



NYSE: SUG

Acquisition of: Sid Richardson Energy Services Co.

December 2005

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Transaction Summary

- Acquired Entity: Sid Richardson Energy Services Co./Richardson Energy Marketing
- Purchase Price: \$1.6 billion
- Accounting treatment: Purchase of 100% of the GP & LP partnership interests
- Approvals required:
 - Hart Scott Rodino
 - Limited lender approval
 - Other customary closing conditions
- Estimated closing: 1Q 2006



Widespread Asset Base





Sid Richardson Energy Services Co.



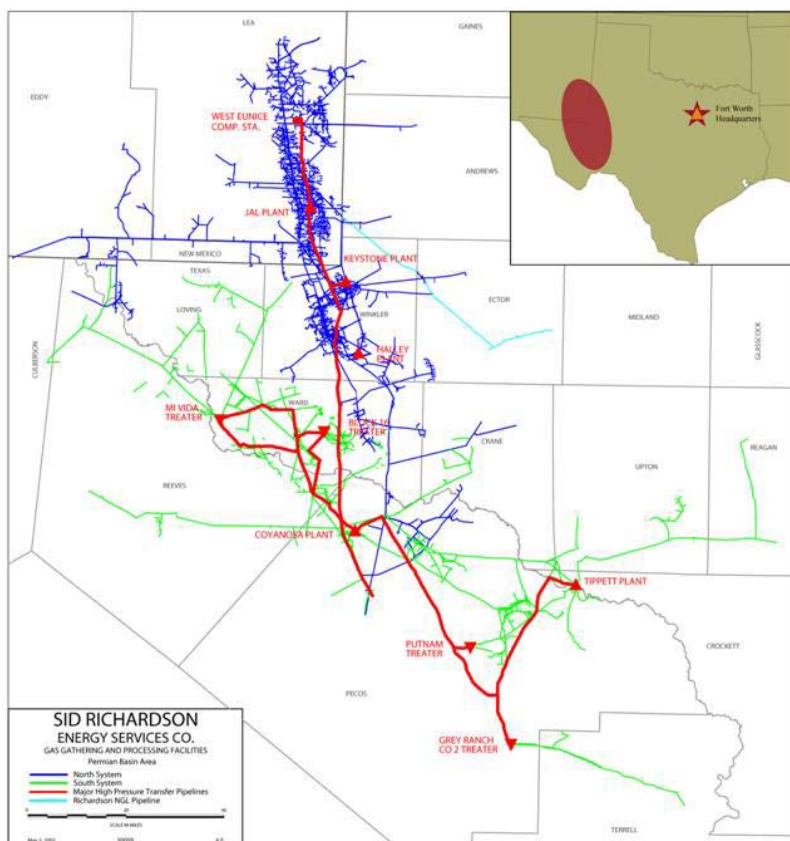


Company Overview

- Leading provider of services to gas producers & suppliers in the Permian basin for over 50 years
- Led by experienced management team
- Focus on gathering and processing includes:
 - Field gathering and compression
 - Treating, dehydration, sulfur recovery and other conditioning
 - Gas processing
 - Marketing of natural gas liquids and pipeline quality residue gas
- Attractive downstream markets include:
 - Residue gas: California, Midcontinent, Texas
 - NGLs: Mount Belvieu



System Map & Asset Detail



Source: Sid Richardson Energy Services

1 - As of April 2005.

2 - Active plants are expandable to 485 MMcf/d.

3 - Each of the 4 active processing plants also contain treating plants.

4 - Represents compression HP at the Grey Ranch and Mi Vida treating plants.

Pipelines

Total Miles	4,646
Producer Delivery Points	1,758
Current Throughput (Bbtu/d) ¹	536
Field Compression HP (Total/Active)	103,600/57,000

Gas Processing Plants

Number of Plants (Total/Active)	5/4
Processing Capacity (MMcf/d) (Total/Active)	470/410 ²
Processing Throughput (MMcf/d) ¹	361
Field Compression HP (Total/Active)	127,520/82,000

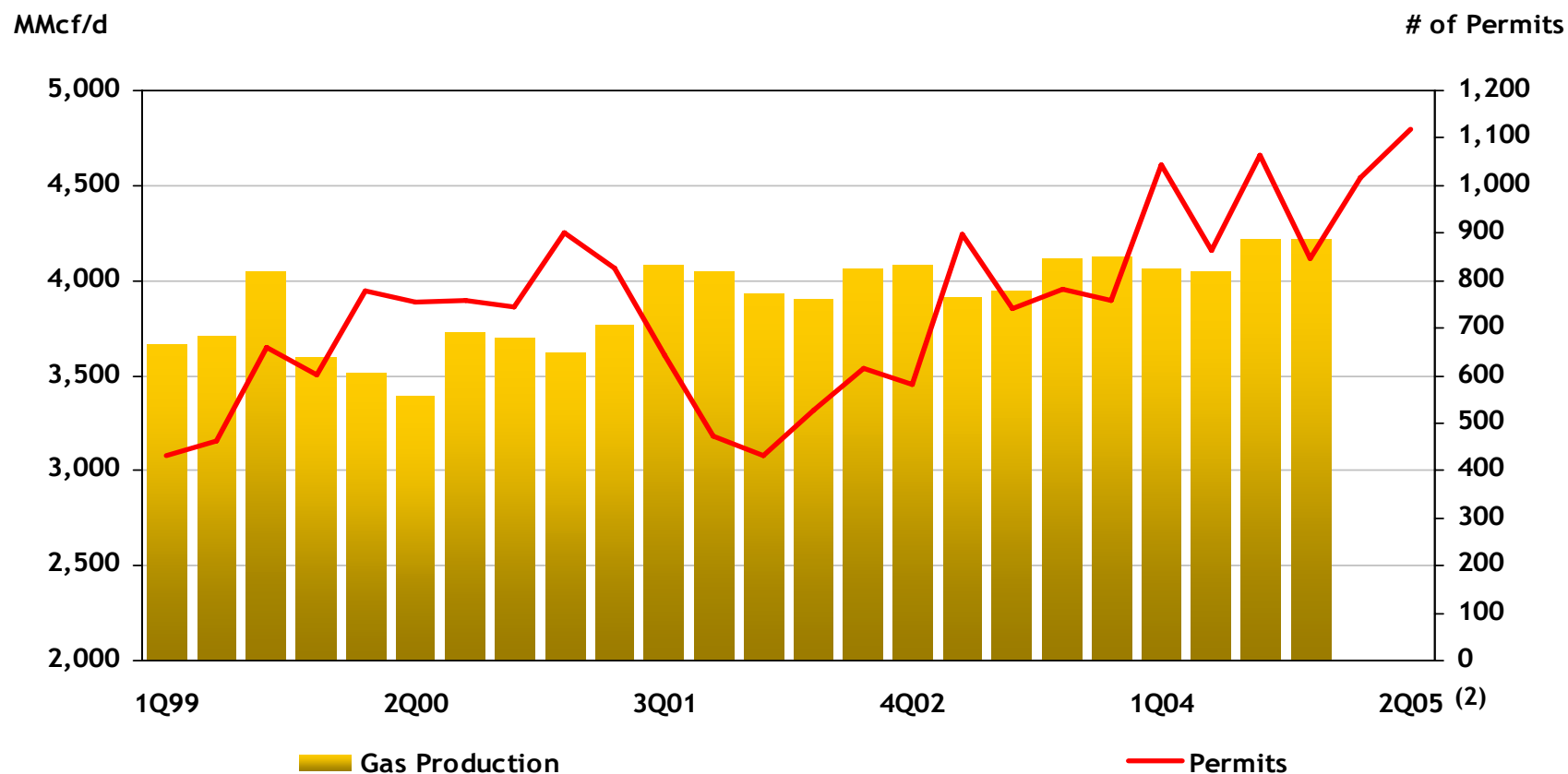
Treating Plants³

Number of Plants (Total/Active)	8/6
Treating Capacity (MMcf/d) (Total/Active)	765/710
Treating Throughput (MMcf/d) ¹	468
Compression HP ⁴ (Total/Active)	11,600/6,600



Long-lived Reserves

Well Permits and Production West Texas and SE New Mexico Operating Area (1)



Source: HPDI U.S. Historical and PI/Dwights Plus.

(1) Represents well permits and production from the 16 counties in which Sid Richardson operates.

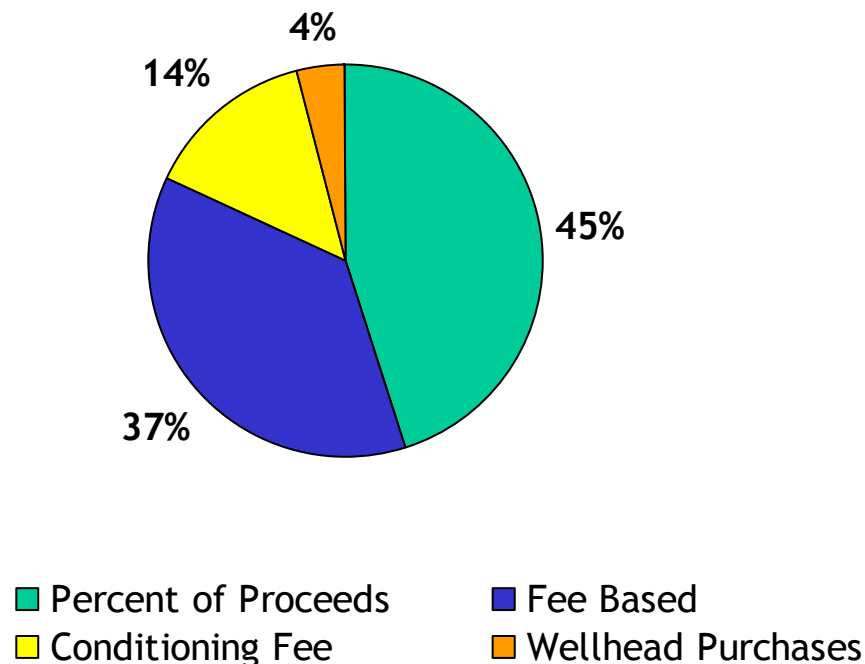
(2) 2Q projection is April and May normalized.



Strong Contract Mix

- Strong contract mix with POP/Fee Based representing over 96% of contracts
 - Fee-based represents no commodity price exposure
 - Percent-of-proceeds results in long gas/long liquids position
 - Minimal exposure to keep-whole contracts (short gas/long liquids position)

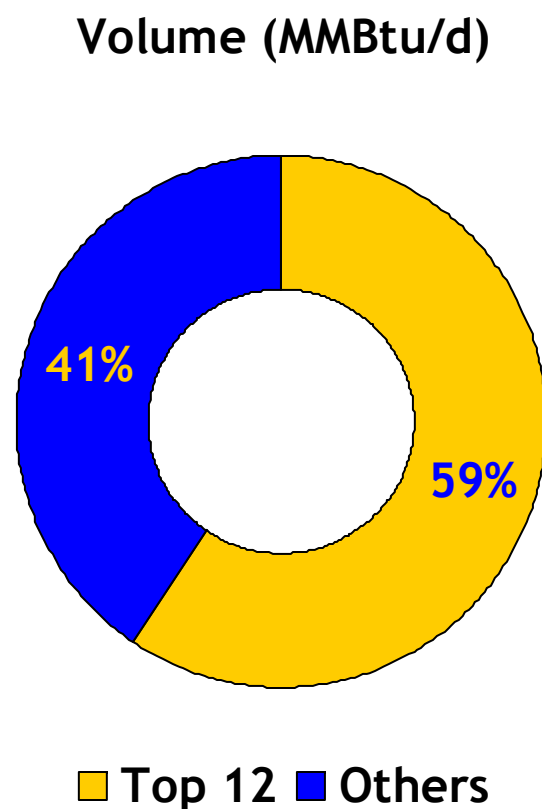
2005 Total System Profile



Source: Sid Richardson Energy Services



Diversified Producer Base



- Stable and active producer base with only one customer accounting for approximately 10% of total volume
- Top 12 producers represent 59% of volume



High Quality Asset Base

- System maintained with long-term focus
- Company owned modern compression throughout system
- Operational flexibility enables efficient use of excess processing/treating plant and pipeline capacity in response to market conditions
- Capital focus is to optimize operations to control future O&M costs



Commitment to Credit Ratings

- Acquisition will be financed in a manner reflecting SUG's commitment to its investment grade ratings
- Consolidated credit metrics will be consistent with investment grade parameters for business risk profile
- Free cash flow from acquired assets will be used for further debt reduction and provide balance sheet and credit metrics improvement
- Comprehensive hedging program to be instituted to provide cash flow stability



Financing Plan

- SUG will temporarily bridge the purchase price until the permanent financing is in place
- Permanent finance to include:
 - Approximately 60% debt
 - Approximately 40% equity
- Consolidated capital structure expected to be 50% debt, 50% equity by December 2006



Valuation Parameters

- Gross margin sensitive to gas and NGL price
- Current asset configuration with today's 2006 strip pricing generates gross margin in excess of \$280 million
- Annual O&M and G&A expected to be in the range of \$55 - \$60 million
- Variety of growth projects expected to add \$20 to \$40 million to gross margin in 2006 and beyond
- Implied forward multiple TV/Ebitda of approximately 7 x

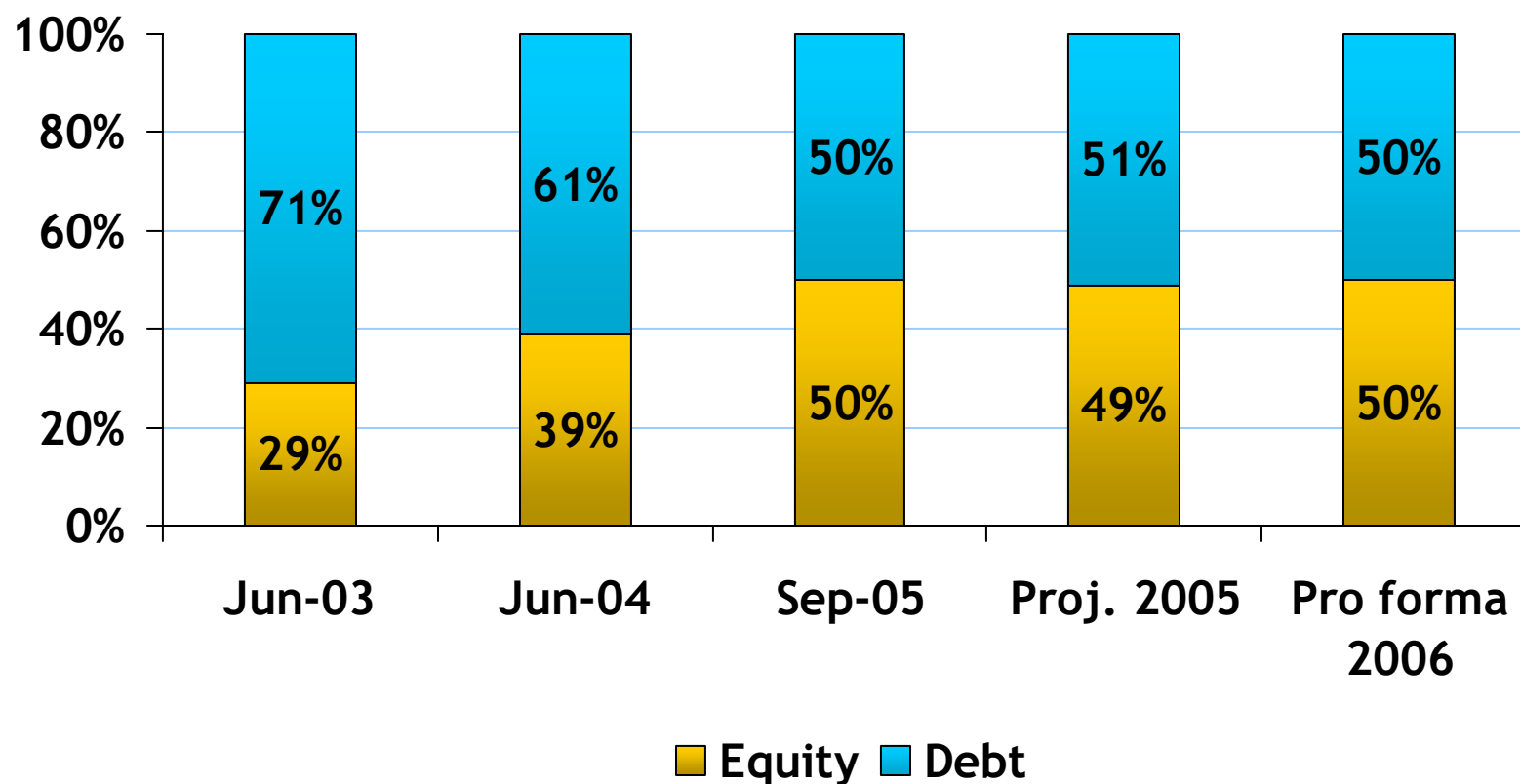


EPS Impact

- Acquisition currently expected to be accretive to 2006 earnings in first full year in excess of 10%
- Acquired business meaningfully accretive to cash flows; minimal capex requirements
- SUG will update earnings expectations as the permanent financing plan is developed
- SUG has protected a significant portion of 2006 and 2007 cash flows through the use of hedges



Stable Capital Structure



Note: SUG calculation provides 100% equity credit to preferred stock and mandatory equity units. Pro forma 2006 reflects December capital structure assuming acquisition is financed with 60% debt and 40% common equity.