

Wyo. coal-to-liquid plant lines up gasoline buyer

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A company planning a long-awaited \$2.7 billion coal-to-liquids plant in southeast Wyoming announced Thursday it had lined up a buyer for the gasoline that would be produced there.

Houston-based DKRW Advanced Fuels called the contract one of the first major commercial agreements in the U.S. involving liquid transport fuels made from coal.

"It's a contract that supports a significant amount of the cash flow of the project," said Robert Kelly, executive chairman of DKRW.

Medicine Bow Fuel & Power, a wholly owned subsidiary of DKRW, is building the plant near Medicine Bow, a town of some 300 people about 100 miles west of Cheyenne.

The plant would use coal mined nearby to produce 10,600 barrels of gasoline a day for Vitol Inc., the U.S. subsidiary of Geneva, Switzerland-based Vitol SA.

The plant has been proposed since 2004 and preliminary site work began last year. Construction will ramp up next year, Kelly said, with operations to begin in 2015.

Each ton of coal processed at the plant should be able to yield about two barrels of gasoline, he said.

"If you take a look at the current price of gasoline, you can see it's a pretty significant project," Kelly said.

The plant also would yield carbon dioxide for use in enhanced oil recovery — pressurizing old and substantially depleted oil wells to boost their production. Carbon dioxide has successfully increased output from a number of oil wells in central Wyoming.

Medicine Bow Fuel & Power has a contract with a Denbury Resources Inc. subsidiary to buy carbon dioxide to use in enhanced oil recovery. Because putting carbon dioxide in oil wells traps the gas underground, the plant's carbon footprint should match if not exceed that of conventional gasoline production, Kelly said.

DKRW continues to await a loan guarantee from the U.S. Department of Energy, which is conducting an environmental study for the project. The company applied for the loan guarantee in 2009.

The plant has a state air quality permit that in March withstood a challenge before the Wyoming Supreme Court. DKRW also has a state industrial siting permit allowing full-scale construction, said Tom Schroeder with the Wyoming Department of Environmental Quality.

"Essentially they're good to go, as far as we know," Schroeder said.

The plant would create about 450 jobs, not counting those who would build it.

More than 40 percent of all coal mined in the U.S. comes from Wyoming. The state produces more coal than any other state by far.

Other recent developments show less promise for cutting-edge uses of Wyoming coal.

In January, Chevron Corp. officials said coal-to-liquids technology was developing too slowly to justify staying in the coal industry. The company announced it was selling its coal mine near Kemmerer in western Wyoming and would divest all of its coal interests by year's end. Chevron has not yet announced a buyer for the Kemmerer mine.

General Electric and the University of Wyoming announced in July they were suspending plans for a \$100 million joint coal gasification plant in Cheyenne amid lack of a national energy policy, low prices for natural gas and tepid demand for electricity.

The High Plains Gasification-Advanced Technology Center, if built, would be a test site for turning coal into gas, which burns more cleanly than coal.

