

News Down the Pipe, 2008



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In early January of 2008 gas began flowing on the most recent phase of the Rockies Express natural gas pipeline. This segment of pipeline stretches south of Cheyenne to a point in Missouri. The effect of this new infrastructure on the price of natural gas in Wyoming has been dramatic. A comparison of prices from 2007 to those available for 2008 show over a one dollar and fifty-cent (\$1.50) improvement in price. The improvement is the result of Rockies Express and the 25% increase in the ability to export Wyoming gas. Exports of natural gas are critical to Wyoming where 93% of the natural gas produced is consumed out of state. By way of an analogy, if Wyoming were a lightly populated island annually growing over abundant orange crops the island economy would suffer if there were insufficient boats to take the excess oranges to markets off the island. Absent sufficient pipeline infrastructure, Wyoming and its abundant natural gas is similarly and significantly disadvantaged.

Lack of pipeline export capacity leads to lower prices and lost royalty and tax collections for the counties and State. If the Rockies Express pipeline to Missouri had gone into service in January 2007, prices for 2007 would have averaged at least \$1.50 higher. Based on 2007 production the additional taxes and royalties would have been \$459 million. That amount represents over \$800 of revenues that could have been collected on behalf of every man, woman and child in Wyoming. With 93% of the gas produced in Wyoming exported, these revenues would have come overwhelmingly from consumers outside Wyoming. The dollars at stake underscore the importance of the mission of the Wyoming Pipeline Authority to inspire timely construction of new pipelines.

As production in the Rocky Mountain region continues to increase, the prospects for an overloaded pipeline system grow thus leading once again to lower natural gas prices. Several new projects have been announced that would substantially contribute to the ability for Wyoming gas to reach attractive markets. Four projects seek to deliver Wyoming gas to the west coast and a fifth aims to deliver gas to the Midwest. We don't know whether or when these projects will attract the commercial support needed to proceed. In the best of circumstances these projects won't be ready for service until 2010 to 2012. Without timely commitments these projects will be delayed or will die. The pain of inadequate pipeline capacity would manifest itself again in lower prices with lost state and county revenues.

After this legislative session, an incentive program to spur commitments to pipeline construction will be a topic for study. The intent would be to develop a program that encourages an expedited time frame of pipeline construction thus adding direct benefits to the tax and royalty revenues of the State of Wyoming.

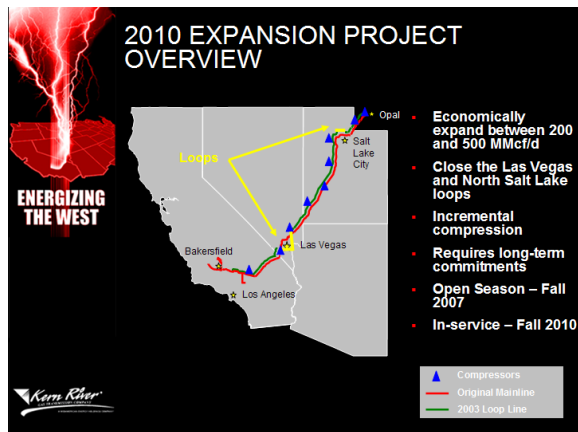
In the last legislative session, a constitutional amendment that would allow the WPA to directly make commitments to pipelines never matured. We can call that option number one – to take direct action for our own interest. The incentive plan represents option number two – to spur others to take action for our own interest. There is a third option – to let things happen in due course. We should be sure that if we elect option number three that it is an informed choice rather than a default outcome reached by indifference.

– Brian Jeffries, Exec. Director

Pipeline Developments

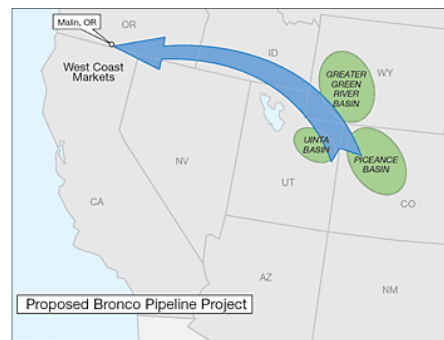
There have been four major pipeline projects recently announced that would improve the access of Wyoming natural gas to markets.

Kern River conducted a binding open season to expand their existing system by 0.2 – 0.5 billion cubic feet day via looping and compression around the Salt Lake City and Las Vegas City regions. Kern is evaluating the results of that solicitation. The new capacity could be in service November 2010.

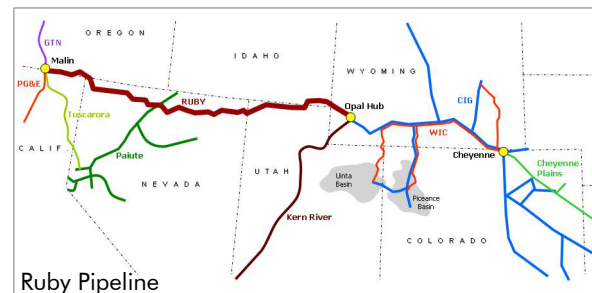


Spectra Energy has proposed a new pipeline to serve the Pacific Northwest markets. The “Bronco” pipeline would deliver Piceance, Uintah, and Green River Basin gas to Malin, Oregon, near the Oregon California border. Initial capacity is estimated at 1.0 billion cubic feet per day at a capital cost of \$3 billion. The pipeline could be in service as early as 2012.

El Paso in partnership with Bear Energy announced the “Ruby” pipeline: a 680 mile, 42 inch diameter natural gas pipeline that would receive gas at the Opal Hub in Wyoming and also proposes to deliver gas



to Malin, OR. Ruby would have capacity to deliver 1.2 billion cubic feet per day of gas and could be expanded to 2 billion cubic feet per day. El Paso has announced that it had filed a federal right of way application with the Bureau of Land Management.



Williams and TransCanada have teamed up to propose a pipeline from Opal to a point in Oregon known as Stanfield where two existing pipeline systems intersect. The proposed 680 miles of new line would provide 1.2 Bcf per day of capacity and is proposed to be in service by 2011.

It is unlikely that all of these projects will be constructed. Pipeline projects typically go forward only when the intended capacity is near fully subscribed by interested shippers under ten year or longer agreements. As an example, prior to the construction of the Rockies Express Pipeline, at least four other projects were proposed that would have provided additional capacity out of Wyoming to markets to the east. Then as now, multiple projects are competing for much of the same customer base. The WPA will continue to assist each of these developers with opportunities to meet and understand the needs of Wyoming.

Northern Natural Gas FERC Intervention

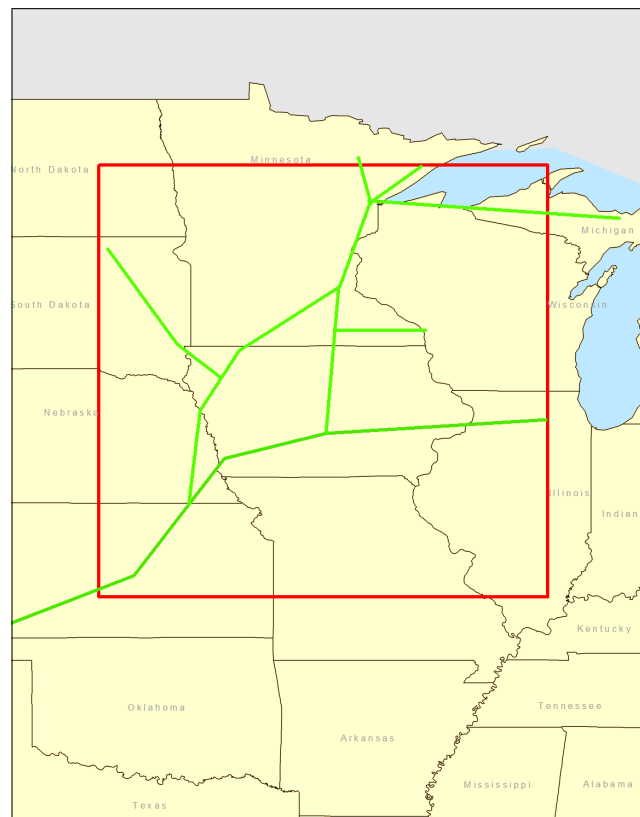
The WPA not only seeks to inspire new or expanded access to markets for Wyoming natural gas but also diligently works to protect access to existing markets. As an example, during 2007 the WPA protested a filing made with the Federal Energy Regulatory Commission (FERC) by Northern Natural Gas Company (Northern) to change a variety of its gas quality specifications in a manner that would be detrimental to the interests of the State of Wyoming and to Wyoming producers. Northern is an interstate pipeline company stretching from the supply points in the Permian Basin in Texas and New Mexico to markets in the upper Midwest. The FERC regulates the rates and terms of conditions, including gas quality standards of interstate pipelines such as Northern. Along its path, Northern receives a substantial quantity of its supply from interstate pipelines that originate in Wyoming and the Rockies. The gas quality specifications proposed by Northern would impose substantial costs on producers of gas in Wyoming and rendered unavailable substantial markets from access to gas produced in Wyoming.

The efforts of the WPA to represent the interests of the State of Wyoming before the FERC bore fruit. Quoting from the FERC Order on the matter:

“This order following technical conference addresses Northern Natural Gas Company’s (Northern) May 1, 2007 filing proposing new gas quality specifications as well as certain revisions contained on pro forma tariff sheets in Northern’s August 3, 2007 post-technical conference filing. As discussed more fully below, Northern has failed to support through technical and operational evidence its proposed gas quality specifications, and accordingly, the tariff sheets filed on May 1, 2007 are rejected...” (emphasis added)

If Northern had succeeded in their request with the FERC, Wyoming production would have lost access to the demand of approximately 22.6 million people living in the market area served by Northern. A schematic of Northern’s system is shown below

A copy of the FERC order can be viewed and down loaded from the WPA website under <http://www.wyopipeline.com/mission.asp> - see under WPA Comments and Activity List.



Mapping Pipelines for Wyoming

This past year has seen some significant updates to our geographic information system (GIS) database of Wyoming's pipeline infrastructure. We have been able to update our database with centerline accurate pipeline data from various pipeline companies. Proposed pipeline projects with center line accuracy have also been added to the database. Incorporating centerline data into our database increases the value and marketability of the GIS.

Other updates to the database include research and keeping current with changes in pipeline ownership and operators. The value of this research and data has shown to

increase the number of subscriptions to this service.



Centerline Accurate data for Overland Pass Pipeline

With our sole GIS focus on Wyoming's pipeline assets, we are striving to create the most comprehensive and up-to-date GIS of Wyoming's pipeline inventory. Not only do we provide interstate and intrastate pipeline information but we are also mapping significant gathering lines that help bring Wyoming's local producers to market. The Wyoming Pipeline Authority is in a unique

position to pull this data together from its many and varied sources with the support and assistance of cooperating companies who share their data and knowledge with us. Our GIS is a very powerful tool that equips us with the information to bring together agencies to promote Wyoming's transportation of natural resources. Please contact us for a demonstration if you are interested in our work product.

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