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PLS MIDSTREAMNEWS

Serving the marketplace with news, analysis and business opportunities

Sempra wins $1.0 billion pact for Mexican gas pipelines

Sempra has been awarded two contracts by Mexico's state-owned utility **Comisión Federal de Electricidad** to build, own and operate a ~510-mile pipeline network linking US gas supplies to Mexican electrical plants in Sinaloa state. The $1.0 billion, two-segment network will interconnect to the US interstate pipeline system in Arizona and provide gas to existing CFE power plants currently using oil.

510-mile network will pipe US gas to Mexican power plants.

The initial 36-in. 770 MMcfd line will run 310 miles from Sasabe, Sinora—south of the US-Mexican border connection near Tucson, Arizona—to Guaymas, Sonora and is expected online in 4Q14. A 30-in., 510 MMcfd pipeline running 200 miles from Guaymas to El Oro, Sinaloa is targeted to be operational in 3Q16.

CFE has fully contracted the capacity for each segment under two 25-year contracts. The pipeline is part of Mexico's effort to expand its current 6,000-mile gas network by 40% in an effort to curtail bottlenecks that have resulted in electricty shortages in some regions. Continues On Pg 4

Southcross Energy completes IPO at $20/unit

Southcross Energy Partners raised $180 million by selling 9.0 million units at $20, the midpoint of its $19-$21 range. The move netted $168 million for the company which started being offered Nov. 2 on the NYSE under the symbol "SXE."

Southcross will hold a 2% general partner interest and ~62% LP interest, or 56% LP interest if the underwriters buy additional common units. The underwriters will be given a 30-day option to purchase up to an additional 1.35 million common units.

Southcross shares trade up 12% on first day.

The net proceeds will be used for a $38.5 million distribution to GP **Southcross Energy LLC** as reimbursement for asset-related capex, repayment of $125 million in existing debt under Southcross' credit facility, and offering expenses. The GP may in turn use a portion of its distribution to redeem preferred units.

Southcross plans to enter a new credit facility to pay an additional $7.5 million to Holdings and pay off and terminate the old facility. Continues On Pg 8

TransCanada & Phoenix to develop $3B oil & diluent line

TransCanada and **Phoenix Energy** agreed on a 50:50 joint venture to develop a $3.0 billion twinned-oil and diluent pipeline running ~310 miles between the oil sands producing area northwest of Fort McMurray to Edmonton in northern Alberta.

The Grand Rapids pipeline—operated by TransCanada—is expected to be online in 1Q17 with capacity of 900,000 bopd of upgraded bitumen and 330,000 bpd of diluent. Phoenix has signed a long-term contract as the anchor shipper of crude and diluent on the system. The final route of the pipeline and its design will be determined following First Nations and other stakeholder input. TransCanada plans to apply for regulatory approval in 2013.

Expected online in 1Q17 to expand Athabasca infrastructure.

"As Alberta crude oil production continues to grow, it's critical to have the infrastructure in place to move oil to market from emerging developments west of the Athabasca River. This is the first major pipeline project to meet the needs of this fast-growing area," said TransCanada CEO Russ Girling.

The pipeline will further expand TransCanada's liquids transportation capabilities in Alberta, along with the recently proposed $600 million Northern Courier system which will ship bitumen and diluent between the Fort Hills mine site and the Voyageur upgrader north of Fort McMurray beginning in mid-2016. Continues On Pg 12

IPO by Marathon's MPLX raises $381 million

MPLX, Marathon Petroleum's designated chief midstream growth vehicle—raised $380.6 million at $22/unit under a 17.3 million, unit IPO. Demand was solid, for in addition to the healthy offer price above the $19-21 range, MPLX issued 15% more units than the number initially proposed.

MPLX cash flow and distribution growth is expected to be achieved through fee-based services, minimizing commodity volatility exposure, organic and acquisition-based growth and a focus on safety and reliability. Acquisitions may occur via both MPC drop-downs and through third parties.

Public float will be a 23.4% LP interest in MPLX if the option is not exercised.

MPLX's initial assets consist of a 51% GP interest in newly formed **Pipe Line Holdings LP** (Marathon Petroleum retains the remainder) and a 100% stake in **MPLX Terminal and Storage.** Continues On Pg 6

Pipelines

Williams considering 750 MMcfd expansion in Northwest

Williams began an open season that will run through November 28 to gauge interest on a Northwest Pipeline expansion that would carry gas to a proposed LNG terminal near Warrenton, Oregon. The project could be online as early as November 1, 2015 or as late as November 1, 2018.

The company said it received a request from **Oregon LNG** to develop a project that could transport 750 MMcfd from Sumas, Washington near the Canadian border to an interconnection with the proposed Oregon Pipeline north of Portland, ~260 miles away. The Oregon Pipeline would run 85 miles from the Warrenton terminal to Williams' pipeline near Woodland, Washington.

Project could be online as early as November 2015 to serve Oregon LNG.

The expansion would offer service from an interconnection with **Spectra's** system at Sumas to various delivery points along the Interstate 5 corridor where the Northwest system is located. Cost of the project—which would include adding compression facilities to the system—was not released.

Top Midstream Transactions Since October 22

Date	Buyer	Seller	Value ($MM)	Type
10/25/12	Enbridge Income Fund	Enbridge	$1,164	Parent/Sponsor Dropdown
11/08/12	NuStar Energy LP	TexStar Mid-stream Services	$425	Assets
11/05/12	Inergy Midstream LP	Rangeland Energy	$425	Corporate
10/23/12	Spectra Energy Partners	Spectra Energy	$375	Parent/Sponsor Dropdown

Note: Excludes downstream/refining deals. Source: **Global M&A Database plsx.com/ma**

Midstream Stock Movers—Last 30 Days

Source: **Capital IQ**

	Company	Ticker	$/Share 11/11/12	$/Share 10/12/12	% Change
Top 5	Golar LNG	GLNG	$40.00	$37.81	6%
	Tesoro Logistics LP	TLLP	$45.02	$44.29	2%
	Plains All American	PAA	$45.50	$44.78	2%
	Ship Finance International	SFL	$15.13	$15.02	1%
	Sunoco Logistics Partners	SXL	$48.61	$48.32	1%
Bottom 5	NuStar GP Holdings	NSH	$26.50	$30.44	-13%
	Eagle Rock Energy Partners	EROC	$9.15	$10.33	-11%
	Cheniere Energy Partners	CQP	$19.89	$22.30	-11%
	TC Pipelines LP	TCP	$41.85	$46.67	-10%
	Crestwood Midstream Prtrs	CMLP	$21.82	$24.10	-9%

Note: Data includes public, international companies operating in the oil & gas space, limited to companies >$1.0B market cap & >$1.00/share. All figures in US$.

TransCanada considers converting part of mainline

TransCanada plans to decide in 1Q13 if it will convert part of its gas mainline in order to deliver Western Canadian and Bakken oil to refineries in the US and Eastern Canada. The company projects demand for the converted section of the pipeline could reach 0.5-1.0 MMbopd at a cost of ~$5.0 billion to reach Montreal or $5.2 billion to extend all the way to Quebec.

Demand for TransCanada conversion could reach 1.0 MMbopd.

TransCanada CEO Russ Girling said talks with potential shippers are under way but it is "too early to share details." The possibility of expanding the conversion even further than Quebec—to Saint John, New Brunswick—would depend on customer interest, he said. If the crude is shipped to Saint John, it could reach the 300,000 boepd Canaport refinery—the largest in the country—operated by **Irving Oil.**

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Pipelines

White Cliffs doubles capacity on Colorado-to-Cushing pipe

White Cliffs will more than double the capacity of its pipeline from Plattesville, Colorado to Cushing, Oklahoma to 150,000 bopd following a successful open season. The company expects the expansion to be online 1H14.

White Cliffs said the added capacity to the 526-miles, 12-in. carrier line came about due to the increased production from the mature fields in the DJ Basin. that terminates at the 200,000 bbl Rose Rock Midstream's storage facility, White Cliffs is venture of **SemGroup** (51%), **Plains All American** (34%), **Western Gas** (10%) and **Noble Energy** (5%).

MEG gains Flanagan capacity to US Gulf Coast

Canadian oil sands company **MEG Energy** secured capacity to the Gulf Coast on **Enbridge's** Flanagan South pipeline which runs from north-central Illinois to Cushing and is expected online in mid-summer 2014. The company said the deal—along with rail and barge transport initiatives—will bring its US Gulf Coast capacity above 100,000 bopd.

During a Q3 conference call, CEO Bill McCaffrey said the company could not discuss the exact terms but its ownership in the Access pipeline and the Stonefell terminal position will allow it "to reach the Gulf Coast from our field operations for roughly $10 per bbl, bypassing local constraints and discounts."

MEG chief anticipates moving oil sands oil to Gulf Coast for $10/bbl.

The ~215-mile Access pipeline in Alberta runs from the company's Christina Lake project, due online in 2H13, to the Edmonton-area refining and transportation hub. The 900,000-bbl Stonefell storage facility, located in Alberta's industrial heartland northwest of Fort Saskatchewan, is expected to be finished in 2013.

Dominion agrees to gather 180 MMcfd from Utica shale

Dominion Resources signed on with **Momentum** to gather ~180 MMcfd of gas in the Ohio Utica and transport it to Dominion's 800 MMcfd Kensington processing plant currently under construction in the northeast part of the state under a long-term contract.

Dominion plans to use existing pipeline assets and limited capital improvements on the project. The company maintains 7,800 miles of pipeline in six states—Ohio, West Virginia, Pennsylvania, New York, Maryland and Virginia.

Its subsidiary **Dominion East Ohio** entered into a long-term agreement with **M3 Ohio Gathering** (Momentum), a partner in the **Utica East Ohio** is a joint venture that includes **Chesapeake** and **EV Energy Partners.** In March, the partnership said it will build a $900 million gas processing hub in eastern Ohio with Phase 1 expected to be completed in 2Q13.

DCP pipeline begins offering NGL access from Eagle Ford

Denver-based **DCP Midstream** began service, offering gas transportation capacity from the Eagle Ford on its Sand Hills pipeline. The company is opening the NGL line in segments and expects to connect directly into Mont Belvieu by year's end.

When the second phase is completed, the ~720 miles of 20-in. pipeline will serve as a major link for both the Eagle Ford and Permian to the Gulf Coast markets. In its entirety the line will run from the Goldsmith Plant northwest of Midland to Mont Belvieu. Sand Hills will feature initial capacity of over 200,000 bpd which can grow to 350,000 bpd with additional pump stations. Phase 2, serving the Permian Basin, is expected on line in 2Q13.

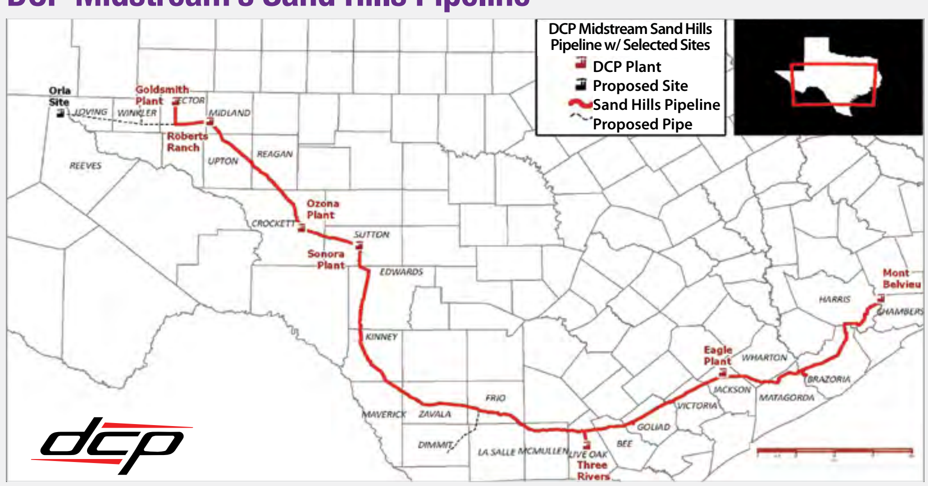
The Sand Hills pipeline will run 720 miles from Permian to Mont Belvieu.

Through earlier agreements, the company will have access to the **Chevron-**operated West Texas LPG line, which will provide access to most plants in the Permian Basin. On the Gulf Coast, the pipeline has connectivity with several planned and existing fractionation and storage facilities in and around Mont Belvieu.

DCP's initial capacity to be 200,000 bpd from the Eagle Ford.

"With Sand Hills pipelne, we can offer an integrated NGL takeaway solution to producers, who will enjoy reliable one-stop service," said DCP chief Tom O'Connor. DCP Midstream is a 50:50 joint venture of **Spectra Energy** and **Phillips 66.** Spectra recently agreed to an aggregate investment of $700-$800 million for one-third interest in Sand Hills and the Southern Pipeline, also under construction by DCP. Now each of the three own one-third interest in the two pipelines. Southern Hills will provide 150,000 bpd of NGL transportation from the Mid-Continent to Mont Belvieu, and is expected to online in mid-2013.

DCP Midstream's Sand Hills Pipeline



Source: DCP Midstream website www.dcpmidstream.com

Pipelines

TransCanada lands $1.4 billion in Mexican gas pipe contracts

Two pipeline contracts have been awarded to **TransCanada** by Mexico's state-owned utility **Comision Federal de Electricidad.** TransCanada will build own and operate the 670 MMcfd Topolobampo pipeline running 329 miles from El Encino in the state of Chihuahua state to Topolobampo in Sinaloa state. The 30-in., $1.0 billion line should be in service in 3Q14.

TransCanada expects 202 MMcfd Mazatlan to be operational in 4Q16.

The second contract—which came weeks later—was to build, own and operate the 202 MMcfd Mazatlan line running 257 miles from El Oro to Mazatan, Sinaloa. The 24-in., $400 million pipe is expected in service just months after the Topolobampo line.

TransCanada has won four pipeline contracts in Mexico within 18 months.

"This project is a response to a CFE invitation to bid. As Mexico makes the transition from fuel to cleaner-burning natural gas, there will be additional opportunities for TransCanada," said TransCanada CEO Russ Girling. "These opportunities are consistent with our strategy to build long- life infrastructure, underpinned with long-term contracts."

TransCanada also won contracts within the last 18 months to build the Guadalajara and Tamazunchale gas pipelines in central Mexico and will soon break ground on a Tamazunchale extension.

Sempra gains contract for pipeline segments

Continued From Pg 1

"We are pleased to have been awarded these projects, which will strengthen the gas transportation system in northern Mexico," said Sempra CEO George Liparidis. "These projects represent an extension of our core business in Mexico and an important part of our plan to grow our international business."

The contract includes gas transport services over the next 25 years and fuel delivery from Sasabe to existing electrical plants along the Gulf of California as well as two future plants CFE plans to build at the Guaymas complex.

770 MMcfd segment expected to be online in 4Q14.

Additionally, CFE and state-owned energy company **Pemex** are planning pipelines from the US border—including a $3 billion gas pipeline to Los Ramones in central Mexico with a contract expected to be awarded by the year's end. The new US pipelines, being contracted by Pemex's **MGI** gas trading firm will connect to the system being built across northwestern Mexico and to the much larger Los Ramones that will run from near the border at McAllen deep into central Mexico.

Despite having some of the world's largest gas deposits, Mexico has had major difficulties delivering gas for electrical generation. As a consequence, Pemex is using offshore sub **MGI** to build two pipelines to bring US gas into the country. For October, Mexico produced 6.0 Bcfd of gas, down 5.4% YOY. Sempra has over $2.4 billion in Mexican assets, including ~430 miles of natural gas and LPG pipelines in the six northern Mexican states.

Midstream News Briefs

• Phase 1 of **Air Liquide Canada's** $60 million nitrogen plant in Dawson Creek, British Columbia is now online and expected to be fully operational in 2013 with a total capacity of ~450 tpd. Air Liquide supplies nitrogen and carbon dioxide to to support drilling operations.

• **Arc Terminals** and the **Canadian National Railway** will build a 75,000 bopd rail tank-car unloading terminal in Mobile, Alabama to handle Western Canadian and Bakken light crude oil. The facility will also load condensate into the tank cars for backhaul by the railroad, and is expected to begin operations in June 2013. Upon completion, the terminal will be able to handle 120 carloads of crude oil a day.

• Denver-based **Bear Tracker Energy** signed an agreement with **SM Energy** to build and operate an oil gathering system with primary assets in the North Dakota Williston Basin. Under the terms, oil from SM's wells in Divide Co. will be dedicated to Bear Tracker which will deliver it to **Rangeland Energy's** Colt Hub terminal in Epping, N.D. Construction will begin in 1Q13 with the system expected to be operational in July 2013.

• **Bison Transport** agreed to run 15 LNG tractors in Alberta supplied by **Shell Canada Products**. Bison will receive LNG from Shell's Flying J LNG fueling facilities in Calgary, Edmonton and Red Deer which are expected to open in early 2013. The five-year agreement is the first step in launching Shell's LNG refueling infrastructure in the province. Bison will receive new LNG-fueled **Peterbilt** tractors in November with the entire fleet expected to be operational by January.

• **BP** will replace the largest of three crude distillation units at its Whiting, Indiana refinery and expects the project—which will last into 2H13—to temporarily reduce crude capacity at the 405,000 bpd plant by more than 50%, CFO Brian Gilvary said during a Q3 earnings call. The upgrade will increase the plant's ability to process heavy Canadian crude and will come as part of "major turnarounds" at two BP refineries during Q4.

Midstream Capital

Delek Logistics Partners completes $168 million IPO

Delek handily beat the $135 million the independent refiner expected to raise from an IPO of its midstream assets, coming away with $168 million for 8.0 million units at $21/unit.

Delek Logistic Partners will acquire, construct and operate crude oil support systems primarily for Delek's 58,000 bopd Tyler, Texas and 100,000 bopd El Dorado, Arkansas refineries. The midstreamer will hold ~600 miles of crude and 16 miles of refined products pipeline. Other assets include a ~600-mile crude gathering system and crude storage tanks totaling ~1.4 MMbbl of capacity.

Delek's midstream allows producers to capture Gulf Coast oil differentials.

Delek Logistic's assets will be able to deliver price-advantaged crudes, Delek said in a securities filing with US regulators. "Our Paline pipeline system has been reconfigured to take advantage of its strategic location by permitting the transportation of crude oil from inland markets to the US Gulf, which will allow our customers to realize potentially significant positive differentials in crude oil pricing between East Texas and the US Gulf coast," the filing said. The Paline system moves 36,000 bopd from Longview to **Chevron's** terminal in Nederland, Texas.

Pipelines

Boardwalk completes $300 million debt offering

Boardwalk Pipeline Partners completed a public offering of wholly owned subsidiary **Boardwalk Pipelines** of $300 million in senior notes due in 2023 with a 3.375% coupon. The company used net proceeds to repay all indebtedness outstanding under its subordinated loan agreement with **Boardwalk Pipelines Holding**, a wholly-owned subsidiary of **Loews Corp.**, and to reduce borrowings outstanding under its revolving credit facility. **Barclays, Citigroup** and **Deutsche Bank Securities** are acting as joint bookrunning managers for the offering.

Boardwalk shows $1.7 million gain in Q3 operating revenues.

Boardwalk Pipeline Partners announced that Q3 operating revenues increased $1.7 million YOY—less than 1.0%—to $270.6 million. Boardwalk HP Storage operates seven salt dome gas storage caverns in Forrest Co., Mississippi, totaling ~29 Bcf of storage capacity. Operating revenues were hurt by low gas prices and "lower interruptible transportation service revenues from decreases in basic spreads between locations on the pipeline," the company said.

KMI Cochin gets approval for oil sands propane line reversal

Kinder Morgan got the US federal go-ahead on rate structures that will apply to a reversed portion of its Cochin propane line. The reversal will occur along the western leg of the 12-in. pipeline which currently runs from terminals near Fort Saskatchewan, Alberta to Kankakee, Illinois and enable the company to transport light condensate for use as diluent to Western Canadian oil sands.

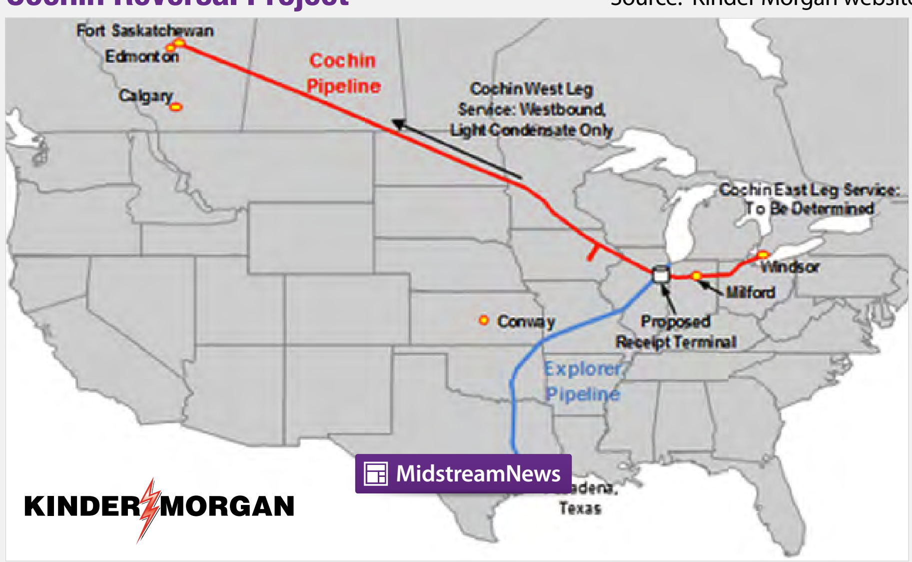
Cochin reversal includes interconnect with Explorer pipeline.

The Cochin pipeline (69% propane, 23% ethylene and 8% ethane) runs 1,900 miles carrying propane from Alberta to many states in the US Midwest and back to Canada to terminate in Ontario. Canadian exports of propane have declined over the past decade while demand for low-density hydrocarbons for diluent have increased.

The project will include adding a new terminal in Kankakee, building an interconnection with **Chevron**-owned Explorer pipeline and reversing 25 pump stations along the existing right of way. The company received more than 100,000 bpd of binding commitments for a minimum of 10 years. In its application, KMI asked FERC to allow the company to allocate 90% capacity to long-term shippers.

Cochin Reversal Project

Source: Kinder Morgan website



MidstreamNews

Midstream Capital

Marathon IPOs MPLX above expectations Continued From Pg 1

Pipe Line Holdings owns ~962 miles of crude and ~1,819 miles of product pipeline through nine states largely centered in Illinois, Indiana and Ohio; an 80,000 bpd Mississippi River crude/product barge dock in Illinois; and several Illinois- and Indiana-based tank farms. MPLX Terminal and Storage owns a 1.0 MMbbl West Virginia butane cavern.

Under the IPO, underwriters still have an option for an additional 2.595 million units, which would push gross proceeds up another ~$57 million.

MPC will be paid $72.9 million of proceeds for assets & reimbursement.

MPLX has a strategic relationship with MPC, which it estimates as the fifth-largest US refiner. It accounted for 81% of MPLX's revenues in 1H12, and MPLX is entering a number of long term, fee-based storage and transportation service agreements with minimum volume commitments to secure that relationship post-IPO. As of 1H12, pro forma overall minimum volume commitments equaled 75% of revenues, with expectations to exceed that level based on historical activity. Assets are strategically located in the Midwest and Gulf Coast, which accounted for 72% of 2011 US crude distillation capacity and 48% of finished product demand according to the EIA.

MPLX also secured a $500 million borrowing base revolver.

In addition to ~$202 million of proceeds for future capex (another $72.9 million will be paid to MPC), MPLX has entered a $500 million revolver. The five-year facility can be increased by $300 million on lender approval, and also includes two one-year extension options. In 2011, MPLX had $94.3 million in pro forma net income on $352 million in revenues, compared to $55.6 million and $194.2 million respectively in 1H12.

UBS, BofA Merrill Lynch, Morgan Stanley, Citigroup and **JP Morgan** are joint bookrunning managers. **Barclays, Deutsche Bank** and **Wells Fargo** are co-managing.

Magellan sells $250 million in senior unsecured bonds

Magellan Midstream sold $250 million in senior unsecured, 30-year bonds in 2042 after reporting Q3 earnings fell 54% YOY to $79.3 million on commodity hedging losses due to rising oil prices. The partnership intends to use the net proceeds of $245.7 million for general partnership purposes including capex and investments in interest-bearing securities or accounts.

Barclays, Deutsche Bank Securities, SunTrust Robinson Humphrey and **Wells Fargo** served as joint book-running managers for the debt offering, with **Citigroup Global Markets, J.P. Morgan Securities, Mitsubishi UFJ Securities, PNC Capital Markets, UBS Securities** and **US Bancorp Investments** acting as co-managers.

During Q3, Magellan's petroleum pipeline system's operating margin was $97.7 million—a decline of $51.4 million YOY attributed to the timing of mark-to-markets adjustments for NYMEX positions used to hedge Magellan's commodities activities.

Magellan's transportation & terminal revenues rise YOY on more shipments.

Transportation and terminals revenues rose YOY due to a 19% increase in transportation volumes driven by increased crude and gasoline shipments. Crude volumes increased 53% due in part to shipments to new locations on the pipeline system. Gasoline shipments rose 28% primarily because of higher volumes on the partnership's South Texas pipeline segments and greater consumer demand.

Midstream News Briefs

• **Kinder Morgan** will not have any capacity available in November for new oil shippers on the Guernsey, Wyoming-to-Wood Rivers, Illinois section of its Platte pipeline. The company said current shippers will have allocations based on volumes recorded over the past six months, but did not give further specifications. For October, shippers were apportioned by 82%—meaning they only got 18% of requested capacity. The pipeline will carry 169,000 bopd in November.

• **Kinder Morgan's** $1.8 billion sale of certain assets to **Tallgrass Energy** in order to gain FTC approval of its $20 billion buyout of El Paso has passed federal muster. Kinder Morgan will sell **KMI Gas Transmission, Trailblazer Pipeline Co.,** the Casper-Douglas natural gas processing and West Frenchie draw treating facilities in Wyoming and its 50% stake in the Rockies Express Pipeline to Overland Park, Kansas. The $3.3 billion sale—including debt value—is expected to close by year's end.

• **Oneok Partners** gas gathering and processing segment showed operating income of $57.0 million during Q3, an increase of ~10% over 3Q11. The company credited the good news primarily to growth of volumes in the Williston Basin Oneok's Garden Creek plant and to increased drilling. Quarterly results for the gas distribution segment were down due primarily to higher share-based compensation costs offset partially by an increase in margins from new rates.

• **Summit Midstream** closed on its previously announced $207 million acquisition of gas processing and gathering subsidiary **ETC Canyon Pipeline** from **Energy Transfer Partners.** ETC Canyon assets include 1,600 miles of pipeline, 44,000 horsepower of compression, total capacity of 97 MMcfd and two NGO injection stations.

• **Tennessee Gas Pipeline** applied to build its 230 MMcfd Rose Lake expansion in northeastern Pennsylvania, replacing older compressor units and provide greater Marcellus access. TGP asked FERC to approve the $91.8 million project by September 1, 2013 to allow for a November 1, 2014 service. In August, **Statoil** committed to 175 MMcfd capacity, while **South Jersey Resources** signed for the remaining 55 MMcfd. Both agreements are for 10 years.

Midstream News

Feds failed to consider water on Ruby pipeline

A federal appeals court ruled that regulators failed to adequately consider possible negative impacts to groundwater wells when approving **Kinder Morgan's** Ruby pipeline which runs 678 miles from Wyoming's Opal Hub to interconnections near Malin, Oregon. The 42-in. pipeline went online on July 28, 2011 after being approved in 2010.

In two separate decisions, the 9th Circuit Court said the Bureau of Land Management and the US Fish and Wildlife Services acted inappropriately in not better safeguarding nine endangered fish species and a type of sagebrush. Environmentalists had claimed the government agencies did not take into account the possible effects of withdrawing 337.8 million gallons of groundwater from 64 wells along the pipeline.

Federal ruling is not expected to affect Kinder Morgan's operation line.

The rulings involved related cases the court chose to consolidate, including those by two Native American groups and a coalition of Wyoming Co. officials.

The plaintiff's lead attorney Amy Atwood of the Center for Biological Diversity said the ruling is expected to have little effect on the operation of the Ruby pipeline, but should prevent a permit from being issued under a similar situation. Kinder Morgan is reviewing the decision.

Midstream Capital

Copano raises $193 million in equity for Eagle Ford projects

Copano Energy appears ready to put $192.8 million in anticipated gross proceeds from a public offering to work and then some as the company announced its intentions to spend more than $1.0 billion on growth opportunities in the Eagle Ford by the end of 2013.

Copano priced a public offering at $32.13 per unit.

Copano priced a public offering of 6.0 million common units at $32.13 per unit on the heels of senior VP James Wade's announcement at **Hart's** DUG Eagle Ford conference that projects are in the works due to producers' continued strong returns and the need from more takeaway capacity. Among Copano's plans are a second expansion of its DK pipeline, additional cryogenic and fractionation capacity at its Houston Central facility and completion of the Double Eagle crude line from the Eagle Ford to **Magellan Midstream's** facility in Corpus Christi.

The $120 million DK pipeline extension in Texas' McMullen Co. will add 65 miles of 24-in. pipeline that will effectively tie additional Copano gathering systems directly to its central complex in Houston. The line—supported by long-term volume commitments from **BHP Billiton** and **Petrohawk**—is expected online in 2Q13. It will follow the same route as Copano's Double Eagle, a JV with Magellan Midstream which is expected to be operational in 1Q13.

Copano plans to spend $1 billion-plus in the Eagle Ford by year-end 2013.

The public offering includes a 900,000-unit underwriter option that could increase gross proceeds another $28.9 million. The offering was priced 3.7% below the prior day's closing price of $33.36/unit. Shares dropped 4.8% on news of the offering, which without exercise of the option will amount to an 8.3% dilution to equity holders.

Joint book-running managers on the equity offering are **Barclays, BofA Merrill Lynch, Morgan Stanley, Wells Fargo, Goldman Sachs** and **RBC.**

Targa guides down as plant & LPG expansion announced

As **Targa** provided Q3 guidance of $23 million in net income—down 50.9% sequentially—the company also announced plans for a $225 million cryogenic processing plant and LPG export project expansion during the summer 2013, increasing costs for the latter from $250 million to $480 million. These projects will drive much of 2013 projected growth capex of $685 million. Maintenance capex is expected to be ~$75 million.

2013 distributions should grow 10% to 12% YOY; dividends 25-30%.

Targa Resource Partners and **Targa Resources** showed $113 million in adjusted EBITDA (down 8.8% sequentially) and distribution coverage of 1.0x (vs. 1.15x). Targa said the sequential adjusted EBITDA decline was primarily due to impacts of Hurricane Isaac and lower commodity prices, partly offset by increased field gathering and processing plant inlet volumes. Net income was hurt by the same factors, as well as a ~$14 million non-cash charge for shutdown of the Yscloskey gas processing plant, in which Targa has a 28% JV interest.

Targa will cut interest on $200 million or more in debt from 8.25% to 5.25%.

On a full-year basis, adjusted EBITDA should fall near low end of Targa's $515 million guuidance due to hurricane and commodity impacts and the fact that NGL prices which are ~25% lower than previous assumptions. Targa said the 1H13 adjusted EBITDA should be $540-570 million with greater coverage in H2 as new projects come online. Targa believes adjusted EBITDA will increase 25% or more YOY in 2014 based on contributions from those same projects.

Subsequently, Targa Resource Partners announced a private issuance of $400 million of 5.25% senior unsecured notes due 2023. Net proceeds will be used to redeem all of Targa's 8.25% senior notes due 2016 (listed at $209.1 million in Q2). and reduce outstanding debt under its senior secured credit facility.

Midstream Capital

Southcross completes IPO at $20/unit Continued From Pg 1

Southcross is a gas and NGL midstreamer servicing southern US markets. It has 2,590 miles of pipe running through Alabama, Mississippi and Texas (with solid Eagle Ford access), over half that amount in Texas. Total capacity is 1.31 Bcfd and average throughput is 613 MMcfd. Southcross also has two gas processing plants with a combined capacity of 185 MMcfd, two treating plants and a fractionator in Texas. Growth drivers include a new 200 MMcfd Woodsboro cryogenic processing plant in Texas and a 11,500 bpd NGL capacity expansion at Southcross' fractionation plant.

Southcross Energy Partners was formed in 2009 by management and PE sponsor **Charlesbank,** which bought pipeline assets from **Crosstex** for $220 million. CEO David Biegler has over 46 years experience in energy, previously leading **Estrella Energy LP,** a founding Southcross investor, and **Regency Gas Services,** also holding leadership positions at **TXU Corp.** Southcross generated $40.1 million in gross operating margin on $226.3 million in revenues for 1H12, with the majority of gross margin derived from South Texas.

Companywide Southcross pipeline has capacity of 1.31 Bcfd.

Joint book-running managers were **Citigroup, Wells Fargo, Barclays** and **JP Morgan.** Co-managers are **RBC, Raymond James, Baird, Stifel Nicolaus** and **SunTrust.**

Citigroup, Wells Fargo Securities, Barclays and **JP Morgan** are acting as joint book-running managers for the offering. **RBC Capital Markets, Raymond James, Baird, Stifel Nicolaus Weisel** and **SunTrust Robinson Humphrey** are acting as co-managers for the offering.

Midstream News

Kirby may use barges to ship Bakken crude to California

Tanker fleet operator **Kirby Corp.** is considering moving Bakken oil from North Dakota and Montana to California refineries after it reaches the West Coast by rail. While discussions with potential customers are still at a preliminary stage, Kirby president Greg Binion said the company might start with shipments of 80,000-150,000 bbl and expand from there.

Fleet operator looks to follow success of its Mississippi River delivery route.

Kirby already ships train-delivered Bakken oil from St. Louis down the Mississippi River to refineries near Baton Rouge, Louisiana. While the trip takes a week to complete, government data shows traffic along the river had already grown from almost nonexistent in 2010 to 56,000 bopd in January 2012. Kirby barges also pick up Bakken from Albany, New York (delivered there by third-party rail) to the New York Harbor and then to refineries outside Philadelphia.

"There's not going to be any pipelines going to the West Coast, and there's not going to be any pipelines going into Baton Rouge," Kirby VP of finance Steve Holcomb said during a Q3 conference call. The company expects increased volumes coming out of Washington state from unit trains in the Bakken.

Kirby foresees 80,000-150,000 bbl shipments to California refineries.

As an example, Holcomb cited **Tesoro's** recent outlay of $50 million to increase rail delivery of Bakken crude to its Anacortes, Wash. refinery 25% to 50,000 bopd by building an uploading facility.

During the first nine months of 2012 Kirby added 34 new tank barges, increasing its capacity by 671,000 bbl. Also, second-largest US inland barge operator **American Commercial Lines** has added at least 14 newbuild 30,000-bbl tank barges to its fleet this year and is considering keeping some vessels it was going to retire, citing increased demand.

Atlas hits record volumes for gathering & processing

Atlas Pipelines showed record volumes at all three of its gathering and processing systems for Q3 with the WestTX system's average volume of gas rising 29.1% vs. the same period last year to 255.7 MMcfd. This increase was primarily due to greater production at in Spraberry and Wolfberry trends.

Atlas's total gas volumes up 36% to 769 MMcfd YOY.

However, average WestTX NGL production volumes were 28,499 bpd for Q3, a YOY increase of only ~4% attributed to a third-party fractionator operating at reduced capacity during the quarter; the problem was resolved in October.

The WestOK system showed an average processed gas volume for the quarter of 380.1 MMcfd for a 44.2% YOY increase. Meanwhile, average NGL production was 12,998 bpd, a 2.9% YOY decrease. This was caused by the WestOK facilities rejection of ethane as a result of low prices and allocations limits on the NGL pipeline.

Spraberry & Wolfberry trends credited for rise in gas volumes.

The Velma system recorded processed gas volume at 133.2 MMcfd for Q3 which represented a 26.9% YOY increase. The increase was primarily attributed to production on the Madill-to-Velma pipeline system from the liquids-rich portion of the Woodford shale. Average NGL production increased to 14,866 bpd, rising 21.9% over 3Q11.

WestOK shows 44% increase in processed gas volume to 380 MMcfd.

Overall, Q3 processed gas volumes were 769 MMcfd, a 36% increase, while processable volumes rose more than 85 MMcfd since Q2. Q3 adjusted EBITDA was $55.9 million, a 13% increase YOY.

Atlas owns and operates nine gas processing plants and ~9,700 miles of gas gathering pipeline. The company holds a 20% interest in **West Texas LPG Pipeline**, which is operated by **Chevron**.

Midstream Capital

Enterprise's fractionation leads volume growth

Enterprise Product Partners' total NGL, crude, refined products and petrochemical pipeline products for Q3 were 4.3 MMbpd—6% more than the volumes for the same quarter last year and 7.5% greater than 2Q12. NGL fractionation volumes showed the largest comparative gains, up 18% to 653,000 bpd, with total gas pipeline volumes increasing 12% to a record ~15 Bcfd for the period.

Enterprise shows record 15 Bcfd gas volumes during the quarter.

Additionally fee-based gas processing volumes for Q3 increased 17% to a record 4.5 Bcfd while equity NGL production for the quarter decreased 13% to 99,000 bpd. CEO Michael A Creel credited fee-based volume growth and attractive margins for a 17% YOY gross operating margin increase to $1.1 billion with adjusted EBITDA of $1.1 billion and net income of $588 million.

On a separate bright note for the company, the Enterprise Crude Houston terminal began receiving crude after completion of its Phase 1 expansion. The first three tanks have a total capacity of 750,000 bbl.

Midstream News

Phillips 66 refining earnings soar on improved margins

Phillips 66—fresh from becoming the largest US independent refiner earlier this year after spinning off from **ConocoPhillips**—reported Q3 earnings of $1.6 billion, compared to $1.05 billion YOY. This was attributed largely to improved margins.

DCP pipeline hurt by NGL prices & Hurricane Isaac.

The midstream segment showed a loss of $62 million which included a non-cash $133 million equity investment in **DCP Midstream's** Rockies Express Pipeline. The pipeline was hampered by faltering NGL prices and higher operating expenses.

Phillips 66's share of DCP's Q3 earnings was $39 million, compared with $87 million pro forma a year ago. Phillips 66's worldwide refining utilization increased 96% from 92% in 3Q11, despite Hurricane Isaac.

CVR secures $500 million through financing move

CVR Energy subs **CVR Refining** and **Coffeyville Finance** completed a $500 million aggregate principal amount of 6.5% second-lien, senior secured notes due in 2022. The assets include the 115,000 bpd Coffeyville, Kansas refinery, a 70,000 bpd Wynnewood, Oklahoma refinery, midstream assets and a fuel-sales business.

These were substantially the same assets used to secure the outstanding 10.875% second-lien senior notes due in 2017.

115,000 bpd Coffeyville refinery among CVR assets.

The Issuers used $348 million of the net proceeds from the sale of the notes to finance the purchase of notes tendered in a tender offer and consent solicitation for the outstanding 9.0% first lien senior secured notes due 2015 issued by **Coffeyville Resources** and Coffeyville Finance.

Midstream A&D

Inergy enters Bakken with $425 million Colt hub buy

Inergy Midstream bought **Rangeland Energy** for $425 million in cash, gaining access to the North Dakota Bakken through the 150,000 bopd capacity Colt hub crude rail-loading terminal in Williams Co.—a key delivery point. Intergy said 90% of rail capacity for the hub is already under long-term or take-or-pay contracts, with the full 120,000 bopd of rail capacity anticipated to be contracted.

Inergy has 90% of rail capacity for the hub under contract.

The system includes a 21-mile bidirectional pipeline that connects the Colt hub to the **Enbridge** and **Tesoro** pipelines at Rangeland's terminal at Dry Fork, the Beaver Lodge/Ramberg junction, the **Banner** gathering system and a planned connection to the **Bear Tracker** gathering system which is expected online in July 2013. The deal is expected to close next month.

Spectra drops down $375 million in pipeline assets

Spectra Energy Partners acquired a 38.76% interest in Maritimes & Northeastern pipeline from parent company **Spectra Energy** for ~$319 million and ~$56 million in newly issued partnership units.

833 MMcfd pipeline connects Algonquin Transmission hub in northeast.

The 338-mile pipeline has a~ 0.8 Bcfd capacity and runs from Nova Scotia into Brunswick, Maine; New Hampshire and northeastern Massachusetts, where it connects with Spectra's Algonquin gas transmission hub line near Beverly, Mass. From there it provides a seamless link to Spectra Energy systems from offshore Nova Scotia to South Texas and the Gulf Coast.

In addition to Spectra Energy Partners, other owners of the M&N pipeline are Spectra Energy (38.77%), **Emera Inc.** (12.92%), and **ExxonMobil** (9.55%).Spectra Energy Partners will use short-term borrowing to fund the cash portion of the transaction.

Midstream News

Enterprise ups Mont Belvieu NGL capacity to 485,000 bpd

Enterprise's sixth NGL fractionator at its Mont Belvieu complex is now operational, increasing capacity to 485,000 bpd. The 85,000 bpd unit—supported by long-term contracts—will reduce volumes the company diverts to its Louisiana fractionators, while taking on increased volumes from its Yoakum, Texas NGL processing plant. The first two trains of the Yoakum facility are currently processing 700 MMcfd and extracting 90,000 bpd of mixed NGLs.

> *Enterprise expects its facility capacity to surpass 1.0 MMbpd in 4Q13.*

The company's seventh and eighth fractionators are under construction at Mont Belvieu and are expected to increase total capacity at the facility to ~650,000 bpd when they become operational in 4Q13. Enterprise expects the new units to bring its systemwide capacity to over 1.0 MMbpd.

"Production growth from domestic shale play basins continues to impress and create growth opportunities for Enterprise," said VP of Enterprise Products A.J. Teague..

Mark West Utica to provide fractionation to Antero

MarkWest Utica—a joint venture of **MarkWest** and **The Energy and Minerals Group**—signed a deal to provide fractionation and gas processing to **Antero Resources** in the Utica shale where the latter company leases more than 60,000 acres.

> *Mark West Utica looking to add an NGL gathering system at Cadiz complex.*

MarkWest Utica will develop infrastructure in Noble Co., Ohio where Antero currently operates one drilling rig and expects to add another in 2Q13. Mark West Utica plans initially connect to a 45 MMcfd of gas refrigeration plant at its Seneca complex in 3Q13. The contract also provides for construction of a 200 MMcfd Seneca 2 processing facility as early as year-end 2013.

> *200 MMcfd processing facility expected as early as year-end 2013.*

Additionally, MarkWest Utica will build an NGL gathering system to its Cadiz processing complex in Harrison County. The Cadiz complex will include a de-ethanization facility expected to be operational in 1Q14.

In early March, MarkWest signed an with Gulfport Energy to construct extensive gas gathering infrastructure across the Harrison, Guernsey, and Belmont counties as part of its effort to develop the Utica.

Downstream A&D

As air-quality rule approaches, Valero is in selling mode

Valero is looking to sell two California oil refineries before the air-quality restrictions outlined in California's Global Warming Solutions Act go into full effect. The company said **Citigroup** is in the early stages of finding a buyer. The two plants—located in Wilmington near Los Angeles and Benicia near San Francisco—process ~210,000 bopd and account for ~10% of the company's refining capacity.

> *California's new air-quality restrictions go into full force in 2020.*

Valero announced its intention to exit the refining business in July 2010 prior to joining with rival **Tesoro** in a failed attempt to overturn the law which was passed through a ballot initiative in 2006. The law as it stands calls for air emissions to be cut to 1990 levels by 2020.

> *Valero blames Q3 drop in net income on lost refinery throughput.*

Valero faulted decreased refinery throughput margins for a 44% YOY drop in Q3 net income to $674 million. The sole exception was the North Atlantic region, which saw significantly tighter refining throughput margins YOY.

People Briefs

• **Circor International** has relocated its group headquarters to 945 Bunker Hill Roads, Suite 650, in Houston, Texas.

• **CVR Energy Inc.** appointed *Carl D. Findley* as VP of human resources.

• **Keyera** appointed *Steven Kroeker* as VP and CFO.

• **NRG Energy** announced the departure of EVP and chief customer officer *Jason Few*. *Tom Gros* has been appointed to replace him.

• **Oiltanking Partners** appointed *Anne-Marie Ainsworth* to its board and as president and CEO of its general partner. *Carlin Conner* has been appointed as managing director of **Oiltanking GmbH.**

• **Questor Technology** announced the departure of CFO and corporate secretary *Diane Koenig*, effective December 16.

Inventories

Gas prices are bullish as build falls short of expectations

Gas storage in the Lower 48 increased 21 Bcf the week ended November 2, according to the EIA—less than the 26-30 Bcf expected by analysts. This further reduced the storage overhang vs. last year and the five-year average to 2.9% and 6.6%, respectively. The EIA reported 3,929 Bcf of working natural gas storage.

The West Coast continues to show the largest YOY surplus of 7.7% (10.7% higher than the five-year average) though the producing region reports the largest five-year surplus of 13.5% (only 4.4% YOY).

Oil inventories have climbed five of the past six weeks—

Crude oil inventories not including SPR moved higher for the second consecutive week and five of the six last reporting weeks to reach 374.8 MMbbl, for a combined gain of 10.149 MMbbl since September 28. Crude stocks gained 1.7 MMbbl sequentially for the week ended November 2. Distillate inventories climbed for the first time in six weeks reporting a total of 118.1 MMbbl, up 131,000 bbl sequentially but down 6.0 MMbbl since September 28. Production was slightly lower as refinery utilization fell to 85.4% from 87.7%, though imports were up 23,000 bpd at 55,000 bpd. Gasoline inventories were up 2.9 MMbbl at 202.4 MMbbl for the week ended November 2.

US ethanol inventories slipped by 1.079 MMbbl sequentially to a total of 18.136 MMbbl, marking the third drop in stockpiles in the last four sessions. Ethanol stocks are 1.7 MMbbl (10.4%) higher YOY, slightly narrowing the YOY surplus. Fuel ethanol production saw a modest gain of 2,000 bpd sequentially to 827,000 bpd of production, according to the EIA.

Current US Petroleum Stocks by Type (MMbbl)

	For Weeks Ending			
	11/2/12	10/26/12	Net Change	11/4/11
Crude Oil (Excluding SPR)	374.8	373.1	1.70	338.1
Motor Gasoline	202.4	199.5	2.90	204.2
Distillate Fuel Oil*	118.1	117.9	0.20	135.9
All Other Oils	403.7	407.8	-4.10	371.3
Crude Oil in SPR	695.0	695.0	0.00	696.0
Total	**1,794.0**	**1,793.3**	**0.70**	**1,745.5**

*Distillate fuel oil stocks located in the "Northeast Heating Oil Reserve" are not included.
Note: Data may not add to total due to independent rounding.
Source: EIA Weekly Petroleum Status Report

Current Natural Gas Stocks by Region (Bcf)

	Current Stocks 11/2/12	1-Week Prior Stocks 10/26/12	Implied Net Chg From Last Wk	Estimated Prior 5-Yr (2007-11) Average	Percent Difference From 5-Yr Average
East Region	2,096	2,091	5	2,058	2%
West Region	548	540	8	495	11%
Producing Region	1,285	1,277	8	1,132	14%
Total Lower 48	3,929	3,908	21	3,685	7%

Source: Energy Information Administration: Form EIA 912, "Weekly Underground Natural Gas Storage Report" and the Historical Weekly Storage Estimates Database. Row and column sums may not equal totals due to independent rounding.

Canada

TransCanada & Phoenix to develop $3B line Continued From Pg 1

Phoenix is committed to developing its Dover and MacKay oil sands assets in several phases and sees the pipeline as a way to alleviate some of the bottleneck in the Athabasca region. "This transportation solution will be important to Phoenix and other potential producers in this area to monetize their huge resources," said Phoenix CEO Zhiming Li.

Phoenix signs as anchor shipper for 50:50 joint venture.

TransCanada currently operates ~14,900 miles of gas and ~2,175 miles of oil pipelines across Alberta. The company is also among North America's largest gas storage providers with ~380 Bcf of capacity. Phoenix Energy is a private label power company that builds, owns and operates plants in partnership with businesses.

International

Kogas to build two gas pipelines in Iraq by fall 2014

Iraq signed a $127.5 million deal with South Korea's state-run **Kogas** to build two gas pipelines linking the nation's oil-rich city of Kirkuk with the industrial city of Beiji in the north. The 68-mile pipeline is expected to be completed by September 2014.

Separately, the Iraqi Oil Ministry has asked oil and refinery companies to bid on development rights to the 4.4 Bbbl Nasiriyah field in the nation's south and to build a 300,000 bopd refinery in the area.

Iraqi Oil Ministry seeking bids Nasiriyah field & oil refinery.

Iraq has awarded several oil and gas agreements in the past five years but developers have faced infrastructure bottlenecks brought about by sanctions and rebel attacks. Iraq estimates it will require investments of $500 billion over the next 18 years to develop its reserves and modernize its energy-related infrastructure. The nation expects to produce 9.0-10 MMbopd by 2020. The projections are considerably higher than those of the IEA**,** which said the country will more than double its current output to 6.1 MMbopd by 2020 and to 8.3 MMbopd by 2035.

HRT & Petrobras look into shared Amazon pipeline

Brazil's **HRT** and state-run **Petrobras** may take gas development efforts in the Amazon rainforest a step further by sharing a pipeline and building power and fertilizer plants together. The two companies are also looking into the possibility of joint LNG and gas-to-liquids projects.

Brazilian companies ponder joint LNG and gas-to-liquids projects.

"The objective is to optimize investments and logistics for all," HRT CFO Carlos Tersandro Adeodato told Bloomberg, adding that the agreement with Petrobras has "been considered good news by the market."

In October, the two companies signed an LOI along with Russia's **TNK-BP** to investigate methods to develop a system of gas monetization in the Solimoes Basin and come up with a working plan within 30 days. HRT projects that a gas sales contract will be in place by 4Q13.

Petrobras pipeline carries ~144.8 MMcfd along 441-mile line.

Petrobras has the only gas pipeline in the area—the 441-mile Urucu-to-Manaus line which carries 144.8 MMcfd. The company pumps more than 90% of Brazil's oil and gas, while HRT has yet to begin production. HRT owns 55% of the Solimoes Basin blocks, TNK-BP owns the rest.

The Solimoes Basin holds ~2.4 Bboe according to the Brazilian National Agency of Petroleum.

International Briefs

• Regional environmental regulators in Klaipeda, Lithuania gave their consent for construction of an LNG import terminal and related infrastructure in the southern portion of the Klaipeda State Seaport near Pig's Back Island. The terminal is expected to import ~510 Bcfd of LNG when completed in 2014.

• **Honeywell** and **ExxonMobil Research & Engineering** have been signed by **Rafinerija Nafte Brod**—Bosnia and Herzegovina's only oil refinery—to improve the quality of refining lubricants and fuels. The new technology combines Honeywell's UOP Unicracking hydroprocessing solutions with EMRE's distillate and lubricant de-waxing technologies to produce ultra-clean jet and diesel fuels along with high-quality lubricant base stocks.

• The UK's **Ophir Energy** plans to build an 87-mile pipeline in Equatorial Guinea capable of feeding an LNG plant producing ~3.7 mtpa. The line will bring fuel to Punta Europa on Bioka Island. This comes after the company discovered a total of 7.0 Tcf off Equatorial Guinea—enough to supply a potential LNG plant at that location.

• **Singapore** decided to build a fourth $500 million LNG tank at its $1.7 billion terminal on Jurong Island. Speaking at the Gas Asia Summit, cabinet minister S. Iswaran said the new tank would come online in 2016 or 2017 and enable the Singapore LNG terminal to handle 9.0 mtpa of LNG. He said a second LNG terminal might also be built in the future.

• Japanese companies **Tokyo Gas, Japan Petroleum Exploration** and **Nippon Steel & Sumikin Engineering** are planning an offshore pipeline to transport gas 870 miles from Russia's Sakhalin Island to Tokyo. The project is expected to take at least five years to complete and cost $5.0 billion.

• A gas pipeline feeding the only LNG export terminal in Yemen was blown up. The **Total**-run operator confirmed the 38-in. pipeline linking Block 18 to the $4.5 billion Balhaf terminal on the Gulf of Aden 200 miles away was hit by saboteurs on October 30. The Balhaf facility which opened in 2009 has contracts with Total, **GDF Suez** and **Korea Gas.**

Canada

Enbridge pulls plug on Cabin gas plant for now

Enbridge delayed its almost completed Phase 1 of the Cabin Gas Plant project due to the lack of needed production from the Horn River Basin of northeastern British Columbia. The company also postponed construction of Phase 2 of the project.

The two plants 45 miles northeast of Fort Nelson have already received regulatory approvals to process ~800 MMcfd with the ~400 MMcfd Phase 1 expected in service by year's end and Phase 2 scheduled to follow it online in 3Q14. Capacity for both plants have been fully booked under long-term contracts.

Enbridge holds 71% stake in two delayed ~400 MMcfd plants.

Enbridge said restarting the project will be dependent on market conditions; some analysts said they expect demand for Horn River Basin gas to rise as LNG facilities are built on the BC coast.

"There would have to be gas being produced in the region that would have the requirement for that type of processing facilities which is not what we're seeing right now," Enbridge spokesman Graham White told the Calgary Herald.

Lack of gas demand for Horn River cited for decision.

Enbridge holds a 71% stake in the Cabin gas plant, including a 52% stake bought from **Encana** in November 2011 for ~$222 million. The remainder of the project is owned by **Imperial Oil/Exxon, Nexen** and **Apache**—all producers in Horn River Basin. Enbridge estimates its investment in the two phases at ~$1.1 billion.

LNG

Apache looks to roll out Kitimat LNG plan in coming months

Apache CEO G. Steven Farris told stakeholders during a Q3 call that the company still plans to go forward with the $15 billion Kitimat LNG project on Canada's West Coast in which it owns 40% WI with **EOG Resources** (30%) and **Encana** (30%).

"We're going to be rolling that out here in the coming months," he said. "But the potential for liquids and liquids-rich gas in Canada are actually much stronger than I thought they were. In terms of partnering with **Exxon,** I can't comment on that."

Apache said in September that it planned to divest a 20% stake in Kitimat, and Exxon's name has come up as a potential buyer. The US major announced last month it would acquire **Celtic Exploration** for $3.1 billion to expand its unconventional portfolio significantly in Canada. That deal suggests that Exxon is serious about exporting LNG to Asia from Canada's West Coast, an option Exxon CEO Rex Tillerman said in May the company was considering. At that time, Exxon's only significant shale holdings in Canada were through affiliate **Imperial Oil** in British Columbia's dry-gas Horn River Basin.

Rumors of an Exxon buy in to project amplified by Celtic buy.

Rival **Cheniere Partners'** strategy of linking LNG exports to Henry Hub prices has presented economic challenges to the Kitimat project. Despite the Kitimat partners having spent hundreds of millions on site preparation for their BC terminal, Apache VP and Kitimat manager David Calvert told an energy conference last month the Cheniere pricing model had created "unrealistic" expectations. Henry Hub prices are now low due to the shale gas boom in the US.

Total puts off decision on financial backing for Yamal LNG

Total postponed its final commitment to the Russian Arctic-located Yamal LNG project—expected before the end of the year—amid gas market uncertainty. The company's head of gas and power Philippe Sauquet told Reuters that instead Total will decide on whether to invest in the $20 billion facility "next year if the market is there." The energy giant and its Russian partner **Novatek** (80% ownership) had expected to begin production in 2016.

Total & Novatek had expected production to be underway in 2016.

A construction contract for three of the project's LNG trains was dependent on the Total (20% ownership) investment with **Bechtel, Snamprogetti, KBR, JGC, Technip** and **Foster Wheeler** among the companies asked to bid by the partners.

Yamal LNG confirmed that bidding on the engineering and construction contract for the plant is still on schedule to be completed in December, allowing detailed design to be finished in early 2013.

Pieridae plans 5 mtpa LNG export plant in Nova Scotia

Pieridae Energy plans to develop an LNG export plant in Goldboro, Nova Scotia that it expects will produce ~5.0 million tons per annum and have onsite gas storage capacity of ~420,000 cubic meters of LNG. The Canadian company said the facility will include a marine jetty for loading.

Pieridae plans LNG plant for 4Q18.

The plant will be located adjacent to the 555 MMcfd Maritimes & Northeastern pipeline which runs to Nova Scotia from the US.

Pieridae can import gas from the US without difficulty, but will need an exclusion permit to export to non-NAFTA countries which can be difficult to obtain.

Construction is planned to get under way in 2014 with the plant scheduled to be operational in 4Q18.

What the Analysts are Saying About Midstream & Downstream

Phillips 66 (PSX; $47.76–Nov. 5; Buy; PT: $79)

We believe that the market is grossly underestimating the midstream EBITDA embedded in PSX's R&M business. A contemplated midstream MLP will provide a vehicle that enables PSX to capture the full value of TPHe $1B of potential midstream EBITDA. **The midstream MLP can provide capital for lower return investment opportunities that previously did not meet PSX's R&M-style high internal hurdle rates (a result of 3-4x valuations).** Furthermore, we believe that PSX could and should create a wholesale fuel marketing MLP that would revalue the $500mm of MLP-ready marketing EBITDA that is currently embedded in PSX's R&M segment, providing additional cash for PSX. As these contemplated subsidiaries raise low-cost capital, we expect major increases in dividends from self funding subsidiaries CP and DCP, in addition to the free cash flows from PSX's base refining business. Meanwhile, PSX has committed to a limited capex budget for wholly-owned refining operations, which will cause a rapid accumulation of cash over the next several years. —Brad Olsen, **Tudor, Pickering, Holt & Co.**

Tesoro Corp. (TSO; $38.21–Nov. 11; Outperform; PT: $50)

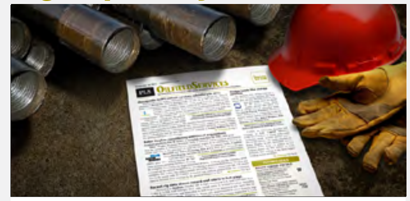
Anacortes Rail Facility. In September, TSO began receiving unit trains of Bakken crude at its Anacortes, WA refinery. The Bakken crude has both a price and quality advantage over the benchmark ANS blend the refinery typically runs. **The total ANS-Bakken differential is currently around $20/b compared to rail costs of $8-$9/b, creating a $12/b uplift over the $3-$5/b (EBITDA of $35-$40 million) of value accretion** originally contemplated in the project based on the yield uplift of 16% more clean product vs. ANS. The rail unloading facility is operating as expected, and should deliver roughly 40 mbd of Bakken crude in 4Q12. As the company moves up the learning curve, deliveries should move closer to the permitted capacity of 50 mbd sometime during 1H13. —Fadel Gheit, **Oppenheimer Equity Research**

Rose Rock Midstream LP (RRMS; $30.51–Nov. 9; Neutral; PT: $32)

SemGroup currently owns a 51% interest in the White Cliffs Pipeline—a 527-mile crude oil pipeline originating in Platteville, CO, and terminating in Cushing, OK. ... **We expect SEMG to dropdown White Cliffs in two pieces in 1Q13 and 3Q13 for $134MM each.** We model throughput volumes increasing 2% per quarter until utilization reaches capacity. We model the $300MM gross expansion project to double the White Cliffs throughput from 70 Mbd to 150 Mbd. The successful open season for the pipeline expansion was announced on October 25 and the expansion is anticipated to be in service in 1H14. The FERC general rate for crude transported through White Cliffs is $5.70/bbl ($5.20/bbl discounted rate for long-term contracts). Recently, White Cliffs has been transporting volumes only half of the distance, as a portion of the volumes are coming out of the Kansas market. Management has guided that the tariff on the pipeline will decrease once the contracts from Noble and Anadarko fall off. The initial tariffs were originally established to build the pipeline. We expect the tariff to drop by ~$1.50 in 1Q13; this could be conservative both in amount and timing. —Ethan H. Bellamy, **Baird Equity Research**

Targa Resources Partners LP (NGLS; $42.48–Oct. 23; Neutral; PT: $50)

Targa forecasts 2013 distribution growth of 10-12%, above our call for 5% growth. **The company estimates EBITDA of $540-$570 mm, mid-point of which is 10% below our $616 mm projection and versus consensus of $624 mm.** Importantly, in our view, these estimates are based on conservative commodity price assumptions of $3.50/mmbtu gas, $90/bbl oil and $0.87/gal NGLs ($0.35/gal ethane, $0.95/gal propane). Company provided sensitivities indicate that a +/- $0.10/gal movement in the price of ethane will result in a +/-3% impact to EBITDA. ... From a spending perspective, growth capex is expected at $685 mm versus our previous estimate of $410 mm. Our new 2013 growth capex forecast of $885 mm assumes some of the projects in Targa's backlog are added to the 2013 budget. Maintenance capex is expected to total $75 mm. —Richard Gross, **Barclays Equity Research**



GULF COAST

WEBB CO., TX PROPERTY

25-Active. 13-PUD. 6,058-Net Acres.
VAQUILLAS RANCH FIELD
Lobo Stacked Sands. ~9,100 Ft.
LONG WELL LIFE
Gathering System Included.
59-Sq Mi Proprietary 3D Seismic Data.
Low-risk Upside. Liquids-Rich.
100% OPERATED WI; 75% NRI
Net (July) Prod: 32 BOPD & 7.0 MMCFD
Plus 485 NGL BPD. 31% Liquids.
Projected Cash Flow: $1,400,000/Mn
Net Proved Reserves: 39 BCFE
Net Proved+Probable Rsrvs: ~80 BCFE
Net Proved Rsrvs (PV10): $69,000,000
Confidentiality Agreement For Data Room.
Post Seismic Tech Break Out Session.
CONTACT AGENT FOR UPDATE
PP 9118DV

PP
10 MMCFED

PERMIAN

BORDEN CO., TX ACREAGE

80-Acres.
PERMIAN BASIN
ALL DEPTH RIGHTS
Good Wellbore with Casing
96% OPERATED WI; 75% NRI
Equipment Included w/ Package Sale
Primary Term Thru May 5, 2014
CONTACT MIDLAND AGENT
DV 1967G

DV
PERMIAN

MIDCONTINENT

NORTH OKLAHOMA PACKAGE

85-Wells. ~14,346-Net Acres.
BEAVER, ELLIS & HARPER CO.
MOCANE-LAVERNE AREA
Chester, Morrow, Tonkawa, Chase
-- & Council Grove Production.
Various Depth Limitations & Restrictions
Avg 59% OPERATED WI; 48.3% NRI
Gross Prod: 2,800 MCFD & 11 BOPD
Net Sales: 1,200 MCFD & 3.0 BOPD
Net Operating Cash Flow: $68,900/Month
Sale Includes Gas Gathering Lines
OFFERS DUE BY NOVEMBER 20, 2012
PP 5999DV

PP
2,800 MCFD

EASTERN & APPALACHIA

WESTERN KENTUCKY PROJECT

53,000-Total Net Acres. Long Terms.
WARREN, OHIO, BUTLER, GRAYSON
ACREAGE & MIDSTREAM ASSETS
NEW ALBANY SHALE & SHALLOW OIL
Horizontal Development Potential.
Over 100 Drilling Locations Identified.
OPERATED WI FOR SALE; >85% NRI
Net Production: 30 BOPD
Refrigeration Plant: 3.0 MMCF
40+ Mi Pipeline Infrastructure/Gathering.
Proved Reserves: 6.3 BCFE
CONTACT AGENT TO LEARN MORE
DV 1334PP/G

DV
PROJECT

NEW YORK ACREAGE

Leases. 133,000-Total Net Acres.
BROOME, CHANANGO & MADISON
MARCELLUS & UTICA SHALE
On Trend w/ Established Production
Upside in the Geneseo & Devonian Shales
500 Miles of Proprietary 2-D Seismic
70-Square Miles Proprietary 3-D Seismic.
100% OPERATED WI; 81.25% NRI
EXPLORATION & PIPELINE RIGHTS
150 Mile Multi-Line ROW to Connect --
-- Three Major Interstate Pipelines.
CONTACT AGENT FOR UPDATE
L 7489G

L
MARCELLUS UTICA

SOUTHERN OHIO PROJECT

>13,400-Gross Acres. (Contiguous)
JACKSON, GALLIA & VINTON CO.
Utica Shale / Point Pleasant Potential
Shallower Lower Huron Shale Opportunity
Includes 4 Shallower Horizontal Wells
100% OPERATED WI; 87.5% NRI
SEEKING OUTRIGHT SELL OR JV
Gathering & Pipeline System In Place.
Access to Two Major Interstate Pipelines.
5-Year Initial Lease Term w/ Renewals
CALL GENERATOR FOR MORE INFO
L 9828DV

L
UTICA SHALE

PENNSYLVANIA PACKAGE

700-Active Wells. 51,000-Acres.
MARCELLUS & UTICA SHALES
400 Miles Pipeline, Potential Storage,
Drilling Operation & Company For Sale.
Can Be Sold In Parts Or As A Whole.
CONTACT BROKER FOR DETAILS
PP 9639CO

PP
MARCELLUS

ROCKIES

RIO BLANCO CO., CO LEASES

+/- 20,000-Gross/Net Acres.
BUCKSKIN MESA FIELD
FEDERAL EXPLORATORY UNIT
Obj 1: Mancos "B" 12,500 Ft.
Obj 2: Mesa Verde. 8,000 Ft.
100% OPERATED WI; +/- 80% NRI
No Pugh Clause or Depth Limitation
Multiple Well Drilling Pads Available
Estimated Project Reserves: >1.0 TCF
Non-Utilized Pipeline Right-of-Ways
Dedicated 10-Acres to Compression--
--& Treatment Facilities.
CONTACT SELLER FOR DETAILS
DV 8915G

DV
MANCOS

NEW MEXICO PROSPECT

4,500-Acres.
SAN JUAN & RIO ARRIBA COUNTIES
Horizontal or Vertical Completion.
70+ Drilling Locations. 40-Acre Spacing.
Acreage Adjacent To Large Independents.
Substantial Liquids/Oil Upside.
100% OPERATED WI; 75% NRI
FOR FARMOUT OR JV DRILLING
Est Reserves: 1.0 - 4.0+ BCF/Well
Field Has Cumm'd 30 BCF To Date.
Gathering System In Place.
CALL GENERATOR FOR INFO
DV 8352

DV
FARMOUT OR JV

WANTED

WANTED: MIDSTREAM ASSETS

Gas Gathering & Processing Units.
MIDCONTINENT TO CALIFORNIA
ALL MAJOR BASINS
Price Range: $5MM - $100MM+
CONTACT BUYER FOR REVIEW
W 1001G

W
MIDSTREAM

SEEKING INFRASTRUCTURE ASSETS

Battery, Pipeline, Disposal
Underutilized Production Infrastructure
LIKES OIL RESOURCE PLAYS
Cardium, Oilsands, Viking, Shaunavon,
Beaver Hill, Seal, Amaranth & Bakken.
PURCHASE, LONG TERM LEASE OR JV
$3MM - $40MM Price Range (If Purchase)
Buyer Can Close Within 60-Days.
CALL PLS FOR INTRO TO BUYER
W 13085G/SV

W
WANTED