Oneok Partners buying pipeline

by: JASON WOMACK World Staff Writer
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Oneok Partners LP agreed to buy an interstate pipeline system from Houston-based Kinder Morgan Energy Partners LP for $300 million, the companies announced Monday.

The 1,600-mile natural gas liquids and refined petroleum products system stretches from Bushton and Conway, Kan., to Chicago. It includes 950,000 barrels of above- and below-ground storage capacity and eight natural gas liquids terminals.

Tulsa-based Oneok Partners also plans to acquire 50 percent interest in three product terminals owned by Heartland Pipeline Co., a joint venture with Houston-based ConocoPhillips.

The regulated pipeline system and the additional capacity under lease can transport 125,000 barrels a day of refined products -- including unleaded gasoline and diesel fuel.

The acquisition represents Tulsa-based Oneok Partners' entry into the refined petroleum products business and is part of the $1.5 billion the company is spending on growth projects.

John W. Gibson, president and CEO of Oneok Partners, said in a prepared statement that the acquisition will create immediate and long-term value for unitholders.

"These strategically located assets further expand our NGL footprint by linking our Mid-Continent supply and storage markets to the upper Midwest," Gibson said.

Shares of Oneok Partners climbed 81 cents Monday to close at $69.26 on the New York Stock Exchange.

Oneok Partners will offer jobs to the 90 Kinder Morgan Energy Partners employees affected by the acquisition. The majority of those jobs are in the field.

But the acquisition could bring 15 jobs from Houston, if those employees accept offers in Tulsa, Oneok Partners said.

The acquisition will be financed through cash and Oneok Partners' $750 million short-term credit facility. The deal is expected to close in the third quarter, pending federal approval.

Kinder Morgan, an energy transportation and storage company, described the acquisition as a "win-win" situation for both companies.

"The North system is a good asset and will be a more strategic fit for Oneok Partners' natural gas liquids business," said Richard D. Kinder, chairman and CEO of Kinder Morgan Energy Partners, said in a statement.

The pipeline system and its related assets is the latest in a handful of projects that will expand Oneok Partners' natural gas liquids business.

In May, Oneok Partners announced a joint venture with Tulsa-based Williams Cos. Inc. to build a 750-mile natural gas liquids pipeline from Opal, Wyo., to Conway, Kansas.

The $433 million project will tie into the system to be acquired from Kinder Morgan Energy Partners.

Tulsa money manager Fredric E. Russell, CEO of Fredric E. Russell Investment Management Co., said the recent acquisition makes good strategic sense for Oneok Partners.

"They are upping the ante in the area of distribution, which they are known for," he said. "This is just a smart play."

Oneok Partners also is planning to complete construction on a 440-mile pipeline system that will extend from the southern Oklahoma County of Velma to Mont Belvieu, Texas.

The $260 million project passes through the Barnett Shale, the largest natural gas field in Texas, and should be completed in 2009.

The company also is investing $216 million in upgrading its facilities in Conway, Kan., improving a pipeline linking Conway to Mont Belvieu, and enhancing the company's storage capacity on the Texas gulf coast.

Tulsa-based Oneok Inc. is the general partner of Oneok Partners.