company is expanding its focus, Armstrong pointed out that the growth Williams is experiencing is part of a long-term strategy of meeting producer needs. "We firmly believe that you compete not on a nationwide basis, but you really compete in the market that you're in and the basins you're in when it comes to producers."

By seeking to expand from positions of strength, Williams has been able to focus on providing customers with strong reliability through multiple options to transport volumes from its core areas, which includes the Rockies as well as the Marcellus and Utica shales.

While Williams has a long history in the Rockies, its presence in the Northeast has been shorter. It first entered the region through the creation in April 2009 of the Laurel Mountain Midstream LLC joint venture with Atlas Pipeline Partners (which has since been acquired by Chevron Corp).

This system has experienced a 26% growth increase from second-quarter 2011 to second-quarter 2012 on its nearly 1,400 miles of pipeline. Armstrong said that the system is currently flowing approximately 1.2 Bcf per day of natural gas.

"We continue to be very impressed with the economics to the producers in this area and frankly the real challenge continues to be getting the infrastructure …One of the things that we're really proud of and distinguishes us is we have really built this from a ground up basis. We've been out building very large-scale facilities, planning for the future…well in advance of when it's needed," he said.

He cited the company's Shamrock compressor station as an example of this long-term approach. The facility was initially in need of 4,000 horsepower, but was designed and installed with the capacity for 30,000 horsepower in order to handle 1.5 Bcf per day of flow.

"A lot of the big capital that we've been investing over the last couple of years really positions us for tremendous growth and now the job is connecting the wells into this large backbone of infrastructure that we've built, not constantly having to loop and recompress because we've got a lot of that big expansion already in place," Armstrong said.

This presence in the Marcellus and Rockies combined with its experience in Canada also presents unique opportunities for the company such as its propane dehydrogenation (PDH) project. The Northeast is the historic destination for Canadian propane, but the emergence of the Rockies and Marcellus has somewhat stranded this Canadian production. In addition, the recent reversal of Kinder Morgan's Cochin pipeline to transport E-P mix from Conway to Sarnia, Canada, is further overloading the Canadian market. In response, Williams is exploring a PDH project that would convert this stranded propane into polymer grade propylene.

"This is about a 450-kiloton annual production facility and it pretty well matches our existing propane demand that we think we will have when this facility comes online. This is not about getting further into the petchem business. This is about taking advantage of what is somewhat stranded propane," he said.

Armstrong noted that there is interest in converting propane into polypropylene in Canada and railing it to Vancouver for export to Asian markets. While such a project isn't a core operation, he stated that it follows along a similar operation in shipping polymer grade propylene from the Canadian oil sands to the Gulf Coast.

SHIFTING FOCUS | Williams anticipates NGL margins to decrease by 12% in the next two years.

BLM Approves 95-Mile Pipeline In Western Colorado, Eastern Utah

Construction is expected to begin this year on a 95-mile NGL pipeline in western Colorado and eastern Utah that was approved by the Bureau of Land Management (BLM).

The pipeline, called the Western Expansion Project II, will increase Enterprise Mid-America Pipeline's capacity for transporting NGLs from Wyoming and Colorado to Hobbs, New Mexico. The pipeline will increase current capacity by 15,000 bbl. per day.

It follows an existing pipeline corridor across the Rio Blanco, Garfield, and Mesa counties in Colorado and the Uintah and Grand counties in Utah. BLM approved the right-of-way for the 60 miles that will cross federal land.

Tesoro Sells Long Beach Marine Terminal And L.A. Pipelines

Tesoro Corp. has contributed the Long Beach marine terminal and Los Angeles short-haul pipelines owned by Tesoro's subsidiary, Tesoro Refining and Marketing Company, to Tesoro Logistics for $210 million.

These assets, located near Tesoro's Wilmington, California, refinery, consist of a two-vessel berth dock leased from the City of Long Beach, six storage tanks with combined capacity of 235,000 bbl. and six related pipelines with 70,000 bbl. per day throughput connecting the marine terminal, Tesoro's refinery and other third-party facilities.

The purchase price of $210 million included cash of $189 million and Tesoro Logistics equity valued at approximately $21 million. In connection with the closing of the transaction, Tesoro and the partnership entered into a throughput and use agreement for the marine terminal assets and a transportation services agreement for the short-haul pipeline assets. Both of these agreements include minimum throughput commitments, annual price escalations and ten-year initial contract terms. Tesoro Logistics expects that this contribution will result in an estimated $22 million of additional annual EBITDA, approximately half of which is expected to be from third parties.

In addition, Tesoro Logistics consummated its previously announced offering of $350 million aggregate principal amount of 5.875% senior notes due in 2020. The partnership intends to use the proceeds from the offering to fund its acquisition of Tesoro's Long Beach marine terminal and Los Angeles short-haul pipelines and to repay all of its outstanding indebtedness under its revolving credit facility, with any remaining amounts used for working capital and general partnership purposes.

Keyera Acquires NGL Rail, Truck Facility

Keyera Corp. announced that its wholly owned affiliate, Keyera Energy Inc., has entered into an agreement to purchase an NGL midstream rail and truck terminal from ExxonMobil Oil Corp. The facility is located in Hull, Texas, and is connected via pipeline with ExxonMobil's Beaumont complex and Daisetta storage facility, and other NGL facilities in the Mont Belvieu energy hub.

The terminal is expected to be used initially to handle receipt and delivery of propane, butane, iso-butane and NGL mix for delivery into North American markets. The transaction is subject to satisfaction of due diligence and other normal closing conditions.

"The terminal is an ideal fit with our existing infrastructure," David Smith, president and chief operating officer, Keyera, said in a release. "Dedicated rail facilities near Mont Belvieu, combined with our rail infrastructure in Edmonton and South Cheecham in the heart of the Alberta oil sands, will allow us to enhance the logistics associated with the movement of propane, butane and condensate."

The acquisition includes approximately 39 acres of land, four rail and six truck loading spots and NGL storage tanks. Keyera currently plans to develop and expand the terminal in phases, as demand for terminal and logistics service evolves. Completion of the first phase, to reconfigure and place the existing equipment back into service, is expected in the first half of 2013. Options for future phases include expanding the rail loading and offloading capacity, adding additional pipeline connections, and expanding the storage capability in order to expand NGL activities or handle other products such as condensate and diluted bitumen.

Apache, Partners To Sell Stake In Kitimat LNG

Apache Corp. will sell a 20% interest in the Kitimat LNG export project, according to *Reuters*.

The company holds a 40% interest in the $15 billion project with Encana Corp. and EOG Resources Inc. each holding a 30% interest. It is not known how much of their interest in the project that Encana and EOG will sell. The facility is designed to transport LNG from Canada to other more profitable markets. of oil and gas to expand out of the North American market.

The partners anticipate making a decision on an additional investment partner by third quarter 2013. Thus far most of the interest in acquiring a stake in the facility have been from North Asian companies, according to Doug Adams, vice president of Apache LNG.

"There's a lot of interest. A lot of buyers want equity, but we are offering equity to substantial off-takers or major foundation buyers, not to everyone," Adams was quoted by *Reuters* as saying at a recent event in Singapore.

The project is among five similar LNG terminals that have filed for permission to build and export LNG from Canada and is expected to be the first to receive approval, according to British Columbia Premier Christy Clark.

"We will have three LNG plants up and running by 2020, the first by 2016…Apache, Encana, their project will probably be the first to go," Clark said in an interview with *Bloomberg* from the recent World Economic Forum in Tianjin, China.

INTEREST IN ASIA | The Kitimat LNG project, expected to be the first Canadian export terminal approved, is expected to sell a 20% interest to a North Asian company.

Anadarko, Eni Consider Potential LNG Terminal In Mozambique

A week after GlobalData reported that Mozambique could become a major exporter of LNG, NASDAQ reported that Anadarko Corp. and Italy's Eni SpA opened discussions to build an LNG plant in the country.

The companies have each discovered two large reserves in the Rovuma basin, each of which have been estimated at holding more than 60 Tcf of natural gas, and would seek to capitalize on these discoveries through exports to foreign nations.

According to the NASDAQ report, Anadarko estimated the cost of offshore development and the construction of a new two-train terminal at $15 billion with construction set to begin in 2013 and complete in 2018.

Total Signs LNG Agreement With Kogas

Total announced that its gas trading affiliate, Total Gas & Power Limited, has signed an agreement with the South Korean national company Kogas (Korea Gas Corporation) for the purchase of around 700,000 tons per year of LNG from the Sabine Pass terminal in Louisiana for a duration of 20 years.

The LNG will be lifted following the startup of the Sabine Pass terminal's liquefaction train 3, which is scheduled for commissioning in 2017.

"The agreement will enable us to meet the needs of our customers worldwide as effectively as possible," Philippe Sauquet, president, Gas & Power, Total, said in a release. "With this agreement, we are consolidating our leadership in a growing LNG market and taking a position in an LNG export market that is emerging in the United States. The execution of this new long-term agreement between Total and Kogas also strengthens the ties between our two companies. It follows on from the recent acquisition by Kogas of an interest in the GLNG project in Australia and the execution of a sale and purchase agreement between Total Gas & Power and Kogas for 2 million metric tons per year of LNG."

Total has also negotiated a cooperation agreement with Sabine Pass Liquefaction that will help to further expand the liquefaction capabilities being developed adjacent to the Sabine Pass LNG terminal.

Crosstex Energy Completes Funding Of Committed Projects

The Crosstex Energy companies, Crosstex Energy LP and Crosstex Energy Inc. have completed their funding for the previously announced strategic growth initiatives – Phase I of the Cajun-Sibon NGL pipeline expansion, Phase II of the Riverside crude project and its Ohio River Valley business expansion. In addition, Crosstex Energy GP LLC, the general partner of the partnership, has amended the partnership's agreement of limited partnership. The amendment modifies the terms of the series A convertible preferred units held by funds managed by GSO Capital Partners

READY TO GO | Crosstex Energy received necessary funding for several projects, including phase I of the Cajun-Sibon NGL pipeline.

LP to, among other things, provide that cash distributions to the preferred units will be paid in-kind for the next six quarters.

The partnership believes that this transaction, in conjunction with the $75 million equity placement to Kayne Anderson, which was announced earlier, and the $415 million debt and equity financings completed in May 2012, provide the partnership with the financial flexibility to fund all of its committed strategic growth projects. In addition, the partnership has additional financial flexibility with more than $500 million in available liquidity and increased leverage flexibility with the recent amendment to its credit agreement.

Distributions to the preferred units, held by funds managed by GSO, will be paid in-kind for the next six quarters based on a unit price of $13.25, which represents a reduction of approximately $5.0 million in cash distributions per quarter to the preferred units based on the partnership's current distribution rate. The preferred units generally will continue to be governed by their existing terms after the payment in-kind period.

"We are pleased to enter into these transactions with GSO and Kayne Anderson. It demonstrates the value of having them as strategic investors and their positive view of our planned growth through our Cajun-Sibon NGL pipeline expansion project and new Ohio River Valley business," Barry E. Davis, Crosstex president and chief executive, said in a release.

Qatar Petroleum Considering Up To $25B In Capital Investments

Meshaal Al-Mahmoud, head of project finance for Qatar Petroleum, said that the company is planning to invest between $10 billion and $13 billion in new projects in 2014 and up to $25 billion over the next five years, according to *Bloomberg*.

While speaking in Doha, he said that these projects might include two petrochemical plants — a $6.4 billion facility in partnership with Royal Dutch Shell and a $5.5 billion facility in partnership with Qatar Petrochemical. In addition, the company is considering building an aromatics plant in Ras Laffan.

Deepwater GoM Faces Stiff Competition From The Shales

BY **KEEFE BORDEN** | HART ENERGY

The deepwater Gulf of Mexico (GoM) remains a world-class resource potential, but competition from onshore unconventional resources has diminished the energy industry's enthusiasm for the region, an analyst says.

Bill Marko, managing director, Jefferies & Co. Inc., said the number of bidders for leases in the deepwater Gulf of Mexico has fallen 30% from March 2010 to June 2012 for at least two reasons.

Marko, speaking at Hart Energy's recent A&D Strategies and Opportunities conference in Dallas, said GoM deepwater leasing and drilling activity has traditionally risen and fallen with changes in commodity prices. As commodity prices fell dramatically in mid and late 2008, the value of the deals completed in the region also plunged. Deal values gradually recovered as commodity prices regained their footing.

Multiple effects, both short- and long-term, are slowing drilling in the deepwater GoM.

> "Companies love doing deals with each other and constantly have their eyes on each others' assets."
> - Bill Marko,
> Managing director, Jefferies & Co. Inc.

The April 2010 Macondo spill caused a short-term slowdown in drilling, which has since recovered, Marko said. It also increased regulatory cost, lengthened timelines for approvals, complicated bonding and other requirements and strengthened political opposition to drilling in the region.

"It's basically the smaller companies that are staying out of the sale because they're concerned about betting the company, they're concerned about capital requirements or they've got shale opportunities," he said. "Smaller independents ask themselves, 'Do I risk my company every time I drill a deepwater well?' " Marko said.

The development of shales and other unconventional resources have had a longer-term effect on the deepwater Gulf,

FACE OFF | Shale plays are reducing producers' interest in the deepwater Gulf of Mexico

Marko said. In addition, the number of deals in the region is much smaller than onshore because of the higher risks and capital required, Marko said.

Shales have taken the U.S. from eight years of known supply of natural gas to between 50 and 100 years. In addition, shales and resource plays have increased U.S. oil production for the first time in 30 years and have lowered imports, he said.

"The shales have emerged as a world-class oil and gas area that competes for money and time with the deepwater. So that's another headwind on the deepwater activity," he said.

Gulf of Mexico deepwater is still an excellent resource potential, but there are some key differences for operators and investors who have to consider onshore unconventional as an alternative. To start with, deepwater GoM has one landowner while shale and other resource plays have potentially thousands, Marko said.

The deepwater Gulf of Mexico has longer lead times than unconventional shale plays, "It's not for the faint of heart," he said of potential operators looking at the Gulf. Shale and resource plays, meanwhile, can have short lead times for initial production and longer lead times for ultimate development.

Because of the inherent risks involved in the deepwater GoM, leases traded at a lower multiple than conventional or resource plays, Marko said. GoM leases generally go for a three to four times annual EBITDA. Onshore resource plays trade for eight to 10 times annual EBITDA multiples, Marko said.

Meanwhile, the M&A crowd that actively trades assets in the deepwater GoM is a relatively close-knit community. Many of these companies continuously reshape their portfolios and assess a strategic fit with every lease.

LEAD STORY | From The Front

Continued from Page 1

Noble Our industry has to learn how to message that correctly, to show how oil and gas development is opportunity, it is jobs, and how it can make a difference in people's lives.

Hart Energy Do you support exporting liquefied natural gas (LNG)?

Gingrich We're on the edge of a revolution in availability, which will allow markets rather than governments to decide. You now have between a 125- and 200-year supply. Price is going to stabilize at a level that enables drilling to be profitable, because if it's below that, you won't get any new wells. I see no reason why you wouldn't want to export a fair amount of that. By the end of the decade, with the right policies, we could be a net exporter of energy, and where we have eliminated our balance of payments problem, strengthened the dollar dramatically, and put ourselves in a position to, once again, be the valid reserve currency in the world.

Hart Energy The petrochemical and manufacturing industries are lobbying heavily to keep our natural gas reserves at home and to keep those jobs here. How do you balance your message of jobs with exporting?

Gingrich Both will be taken care of. There is going to be an equilibrium price for natural gas in the U.S., substantially below the cost of LNG to China. The U.S. will have the least-expensive natural gas of any industrial country in the world. So, the chemical guys are going to get their natural gas supply, and the exporters can get their supply.

SCOTT NOBLE | Noble founded NRI in November 1997 and has more than 25 years of experience in the industry.

Hart Energy Will the Keystone XL pipeline get built?

Gingrich Romney said if he's elected he will sign the executive order on the very first day. What Obama will do I have no idea. But, the idea that we are driving Canada into a Chinese alliance, in every possible way it's destructive to us. It's to our advantage on a practical level to have it come through Houston. The pipeline can clearly be done in an environmentally safe way. We've been doing pipelines for 140 years. This is not exotic technology.

Noble When you take a half a million bbl. a day out of the pipeline (from Canada), you have to send that money overseas. Take that same amount of money and create jobs and opportunity at home.

Hart Energy The natural gas industry is looking for backing for CNG (compressed natural gas) or LNG as a transportation fuel. Should the government subsidize that?

Gingrich You can buy natural gas for your truck at a dramatically lower price than you can buy diesel. You have a vested interest in refitting your truck. If the people who run the gas stations decide there is a market, they have a vested interest in investing in that market. I suspect you're going to see all of this develop. People will go and do it.

To read the full interview, click here.

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