Hughes Hubbard & Reed

Hughes Hubbard Lays Foundation for ONEOK's $800M Pipeline Deal

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Hughes Hubbard & Reed cleared the regulatory hurdles for ONEOK's $800 million acquisition of natural gas liquids pipelines and related assets in the Permian Basin from affiliates of Chevron Corp.

ONEOK (pronounced ONE-OAK) is one of the country's largest midstream natural gas companies. It is engaged in the businesses of natural gas gathering, natural gas liquids and natural gas pipelines throughout the western United States.

On Nov. 12, Hughes Hubbard secured antitrust clearance from the Federal Trade Commission for ONEOK's $800 million acquisition of two Natural Gas Liquids (NGL) pipelines from affiliates of Chevron Corp., just two weeks after the deal was announced on Oct. 27. The deal, expected to close by the end of the year, includes approximately 2,600 miles of NGL gathering pipelines from the Permian Basin in New Mexico to East Texas and Mont Belvieu, Texas.

ONEOK will acquire an 80 percent interest in the West Texas LPG Pipeline and a 100 percent interest in the Mesquite Pipeline. Martin Midstream Partners LP owns the remaining 20 percent of West Texas LPG. The Permian Basin is regarded as the largest crude-oil and natural gas producing basin in the US.

"This strategic acquisition immediately establishes ONEOK as a significant NGL service provider in the Permian Basin," said Terry K. Spencer, ONEOK president and CEO. "We are adding another rapidly growing producing region to our operating footprint, which will create integration and expansion opportunities for the partnership by connecting these assets to our existing NGL fractionation and storage facilities in Mont Belvieu."

The acquisition will boost ONEOK's NGL gathering system by 60 percent to nearly 6,900 miles of pipeline. Its ownership interest in the pipelines will add 230,000 barrels per day of unfractionated NGL supply. ONEOK's unfractionated NGL capacity is expected to increase to 310,000 barrels per day based on expected commitments from producers.

ONEOK has pledged to spend between $8.3 billion and $9 billion for acquisitions and capital projects between 2010 and 2016, almost evenly divided between natural gas gathering and processing projects and natural gas liquid projects. The company said it has a $3 billion to $4 billion backlog of unannounced projects that it’s still evaluating, and will announce them once they secure sufficient supply commitments from producers.

The deal made headlines in The Wall Street Journal, Oil & Gas Journal, Law360 and other publications.

Bill Kolasky, Sigrid Jernudd, and Walter Song provided antitrust advice to ONEOK on this deal.

Related People

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