News *Down the Pipe, 2009*

PIPELINE AUTHORITY

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Wyoming is the third largest natural gas producing state and the seventh largest crude oil producing state. On the other hand, Wyoming is only the fortieth largest natural gas consuming state and only the forty-third largest petroleum consuming state. This mismatch of production to consumption explains the reliance of Wyoming on adequate infrastructure to move these resources to other markets. When there is inadequate capacity to move natural gas, crude oil and refined products out of Wyoming and the Rocky Mountain region, the prices received for these products fall. The prices fall because too much product is competing for space in too little pipeline capacity. The prices received for natural gas and crude oil produced in Wyoming can dramatically affect tax and royalty revenues available to the state for all of its governmental purposes.

During 2008, the state once again suffered through a period when pipeline access to market was deficient. Unfortunately, there are no quick fixes when an infrastructure shortage is already upon us. Pipeline projects often take five years or more to propose, promote, approve and construct. The best time to support improved infrastructure is during its formative phases and before inadequate facilities force lower prices.

State revenues increase when infrastructure is created and prices are improved. The WPA recognizes that increased prices also affect homeowners and business located within Wyoming. As an example, if the price of natural gas produced in Wyoming is increased by one dollar ($1) then over the course of a year the average residential consumer in Wyoming will pay approximately one hundred dollars ($100) more for residential gas service. This increase is a burden at any time but is even more so during difficult economic times. However, that same one dollar of annual increase in the price of gas produced in Wyoming will raise state tax and royalty revenues by approximately $230 million. Based on a per capita calculation, the state would collect approximately $1600 in additional tax and royalty revenues on behalf of a typical four person household. Because over ninety percent (90%) of natural gas produced in Wyoming is exported to other states, this 16:1 ratio of benefit to cost per household is almost entirely achieved through costs passed on to residents of other states.

The Wyoming Pipeline Authority (the "WPA") promotes the infrastructure needed to move Wyoming's oil and gas resources to market. The WPA brings suppliers, pipelines and consumers together to build the commercial momentum and consensus required to complete pipeline projects. The WPA also represents Wyoming's point of view before federal regulatory agencies and the agencies of other states. Those agencies make decisions that affect the access of Wyoming products to market. The WPA regularly participates in the regulatory process to protect Wyoming's interests.

The WPA will continue to serve the state by promoting the timely addition of the infrastructure required to deliver the abundant domestically produced natural resources of this state to the rest of the nation.

– Brian Jeffries, Exec. Director

Pipeline Developments

The current natural gas pipeline export capacity out of the Rocky Mountain region is approximately 7.7 Bcfd (billion cubic feet per day). Approximately 2.1 Bcfd of new natural gas pipeline export capacity was announced as shippers committed to new pipeline construction.

Kern River Pipeline which connects Wyoming to markets in Nevada and California will be adding an additional 0.4 Bcfd via the addition of compression and new pipeline segments to its system. The new capacity is expected to be in service by November 1, 2010.

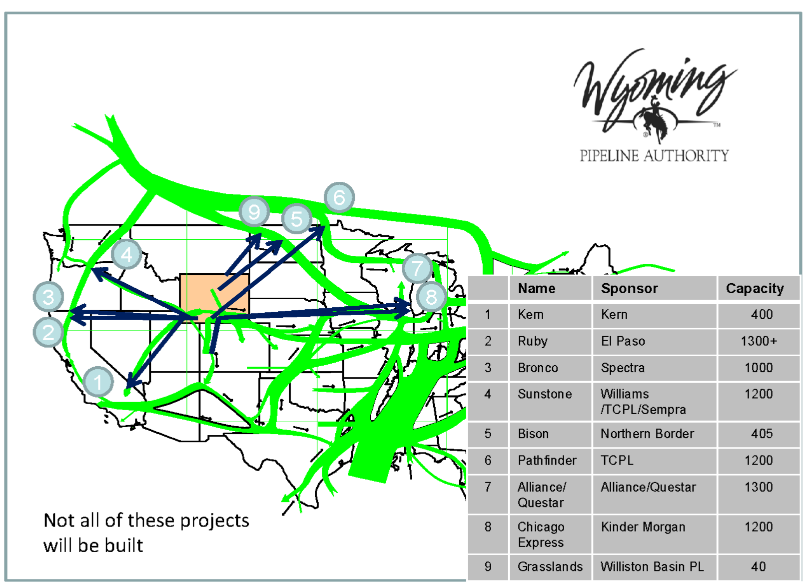
El Paso Pipelines has developed a project called Ruby Pipeline: a 680 mile, 42 inch diameter natural gas pipeline that would receive gas at the Opal Hub in Wyoming and deliver gas to a point along the California/Oregon border where it will connect to existing pipelines that can carry the gas onward to markets in WA, OR, CA, or NV. Ruby will have the capacity to deliver 1.3 Bcfd of gas and could be expanded to 2.0 Bcfd. The project has 14 binding shipper agreements totaling over 1.1 Bcfd of transportation capacity and has purchased pipe. The proposed in service date is March, 2011.

The proposed Bison Pipeline will deliver an additional 0.4 Bcfd of natural gas out of the Powder River Basin. The Bison Pipeline would connect in North Dakota to existing pipelines that will carry gas to markets in the midwest U.S. This project is planned to be in service as early as November 2010.

Overland Pass, a natural gas liquids pipeline, became operational in December. Overland Pass exports ethane, propane, and butane recovered from natural gas processing plants and delivers those products to Conway, Kansas - a major hub for nationwide distribution.

Crude oil pipeline projects continue to evolve that will improve Wyoming's ability to receive a higher price for crude produced in Wyoming. Rocky Mountain Pipeline System announced the reversal of their U-Crude Pipeline that will provide an east-bound delivery for southwest Wyoming crude. Additionally, there are still plans for the White Cliffs Pipeline to deliver crude oil from the north Denver refining region to Cushing, OK.

More information regarding these projects and more can be found on the Wyoming Pipeline Authority's website at www.wyopipeline.com.



	Name	Sponsor	Capacity
1	Kern	Kern	400
2	Ruby	El Paso	1300+
3	Bronco	Spectra	1000
4	Sunstone	Williams /TCPL/Sempra	1200
5	Bison	Northern Border	405
6	Pathfinder	TCPL	1200
7	Alliance/ Questar	Alliance/Questar	1300
8	Chicago Express	Kinder Morgan	1200
9	Grasslands	Williston Basin PL	40

Regulatory Intervention

The Wyoming Pipeline Authority actively supports both the preservation of Wyoming's access to existing natural gas markets and promotes access to new markets.

Last year we provided an update on the work we had done with the Federal Energy Regulatory Commission (FERC) to prevent the implementation of a revised gas quality specification on a pipeline company that would have discriminated against gas produced in Wyoming. The FERC ruled in favor of our protest and natural gas continues to flow to this Midwest market.

This year the WPA reached out to the California Public Utilities Commission (CPUC) to support the proposed Ruby Pipeline project. The Ruby project successfully recruited the Pacific Gas and Electric Company (PG&E) of San Francisco as a major customer of the project. PG&E's participation was subject however to the approval of the CPUC. The WPA provided written and oral support to PG&E's request for approval from the CPUC. The WPA helped the CPUC appreciate the benefits that abundant and reliable Wyoming natural gas would provide to natural gas consumers in California. The CPUC issued a ruling granting PG&E's request to become a customer of the proposed Ruby Pipeline project on November 7, 2008.

CO2 Pipeline Analysis

Currently in Wyoming there is limited infrastructure to move carbon dioxide (CO2) by pipeline from the one source, Exxon's Shute Creek Plant, to a limited number of enhanced oil recovery projects. There are a large number of oil fields that could benefit from the use of CO2 in enhanced oil recovery in Wyoming. There are also potential new geologic and industrial sources of CO2 in Wyoming. Plants to convert coal to liquid fuels such as proposed by DKRW, Inc. near Medicine Bow are an example of future industrial sources of CO2. The limited CO2 pipeline infrastructure in Wyoming could inhibit the future movement of CO2 to enhanced oil recovery projects and to other sequestration sites.

The WPA is analyzing the CO2 pipeline infrastructure in Wyoming. We have initiated a joint effort with the Enhanced Oil Recovery Institute (EORI) to develop a hypothetical CO2 pipeline grid that would efficiently meet the need to move CO2 throughout the state. The EORI had previously developed a data base of oil fields that were likely candidates for CO2 driven enhanced oil recovery if a source of carbon dioxide were reasonably close to the particular field. Using this information along with the locations of the anticipated future sources of CO2 and the potential sequestration locations for CO2, a hypothetical pipeline grid is being developed.

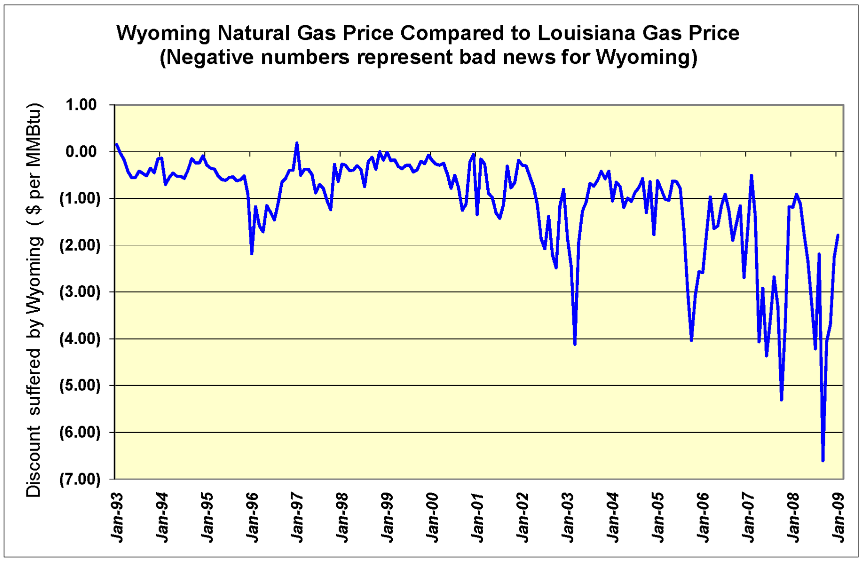
The intent of the project is to produce an estimate of the cost of an enhanced CO2 grid. This information would provide background for the discussion of how the State could promote the construction of an enhanced CO2 pipeline grid.

We expect to have a presentation on the proposed grid, its costs and its benefits in the spring of 2009.

What is the Wyoming Pipeline Authority?

The WPA operates as an instrumentality of the State of Wyoming. We are neither a state agency nor a regulatory body. The WPA operates under funds loaned to the WPA by the Treasurer of Wyoming. The WPA does not receive a direct appropriation. The enabling and governing statutes for the WPA can be found in W.S. 37-5-101 to 37-5-408. Our goal is to enhance the development of energy infrastructure required to maximize the volume of Wyoming's natural gas, crude oil, and related natural resources. The State of Wyoming receives nearly 50% of its revenues from taxes and royalties on natural gas, crude oil, and related resources. The revenues collected from natural resource taxes and royalties are tied directly to the price for which these products are sold. When added infrastructure improves the access of Wyoming's natural resources to higher paying markets, taxes and royalty revenues increase.

Why does insufficient pipeline infrastructure cause Wyoming to receive a lower price for its commodities transported by pipelines? During periods of time when natural gas supplies in Wyoming, Utah, and Colorado begin to fill up the natural gas pipelines that move gas from these states to the rest of the country, the competition among suppliers to access markets through that scarce pipeline capacity pushes prices in all three of the states down. When pipeline capacity is added, the competition for access to markets is lessened and prices improve. Unfortunately the timeline from the first proposal for a new pipeline to the first day that gas flows through the pipeline can be 5 years or longer. The Bison Pipeline project that is currently proposed to go into service in late 2010 was first proposed in the year 2000 with an estimated completion date in 2003.



The goal of the WPA is to expedite pipeline development by assisting all proposed projects so that the timeline to first delivery of gas can be as short as possible. The shorter the delay, then the shorter the period in which the State of Wyoming misses out on higher taxes and royalties. Please visit our website or inquire about the abilities of our staff and the available resources.

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