

# Investors out of pipeline project

## From staff and wire reports

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DENVER— A 673-mile pipeline that was expected to cut through Campbell County in 2010 has run into a glitch— the credit crunch has prompted some investors to withdraw from construction.

Enterprise Products Partners and Quicksilver Gas Services have terminated plans for a 50 percent stake in TransCanada's \$2 billion Pathfinder pipeline project. The line would run from Colorado, through Campbell County and on to North Dakota, where it would link to a major system in the Midwest.

Quicksilver Gas Services, based in Fort Worth, Texas, decided in August that it wouldn't pursue the project, spokesman Rick Buterbaugh said Tuesday.

"We think it's a great project," Buterbaugh said of the pipeline.

Quicksilver Gas Services, though, is exploring other opportunities, he added.

TransCanada, based in Calgary, Alberta, said it's working with prospective investors to carry out the project.

Enterprise spokesman Rick Rainey told The Denver Post on Monday that considering current credit markets, the Houston-based company is pursuing projects with better returns.

Plans call for the pipeline to initially ship 1.2 billion cubic feet of gas per day, with an ultimate capacity of 1.6 billion cubic feet per day. Completion of construction was projected for November 2010.

A shortage of pipeline capacity in the Rockies is one of the reasons companies are scaling back drilling in the region.

"I think any pipeline expansion in the next year and a half that has not been committed is going to be a difficult sell in this current credit and price environment," said John Harpole of Mercator Energy, a Denver-area natural gas consulting company.

North Dakota Public Service Commissioner Kevin Cramer likens that shortage to the lack of crude pipeline capacity in North Dakota's oil patch, where prices for North Dakota crude generally lag about 10 percent behind other oil on the New York Mercantile Exchange.

Cramer said the pipeline shortage has kept prices artificially low in North Dakota. If TransCanada's Pathfinder pipeline project is built, he said, North Dakota consumers could be paying more for natural gas.

"The more the commodity is opened up, the more it is subject to broader pricing," Cramer said.

"We've always enjoyed the lower cost of Rocky Mountain natural gas but as the gas moves east, it gets priced on a different index, which is higher," Cramer said.

Powder River basin remains the largest reserve of natural gas in Wyoming and, like Colorado, continues to experience interest from developers.

With about 1.5 billion of cubic feet of gas produced a day, Wyoming is one of the few states that has had gas production increase in the last 10 years, Wyoming Oil and Gas Commission Don Likwartz told The News-Record.

"We are blessed with that and we only use four percent of it," he said.

Today most Wyoming gas goes to markets in California and Illinois. But Wyoming continues to struggle

with lack of pipelines that would deliver its gas to some high-priced markets, including those in New England and New York.

The shortage of pipelines is what creates the differential between Wyoming gas and Henry Hub natural gas spot prices. With the price of \$4.50 per thousand cubic feet of Wyoming natural gas that differential was 85 cents Jan. 1, Likwartz said.

The Pathfinder would help transport Wyoming gas to the north out of the state. If the project falls through, there still is hope that other proposed pipeline projects would run through Powder River Basin and would increase transportation capacity. These proposed pipelines include the Rockies Express, a joint venture by Kinder Morgan Energy Partners and ConocoPhillips, and the Ruby Pipeline, proposed by El Paso Corp.

"I hope the other ones get built, otherwise we'll not be too far down the road," Likwartz said. "Rockies Express will move substantial volumes of gas and that will give us some capacity: for the first time we will be able to get it to some high-priced gas markets."

Some Campbell County commissioners say building a pipeline is no different than building a transmission line, and that the state should provide incentives for private companies to help develop pipeline projects.

"It's no different than transmission. I think we can step up and build a gas line," said Commissioner Amir Sancher. "Those are the decisions we might have to make down the road, and those are essential. Companies, cities and the state can provide some incentives for these projects to go on, and if they can, we should. It's a good investment. It's good for the companies, good for us."

When investors start to pull money out of projects, it does "more psychological damage than material damage," he added.

Campbell County commissioners already discussed a construction schedule for the project in Campbell County with TransCanada in November. They agreed that the county would be prepared to deal with construction of Pathfinder in 2010.