Eagle Ford shale activity creates pipeline opportunities

With exploration and production increasing in the play, operators are looking to expand midstream infrastructure and services in South Texas.

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As crude oil and natural gas production ramps up in the Eagle Ford Shale, pipeline companies and midstream operators are increasingly looking to the South Texas play for opportunities to build new pipeline systems.

The Eagle Ford Shale, which stretches from the Mexican border along the Gulf Coast almost to Louisiana, covers more than 10 million acres in Texas, is presenting pipeliners with plenty of new build-out opportunities.

Enterprise Products Partners L.P. is a key player in the region, and it has provided an update on two pipeline projects currently under construction that are expected to provide in excess of 200 MMcfd of incremental transportation capacity for natural gas production from the Eagle Ford Shale formation in LaSalle and Webb counties in Texas in the first quarter of 2010. These pipeline projects are the initial expansions of Enterprise's comprehensive network of midstream energy assets that spans South Texas, and the partnership says they will be well-situated to enable Eagle Ford Shale producers to maximize the value for their natural gas, natural gas liquid (NGL), condensate and crude oil production.

By combining this new infrastructure with its existing assets, the partnership expects to have the capability to provide midstream services to more than 700,000 acres in the Eagle Ford Shale, 400,000 acres of which have already been dedicated to Enterprise. With the success and acceleration of

Pipeline companies and midstream operators are taking hold of opportunities in the emerging Eagle Ford Shale play.

Meritage Midstream Services is building 31 miles of 16-in. gathering lines in Webb County, Texas, in response to producer needs in the emerging Eagle Ford shale play.

drilling programs in the Eagle Ford Shale, Enterprise says it is evaluating additional investments to further expand its natural gas pipeline and processing facilities, as well as its NGL and crude oil pipelines in South Texas.

One of Enterprise's new systems is the White Kitchen Lateral, a 62-mi, 16-in. natural gas pipeline, which runs through the heart of the developing Eagle Ford Shale play in LaSalle and Webb counties. The White Kitchen Lateral connects two existing 20-in. pipelines that lie at opposite ends of the development that are part of Enterprise's South Texas pipeline system. Certain segments of the White Kitchen Lateral are already in service. An additional segment to further expand the capacity of the White Kitchen Lateral is scheduled for completion in the second quarter of 2010, at which time the White Kitchen Lateral is expected to provide in excess of 200 MMcfd of incremental natural gas pipeline capacity to the Enterprise system.

Enterprise is also proceeding with a 34-mi, 24-in. natural gas pipeline which is the first segment of a major, east-west Eagle Ford Shale mainline. This segment is designed to connect the partnership's South Texas pipeline system in southwest LaSalle County to the White Kitchen Lateral, and should be in service in the second quarter of 2010.

"With exploration and production activity in the Eagle Ford ramping up quickly, it is essential that midstream infrastructure and services be able to keep pace," says A.J. 'Jim' Teague, executive vice president and chief commercial officer for Enterprise. "Enterprise recognized the potential of this play early and we have already responded by placing steel in the ground and are developing other projects that will complement our existing integrated network of South Texas assets."

Other pipeline companies and midstream operators are also planning new projects in the region. Kinder Morgan Energy Partners, L.P. and Copano Energy, L.L.C. announced they had entered into a letter of intent for a 50/50 joint venture to provide gathering, transportation and processing services to natural gas producers in the Eagle Ford Shale resource play.

Under the agreement, the joint venture will construct, as a first phase, an approximately 22-mi, 24-in. natural gas gathering pipeline and will enter into new commercial arrangements with Kinder Morgan and Copano Energy. The natural gas pipeline will originate in LaSalle County, Texas, and terminate in Duval County, Texas, and will have an initial capacity of 350 million cubic feet per day. The pipeline is expected to be completed in mid-year 2010. The letter of intent contemplates, and the joint venture is subject to, negotiating an extension of existing contracts between Copano Energy and Kinder Morgan, including their processing and transportation agreements.

"This new alliance will provide seamless bundled gathering, processing and transmission services to Eagle Ford Shale producers through the combination of our companies' immediately available pipeline and processing capacities," says Tom Martin, president of Kinder Morgan's Texas Intrastate Pipelines. "This new pipeline is the first step to expand our combined network in support of Eagle Ford Shale development."

"Since the inception of Copano's South Texas business model in August 2001, our commercial alliance with Kinder Morgan has played a key role in the growth of our midstream services business," adds Bruce Northcutt, Copano Energy's President and Chief Operating Officer. "We look forward to strengthening this relationship through the new joint venture."

Meritage Midstream Services, a recent entry into the midstream market, is emerging as another important player in the Eagle Ford Shale. The company is currently building 31 miles of 16-in. gas gathering lines in Webb County, just north of Laredo, and will be adding 12 and 8-in laterals to that system as well. When brought online this summer, this new pipeline intends to offer interconnects to systems owned by DCP Midstream, Houston Pipeline Co., Kinder Morgan, Webb Duvall and Enterprise Product Partners. "We think we offer optionality to producers in the region that they might not see otherwise," says Steve Huckaby, President and CEO of Meritage. ■