



An energy seminar sponsored recently by Energy Solutions was held at the Petroleum Club in Houston and included a panel consisting of, from left, Tony Botterweck, former president of Koch Pipelines; Spencer Abraham, former U.S. Energy Secretary; Dr. Benjamin Cooper, outgoing Executive Director of the Association of Oil Pipe Lines (AOPL) and Dr. Jo Webber, CEO of Energy Solutions.

Regency Energy Partners Acquires Pueblo Midstream Gas

Regency Energy Partners LP acquired Pueblo Midstream Gas Corporation, a wholly owned subsidiary of Bear Cub Investments, LLC, for approximately \$55 million. Pueblo's primary assets include the Fashing Plant and related gathering system located in Atascosa and Karnes counties, both in Texas.

The Fashing system comprises a 75 MMcf/d gas processing and treating facility, 33 miles of gathering pipelines, and approximately 6,000 horsepower of compression. The facility has amine treating, dehydration and sulfur recovery units, and a refrigerated lean-oil gas processing plant in South Texas.

"With the Pueblo acquisition, we will begin construction on a new 20-mile pipeline, which will connect Fashing to our Tilden Plant in South Texas, generating additional synergies," said James W. Hunt, chairman, president and CEO of Regency. "The addition of the Fashing system, coupled with the pipeline expansion project, will extend our natural gas presence and consolidate our position in sour gas treating in South Texas."

KM Retail Gas Operations Acquired By GE Energy Financial Services, Alinda Investments

Kinder Morgan, Inc. completed the sale of its U.S. natural gas retail distribution and related operations serving over 260,000 customers in Colorado, Nebraska, Wyoming, as well as Hermosillo, Mexico, to GE Energy Financial Services and Alinda Investments LLC for \$710 million plus working capital, the companies announced April 2.

The retail business serves residential, commercial, agricultural and industrial customers through more than 11,900 miles of distribution and transmission pipelines, underground storage fields, and related facilities. The transaction, announced on Aug. 14, 2006, has received all required regulatory approvals.

This is the first transaction by GE Energy Financial Services in a retail natural gas distribution business. It also has investments in 7,700 miles of interstate natural gas pipelines in North America.

"This acquisition of a well-established retail natural gas distribution business with a capable and experienced management team and workforce provides an excellent platform to grow our investment in retail gas distribution," said Alex Urquhart, president and CEO of GE Energy Financial Services.

The retail gas distribution business' headquarters will con-

tinue to be in Lakewood, CO with its president, Dan Watson, leading the workforce. The business will launch its new identity in May.

Petrobras, Sonatrach Discuss LNG Opportunities

Petrobras hosted a mission from the Algerian Sonatrach national oil company, the biggest oil company in the African continent, on March 30. The group, headed by Sonatrach's international activity director, Mohamed Benhammou, was received by Petrobras' Gas and Energy director, Ildo Sauer. A Memorandum of Understanding (MOU) was signed to study projects including an LNG partnership.

The agreement foresees exploration and production cooperation studies for onshore and especially offshore blocks in Brazil, Algeria, and other countries of mutual interest. Workgroups will discuss cooperation opportunities including possible increase and development of new commercial oil and byproduct operations. Petrobras and Sonatrach already have a long-term commercial relationship that involves oil, naphtha and LPG.

Natural Gas Reserves At Highest Level Since 1978, AGA Says

The amount of natural gas estimated to be in U.S. reserves inventory in 2006 rose for the eighth straight year, says an American Gas Association (AGA) analysis of reserves, based on figures reported by a representative sample of 30 reserves holders who account for over 50% of total U.S. booked reserves and slightly less than half of all U.S. production.

According to AGA's Preliminary Findings Concerning 2006 Natural Gas Reserves, reserves were estimated to have increased from 204 Tcf at the end of 2005 to more than 205 Tcf at the end of 2006. This estimate places domestic reserves at their highest levels since 1978.

Chris McGill, AGA's managing director of policy analysis and the author of the study, said, "In 2006, about 30,000 gas wells were completed in the United States, which is the highest level of completions on record. However most of these wells were drilled onshore in shale, tight sands and coal seams and it takes many of these smaller wells to sustain production," he said, adding, "growing reserves inventories do not necessarily mean that domestic production capability is dramatically increasing."

McGill said, "The shelf life of today's natural gas reserves has also increased as the reserves-to-production ratio has grown from about nine years in 2001 to an estimated 11 years in 2006. This can be chalked up to the marked shift in production to lower yield reservoirs such as shale and coal seams, rather than more traditional producing wells."

"The good news is that a solid long-term productive capability baseline is being established. The bad news is that it takes many more wells to sustain productive capability as more traditional production is depleted," he said.

The analysis projects that future production capability will remain in the 18-19 Tcf per year range for the foreseeable future — unless significant policy decisions to open access to potential natural gas resources are made.

Columbia Gas Transmission May Sell Gathering System

Columbia Gas Transmission Corp. opened a data room May 7 for natural gas producers, marketers and others interested in buying the Inez & Walbridge pipeline system, located in western West Virginia and eastern Kentucky.

The gathering system consists of about 50 miles of pipeline located in Wayne County, WV and Martin and Lawrence counties in Kentucky. It includes the Inez and Walbridge compressor



stations and is used to transport natural gas from production wells in the region to larger transmission pipelines. Formal bids are due by 5 p.m. on June 25.

GAO Study Details Terrorism Risks With LNG

A study released April 10 by the Government Accountability Office said fire from a terrorism attack against a tanker carrying liquefied natural gas could ignite so fiercely it would burn people one mile away. The study concluded that further research is necessary to understand these consequences and urged the Energy Department to perform new research on the risks from a major fire or gas release in terror attacks or natural disasters on such tanker ships.

Lawmakers said the study coincides with projected increases of 400% in LNG imports over the next 10 years, as energy companies await federal approval on 32 applications to build new terminals in 10 states and five offshore areas. They note that new tanker ships being launched are nearly twice as large as many current tankers.

“Although LNG tankers have not been subject to a catastrophic accident or attack, we need to ensure regulators are making decisions with a large enough margin of safety to account for the threats in a post-9/11 environment,” said Rep. John D. Dingell, D-MI, chairman of the House Committee on Energy and Commerce. His committee plans oversight hearings on the subject.

Rep. Joe Barton, R-TX, said such natural gas shipments have an excellent safety record with tankers having operated nearly 50 years without a major spill. He said mandatory “protection zones” around such tankers are believed to be adequate. He agreed that further research on the risks as “only prudent.”

The GAO report examined six unclassified studies about the effects of a major spill and fire aboard a double-hulled tanker carrying LNG. Congressional investigators said most experts believe fierce heat from the intense fire — not explosions — are likely the biggest threat to citizens. Most experts interviewed by investigators agreed such a fire could burn people’s skin roughly one mile away, depending on variables that include the amount of gas released, size of the tanker breach and winds, the report said.

California Denies BHP Billiton Lease For LNG Terminal

The Associated Press reported April 10 that the California State Lands Commission voted 2-1 against plans to build a floating liquefied natural gas terminal off the Southern California coast.

The 2-1 decision turned down a lease for pipelines that were necessary for the project. The AP said a crowd of 900 people who packed an auditorium in Oxnard for the hearing cheered when the decision was made. Patrick Cassidy, a spokesman for the terminal backers, Australia’s BHP Billiton LNG International Inc., said the vote was disappointing but the company remains “committed to the process.”

According to AP, the hearing was considered the most important of a series that will decide the fate of the terminal that would be built in the Pacific Ocean northwest of Los Angeles, about 14 miles off Malibu and about 20 miles off Oxnard. The \$800 million project calls for chilled gas brought overseas by tanker to be heated, then piped ashore through two 24-inch diameter lines into the Southern California Gas Co. system. The facility would process about 800 MMcf/d or about 10-15% of California’s daily consumption.

Environmentalists say there is no guarantee the project would be more reliable or lower prices because the gas could also be sold to other states. Opponents also have argued the terminal would not meet clean air requirements and could be a terrorist target. A host of celebrities who live in Malibu, including Pierce Brosnan and Halle Berry, have protested the proposal, according to AP.

The proposed sub-sea lines would be laid about 100 feet apart and be about 23 miles long but only cross about 4.5 miles of California land before reaching Ormond Beach in Ventura County.

Gov. Arnold Schwarzenegger has veto power over the project, but cannot overturn the commission’s decision about the pipeline lease. In a statement released after vote was announced, he declined to comment on the proposal but said “I do believe that liquefied natural gas should be a part of California’s energy portfolio.”

U.S. Terminals Bustling With LNG Activity

LNG imports continue to keep U.S. import terminals running at record levels, which should help offset declining Canadian imports due to falling gas production and depleted storage inventories. Increased volumes are also being driven by a sustained discount in European natural gas markets relative to North America, according to an April 9 report by Wachovia Capital Markets, LLC.

Dresser-Rand Purchases Gimpel Valve Business From Tyco

Dresser-Rand Group Inc. has acquired the Gimpel business from Tyco Flow Control, a reporting unit of Tyco International. Gimpel products include a line of trip, trip throttle, and non-return valves to protect steam turbines and related equipment in industrial and marine applications.

Sakhalin Energy Gets New Shareholder

On April 18, 2007, the shareholders of Sakhalin Energy Investment Company Ltd. signed a sale and purchase agreement with OAO Gazprom, to trigger the transfer of shares in Sakhalin Energy. Under the new shareholding structure of Sakhalin Energy, Gazprom will hold 50% plus 1 share, Shell 27.5%, Mitsui 12.5% and Mitsubishi 10%.

Sakhalin Energy remains the operator of the Sakhalin II project, which will continue to be governed by the Production Sharing Agreement signed in 1994 between the Russian Federation and Sakhalin Energy.

Sakhalin Energy’s CEO Ian Craig commented that the deal would enable the world’s major gas player to provide a highly valued contribution to the Sakhalin II project.

Natural Gas To Cost Less In 2007

Natural gas will cost less to use in 2007 than other major home energy sources, according to the Department of Energy’s (DOE) Office of Energy Efficiency and Renewable Energy. The DOE forecast of projected costs of natural gas, electric, propane and kerosene energy use was published in the March 21, 2007 *Federal Register*.

According to DOE, one million British thermal units (Btus) of natural gas will cost an estimated \$12.18 this year — while the same amount of electricity will cost families more than twice as much (\$31.21) on average. Natural gas will also cost less than heating oil (\$16.01), kerosene (\$19.48) and propane (\$20.47).

The least expensive way to heat a home in 2007 is with a high-efficiency (94 percent) natural gas furnace, according to an AGA analysis of DOE’s cost projections. This option will cost consumers an estimated \$801 in 2007, compared with \$1,930 for the most expensive home-heating option — an electric resistance system (such as electric warm air furnace heating), AGA said.

Converting Coal And Natural Gas To Liquids Fuels

This is the aim of a Sasol Technology and Avantium strategic research collaboration. According to the two companies, under the collaboration scientists of Sasol and Avantium Technologies will work together to develop new catalyst technologies to optimize Sasol’s production of liquid fuels from coal or natural gas.

Avantium specializes in experimental methodologies that enable scientists to conduct parallel experiments on a very small scale and at a very high speed. Company official says this increases productivity and allows scientists to explore and compare a myriad of experimental conditions. **PE&GJ**