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Energy companies look to move natural gas out of the Marcellus Shale

Pittsburgh Business Times - by [Anya Litvak](#)

With no shortage of Marcellus Shale drillers ramping up production, the conversation has turned to gathering and transmission.

Perhaps the deepest well of business opportunities lies in the massive infrastructure build-out planned to carry Marcellus Shale gas to the populated markets of the Northeast.

A handful of major pipelines and dozens of processing plants have been announced. The projects are labor-intensive, requiring the work of landmen, steelmakers, trash haulers and engineers, among many others.

Scheduled to begin in southwestern Pennsylvania is Dominion's Keystone Pipeline, a joint venture with Williams Co.

The Keystone Connector will be a 240-mile pipeline stretching across southern Pennsylvania from Dominion's Crayne Compressor Station in Waynesburg to Williams' TRANSCO pipeline in Delta, Pa., with an expected in-service date of 2013.

Dominion also is moving forward on its Appalachian Gateway Project, a 110-mile pipeline scheduled to begin construction in 2011 and be in operation the following year.

That pipeline will transport gas from West Virginia and southwestern Pennsylvania to Dominion's Oakford station in Delmont.

Columbia Gas Transmission has several pipelines in development and others, including a line from west to east Pennsylvania along the southern part of the state, in wait.

Texas Eastern Transmission also is in the midst of expansion. Many of these projects will rely on producers' interest and regulatory approvals to break ground.

The expansions include gathering systems, which carry gas from wells to processing facilities or into transmission lines, as well as interstate pipelines.

"I certainly think that it's going to create opportunity for the state, not only for the persons that own mineral rights, but there will be a lot of job creation that will occur," said Daryl Grieger, regional vice president and general manager for **Laurel Mountain Midstream LLC**, a joint venture between Williams Co. and **Atlas Energy Inc.**

"I think we've had a pretty sizable net effect on the investments that are going on," he said.

Natural gas liquids

Besides the natural gas that will make it to people's homes, some parts of the Marcellus, such as the gas in Green and Washington counties, also are rich in natural gas liquids, such as ethane, butane and propane.

Currently, much of this high-Btu gas is simply blended with dry gas from other areas of the Marcellus in order to bring it down to pipeline standards. But producers and midstream companies are looking for ways to capitalize on the liquids, which can be processed out of the stream and sold separately.

For example, ethane is the main ingredient in ethylene, which is used to make plastics. Propane is used as a fuel for heating and to power engines, while butane is a refrigerant common in manufacturing.

Dominion Transmission is constructing a propane terminal at Charleroi, which is scheduled to begin operating in November. In conjunction with that, the company is attempting to reclassify an existing pipeline from southwestern Pennsylvania to points in West Virginia as a propane pipeline.

Several companies have floated their intentions of building dedicated pipelines to transport ethane to other markets, such as Conway in Chicago, Sarnia in Canada and the Gulf Coast.

Canadian company **Enbridge Inc.** announced in March it was gauging interest for an ethane pipeline from the Marcellus to the Chicago area, where the company already has processing plants.

Buckeye Partners LP, a Texas-based company that abandoned its original plans for an ethanol pipeline through Pittsburgh, has instead

teamed up with **NOVA Chemicals Corp.** to build an ethane pipeline from Pittsburgh to NOVA's manufacturing facility near Sarnia.

The project is called the Union Pipeline Project and was inked in a memorandum of understanding between the two companies in February.

Midyear, Buckeye will collect commitments from producers to use the pipeline, the company announced in April, and it may consider a Midwest extension to the project.

Another proposal has come from Cumberland Plateau Pipeline Co., an Oklahoma company formed for the purpose of constructing and operating a 1,050-mile NGL pipeline from southwestern Pennsylvania to Baton Rouge. Cumberland Plateau plans to begin construction of the system in 2013 and put it in service the following year.

MarkWest and Williams both said they are working with partners to explore the idea of dedicated ethane pipelines. In the meantime, "there's still ways to move ethane around by rail, by truck, by barge," said Dan Campbell, a spokesman with **MarkWest Energy Partners LP.**

"We will have a fractionation facility up and running in our Houston, Pa., plant within the next 12 months," he said. There, the company can isolate the liquids and ship them to clients until the possibility of a pipeline to the Gulf Coast takes shape.

Randy Nickerson, the company's chief commercial officer, said at Hart's Marcellus Midstream Conference on April 20 that MarkWest also is "developing an alternative ethane project with a key partner that could compress the project schedule and improve the netback to producers."

A short-term solution is to sell propane to local trucking companies, he said.

"Even in the summer, we're importing about 20,000 barrels a day of propane," he said. Half of that comes from Canada. "Obviously, the local truck market we think will fill substantial amount of volume especially in the first few years."

Caiman Energy, a year-old Dallas company that recently opened an office in Pittsburgh, is entertaining the idea of a mixed liquids pipeline to transport natural gas liquids to Chicago and Canada.

Meanwhile, **Keystone Midstream Services** LLC, a joint venture between **Stonehenge Energy Resources LP** and **Rex Energy**, is in the process of constructing a cryogenic gas processing plant in Forward Township to strip out liquids the companies now truck to Tennessee and then send by rail to a fractionation plant in Louisiana.

Water pipes

There are even plans to install a pipeline for used frac water along the Marcellus Shale.

In February, California-based **Heckmann Corp.** and Energy Transfer Partners LP of Dallas announced they were forming a joint venture to develop a pipeline that would collect, treat and deliver recycled wastewater from Marcellus production to new wells.

Heckmann recently completed a similar project in Texas and Louisiana, where a 50-mile pipeline now transports water to and from producers in the Haynesville Shale. The Marcellus venture also will extend that service to coal mining companies, according to Heckmann's investor materials.

This would answer several outstanding concerns, according to the company. One is the expensive and road-damaging trucking of millions of gallons of water to and from well sites. Another is the dearth of disposal options for wastewater — whereas in Texas, companies can pump flowback water into underground disposal wells, Pennsylvania's topography and regulatory framework constricts that option.

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