

Barreling out of the West

THE ROCKIES EXPRESS

By Lee Buchsbaum

■ ■ ■ IN FEBRUARY OF this year, Kinder Morgan Energy Partners announced its intention to construct the \$4 billion, 1,323-mile Rockies Express Pipeline, the largest such construction project undertaken in the United States in more than 20 years. Designed to transport 1.8 billion cubic feet per day of natural gas extracted from wells in Wyoming, Utah and Colorado to eastern markets, the Rockies Express will provide tremendous new takeaway capacity for the burgeoning natural gas production within the intermountain region.

The 42-inch diameter pipeline will extend from the western slope of the Cheyenne Hub in Weld County, Colo., to the Clarington Hub in Monroe County, Ohio. It will include more than 25 interconnects to existing and planned intrastate and interstate pipelines throughout its length. Moreover, through a long-term capacity lease agreement with Overthrust Pipeline, a subsidiary of Questar Corp., Kinder Morgan Corp., Kinder Morgan and Sempra Energy are extending the Rockies Express Pipeline westward from the Wamsutter Hub in Sweetwater County, Wyo., to the Opal Hub in Lincoln County, Wyo. The initial 136-mile segment from northwest Colorado to Wamsutter is now operational, with the second segment to the Cheyenne Hub scheduled to begin service in December.

Driven by high demand and higher takeaway prices, natural gas production has doubled in Wyoming in the last five years to about 4.5 billion cubic feet a day. With the natural gas market bearing additional costs associated with more difficult extraction conditions, it becomes possible to profitably tap into reserves in the remote intermountain west; however, an infrastructure to provide enough takeaway is currently nonexistent. Planning is underway for thousands of new wells in Wyoming and other states. BP has a 15-year plan to drill 2,000 new deep gas wells. EnCana plans to drill 3,200 in the Jonah Field near Pinedale, Wyo., where coal-bed methane producers have tapped only 5 percent of the resources within the energy-rich Powder River Basin.

In Wyoming, the Rockies Express Pipeline may spur development of wells that could produce more than 7 billion cubic feet per day over the next five years. Colorado, Utah, New Mexico and other Rocky Mountain states are experiencing similar increases, correlating with declines elsewhere — specifically in older natural gas fields in the Gulf Coast states.

ROCKIES EXPRESS PIPELINE

IT'S VERY IMPORTANT FOR US TO HAVE AVAILABLE ALL THE DOMESTIC SUPPLY IN THE RIGHT PLACES WE CAN DEVELOP. IT IS A LOT EASIER TO PIPELINE FROM THE ROCKIES THAN TO HAVE THE AIR FORCE, ARMY, NAVY AND MARINES PROTECT LNG SUPPLIES FROM THE MIDEAST.

*William Rosenberg
Senior Fellow,
John F. Kennedy School of Government
Harvard University*

WE'RE SEEING A VERY ROBUST INVESTMENT IN PIPELINES.

*Joseph T. Kelliher
Chairman
Federal Energy Regulatory Commission*

"The Rockies Express project is very much a supply-driven project," said Kinder Morgan spokesperson, Rick Rainey. "With a potential recoverable base of more than 200 trillion cubic feet of natural gas in the Rockies Basins, it was well received. We were able to negotiate contracts quickly with shippers like EnCana, Sempra, BP, Chevron, Conoco and others for all of the 1.8 billion cubic feet of takeaway capacity per day."

The project will allow energy providers and utilities greater flexibility in natural gas supplies by enabling them to choose from a larger variety of natural gas streams from different regions of the nation. It will also help to insulate the industry from hurricanes and other

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INDIAN NEED

India has turned to the United Kingdom in a bid to attract \$100 billion in power sector investments for its rapidly growing economy.

The funds are needed to add 62,000 megawatts of generation to India's power system, reported *AsiaPulse*.



THE NET RESULT MAY BE
LOWER NATURAL GAS COSTS ...



Kinder Morgan and Sempra Energy are building the massive Rockies Express Pipeline.

potential natural disasters, while increasing the amount of available natural gas. The net result may be lower natural gas costs and a re-evaluation by many utilities regarding plans to convert existing facilities away from natural gas or to build coal-fired plants.

These benefits should come to fruition in June of 2009, with the project's expected completion. Kinder Morgan will operate the pipeline. It owns two-thirds of the project and Sempra Energy has a one-third stake. ☒

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