HARTENERGY
MIDSTREAM Monitor
Oct. 22, 2012 | Volume 30 | Issue 37

DCP Midstream will continue liquids focus

Van Kempen: The company's footprint is opening up new avenues to success

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

Wouter van Kempen, who was recently promoted to the position of president and chief operating officer at DCP Midstream, said that he plans to continue the company's strategy of focusing on its footprint in liquids-rich plays. This strategy has helped the company earn recognition as the top natural gas liquids (NGL) producer for five consecutive years by Hart Energy.

"Our strategy is built around being a midstream company of choice for our customers," he tells *Midstream Monitor*. "Historically, we've been a gathering and processing company, but our strategy since 2010 has been to fully utilize our footprint. Our standing as the largest NGL producer in the country allows us to vertically integrate down the value chain."

He emphasizes that this integration would create value for DCP Midstream as well as its customers by ensuring there are NGL solutions in the key basins in the United States to Mont Belvieu. "By late 2013, we expect to have three large diameter NGL pipelines flowing out of all the major basins into the Mont Belvieu market."

The first of these projects is the Southern Hills Pipeline, which the company acquired last October from ConocoPhillips. The system, which was previously known as Seaway Products Pipeline, is being converted to transport 175,000 barrels (bbl.) per day of NGLs from the National Helium Plant in Liberal, Kansas, to Mont Belvieu when it is completed and brought online in the second quarter of 2013.

Continued on Page 12

HIGHLIGHTS FROM TODAY'S EDITION

FRANK NIETO
Editor, *Midstream Monitor* & *MidstreamBusiness.com*
fnieto@hartenergy.com

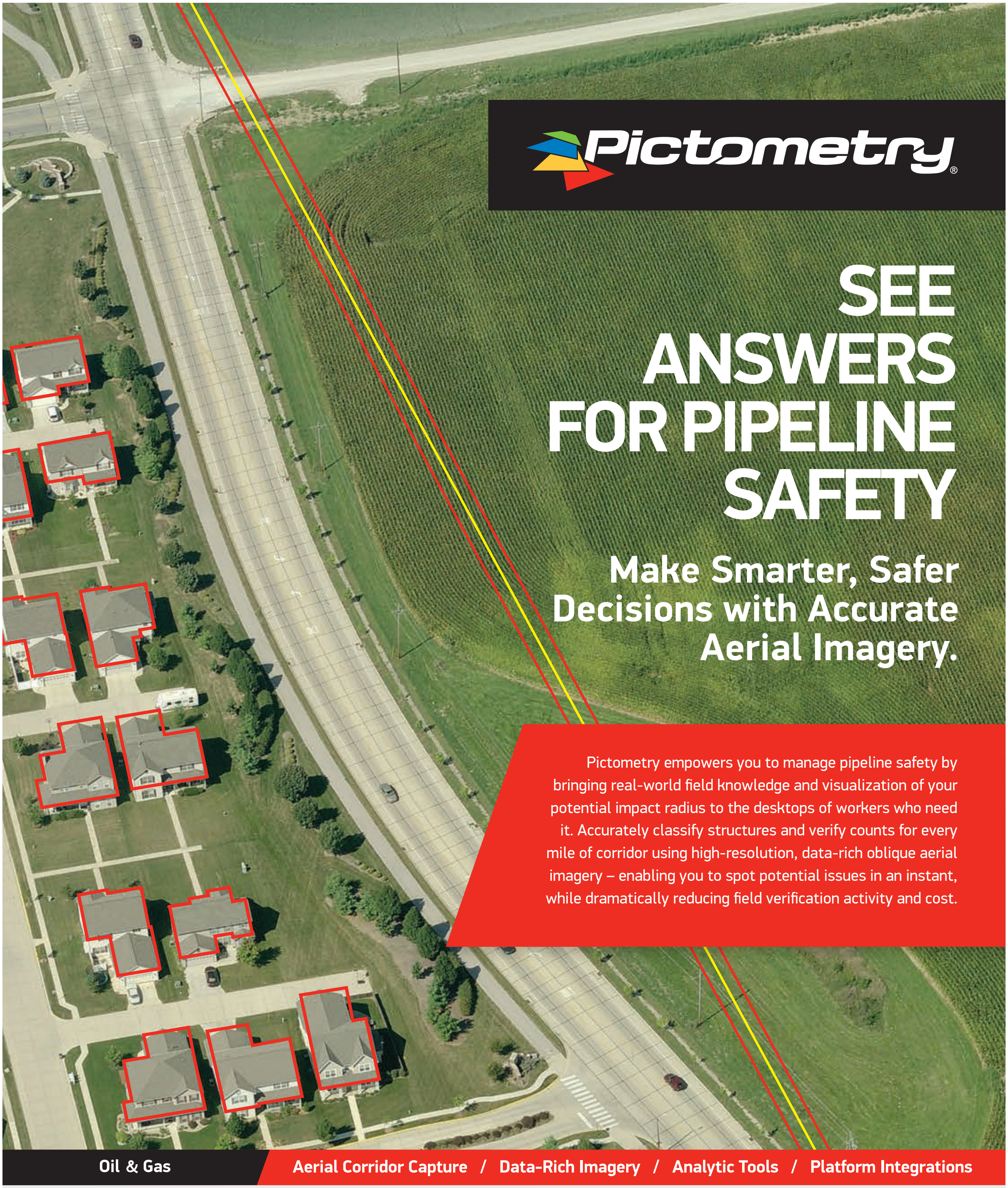
NGL PRICES & FRAC
Heavy NGL prices improve
Prices rose at both hubs for butane, isobutane and pentanes-plus due to stable crude prices.
PAGE 3

PIPELINES
PHMSA awards $45MM in pipeline safety grants
The awards were extended to 46 states and territories to support state and local pipeline safety efforts. **PAGE 8**

PROCESSING TRENDS
Eagle Ford leading the way
Marathon Oil's Dave Roberts said that the company is at the heart of the energy revolution in the U.S. **PAGE 5**

PROCESSING TRENDS
Pickens: Congress lacks guts
The outspoken investor said that his Pickens Plan is being stalled by Congress. **PAGE 6**

SNAPSHOT
Shale gas adding jobs
According to Daniel Yergin, the proliferation of shale production is having noticeable impacts on the economy.
PAGE 11



Integrations

esri Autodesk®

888-444-2575 www.pictometry.com/pipeline

NGL PRICES & FRAC SPREAD | Week in Review

Heavy NGL Prices Increase As Crude Stabilizes

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

Conway natural gas liquids (NGL) prices rose across the board the week of October 10, while Mont Belvieu light NGL prices dipped slightly in value.

Midcontinent E-P mix prices benefitted from last week's restart of Aux Sable's natural gas processing plant at Conway following repair work to the Alliance Pipeline. This resulted in the price rising 15% to 19¢ per gallon (/gal), the hub's highest price since it was 21¢/gal the week of August 29. The frac spread margin improved 42%, but was still negative.

The Mont Belvieu ethane margin continued to hover on the edge of negativity following a 20% drop from the previous week. This decrease in margin was a result of a 4% increase in natural gas prices to $3.23 per million Btu (/MMBtu), along with a 3% drop in ethane's price at the hub to 29¢/gal.

Continued on Page 4

CURRENT FRAC SPREAD (CENTS/GAL)

October 22, 2012	Conway	Change from Start of Week	Mont Belvieu	Start of Week
Ethane	19.04		28.73	
Shrink	21.48		21.41	
Margin	-2.44	42.31%	7.32	-20.03%
Propane	86.02		94.68	
Shrink	29.68		29.59	
Margin	56.34	3.70%	65.09	-3.23%
Normal Butane	145.45		148.18	
Shrink	33.60		33.50	
Margin	111.85	1.92%	114.68	1.61%
Iso-Butane	176.80		175.04	
Shrink	32.27		32.17	
Margin	144.53	0.53%	142.87	1.45%
Pentane+	205.10		208.28	
Shrink	35.93		35.82	
Margin	169.17	4.87%	172.46	4.60%
NGL $/Bbl	39.64	4.23%	42.28	1.45%
Shrink	11.84		11.80	
Margin	27.80	4.54%	30.48	0.42%
Gas ($/mmBtu)	3.24	3.51%	3.23	4.19%
Gross Bbl Margin (in cents/gal)	62.70	4.50%	69.73	0.08%
NGL Value in $/mmBtu				
Ethane	1.05	15.25%	1.58	-3.27%
Propane	2.99	3.64%	3.29	-1.02%
Normal Butane	1.57	2.29%	1.60	2.18%
Iso-Butane	1.10	1.06%	1.09	1.95%
Pentane+	2.64	4.63%	2.69	4.53%
Total Barrel Valuein $/mmbtu	9.35	4.55%	10.24	0.83%
Margin	6.11	5.11%	7.01	-0.65%

NGL PRICES

Mont Belvieu	Eth	Pro	Norm	Iso	Pen+	NGL Bbl
Oct. 10 - 16 '12	28.73	94.68	148.18	175.04	208.28	$42.28
Oct. 3 - 9 '12	29.70	95.66	145.02	171.70	199.25	$41.68
Sept. 26 - Oct. 2 '12	30.32	91.38	144.20	171.84	198.10	$41.15
Sept. 19 - 25 '12	29.63	87.42	147.34	172.32	200.07	$40.88
September '12	30.06	90.96	151.48	173.05	208.33	$42.17
August '12	33.52	89.68	145.60	162.29	209.65	$42.04
3rd Qtr '12	32.34	89.27	142.76	161.88	200.54	$41.03
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
Oct. 12 - 18, '11	90.01	149.60	180.58	208.43	232.00	$62.45
Conway, Group 140	**Eth**	**Pro**	**Norm**	**Iso**	**Pen+**	**NGL Bbl**
Oct. 10 - 16 '12	19.04	86.02	145.45	176.80	205.10	$39.64
Oct. 3 - 9 '12	16.52	83.00	142.20	174.94	196.02	$38.03
Sept. 26 - Oct. 2 '12	18.12	77.70	130.90	167.50	195.20	$36.82
Sept. 19 - 25 '12	15.78	74.92	135.74	162.93	193.85	$36.14
September '12	16.72	79.32	138.29	181.99	202.61	$38.06
August '12	18.77	74.27	130.46	169.74	201.94	$37.01
3rd Qtr '12	14.60	70.25	124.35	165.61	195.68	$34.99
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
Oct. 12 - 18, '11	37.86	138.16	152.96	190.60	199.74	$49.33

(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

NGL PRICES & FRAC SPREAD | Week in Review

Continued from Page 3

Conway natural gas prices also rose 4% to $3.24/MMBtu. According to Barclays Capital, the forward curve for natural gas is improving, as the market is no longer concerned about storage reaching full capacity before the end of the injection season.

"As a result of this big uplift in sentiment, the front of the curve has shifted up rapidly as the market is looking ahead for a more normal winter, which would automatically push demand 2 billion cubic feet (Bcf) per day higher on a year-on-year basis," the investment firm said in its October 9 edition of *Gas and Power Kaleidoscope*.

The firm increased its natural gas price forecast for the fourth quarter of 2012 from $3.00/MMBtu to $3.35/MMBtu. Further impacting this forecast were the supply outages as a result of impacts from Hurricane Isaac, hotter-than-normal temperatures this summer and with the unexpectedly large number of large nuclear power outages.

Barclays Capital's outlook remains below the forward-curve prices that rose to nearly $4.00/MMBtu for 2013 and above the $4.00/MMBtu price threshold for 2014. "We believe that the market is still not pricing in the latent supply that could render production more than anticipated, while the incremental loss of coal displacement due to higher gas prices will also reduce power demand."

KEY NORTH AMERICAN HUB PRICES

2:30 PM CST / October 18, 2012	
Gas Hub Name	**Current Price**
Carthage, TX	3.06
Katy Hub, TX	3.27
Waha Hub, TX	3.27
Henry Hub, LA	3.31
Perryville, LA	3.27
Houston Ship Channel	3.22
Agua Dulce, TX	1.88
Opal Hub, Wyo.	3.39
Blance Hub, NM	3.29
Cheyenne Hub, Wyo.	3.31
Chicago Hub	3.57
Ellisburg NE Hub	3.30
New York Hub	3.49
AECO, Alberta	3.24

Source: Bloomberg

Propane prices moved in the same direction as ethane prices at both hubs with the Conway price improving 4% to 86¢/gal and the Mont Belvieu price decreasing 1% to 95¢/gal. The Conway price was the highest price at the hub since it was 89¢/gal the week of April 18.

Heavy NGL prices showed as improvements at both hubs as crude oil prices stabilized in the low $90 per barrel (bbl.) range the past few weeks. Butane prices rose 2% at both hubs with the Mont Belvieu price increasing to $1.48/gal, its highest price in a month and the Conway price increasing to $1.46/gal, its highest price since it was $1.57/gal the week of April 25.

RESIN PRICES – MARKET UPDATE – OCTOBER 18, 2012

TOTAL OFFERS: 8,459,316 lbs		SPOT		CONTRACT	
Resin	**Total lbs**	**Low**	**High**	**Bid**	**Offer**
PP Homopolymer - Inj	5,293,288	0.62	0.71	0.62	0.66
LLDPE - Film	3,523,336	0.63	0.72	0.63	0.67
HDPE - Blow Mold	2,827,336	0.645	0.675	0.605	0.645
LDPE - Inj	2,159,128	0.64	0.72	0.675	0.715
LDPE - Film	1,955,496	0.69	0.74	0.66	0.7
HDPE - Inj	1,332,208	0.64	0.69	0.615	0.655
GPPS	760,000	0.92	0.93	0.87	0.92
HIPS	674,000	0.98	1.06	0.98	1.03
PP Copolymer - Inj	592,000	0.59	0.74	0.635	0.675
HMWPE - Film	264,552	0.71	0.71	0.645	0.685
LLDPE - Inj	190,000	0.69	0.69	0.645	0.685

Source: Plastics Exchange – www.theplasticsexchange.com

Conway isobutane prices retained a higher value than its Mont Belvieu counterpart for the ninth time in 11 weeks as isomerzation capacity in the Midcontinent is limited. The Mont Belvieu price rose 2% to $1.75/gal while the Conway price rose 1% to $1.77/gal.

Pentanes-plus (C_{5+}) prices rose 5% at both hubs due to the settlement of crude prices. The Mont Belvieu price of $2.08/gal was the highest price at the hub since it was $2.12/gal the week of September 12. The Conway price of $2.05/gal was the highest also since the week of September 12 when it was $2.09/gal.

The theoretical NGL barrel price rose 4% to $39.64/bbl. with a 5% increase in margin to $27.80/bbl at Conway. The Mont Belvieu barrel price improved at a slower rate of 2% to $42.28/bbl with a less than 1% gain in margin to $30.48/bbl.

The most profitable NGL to make at both hubs was C_{5+} at $1.69/gal at Conway and $1.73/gal at Mont Belvieu. This was followed, in order, by isobutane at $1.45/gal at Conway and $1.43/gal at Mont Belvieu; butane at $1.12/gal at Conway and $1.15/gal at Mont Belvieu; propane at 56¢/gal at Conway and 65¢/gal at Mont Belvieu; and ethane at negative 2¢/gal at Conway and 7¢/gal at Mont Belvieu.

Natural gas in storage for the week of October 12 increased 51 Bcf to 3.776 trillion cubic feet (Tcf) from 3.725 Tcf, according to the Energy Information Administration. This was 5% above the 3.595 Tcf posted last year at the same time and 7% above the 3.527 Tcf five-year average.

DUG Eagle Ford: 'Most Significant Unconventional Play In The World'

BY **MIKE MADERE** | HART ENERGY

Despite the Eagle Ford being the hottest shale play in North America, Marathon Oil Corp.'s Dave Roberts thinks that his company and the industry in general are currently mired "in the middle of the intersection."

In other words, the production numbers that have come out of the Eagle Ford so far thrill Roberts, the executive vice president and chief operating officer of Houston-based Marathon. Yet, he emphasizes that the play's future will be dictated by how the industry "builds trust and earns the respect of its neighbors.

"We must be mindful of the impact we are having, both positive and negative," said Roberts, who kicked off Hart Energy's DUG Eagle Ford Conference in San Antonio on October 15.

"There's an energy-supply revolution going on in this country, and the Eagle Ford is front and center," he said. "And there is no doubt that the Eagle Ford has been the major catalyst for the surging economy in this part of Texas.

"But still, make no mistake. This is a critical time for (the industry.) We must embrace solutions to the problems we are having. We must continue to work with state and local governments to address issues such as traffic, road safety and housing."

While embracing general safety "is part of being a good neighbor," Roberts said that the overall impact of Eagle Ford drilling and production is too tremendous to ignore.

Roberts pointed to a University of Texas at San Antonio report that tracked the potential job-creating impact of the Eagle Ford. By the end of the decade, according to the report, the Eagle Ford will be the creator of 120,000 jobs.

Thousands of jobs have been filled, and many more will come in future years because companies such as Marathon are banking on the Eagle Ford.

"Do a Google search for Eagle Ford, and you'll find articles about massive investment in the area," Roberts said.

A Google search reveals Marathon's presence in the South Texas play. About a year ago, Marathon purchased Hilcorp Energy Co.'s Eagle Ford assets. All of a sudden, Marathon joined the list of major players in the shale, coming in as the fifth-largest acreage-holder.

ECONOMIC LEADER | Dave Roberts, executive vice president and chief operating officer at Marathon Oil, credited the Eagle Ford with revitalizing the economy in the region while speaking at this week's DUG Eagle Ford conference (Courtesy: Hart Energy)

"This year at Marathon, we're celebrating our 125th year as a company, but it's also our first anniversary of being an independent E&P company," Roberts said.

With Marathon's decision to venture into the upstream, it is clear that the influence of the Eagle Ford had a major role in that decision.

With the Hilcorp acquisition, Marathon now has 200,000 net acres in the Eagle Ford, Roberts said.

Roberts offered some takeaways regarding Marathon's Eagle Ford presence:

- Rig count will decline this year, but "we expected to meet all of our targets with fewer rigs," he said.
- he company is optimistic that it can produce 120,000 barrels (bbl.) per day by 2015 or 2016.
- The company is committed to avoiding the use of fresh water in the hydraulic fracturing process, he said. Instead, non-drinkable brackish water will be used.
- Marathon is building midstream infrastructure within the Eagle Ford. "This will help remove large tanker trucks from the highways," he said.
- Roberts said he does not dispute the idea of having regulations, but he said those should be implemented by the state, not the federal government.

In conclusion, Roberts' bottom line regarding the Eagle Ford is quite simple: "It's the most significant unconventional play in the world."

Pickens Claims U.S. Congress Lacks 'Guts' To Pass CNG/LNG Bill

BY **JACK PECKHAM** | HART ENERGY

Texas billionaire and natural-gas seller T. Boone Pickens told attendees of the Council of Supply Chain Management Professionals annual meeting October 8 in Atlanta that the U.S. Congress lacks the "guts" to pass his "Pickens Plan" legislation, which would hit up U.S. taxpayers for billions of dollars of federal subsidies for converting diesel trucks to natural gas.

According to a report from *Transport Topics*, Pickens slammed a recent vote in the U.S. Senate rejecting his "NatGas Act" amendment to a federal highway bill. That amendment would have included big taxpayer subsidies for buying or converting compressed natural gas (CNG) or liquefied natural gas (LNG) trucks and refueling infrastructure.

"Here's the choice," Pickens was quoted as saying. "We can have domestic energy or imports and we've picked the winner by not having the guts to do something."

Pickens is a board member of California-based Clean Energy Fuels, the U.S.'s biggest seller of CNG and LNG for certain types of fleets. That company is expanding LNG refueling infrastructure at some U.S. truck stops—even without the massive taxpayer subsidies that Pickens is pushing.

Critics charge that Pickens is actually more interested in subsidizing his CNG/LNG fueling business with "Pickens Plan" taxpayer subsidies, rather than seeking to make the U.S. free of oil imports.

Some U.S. oil industry experts now believe the U.S. could cut its reliance upon Organization of Petroleum Exporting Countries crude-oil supplies within about 10 to 15 years. This would happen not because of CNG/LNG taxpayer subsidies, but instead because of the explosive growth of unconventional oil production in North America, according to a growing number of experts.

Warren Resources Acquires Assets From Anadarko

Warren Resources Inc. announced that it has closed the purchase and sale transaction under the previously announced agreement to acquire certain additional natural gas and midstream assets from subsidiaries of Anadarko Petroleum Corporation in the Atlantic Rim Project area, Washakie Basin, Wyoming.

By exercising its preferential rights and closing this transaction, Warren acquired 79% of Anadarko's working interest in the Spyglass Hill Unit area within the Atlantic Rim Project. This represents approximately 37,142 net leasehold acres and an approximate 32.8% additional total unit working interest therein, for a purchase price of $11.4 million, which increased its working interest in the entire unit from 30.1% to 62.9%.

Warren also acquired 26.5% of Anadarko's interest in the Catalina Unit area within the Atlantic Rim Project, representing approximately 1,121 net leasehold acres and an approximate 5.2% additional total unit working interest therein, for a purchase price of $0.7 million, which increased its working interest in the entire unit area from 16.9% to about 22%. With this acquisition, Warren's working interest in the currently producing Catalina Unit PA increased from approximately 8.0% to 12.5%.

Lastly, Warren acquired 100% of Anadarko's 50% interest in the gas gathering, compression and pipeline midstream assets within the Atlantic Rim Project for a purchase price of $4 million. The midstream assets consist of gathering and compression equipment and a 59-mile long pipeline that transports gas from the gathering systems throughout the Spyglass Hill Unit area to the Wyoming Interstate Company (WIC) interstate gas transportation pipeline.

Because of the transaction, Warren's estimated proved developed reserves in the Atlantic Rim increased by approximately 18.3 billion cubic feet. Additionally, the acquisition will add natural gas production of about 7.8 million cubic feet (MMcf) per day. As a result, Warren acquired proved developed reserves at a price of $0.65 per thousand cubic feet (Mcf), or approximately $1,550 per flowing Mcf, of natural gas production.

Warren exercised its preferential rights to purchase Anadarko's interests after Anadarko advised the company it had entered into an agreement to sell these assets to Double Eagle Petroleum Co. under a purchase and sale agreement dated August 16, 2012.

Warren financed the acquisition with cash-on-hand and borrowings under its senior credit facility. Under the closing documents, Anadarko also nominated Warren as the successor operator of the midstream assets and the Spyglass Hill Unit, subject to obtaining the required votes from the working interest owners and approval by the Bureau of Land Management; both of which Warren anticipates receiving in the near future.

DUG Eagle Ford: TEAK Midstream's Fast And Impressive Growth

BY **MICHELLE THOMPSON** | HART ENERGY

Just because a company is young doesn't mean it can't make a meaningful impact in helping fuel the U.S., said the co-founder of TEAK Midstream LLC. Speaking at Hart Energy's DUG Eagle Ford conference in San Antonio, Chris Aulds said TEAK is poised to become an invaluable player in the shale play.

The Dallas-based startup was co-founded in 2009 by Aulds and Jim Wales. Today, TEAK owns hundreds of miles of pipeline and a "state-of-the-art" treating-and-gathering system.

"Don't judge TEAK Midstream by how short of a time we've been in business," Aulds told conference attendees. "What I would ask you to do is to judge us on what we've been able to accomplish in a very short period of time, and what we plan on building in the future to help producers get their natural gas liquids (NGLs) and natural gas to market."

The company provides reliable midstream services to producers. It offers gathering, treating, processing, compression and marketing services for natural gas and NGLs.

TEAK recently completed a $295 million construction project that includes about 250 miles of gas gathering and residue-delivery pipeline, and a 200 million cubic feet (MMcf) per day cryogenic-processing plant in South Texas. The undertaking is part of long-term firm gathering and processing agreements with Talisman Energy USA Inc. and Statoil Natural Gas LLC. Aulds said during his October 15 presentation that the company plans to have its facilities running within weeks.

TEAK is planning a second 200 MMcf per day plant that will likely be in service in December 2013.

The project includes two high-pressure gas-gathering systems. The larger includes more than 130 miles of 24-inch and 45 miles of 16-inch pipeline. This system will run through Bee, Live Oak, McMullen, La Salle, Webb and Dimmit counties, Texas, and will be able to move more than 500 MMcf/d of production to TEAK's Silver Oak gas processing plant in Bee County.

TEAK will own this segment jointly with TexStar Midstream Services LLC. The smaller, 20-mile pipeline system will move rich gas from Karnes County to the new plant. That 20-inch-diameter pipeline will be owned by TEAK and will originate on acreage owned by Talisman and Statoil.

QUICK GROWTH | Started in 2009, TEAK Midstream is set to become an important player in the Eagle Ford, according to the company's cofounder Chris Aulds, who spoke at this week's DUG Eagle Ford conference (Courtesy: Hart Energy)

The Silver Oak plant near Pettus has been designed specifically to process the liquids-rich Eagle Ford gas, which will allow TEAK to maximize the amount of NGLs that are recovered from the gas streams of producers.

TEAK initially entered the area through the acquisition of the Texana Pipeline Co. in July 2010. Texana had been operating in the area since 2007, when the Eagle Ford wasn't yet in full swing. At that time, most producers were still drilling for conventional oil and gas formations, and the Eagle Ford had yet to prove itself as a shale play.

Though it's just a few years old, TEAK thinks there are a number of factors working to its advantage in the Eagle Ford. Aulds said the company is strategically located with both short-and long-term capacity. TEAK also has high NGL recoveries, coupled with ethane rejection capability and high propane-plus recovery, says Aulds.

In addition, TEAK's cofounders make up for the company's youth by bringing decades of industry experience to the table, he adds.

"If there's one thing we've learned being in this business 30 years, the producers are not going wait for a midstream company. You have to be responsive, and you have to move quickly, or they are not going to sit around and wait. They're going to make commitments to others," he said. "We're fortunate to have a great team, great skill-set and great experience. We feel like we can move as quickly if not faster than the producers that we're providing services to."

NuStar Announces Open Season For Proposed Niobrara Falls Project

NuStar Energy LP announced the launch of a binding open season by its affiliate, NuStar Logistics LP, to assess shipper interest in firm priority space to transport crude petroleum from the Niobrara Shale near Platteville and Watkins, Colorado, to Wichita Falls, Texas. The Niobrara Falls Project would also have the capability to transport Permian and Granite Wash crude petroleum delivered into NuStar's Dixon, Texas, Tank Farm for delivery to the various destinations. The Niobrara Falls Project would allow shippers the option to supply various refiners along the pipeline routes, including Suncor Energy's Denver, Colorado, refinery; Valero Energy's McKee, Texas, and Ardmore, Oklahoma, refineries; and WRB's refinery in Borger, Texas. In addition, it is expected that at Wichita Falls, Texas, shippers would have the option to access the Nederland/Beaumont, Texas markets and/or the Cushing hub via third-party pipelines.

The proposed Niobrara Falls Project would include construction of new crude petroleum pipelines from gathering locations in the Niobrara Shale near Platteville, Colorado, and near Watkins, Colorado, to a tie-in point on NuStar's existing 10" McKee, Texas, to Denver, Colorado, petroleum products pipeline. The NuStar Colorado 10" Pipeline would be converted to crude oil service, reversed and connected with NuStar's existing 14" Wichita Falls, Texas to McKee, Texas, crude oil pipeline, which would also be reversed. The NuStar Colorado 10" Pipeline would have an approximate capacity of 70,000 to 75,000 barrels (bbl.) per day, and the NuStar Wichita Falls 14" Pipeline would have an approximate capacity of 125,000 to 130,000 bbl. per day. Shippers would have the option to contract for storage at the origin points near Platteville and Watkins, Colorado. Subject to sufficient commitments from shippers, necessary permits, regulatory and internal approvals, the reversed NuStar Wichita Falls 14" Pipeline portion of the Niobrara Falls Project is expected to begin service on or about April 1, 2013, with full Niobrara Falls Project service expected to begin around the 1st quarter of 2014.

It is expected that the proposed Niobrara Falls Project would connect to the Sunoco Logistics Partners, L.P. Permian Express Phase I project at Wichita Falls, Texas and to the Basin System at Wichita Falls, Texas, for further continuous pipeline service to the Nederland/Beaumont, Texas, markets and/or the Cushing hub.

The Niobrara Falls Project Binding Open Season will commence on October 15, 2012 and will end at on November 15, 2012. Subject to the terms of the Binding Open Season documents, firm priority space would be available to shippers making long-term volume commitments during the Binding Open Season. Commitment terms of five, seven or 10 years would be available.

USDOT Awards States, Communities $45 Million In Pipeline Safety Grants

The U.S. Department of Transportation's Pipeline and Hazardous Materials Safety Administration (PHMSA) announced that 46 states, the District of Columbia, Puerto Rico and the Virgin Islands will receive nearly $44 million in Pipeline Safety Base grants and 23 communities around the country will share nearly $1 million in Technical Assistance Grants to augment state and local pipeline safety efforts.

Pipeline Safety Base grants provide state pipeline regulators up to 80% of operating costs per year, based on PHMSA's assessment of the program's performance. State inspectors are responsible for more than 90% of the nation's intrastate transmission and distribution pipelines. Participating states provide more than 300 additional inspectors, effectively tripling the number of inspectors on the ground ensuring compliance with pipeline safety regulations. The state pipeline regulators receiving the grants must sign an agreement to inspect pipelines on PHMSA's behalf.

Technical Assistance Grants (TAG) are awarded to communities and non-profit organizations to increase pipeline safety and encourage public involvement in decision making. These grants will allow recipients to develop customized programs to enhance and promote pipeline safety programs. Examples include conducting scientific analyses of locally focused pipeline safety issues and providing gas leak detection equipment for emergency responders. Grant recipients have also proposed to develop web-based programs and printed materials that deliver the pipeline safety message to a wider, more diverse audience. Others will provide training that keeps first responders and gas workers safe, like the Leak City training facility in Athens, Alabama.

GE To Power Cheniere Energy's LNG Export Facility In Louisiana

GE Oil & Gas will supply gas compression trains for Cheniere Energy's Sabine Pass liquefaction expansion project in Cameron Parish, Louisiana, about 170 miles west of Baton Rouge. Adding liquefaction capabilities will transform the existing Sabine Pass LNG terminal into the first LNG terminal capable of importing and exporting liquefied natural gas (LNG) in the U.S.

GE will supply 12 PGT25+G4 aeroderivative gas turbines to drive the first two liquefaction trains of the Sabine Pass Liquefaction Project currently under construction. Each train will have the capacity to produce approximately 4.5 million metric tons per annum of LNG. Cheniere has received regulatory approvals from the Federal Energy Regulatory Commission to construct up to four liquefaction trains at Sabine Pass. Cheniere is expected to reach a final investment decision on its third and fourth liquefaction trains in the first quarter of 2013, with construction of those trains expected to commence shortly thereafter.

GE's PGT25+G4 aeroderivative gas turbine features high efficiency and reliable performance. The G4—derived from CF6 aircraft engines—contains a rugged GE high-speed 34-megawatt gas turbine, the LM2500+G4, coupled with a two-stage high-speed power turbine module with increased flow capacity.

Buckeye's Albany Terminal To Provide Crude Oil Services

Buckeye Partners LP announced that it has reached a multiyear agreement with a subsidiary of Irving Oil Limited to provide crude oil services at its terminal located in Albany, New York, including off-loading unit-trains, storage and throughput. The approximately 1.8 million barrel (bbl.) storage facility located within the Port of Albany along the Hudson River is expected to begin handling crude oil on November 1. Buckeye plans to make modifications to the Albany terminal that, once completed, will allow the terminal to handle both crude oil and ethanol unit-trains with a total capacity in excess of 135,000 bbl. per day.

"Rail transport has become a critical component of the logistics chain as domestic crude oil production has increased significantly," Clark C. Smith, Buckeye's president and chief executive, said in a release. "The addition of crude oil services at our Albany terminal is part of our strategy to increase and improve the utilization of our existing assets."

Linde Partners With CONSOL For Hybrid Diesel-LNG Drilling Solution

Linde North America, a member of the gases and engineering company The Linde Group, announced that its solution for using liquefied natural gas (LNG) to fuel power-generating diesel engines (gensets) is getting good grades during testing in southwest Pennsylvania.

CONSOL Energy's gas division is conducting the test. A publicly owned Pittsburgh-based producer of coal and natural gas, CONSOL Energy has active exploration and production operations in the Marcellus and Utica shales. CONSOL Energy has been testing the solution in three diesel engine-based gensets to produce power used by drilling rigs.

> "We see a bright future for LNG in dual-fuel and dedicated engine applications."
>
> - Bryan Luftglass, Linde Energy Solutions

"We're looking forward to verifying the expected cost savings and emissions reductions, and then taking advantage of these benefits throughout our rig fleet," Steve Winberg, CONSOL Energy's vice president of research and development, said in a release.

The hybrid LNG-diesel solution, which lowers the cost of producing on-site power at oil and gas sites and burns cleaner than pure diesel, is a collaboration between Linde and American Power Group (APG). Linde provides expertise in the production, supply, logistics

Continued on Page 10

Continued from Page 9

and on-site application of LNG. APG provides a patented dual-fuel technology that converts diesel engines to run on an average of 40% to 60% natural gas.

"We see a bright future for LNG in dual-fuel and dedicated engine applications," said Bryan Luftglass, head of strategic market and business development for Linde Energy Solutions' LNG business. "We're delighted to be working with innovators such as CONSOL Energy that are demonstrating leadership in adopting this cutting-edge technology."

ADMA-OPCO Reduces Zakum Gas Flaring To Zero

EXTINGUISHED | Gas flaring from the Zakum oilfields has been reduced to zero, according to the Abu Dhabi Marine Operating Co.

Abu Dhabi Marine Operating Co. (ADMA OPCO) announced that it has reduced gas flaring at the Zakum oilfields to zero.

The announcement was made on October 16 at the Flare Management and Reduction Summit in Abu Dhabi. Mahboob Mian , environment services section leader, ADMA OPCO, said that the achievement is part of the company's strategy to reduce gas flaring in commitment to conserve the environment and cut carbon dioxide emissions.

The company's multi-million dollar gas processing facility in the Zakum fields became the first project within the company to achieve this designation. This sustainable project increases energy saving and environmental protection by recovering and reusing 0.4 million standard cubic feet of gas each day through its vapor recovery system.

Enterprise Promotes Leffel To Senior VP Of Crude Oil Unit

Enterprise Products Partners LP announced the board of directors of its general partner has elected Robbie L. Leffel senior vice president in charge of the partnership's crude oil business unit. In that role, he will lead the asset management, supply and marketing functions associated with Enterprise's onshore crude oil assets. Enterprise's integrated midstream network is comprised of more than 5,200 miles of crude oil pipelines and storage terminals that feature nearly 12 million barrels (bbl.) of net capacity, including facilities at Cushing, Oklahoma, and Midland, Texas. Leffel, who has more than 25 years of crude oil supply and marketing experience, joined Enterprise in 2010 as vice president, crude oil marketing.

Reporting to Leffel is Brent B. Secrest, who has been promoted to vice president, onshore crude oil pipelines and terminals with oversight of commercial activities associated with Enterprise's onshore crude oil pipelines and terminals. Since joining Enterprise in 2006, Secrest has held various responsibilities related to commercial, marketing and supply activities.

William S. "Bill" Goloway, who has been promoted to vice President, offshore pipelines, is now in charge of Enterprise's crude oil and natural gas pipelines in the Gulf of Mexico. With nearly 20 years of executive and managerial experience in the energy sector, Goloway joined Enterprise in 2005 and most recently served as senior director, gas processing for the Louisiana Gulf Coast region.

Leffel and Goloway both report to William "Bill" Ordemann, group senior vice president, unregulated liquids, crude oil and natural gas services.

SNAPSHOT | Industry Insight

Yergin: Shale Gas 'Already Having A Big Impact'

BY **MICHELLE THOMPSON** | HART ENERGY

Shale gas will continue to have a tremendous impact on the U.S. economy in coming decades and could be a "political game changer," as it delays the evolution to fossil fuels, said a Pulitzer Prize winning energy expert.

"It's grown so fast and I think it's already having a big impact," said "The Prize" author and Cambridge Energy Research Associates founder Daniel Yergin.

"The impact is not only what it does to the energy balance and not only what it does to the balance of payments, but what it does in job creation and energy development. We have done a study about the job creation potential and what it drives home is that it's already having an impact in terms of job creation and the competitiveness in the U.S. economy."

> "The one area where I would see the greatest risk of volatility — and I actually don't see this, at least at this point, happening — would be if a significant part of the private automobile market became natural gas fueled."
>
> - Daniel Yergin, Founder, Cambridge Energy Research Associates

Yergin's remarks came October 9 during an Atlantic Council of the United States forum in Washington, D.C. In a conversation moderated by Atlantic Council chief executive Frederick Kempe, Yergin discussed his national and global energy outlook through 2030.

In his latest book, "The Quest: Energy, Security and the Remaking of the Modern World," Yergin explores that very topic while detailing the energy requirements of today's society. He notes that shale gas has quickly risen from virtual non-existence

IMPROVING ECONOMY | Daniel Yergin, author of "The Quest" and "The Prize", said that shale plays are helping to create jobs and make the U.S. economy more competitive (Courtesy: Daniel Yergin)

to account for more than one-third of the U.S. natural gas supply today.

"It's a remarkable story of innovation. It seemed to burst upon on the scene in 2008, but it had been 25 years in development," said Yergin. "It's really a classic innovation story because there's one innovator, a man named George P. Mitchell, who drove it and who was very stubborn in talking about it."

When asked by Kempe if shale gas was delaying the nation's "inevitable evolution" from fossil fuels to renewable, Yergin said he believed that to be the case. "I think it has changed the timing because it has changed the commercial imperative in the marketplace," said Yergin.

He also addressed whether natural gas demand might someday outpace supply.

"The perspective at this point is that we do have a surplus market and we've really greatly increased our resources," he said. "In a sense, it's the market that constrains it. We are seeing a more rapid switch from coal to natural gas than might have been anticipated even two or three years ago because of the price. Gas becomes the default fuel, along with wind.

"The one area where I would see the greatest risk of volatility—and I actually don't see this, at least at this point, happening—would be if a significant part of the private automobile market became natural gas fueled. There you could have, markets do change, and you could be whipsawed."

Continued from Page 1

"The pipeline will unlock the Midcontinent as it goes through the region, connecting our processing plants and third-party plants to Mont Belvieu," van Kempen says.

Similarly, the company is building the $1 billion Sand Hills Pipeline that will run 720 miles from the Permian basin to Mont Belvieu as it transports more than 200,000 bbl. per day of NGLs.

The first phase of the pipeline is scheduled to be fully in service by the end of 2012 to accommodate DCP Midstream's growing Eagle Ford liquids volumes. Service to the Permian Basin will be available as soon as the third quarter of 2013.

The third part of this strategy to unlock the basins in its footprint is the Front Range Pipeline. DCP Midstream is partnering with Enterprise Products Partners and Anadarko Petroleum to build the pipeline. The system will transport 150,000 bbl. per day of NGL production 420 miles from the DJ basin and flow to the Texas Express Pipeline. It is scheduled to be brought online in the fourth quarter of 2013.

Increasing fractionation capacity

Aside from NGL pipelines, DCP Midstream is also increasing fractionation capacity to handle this increased liquids production. "Fractionation is the next logical step to our strategy. We own interests in various fractionators in Mont Belvieu, and we've also filed a permit to build a fractionator in Beaumont," van Kempen tells *Midstream Monitor*.

Prolific production out of the Eagle Ford has resulted in the company restarting and/or expanding multiple natural gas processing plants in the Permian basin since early 2007. Combined with new plant construction in the DJ basin, DCP Midstream has added approximately 350 million cubic feet (MMcf) per day of processing capacity in the past 18 months.

This capacity will further increase in the coming year as the company has four processing plants under construction in its core footprint. These include the 200 MMcf per day Eagle plant in the Eagle Ford; the 75 MMcf per day Rawhide plant in the Permian; the 160 MMcf per day LaSalle plant in the DJ basin; and the reconverting of the 600 MMcf per day National Helium plant in the Midcontinent.

Processing plants filling up quickly

DCP Midstream also has more than six plants in development in the Eagle Ford, Permian and DJ basin, according to van Kempen. "This development will create a pretty significant uptick in additional processing capacity of approximately 15%. This will translate into roughly another 25% of NGL production," he says.

These figures are truly staggering when you consider that the midstream continues to play catch up with producers, especially in the DJ basin. Indeed, one of the most interesting aspects of this processing infrastructure buildup is how fast these new facilities have reached full capacity.

DCP Midstream's Mewbourn processing plant in Platteville, Colorado, went online in 2011 and already reached full capacity in its first six months. "We thought that plant would take three to four years to reach full capacity. There's a tremendous amount of activity going on," he said.

It is expected that the LaSalle plant will reach full capacity in months, rather than years, after being brought online. Another project the company expects to fill up shortly after being brought online is the 200 MMcf per day Lucerne plant in Lucerne, Colorado. This facility is expected to come online in middle to late 2014.

Even the best midstream companies are playing catch-up with production, and DCP Midstream is no exception. While producers have long lead times related to obtaining drilling permits and rigs, their lead times are significantly shorter than midstream operators.

VIEW THE FULL ARTICLE ONLINE

Contact Information:

FRANK NIETO Editor
fnieto@hartenergy.com

Contributing Editors: Richard Mason, Mike Madere, Scott Weeden, Jennifer Postel, Michelle Thompson, Keefe Borden, Nissa Darbonne, Leslie Haines, Peggy Williams, Susan Klann, Nancy Agin

HARTENERGY
1616 S. Voss, Suite 1000 • Houston TX 77057-2627 • USA