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Worldwide Construction Report

Trans Adriatic Pipeline (TAP)

Alliance Pipeline

Eagle Ford Update

INGAA Foundation

Compression

Welding

Common-Carrier Status

Sahara Infrastructure



Koch Pipeline Vice President
Larry Van Horn discusses
the company's work in the
Eagle Ford Shale on page 18.



Koch Pipeline Co. Well Prepared For Eagle Ford Activity

By Jeff Share/Editor

The Eagle Ford Shale play in South Texas is not just hot, it's sizzling these days. A number of oil companies last year discovered huge pools of oil and gas in the region, which stretches across 24 counties. Until the Bakken play in the upper Midwest takes hold, many experts are saying that not only was the Eagle Ford the hottest oil play in the U.S. for 2011, but it's likely just getting started.

Companies are pouring billions of dollars into the play, leading one top executive to say that "we believe the South Texas Eagle Ford horizontal crude oil play will be one of the most significant U.S. oil discoveries in the past 40 years."

With crude prices ranging around \$100 a barrel — and located in a drilling-friendly state — those prospects are indeed heartening. And if natural gas prices ever rebound, look for the Eagle Ford to pack a one-two punch that will likely be the envy of the entire industry.

That success does not come easily, however. The competition for skilled workers is at a peak in the Oil Patch. One recent report in the Corpus

Christi Caller Times mentioned that "hiring trends are so in demand for the scope of Eagle Ford Shale drilling activity that they have an advantage in the challenge to staff the boom."

After all, even with a soft job market, many potential workers are reluctant to cope with long hours and difficult living conditions in rural areas. It's a problem that operating and service companies are increasingly concerned about, so much so that they often find themselves forced to steal away other company's workers. Last month, 30 companies involved in the Eagle Ford play held an oil and gas job fair in Robstown, seeking to fill more than 2,000 jobs including administrative, construction, and sales as well as oilfield work.

Koch Pipeline Company L.P. has long been one of the most active companies involved in the South Texas oil fields as a transporter, so it has been in an enviable position to deal with the opportunities presented by the Eagle Ford boom. How important are pipelines to this play? Bob O'Hair, executive vice president of Koch Pipeline, estimates that KPL's new 20-inch

Pettus-to-Corpus Christi pipeline will have a carrying capacity of at least 250,000 barrels per day. It would take more than 1,200 tanker trucks to move that much crude oil over surface roads.

In an article published in a recent Koch newsletter, O'Hair was quoted as saying



Larry Van Horn

"Because there is so much new production, we've had to think in terms of bigger pipe. Before, our largest pipe in the Eagle Ford area had a 12-inch diameter. Now we're talking anywhere from 16 to 20 inches."

However, like other energy companies, Koch has had to ramp up its recruiting effort to find suitable employees. In an interview with *P&GJ*, Larry Van Horn, vice president of Koch Pipeline Company who recently celebrated his 28th year with the company, discusses their work in the Eagle Ford, in particular how they are dealing with the manpower situation.

P&GJ: What and where are your development plans in the Eagle Ford Shale? What makes this area attractive to Koch?

Van Horn: Even before our most recent developments, Koch Pipeline was the largest transporter of South Texas crude. We have owned and operated lines in the area for many years, serving our producer and refiner customers.

That footprint obviously positioned us to quickly address our customer needs by establish-

ing new or updated infrastructure to move Eagle Ford production to new markets efficiently.

We believe that Corpus Christi is the advantaged destination for Eagle Ford crude and condensate. It's the market nearest to the production, and as production exceeds what local buyers can refine, it can be barged up the coast to other markets.

We have recently commissioned a new crude oil terminal in Karnes County that is

served by a new 16-inch line to our existing terminal in Pettus in Bee County. We are in the process of constructing a 20-inch line across Bee County to San Patricio County to the Corpus Christi area to move production to terminals and piers there. That line is expected to be in service in mid-2012.

We also have lease agreements with NuStar and Harvest that bring more Eagle Ford production to the Corpus Christi area.

In addition to the new 20-inch line, we are working with various producers to build more gathering lines.

P&GJ: What is the potential of this region in terms of oil and gas development?

Van Horn: We are responding to producer needs, but are not involved in exploration and production. Our customers indicate volumes are increasing beyond initial estimates.

P&GJ: Pipelines certainly offer the best option to handle production from the Eagle Ford. Can you briefly overview Koch's plans for any new pipeline and pipelines currently under construction?

Van Horn: Pipelines are one of the safest and most efficient transportation modes — and that is apparent in the Eagle Ford. As mentioned, we've recently commissioned a 24-mile, 16-inch line that runs from Helena





to Pettus and we've announced a 20-inch line through Bee County to tie into our existing system near Ingleside. We also continue to develop gathering lines to tank batteries or to tie into our existing system. Of course, these projects have positioned us to hire more people in South Texas. The companies we hire to perform construction-related activities are also hiring skilled labor as well.

P&GJ: A number of Koch companies are involved and have benefitted from the Eagle Ford Shale. Can you tell us how these companies have benefitted and the challenges this has presented?

Van Horn: Koch Pipeline has been involved in the crude oil transportation business for more than three decades. We are excited that we have existing systems in the Eagle Ford area. Our affiliate, Flint Hills Resources just celebrated its 30th anniversary of doing business in Corpus Christi. That refinery, built in the 1950s, was constructed to run domestic South Texas crude. When domestic crude production waned, it began

of the Eagle Ford Shale and has the potential to support as many as 70,000. How many full-time jobs do you anticipate Eagle Ford developments ultimately accounting for in Texas?

Van Horn: Eagle Ford has directly spawned an increase in headcount for us in South Texas. Six Koch Pipeline Company employees support our new Helena terminal and the new pipeline. Our ability to quickly adapt to customer needs means we've added 24 employees in our Corpus Christi operations headquarters and have 29 positions open currently. This will more than double our headcount there — and has increased our company-wide employment by more than 20% in the past year. Our parent company recently participated in a workforce study about our employment and its effects on local communities. Generally, for every position added in Texas, another 5.4 employees are indirectly added. So our 53 new employees result in 286 others being hired.

P&GJ: What are some of the challenges you're facing finding qualified employees at a time when jobs has become our most pertinent issue?

Van Horn: The Eagle Ford boom has certainly made us step up our recruiting efforts in the rural areas where we've previously had

These employees will either work from our Texas base in Corpus Christi or be assigned to our rural field operations. The field roles are largely independent roles. Once trained, they become "owners" of the processes, make decisions and must be self-motivated.

We constantly evaluate our staffing levels. All the positions we have open now are not considered temporary.

As I mentioned earlier, we do not build pipelines, we hire companies that do that exclusively. Those construction companies likely will have cyclical needs for workers. For example, there will probably be 250 contractors working on the 20-inch pipeline's construction.

P&GJ: How much competition is there among the various operating companies seeking to hire people?

Van Horn: We see much competition for engineers — but we see that across all companies and disciplines. We do not have a shortage of applicants — and as I mentioned, we are encouraged to see employees seek us out because of our commitment to safety.

P&GJ: What inducements do you have to offer prospective employees? Are you working with any vocational schools in trying to hire people?

Van Horn: In addition to paying competitive wages, we have a competitive benefits package. We also offer a pension, a benefit that is not as commonly offered in the marketplace as in the past, in addition to a 401(k) program. We are also committed to personal and professional growth for employees offering tuition reimbursement, support for adding technology skills and other certifications. We are not currently working with vocational schools to hire people, but we might consider such alternatives in the future depending on market conditions.

P&GJ: Has the restrictions on hiring undocumented workers had an effect in finding workers?

Van Horn: Not for us. Candidates must confirm they legally have the right to work in the U.S. to be considered for employment. **P&GJ**



running more foreign crude. Today, the pendulum is swinging back with the refinery running a majority of local — Eagle Ford — crude.

Other Koch companies, Koch Supply & Trading as an example, also are involved in Eagle Ford. Koch Supply & Trading has long been involved in crude oil trading — and continues that with securing Eagle Ford crude for Flint Hills' refinery as well as other customers. Optimized Process Designs, also a Koch subsidiary, is involved in designing plants to process Eagle Ford gas production. Georgia-Pacific has developed a proppant that is used in hydraulic fracturing. So there are several Koch companies interested in Eagle Ford.

The one goal tying all together is serving customer needs.

P&GJ: I have seen figures indicating that the Corpus Christi area has benefitted with as many as 13,000 full-time local jobs as a result

no or only a limited presence. We are finding that potential employees seek us out for our commitment to safety. And we demand that total dedication and embracing of safety as our top priority.

P&GJ: What are some of the different types of positions skilled vs. unskilled — you are looking to fill? How many of these are permanent vs. temporary?

Van Horn: Our positions all require some sort of skills and experience. Our most important requirement though is to live and breathe safety. We try our very best to ensure that a person will embrace our safety culture — that's paramount. Our open positions to support our Eagle Ford operations run the gamut: engineers; right-of-way agent; health and safety specialists; operators; technicians experienced in instrument measurement, corrosion, electrical; and mechanical specialties.





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