

1st Quarter 2005

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News *Down the Pipe*

From the Director

I want to personally thank each and every one of you for your continued support of the Wyoming Natural Gas Pipeline Authority. My staff worked hard late last year to send each of you a summary (during the legislative session) of some of the interpretive data we have been working on. I hope that all of you have had an opportunity to review your binder and find the information useful.

This is the first of what I plan on making a quarterly update to keep everyone apprised of the Pipeline Authority's activities, new areas of interest, current pipeline activities and energy developments within the State of Wyoming and the Rocky Mountain region. If you prefer more frequent updates, please visit our website at www.wyopipeline.com where we update regional pricing and pipeline capacity availability out of the state on a weekly

basis. If you prefer greater detail, please feel free to give me a call at 303-748-6473.

Wyoming is blessed with abundant natural resources – both scenic and strategic to the citizens of the State and the nation. While I believe that natural gas pipeline capacity is adequate at the present time, it is critical that Wyoming stay on top of available export capacity as continued growth and development within the State and the Rocky Mountain region may make export capacity a scarce resource again in the not too distant future. We at the Wyoming Natural Gas Pipeline Authority will continue to monitor regional developments in natural gas, crude oil and coal extraction in an effort to help the state better compete in the energy marketplace of the future.

- Bryan Hassler

Services

Due to a favorable response from industry regarding the information presented within the booklet you received, the WPA is offering accumulated data as an information subscription to private, public and governmental entities.

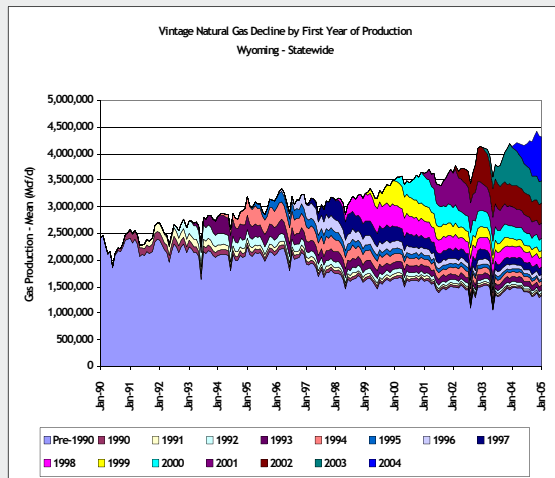


The WPA was invited to contribute comments on several Bureau of Land Management documents currently in the process of development. A copy of our response to the Rawlins Resource Management Plan can be found on our website. Please login with username 'guest' and password 'guest'. Please call us if you have any questions.

This will assist our organization in 1) becoming self sufficient from a funding

Deep Gas Study

Wyoming has a tremendous "potential" mineral resource base at depths that could exceed 30,000 feet at some point in time in the future. Drilling costs at depths greater than 15,000 feet can increase exponentially. The WPA is in the process of assessing deep gas drilling from an historic perspective. It is the recommendation of the WPA that the legislature seriously consider a severance tax holiday or incentive to encourage deep exploration within the state. Details of our suggestion will be forthcoming.



perspective and 2) provide industry with data to assist in E & P planning and development. The continued data accumulation and analysis will help the WPA to create predictive models of where development should or could occur and assist in planning infrastructure necessary to fully exploit the resource base in an environmentally and fiscally sound manner.

WPA data was recently provided to the Executive Director for the County Commissioners Association. We believe that the interpretive capabilities that we are developing can and will assist each county in predicting future revenue associated with mineral resource development and better budget for future expenditures.

Mapping Initiative

On behalf of the Wyoming State Geological Survey (WSGS), the WPA has agreed to assist in requesting data to update the current GIS database. The WSGS will manage the database and the WPA is acting as a facilitator in collecting the data.

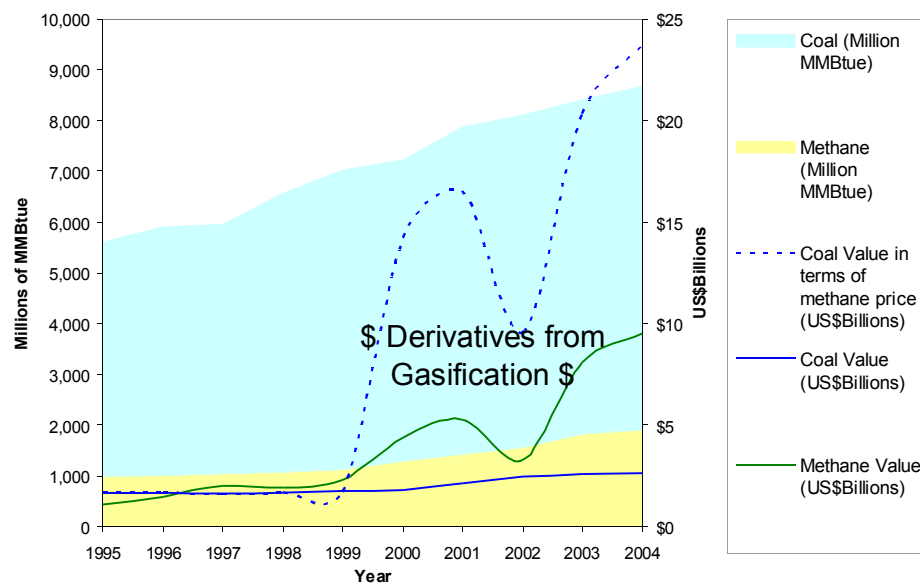
We are seeking digital files of information related to any existing or proposed pipeline, facility, booster station, refinery etc. that deals with the production and distribution of oil, natural gas, or synthetic fuels and water related to petroleum production. The updated database will include line data (pipelines) as well as point data (pump stations, compressor stations, refineries, etc...) within the boundaries of the state.

Coal Reinvented??

Coal gasification, liquefaction, or mechanisms to convert coal to alternative fuel sources are on the front burner for the first time since the early 1970's. The economics appear to be favorable but we have yet to see industry step up to the plate and take the lead on developing projects in Wyoming. The WPA continues to be influential on issues that support the development of natural gas and associated resources; you may recall that the WPA had its legislation amended to provide for the transportation of coal byproducts. Research continues in our efforts to understand the developing coal derivatives resource base. Be looking to the WPA as an authoritative voice on the development of these technologies.

development of our coal reserves. The results will not only be environmentally superior to current technologies but also add greater value to the resources Wyoming has in place

Production and Price Comparison of Wyoming Coal, Coal Gasified into Methane after 1998, and Natural Gas Energy Equivalents



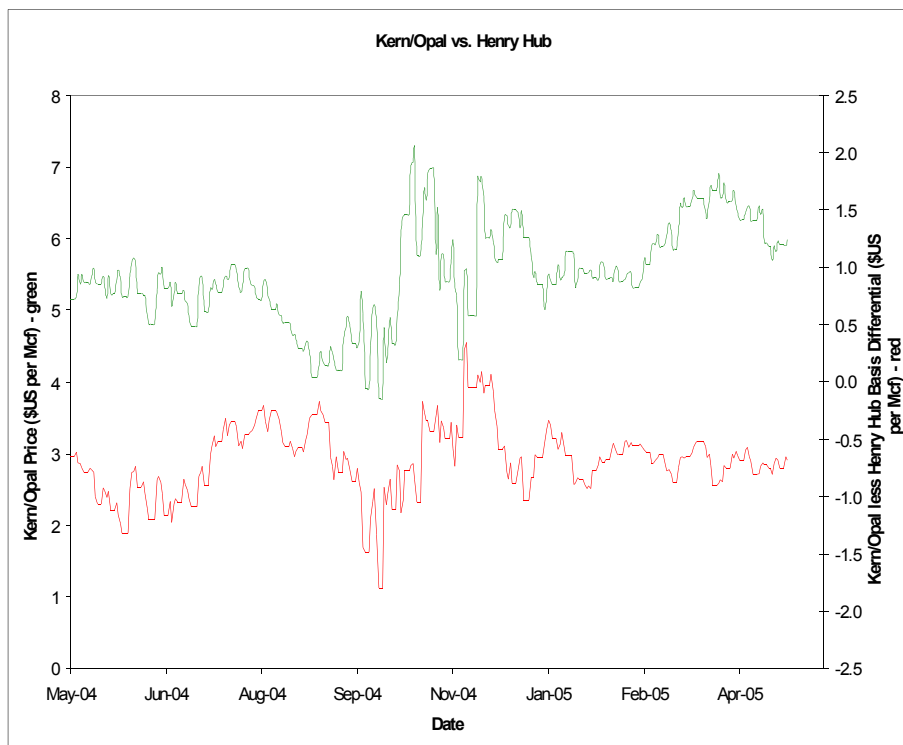
Rentech, Inc. recently completed a feasibility study on the economic viability of converting coal to other forms of energy. This report, available to the public and funded by the Wyoming Business Council, is one of the more comprehensive proposals to date.

The WPA wants to thank all of those whom supported the legislative change that will assist us in promoting the responsible

– creating new, career-oriented jobs and a future for our citizens. The time is now for Wyoming to take the initiative in supporting the development of these technologic advancements.

New Pipeline Activity

The WPA was reactivated as a result of the 'blow out' between the price of Wyoming produced gas and that of the Henry Hub, Louisiana trading point. The graph below illustrates price variations between Wyoming gas and the Henry Hub.



For the 14 months prior to 2002 the median differential was about \$1.60 per Mcf. The differential exceeded \$3.00 per Mcf at times. The disconnect in prices in the Rockies relative to those experienced in other regions around the country cost WY as much as \$1 million per day in lost severance, ad valorem, and royalty revenue taxes. Since the Kern River expansion went on line in 2003, the median differential has been \$0.64 per Mcf.

El Paso's Cheyenne Plains Pipeline, brought on line in December of 2004, has been running at nearly 80% of its 560,000 Mcfd capacity. The addition of Cheyenne Plains to Rocky Mountain transportation infrastructure should allow Rockies production to continue to grow through 2005 without fear of price erosion. El

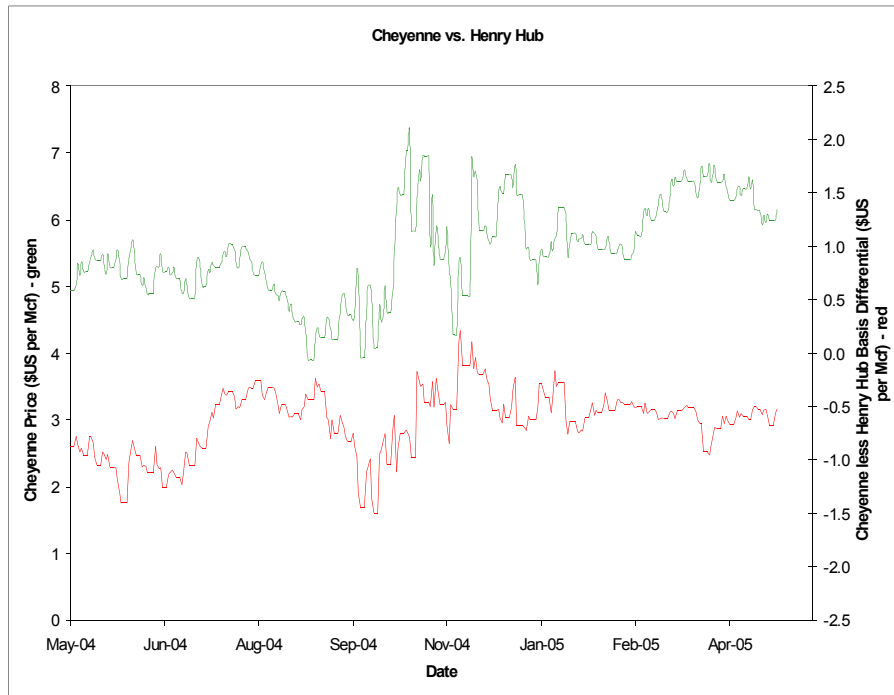
Paso will expand the Cheyenne Plains' export volume capacity by the end of the year via compression.

Differentials between the Rockies and Henry Hub have spread due to higher Henry Hub prices and a natural tendency for "basis" at all points to widen against Henry Hub. The differential between Rockies gas prices and mid-continent and southwest prices is anticipated to remain tight due to the increased capacity offered by the Cheyenne Plains pipeline.

On the Horizon

Williston Basin Interstate Pipeline has an expansion proposed on their Grasslands Pipeline. Kern River Pipeline can add 500 MMcfd of capacity once sufficient market support is generated. Other projects have been proposed to move additional supply within and without the state by companies that include Enbridge, Kinder Morgan, and Southern Star.

Goal Performance



\$0.50 (\$0.55 in 2005 dollars) or less per Mcf and 2) increase the market for and market access to Wyoming-produced gas by an incremental 2 Bcfd (total of 6 Bcfd) by 2008.

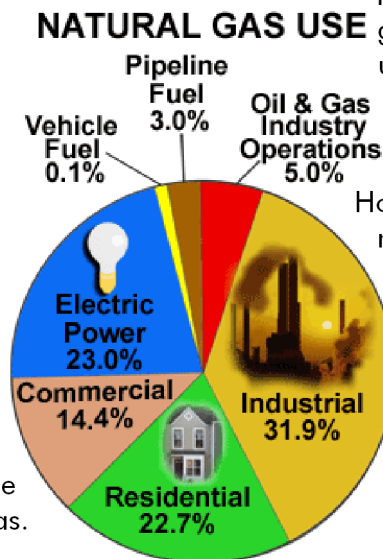
During 2004, the basis differential goal was met 36% of the time. Total scheduled export volume in 2004 increased by 10% compared to 2003 for a total of approximately 4.4 Bcfd.

Today, Wyoming exports approximately 4.7 Bcfd of natural gas - operating at

The goals of the WPA are simple and measurable: 1) reduce the basis differential to nearly 80% of the available pipeline capacity.

Approximately 23 percent of the energy consumption of the U.S. comes from natural gas. Over one-half of the homes in the U.S. use natural gas as their main heating fuel.

Natural gas is also an essential raw material for many common products, such as: paints, fertilizer, plastics, antifreeze, dyes, photographic film, medicines, and explosives. We also get propane, a fuel we use in many of our backyard barbecue grills, when we process natural gas.



Industry depends on it. Natural gas has thousands of uses. It's used to produce steel, glass, paper, clothing, brick, and electricity.

Homes use it too. More than 61.9 million homes use natural gas to fuel stoves, furnaces, water heaters, clothes dryers and other household appliances. It is also used to roast coffee, smoke meats, bake bread and much more. (source EIA)

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News Down the Pipe

