

Keystone XL A State Department Decision

A White House aide said State Dept. to be ultimate decider on controversial project

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

John Kerry may have lost the U.S. Presidential election in 2004, but the Secretary of State has been tasked with making a decision that the White House had previously stated would be made by the President.

Last week in Washington, a White House aide indicated that a decision on TransCanada's Keystone XL Pipeline was in the domain of the State Department and not President Obama.

"The reality is that it's the State Department [that must make the decision on whether to approve the project] and they will pursue the process under the Executive Order to make a national interest determination," Heather Zichal, deputy assistant to the president for energy and climate change, said during a press event at the Center for Strategic and International Studies.

She added that the State Department's decision would be based on a soon-to-be released Environmental Impact Statement, which will involve an open and transparent process. "Be-



yond that I would direct questions [on the Keystone XL project] to the State Department," Zichal said.

Her statement indicates a reversal for the White House, which previously, in November 2011, stated that President Obama would make the ultimate decision on the controversial pipeline.

While speaking to KETV in Omaha, Nebraska, President Obama said, "[The State Department] will be giving me a report over the next several months and...my general attitude is, what is best for the Ameri-

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HIGHLIGHTS FROM TODAY'S EDITION



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NGL PRICES & FRAC

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KMP Ups EPP ownership

The transaction has a total value of approximately \$1.6 billion. **PAGE 6**



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NGL PRICES & FRAC SPREAD | Week in Review

Ethane Supply-Demand Levels Reaching Parity

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

The early goings of 2013 has borne witness to a near reversal of natural gas liquids (NGL) prices from 2012. Last year at this time, we saw all NGL prices but ethane increase in value, but now the opposite is occurring with prices falling with the exception of ethane.

The reason for this change is that ethane rejection through much of the second-half of 2012 and early 2013 are having a positive effect at bringing supplies to meet demand levels. In addition, there is a greater level of demand in 2013 thanks to ethane crackers being

CURRENT FRAC SPREAD (CENTS/GAL)				
March 11, 2013	Conway	Change from Start of Week	Mont Belvieu	Start of Week
Ethane	25.34		27.20	
Shrink	23.67		23.93	
Margin	1.67	177.88%	3.27	-11.69%
Propane	81.16		85.46	
Shrink	32.70		33.07	
Margin	48.46	-4.25%	52.39	-6.13%
Normal Butane	140.78		147.98	
Shrink	37.02		37.44	
Margin	103.76	-11.17%	110.54	-9.91%
Iso-Butane	154.26		150.14	
Shrink	35.56		35.96	
Margin	118.70	-7.22%	114.18	-8.47%
Pentane+	219.60		215.65	
Shrink	39.59		40.03	
Margin	180.01	-5.64%	175.62	-9.57%
NGL \$/Bbl	40.23	-3.46%	40.77	-4.42%
Shrink	13.04		13.19	
Margin	27.19	-6.00%	27.58	-8.77%
Gas (\$/mmBtu)	3.57	2.29%	3.61	6.18%
Gross Bbl Margin (in cents/gal)	60.74	-5.99%	62.43	-8.66%
NGL Value in \$/mmBtu				
Ethane	1.40	6.74%	1.50	3.66%
Propane	2.82	-1.72%	2.97	-1.72%
Normal Butane	1.52	-7.99%	1.60	-6.32%
Iso-Butane	0.96	-5.19%	0.93	-5.35%
Pentane+	2.83	-4.31%	2.78	-7.01%
Total Barrel Value in \$/mmbtu	9.52	-2.79%	9.78	-3.64%
Margin	5.95	-5.60%	6.17	-8.59%

NGL PRICES						
Mont Belvieu	Eth	Pro	Norm	Iso	Pen+	NGL Bbl
Feb. 27 - March 5 '13	27.20	85.46	147.98	150.14	215.65	\$40.77
Feb. 20 - 26 '13	26.24	86.96	157.96	158.62	231.90	\$42.65
Feb. 13 - 19 '13	24.95	86.50	164.48	168.18	241.30	\$43.64
Feb. 6 - 12 '13	24.90	84.66	163.74	174.28	236.30	\$43.20
February '13	25.64	86.16	162.10	168.05	234.15	\$43.09
January '13	23.45	83.42	170.21	181.12	223.98	\$42.51
4th Qtr '12	26.59	88.74	162.76	181.71	215.67	\$42.69
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
Feb. 29 - March 6, '12	50.11	121.94	190.28	207.65	248.20	\$54.60
Conway, Group 140	Eth	Pro	Norm	Iso	Pen+	NGL Bbl
Feb. 27 - March 5 '13	25.34	81.16	140.78	154.26	219.60	\$40.23
Feb. 20 - 26 '13	23.74	82.58	153.00	162.70	229.48	\$41.67
Feb. 13 - 19 '13	23.33	81.95	158.18	167.30	236.10	\$42.37
Feb. 6 - 12 '13	23.74	80.36	156.88	168.00	233.83	\$42.05
February '13	24.13	81.76	156.45	167.85	230.84	\$42.05
January '13	22.55	78.62	172.77	171.79	221.36	\$41.73
4th Qtr '12	18.45	79.24	164.46	174.39	209.16	\$39.94
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
Feb. 29 - March 6, '12	32.20	107.04	173.26	190.77	244.36	\$48.79

(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%, Production and transport costs not included.

Conway gas based on NGPL Midcontinent, 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

online, unlike last year when crackers were taken offline for turn-arounds and expansions.

According to Wells Fargo Securities, ethane supplies are expected to be 1.191 million barrels (bbl.) per day with approximately the same level of demand. By comparison 2012 supplies were estimated to be 1.007 million bbl. per day with only 985 million bbl. per day of demand.

This more level supply and demand model resulted in the price of Mont Belvieu ethane improving 4% to

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NGL PRICES & FRAC SPREAD | Week in Review

Continued from **Page 3** 27¢ per gallon (/gal), its highest price since it held the same value the week of November 14. Conway ethane improved 7% to 25¢/gal, the highest it has been in a month.

While ethane margins remained theoretically positive at both hubs, they were very thin for the week. Despite improved prices, ethane remains challenged at both hubs and will continue to face widespread rejection, aside from volumes that must be processed for contractual purposes and pipeline specification purposes, for the foreseeable future.

Propane, the other light NGL, remained largely flat at both hubs as heating and export demand remains strong for the product. However, prices have been unable to really make a forward move because of the storage overhang weighing it down.

Prices at both hubs dropped 2% with the Mont Belvieu price of 86¢/gal being the same as its average price in February. The Conway price of 81¢/gal was only 1¢/gal lower than the hub's average price for February.

The biggest price decrease was for heavy NGLs, which were down across the board at both hubs due to stagnant crude prices. West Texas Intermediate continued to hover in the \$90 per bbl. (/bbl.)

KEY NORTH AMERICAN HUB PRICES	
2:30 PM CST / March 7, 2013	
Gas Hub Name	Current Price
arthage, TX	3.46
Katy Hub, TX	3.49
Waha Hub, TX	3.44
Henry Hub, LA	3.54
Perryville, LA	3.52
Houston Ship Channel	3.48
Agua Dulce, TX	3.59
Opal Hub, Wyo.	3.50
Blance Hub, NM	3.43
Cheyenne Hub, Wyo.	3.49
Chicago Hub	3.67
Ellisburg NE Hub	3.58
New York Hub	3.78
AECO, Alberta	3.19

Source: Bloomberg

range and refiners are now switching over to the manufacture of summer-grade gasoline, which is having a negative impact on heavy NGL demand. The largest drop in price was for Conway butane, which fell 8% to \$1.41/gal, its lowest price since it was \$1.31/gal the week of September 26. The Mont Belvieu price dropped 6% to \$1.48/gal, which was its lowest price since its October 3 price of \$1.45/gal. Mont Belvieu C₅₊ had the second-largest price decrease for the week as it declined 7% to \$2.17/gal, which pushed it below the Conway price of \$2.20/gal. This was the first time since the week of January 16 that the Midcontinent price held a greater value than the Gulf Coast price.

RESIN PRICES – MARKET UPDATE – MARCH 6, 2013					
TOTAL OFFERS: 17,292,328 lbs		SPOT		CONTRACT	
Resin	Total lbs	Low	High	Bid	Offer
PP Copolymer - Inj	3,398,000	0.72	0.83	0.76	0.8
PP Homopolymer - Inj	2,705,196	0.65	0.815	0.74	0.78
HDPE - Blow Mold	2,564,576	0.65	0.71	0.64	0.68
LDPE - Inj	2,140,208	0.68	0.77	0.71	0.75
LLDPE - Film	1,756,024	0.69	0.79	0.65	0.69
LDPE - Film	1,372,116	0.71	0.8	0.72	0.76
HMWPE - Film	895,472	0.67	0.75	0.67	0.71
HDPE - Inj	848,184	0.66	0.7	0.65	0.69
GPPS	596,276	0.89	0.98	0.9	0.95
HIPS	548,000	1.06	1.07	1.02	1.07
LLDPE - Inj	468,276	0.71	0.75	0.67	0.71

Source: Plastics Exchange – www.theplasticsexchange.com

Conway isobutane also had a greater value than its Mont Belvieu counterpart despite a 5% drop to \$1.54/gal, its lowest price since it was \$1.51/gal the week of July 25. This was because the Mont Belvieu price also experienced a 5% downturn, which reduced the price to \$1.50/gal, its lowest level since it was \$1.46/gal the week of July 11.

These prices saw the theoretical NGL bbl. price to fall 4% at both hubs with the Conway price dropping to \$40.23/bbl. with a 6% decline in margin to \$27.19/bbl. and the Mont Belvieu price falling to \$40.77/bbl. with a 9% drop in margin to \$27.58/bbl.

The most profitable NGL to make at both hubs remained C₅₊ at \$1.80/gal at Conway and \$1.76/gal at Mont Belvieu. This was followed, in order, by isobutane at \$1.19/gal at Conway and \$1.14/gal at Mont Belvieu; butane at \$1.04/gal at Conway and \$1.11/gal at Mont Belvieu; propane at 49¢/gal at Conway and 52¢/gal at Mont Belvieu; and ethane at 2¢/gal at Conway and 3¢/gal at Mont Belvieu.

According to Barclays Capital, natural gas storage levels are expected to continue to widen for the next three weeks as heating demand is expected to soar above other macro factors. The investment firm anticipates that storage levels will be 1.9 trillion cubic feet by the end of March, which is approximately 300 billion cubic feet lower than the storage levels reported by the Energy Information Administration at the close of February.

The National Weather Service anticipates colder-than-normal weather this week for much of the country. Its forecast is calling for a cold front that will extend from the Midwest down to the Gulf Coast through to the Eastern seaboard.

PROCESSING TRENDS | An Inside Look

McCarthy Nominated As Head Of EPA

BY **FRANK NIETO** | EDITOR, MIDSTREAM MONITOR,
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President Obama nominated Gina McCarthy as the head of the Environmental Protection Agency (EPA).

The nomination of McCarthy, who currently serves as assistant administrator of EPA's air and radiation office, to replace Lisa Jackson is a likely sign that the administration will seek to further the use of the EPA as a regulatory arm to administer policies to lower greenhouse gas emissions if legislative efforts continue to fail in Congress.

"The president's nomination of Gina McCarthy as head of EPA reinforces his agenda to take climate change action through the executive branch of government," John Kneiss, director, North America, at Hart Energy Consulting, told Midstream Monitor.

In her current post, McCarthy has worked on some of the agency's more controversial regulatory efforts, including reductions of mercury and soot discharged from power plants and boilers that could make her confirmation difficult. However, the administration expects that her past experience with Republican administrations on the state level will help her secure confirmation from Congress.

Kneiss said that McCarthy's confirmation hearings will likely feature heavy scrutiny from Republicans, but ultimately her prior confirmation by Congress in her current post should secure her confirmation as head of the EPA.

"The Senate confirmation is likely to occur, but it will be a challenge, and she'll be placed under considerable scrutiny by the Republicans. They've already confirmed her once, so she should ultimately be confirmed again for this post," he said.

She previously served as the commissioner of the Connecticut Department of Environmental Protection, as well as a special advisor on climate and environmental issues to multiple Massachusetts governors, including Mitt Romney. While serving under the Romney administration, she helped the state deliver its Climate Protection Action Plan, which set goals for reducing greenhouse gas emissions in the state.



EXPERIENCED REGULATOR | Gina McCarthy was nominated as head of the EPA by President Obama based on her environmental regulatory work on both the federal and state levels.

While serving governor Jodi Rell in Connecticut in 2004, she worked on the Regional Greenhouse Gas Initiative, a carbon cap-and-trade system that includes Connecticut, Delaware, Maine, Maryland, Massachusetts, New Hampshire, New York, Rhode Island and Vermont.

"As assistant EPA administrator, Gina's focused on practical, cost-effective ways to keep our air clean and our economy growing," Obama said during a press conference to announce the nomination. "She's earned a reputation as a straight-shooter. She welcomes different points of views. I'm confident that she's going to do an outstanding job leading the EPA."

Senator Barbara Boxer (D-Calif.), chairman of the Senate Environment and Public Works Committee, hailed the nomination in a statement. "The president could not have picked a more qualified person to lead the EPA at this critical time. The combination of her experience, intelligence, energy, and unquestioned expertise will make Gina an effective EPA Administration. She has a deep understanding that the health and safety of the American people depends on clean air and clean water. Gina is the right person for

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PROCESSING TRENDS | An Inside Look

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the job, and we will move forward with her confirmation hearing as quickly as possible.”

However, Senator James Inhofe (R-Okla.) indicated that the confirmation could face some headwinds from Republicans. “By nominating Gina McCarthy to replace Lisa Jackson, the president is making it clear that he wants to continue pursuing an aggressive climate agenda at EPA. As head of the air office, McCarthy oversaw some of the agency’s most costly and controversial rules, like the Utility MACT. That said, as we approach her confirmation process in the Senate, I look forward to sitting down and talking with her to find common ground as I did with Lisa Jackson. As Ranking Member of the EPW Oversight Subcommittee, my priority is to ensure that EPA follows sound science and accurate cost-benefit analysis to ensure government’s encroachment into entrepreneurship and American ingenuity is instructed by facts, and not political gamesmanship. This will be among the key issues I aim to address with McCarthy and an area I hope we can reach agreement on.”

Kinder Morgan Increases Ownership In El Paso Pipeline

BUSINESS WIRE

Kinder Morgan Energy Partners LP completed the previously announced acquisition of 50% of El Paso Natural Gas Company LLC (EPNG) and 50% of former El Paso Midstream assets in Utah and South Texas from Kinder Morgan Inc. The transaction has a total value of approximately \$1.655 billion, including approximately \$560 million of proportional debt at EPNG. The transaction is expected to be immediately accretive to cash available for distribution to KMP unitholders. KMP now owns 100% of both EPNG and the midstream assets. The transaction, which closed and is effective March 1, was approved by the independent boards of KMI and Kinder Morgan Management LLC.

KMP purchased the assets at about eight times 2013 EBITDA. KMP funded 10% of the transaction value, net of debt assumed, with KMP units valued at approximately \$110 million that were issued to KMI at closing. The remaining value was funded with cash. KMI intends to use the proceeds

from the dropdown to pay down debt that was associated with the May 2012 purchase of El Paso Corp..

EPNG is a 10,200-mile pipeline system with a design capacity of about 5.6 billion cubic feet (Bcf) per day of gas. It transports natural gas from the San Juan, Permian and Anadarko basins to California, other western states, Texas and northern Mexico. EPNG has up to 44 Bcf of working natural gas storage capacity.

The midstream assets include Altamont gathering, processing and treating assets in the Uinta Basin in Utah and the Camino Real gathering system in the Eagle Ford shale in South Texas. The Altamont System has over 1,200 miles of pipeline infrastructure, over 450 well connections with producers, and a 5,600 barrel (bbl.) per day natural gas liquids fractionator. The Camino Real Gathering System has 150 MMcf per day of gas gathering capacity and 110,000 bbl. per day of oil gathering capacity.

Southcross Announces Completion Of Bonnie View Fractionator

Southcross Energy Partners LP completed construction of its Bonnie View fractionator, adding capacity of 22,500 barrels (bbl.) per day to the partnership’s total fractionation capacity.

The Bonnie View fractionator is located in Refugio County, Texas, complementing Southcross’ new 200 million cubic feet (MMcf) per day Woodsboro gas processing facility, and near the partnership’s Gregory gas processing and fractionation facility, which is capable of processing 135 MMcf per day and fractionating 4,800 bbl. per day. Combined, these South Texas facilities and related pipelines comprise Southcross’ South Texas gas processing and fractionation complex. The ethane product produced at Southcross’ fractionators is sold via pipeline to a unit of Dow Chemical Co.. Propane and heavier products produced are sold to Dow and other entities via pipeline and truck transport.

The Bonnie View fractionator expansion brings Southcross’ total fractionation capacity in its South Texas complex to 27,300 bbl. per day, complementing its 335 MMcf per day of existing gas processing capacity.

PIPELINES & TRANSPORTATION | Developments

Regency Energy To Acquire Southern Union Gathering For \$1.5 Billion

Regency Energy Partners will acquire Southern Union Gathering Company LLC (SUGS), the owner of Southern Union Gas Services Ltd., from Southern Union Company, a jointly owned affiliate of Energy Transfer Equity LP and Energy Transfer Partners LP. The \$1.5 billion acquisition will expand Regency's presence in the Permian Basin. The acquisition is expected to close in the second quarter of 2013, subject to approval under the Hart-Scott-Rodino Antitrust Improvements Act and other customary closing conditions.

The transaction will include the purchase of a 5,600-mile gathering system and approximately 500 million cubic feet (MMcf) per day of processing and treating facilities in West Texas and New Mexico for natural gas and natural gas liquids. In addition, SUGS is currently finishing construction of the 200 MMcf per day Red Bluff processing plant with associated treating, which is expected to be in service in the second quarter of 2013. An additional 200 MMcf per day cryogenic processing facility with associated treating is in the planning stages and is expected to be in service in mid-to-late 2014.

"This acquisition represents a significant growth opportunity for Regency and is very strategic to our plans for expansion in the Permian Basin," Mike Bradley, president and chief executive of Regency Energy Partners, said in a release. "The integration of the SUGS assets with our existing operations will position Regency with a broad Permian Basin gathering and processing footprint. The combined system is expected to provide significant synergies, increase efficiencies on our current system, improve the flexibility of our gathering and processing operations and enhance services for our customers."

Regency will finance the acquisition by issuing \$900 million of new Regency units to Southern Union Company, comprised of \$750 million of new common units and \$150 million of new Class F common units. The Class F common units will be equivalent to common units except will not receive distributions for the equivalent of eight consecutive quarters post-closing. The remaining \$600 million will be paid in cash funded from long-term borrowings.

In addition, in conjunction with the transaction, ETE, which owns the general partner and incentive distribution rights of Regency, has agreed to forgo the incentive distribution rights payments associated with the new common units issued by Regency for the equivalent of eight consecutive quarters post-closing and to eliminate the \$10 million annual management fee due from Regency for two years post-closing.

J.P. Morgan acted as sole financial advisor and Locke Lord LLP acted as legal counsel to Regency with respect to the transaction. Evercore Partners acted as sole financial advisor and Akin Gump Strauss Hauer & Feld LLP acted as legal counsel to Regency's Conflicts Committee with respect to the transaction.

Williams, Boardwalk To Pursue Joint Development Of NGL Pipeline

BUSINESS WIRE

Williams and Boardwalk Pipeline Partners LP executed a letter of intent to form a joint venture that would develop a pipeline project to transport natural gas liquids (NGLs) from the infrastructure-constrained Marcellus and Utica shale plays to the rapidly expanding petrochemical and export complex on the U.S. Gulf Coast, as well as the developing petrochemical market in the Northeast U.S.

The proposed "Bluegrass Pipeline" design would provide producers with 200,000 barrels (bbl.) per day of mixed NGLs take-away capacity in Ohio, West Virginia and Pennsylvania. The proposed pipeline could be increased to 400,000 bbl. per day to meet market demand, primarily by adding additional liquids pumping capacity. It would deliver mixed NGLs from these producing areas to proposed new fractionation and storage facilities, which would have connectivity to petrochemical facilities and product pipelines along the coasts of Louisiana and Texas.

Williams and Boardwalk are exploring development of a new export liquefied petroleum gas terminal and related facilities on the Gulf Coast to provide customers access to international markets.

As proposed, the Bluegrass Pipeline would include the following:

- Constructing a new NGL pipeline from producing areas in West Virginia and Ohio to an interconnect with

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PIPELINES & TRANSPORTATION | Developments

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Boardwalk's Texas Gas Transmission LLC system (Texas Gas) in Hardinsburg, Kentucky;

- Converting a portion of Texas Gas from Hardinsburg, Kentucky to Eunice, Louisiana (the TGT Loop Line) from natural gas service to NGL service, including construction of new pump stations and related facilities; and
- Constructing a new large-scale fractionation plant and expanding natural gas liquids storage facilities in Louisiana and a new pipeline connecting these facilities to the converted TGT Loop Line.

By combining new construction with an existing pipeline, Williams and Boardwalk believe that the Bluegrass Pipeline can be placed into service and begin serving customers sooner than other options. Williams and Boardwalk are engaged in comprehensive project development planning including project design, cost estimating, economic and risk analysis, customer contracting, permitting and other legal and regulatory approvals and right-of-way acquisition. Williams and Boardwalk expect to sanction the project this year and place the planned project into service in the second half of 2015 assuming all necessary conditions are met.

Sanctioning and completion of this project is subject to, among other conditions, negotiation and execution of definitive joint venture and related agreements; execution of customer contracts sufficient to support the project; and the parties' receipt of all necessary approvals, including board approvals and regulatory approvals, such as antitrust clearance under the Hart-Scott-Rodino Antitrust Improvements Act, approvals by the Federal Energy Regulatory Commission (FERC), among others. Before Texas Gas Transmission may begin converting the TGT Loop Line, it must receive abandonment authority from FERC.

Enbridge Completes Bakken Pipeline Expansion Project

Enbridge Energy Partners LP and Enbridge Income Fund announced the Bakken Pipeline Expansion Project, part of Enbridge's Bakken Expansion Program, is now complete and in service. The project, undertaken by the partnership in the U.S. and the fund in Canada, reversed and expanded an exist-

ing pipeline, running from Berthold, North Dakota, to Steelman, Saskatchewan, and constructed a new 16-inch pipeline from a new terminal near Steelman to the Enbridge Pipelines Inc. mainline terminal near Cromer, Manitoba.

The project provides 145,000 barrels (bbl.) per day of capacity for growing production from the Bakken and Three Forks formations located in Montana, North Dakota, Manitoba and Saskatchewan, of which 25,000 bbl. per day was placed in service during the first quarter of 2012. Once on the Enbridge mainline, Bakken production will have access to the multiple markets accessible from the mainline and connected pipeline systems. Firm commitments totaling 100,000 bbl. per day have been received from anchor shippers.

Shell Acquires Portion Of Repsol S.A. LNG Portfolio

Royal Dutch Shell plc agreed to acquire part of Repsol S.A.'s liquefied natural gas (LNG) portfolio outside of North America, including supply positions in Peru and Trinidad & Tobago, for a cash consideration of \$4.4 billion. Shell will also assume and consolidate balance sheet liabilities predominantly reflecting leases for LNG ship charters of currently \$1.8 billion. The balance sheet impacts are subject to final assessment prior to completion of the transaction.

The acquisition will add LNG capacity in the west Atlantic from Atlantic LNG in Trinidad & Tobago, and in the east Pacific from Peru LNG. The acquisition should add some 7.2 million tonnes per annum (mtpa) of LNG volumes through long-term off-take agreements, including some 4 mtpa of equity LNG plant capacity.

Shell expects to add value to this portfolio by optimizing the new LNG flows in our world-wide customer base. Subject to successful completion, the new portfolio is expected to immediately provide additional cash flow to Shell, with limited on-going capital expenditure requirements.

The transaction, which became effective October 1, 2012, is expected to close in the second half of 2013 or early 2014.

NEWS & TRENDS | Up To Date

DCP Announces Marysville NGL Storage Expansion



ORGANIC GROWTH | The expansion includes new ethane storage capacity of about 1 million barrels and provides much needed incremental NGL storage capacity for the growing Marcellus and Utica production.

DCP Midstream Partners LP announced a long-term ethane storage agreement with Nova Chemical underpinning the expansion of DCP's Marysville natural gas liquid (NGL) storage facility. DCP's expected investment is \$25 million, which represents an attractive organic growth opportunity for our NGL logistics segment. This project provides much needed incremental NGL storage capacity for the growing Marcellus/Utica production. The expansion includes new ethane storage capacity of about 1 million barrels. The expansion is expected to be in service the fourth quarter of 2013.

Enterprise Announces Intent To Purchase Construction Company

Enterprise Group Inc. announced the signing of a letter of intent to purchase a specialized underground infrastructure construction company with operations based in Alberta.

Enterprise's strategy is to continue to grow the private company in its core competencies while expanding services to a larger customer base and leveraging the synergies available through Enterprise's existing operations. In 2012, preliminary

unaudited sales revenue for the private company was approximately \$14.9 million and EBITDA was approximately \$5.8 million.

Enterprise will purchase the shares of the private company for \$12 million and will be funded by cash, asset debt financing and \$1 million in vendor take-back financing to be paid over two years. Completion of this acquisition will be subject to negotiation of a definitive share purchase agreement, satisfactory due diligence by Enterprise, completion of the asset-based debt financing and customary closing conditions. Enterprise expects to close the transaction on or before May 1.

Management is currently discussing available funding options with its investment banking advisors.

South Louisiana Methanol To Build Louisiana Methanol Facility

Louisiana Gov. Bobby Jindal, South Louisiana Methanol (SLM) Chief Executive Barry Williamson and Todd Corp. Group Chief Executive Jon Young announced that South Louisiana Methanol LP will invest \$1.3 billion in a new methanol production facility on the banks of the Mississippi River in St. James Parish.

Austin, Texas-based Zero Emission Energy Plant Ltd. (ZEEP) and New Zealand-based Todd Corp. are joint owners of the project, which will result in a world-scale methanol plant. The SLM methanol facility will be located in the Port of South Louisiana district, with access to interstate and intrastate natural gas and carbon dioxide pipelines.

ZEEP and Todd Corp. chose St. James Parish for the new facility because of the state's strong business climate and the high inventories and inexpensive price of natural gas in Louisiana, as well as the area's strategic shipping location at the Port of South.

LED began working with ZEEP on the South Louisiana Methanol project in February 2012. To secure the project, the state will offer an incentive package that includes a \$5 million performance-based grant for infrastructure costs, and the services of Louisiana's top-ranked workforce development program, LED FastStart.

SNAPSHOT | Industry Insight

Job Recruitment Struggles For Oil And Gas

BY **JILL TENNANT** | SPECIAL TO HART ENERGY

A recent U.S. Chamber of Commerce International Index of Energy Security Risk rated the U.S. as seventh and Canada as eighth among the most energy-secure nations. The 2010 report, which analyzed the world's top 25 energy-using countries, stated that increases in shale oil and gas production have helped the U.S. to reduce its energy risk. However, achieving further North American energy security, much less obtaining true energy independence, will not be easy.

By definition, energy security assumes the protection of people, equipment and the environment from a variety of threats, ranging from weather conditions to global supply disruptions to terrorist acts to catastrophic equipment failures. Along with plentiful natural resources, it will take a concerted effort among industry, government and individual citizens to achieve energy security. In addition to all higher-level efforts, the hard work and ingenuity of a stable and innovative workforce will improve the odds of achieving this goal. Attracting and retaining the required personnel, especially in the oil and gas industry, is likely the bigger challenge.

Workforce requirements

Countries need industrial workers to develop innovative technologies, increase alternative energy usage, foster multinational cooperation and improve operational efficiencies. Specifically, the oil and gas industry requires a workforce that is able to efficiently and safely access hard-to-reach reserves, develop unconventional oil and gas plays and construct and maintain pipelines, refineries and other related infrastructure. These critical and diverse activities demand a broad range of trained and talented workers now and in the future.

From 2010 to 2020, the U.S. Bureau of Labor predicts a 21% employment growth rate for the nation's geoscientists and a 17% employment growth rate for its petroleum engineers. North Dakota, the second-largest U.S. crude oil producer, includes such diverse occupations as wellhead pumper, derrick operator, gas plant operator and transportation,



OPPORTUNITIES ABOUND | Despite abundant opportunities, the North American oil and gas industry is facing headwinds in recruiting candidates for technical positions.

storage and distribution manager on its “exceptional growth” occupation list for 2010 to 2020. Current employment trends and statistics, which indicate a boom in many oil- and gas-related sectors, likely influence these long-term forecasts. For example, according to the Texas Workforce Commission, the state's oil and gas extraction sector alone employed approximately 105,400 workers in December 2012, a 73% increase from the recent low of 60,800 workers in 2002.

Meanwhile, the oil and gas workforce is undergoing continued challenges and changes, creating a gap between availability and demand for personnel capacity and capability. An aging workforce and competition from other industries is exacerbating skills shortages. The oil and gas industry is adapting by recruiting more workers that are nontraditional, diversifying its demographics and rewarding its top performers.

Changing demographics

Given current global trends and workforce challenges, oil and gas companies are changing their recruitment, training and promotion strategies to achieve a more diverse workforce in terms of age, home country, gender, skills and ethnicity.

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can people? What's best for our economy both short-term and long-term? But also, what's best for the health of the American people? ... and that's how I'll be measuring these recommendations when they come to me."

While the president may be taking a less public role in the Keystone XL decision, Zichal stated that energy will be one of the centerpieces for his agenda as he begins his second term in office.

"Earlier this month in his State of the Union, you heard President Obama speak directly to some of its [energy] challenges and make clear his priorities for energy and climate policy in his second term. But that was just the beginning of the conversation, and in the weeks and months ahead you'll hear more from the president as he makes the case for new action on these issues," she said.

The president's case will begin by seeking to create jobs in energy to rebuild the economy. Zichal noted that seven of the ten states that produce the most energy in the U.S. currently have unemployment rates lower than the national average. In addition, the rebirth of the American manufacturing sector through the development of affordable natural gas has led to the creation of about 500,000 jobs in the past three years.

"Right now the abundance of affordable natural gas is supporting a new dawn in American manufacturing. The fact that natural gas prices in the U.S. are the lowest in the world makes America a much more attractive place to do business," she said.

While the administration will continue to support the development of domestic supplies of oil and gas, Zichal said that it will also continue to institute more stringent rules for this development, specifically for hydraulic fracturing, well integrity and wastewater management.

At the same time, the administration will also continue to encourage the development of clean energy by seeking

to double the amount of power the country generates from wind, solar and geothermal sources by the end of this decade.

"It's an ambitious yet achievable goal, and in order to meet our target we need Congress to step up. We need to create more certainty in the tax code instead of perpetuating the cycle of one-year and two-year policies that hinder stable, long-term growth. That's why the President supports making the renewable energy production tax credit permanent and refundable," she said.

The second point of the president's energy agenda focuses on improved domestic energy security by reducing both the country's dependence on imported oil as well as reducing its consumption.

This policy would continue the president's efforts from

his first term when the U.S. reduced its oil imports by more than 3.5 million barrels and created new fuel efficiency standards for automobiles that will mandate an equivalent of 54.5 miles per gallon for cars and light-duty trucks by 2025.

While these efforts have helped, Zichal said that it was ultimately in the country's best interests to shift its vehicles off of oil to new

fuels. To accomplish this, President Obama has proposed an energy security trust that would use \$2 billion of the revenues generated from oil and gas development over the next decade to fund research into various cost-effective transportation technologies, including advanced batteries, homegrown bio-fuels and natural gas.

"Funding for the energy security trust would be stable and guaranteed and therefore help spark innovation and breakthroughs in technologies that have the greatest potential to displace oil in transportation and advance energy security," she said.

President Obama's third point of his energy policy centered on instituting a market-based

“From our vantage point following the State of the Union address, the President's expectations of Congress couldn't be clearer, and now it's ultimately up to them to choose which path we take.

- Heather Zichal, deputy assistant to the president for energy and climate change

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ENERGY PROPOSAL | President Obama has proposed an energy security trust that would use \$2 billion of the revenues generated from oil and gas development over the next decade to fund research into various cost-effective transportation technologies.

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solution to climate change, which Zichal pointedly noted would first focus on legislative action through Congress; but if necessary, would focus on executive actions to reduce carbon emissions and increase the transition to “more sustainable sources of energy.”

“From our vantage point following the State of the Union address, the President’s expectations of Congress couldn’t be clearer, and now it’s ultimately up to them to choose which path we take.

“I also want to make clear that response to climate change can’t be a Washington-centric solution. One of our priorities moving forward will be to engage with state and local officials as well as leaders in the private sector so that we can leverage our collective resources to keep moving forward,” she said.

Zachal declined to state a timeframe for Congressional action before the president would seek to institute policies on

his own, but said that such regulatory actions could be used outside of the Environmental Protection Agency, while noting efforts by the Department of Interior and Department of Energy to increase the use of renewables and the development of new energy sources.

“This administration as a whole has demonstrated time and time again our ability to think creatively about our existing authorities and use them. We’ve done very big, bold things with the Clean Air Act and things that I think a lot of people didn’t even know would be possible: doubling fuel efficiency by 2025, the mercury standard for coal plants. These were done after literally decades of inaction in the face of a lot of naysayers, but we did get them done. I’m really confident that those actions and activities are going to provide a strong foundation as we look towards the future,” she said.

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