

Gas prices too high? Just wait

Over the past several years the natural gas plays have transformed how energy and manufacturing is operating in the United States. With substantial investments from CHS, ONEOK, Hess, MDU



JASON SPIESS
For Bakken Breakout Weekly

Resources and North Dakota LNG, the Bakken's natural gas financial validation continues.

With all the construction, flaring, pipelines and change happening in the state some wonder if it is worth it. Venturing outside the trees of North Dakota and looking at the natural gas forest, you can see a global societal shift with the Bakken's natural gas playing a significant role.

Recently, at the Rocky Mountain Energy and Infrastructure Summit in Jackson Hole, Wyo., Ron Jibson, Chairman, President, CEO, Questar Corporation, spoke about the future of natural gas and its impact on energy. Jibson's industry involvement includes serving as chairman of the American Gas Association, immediate past chair of Western Energy Institute and he also serves on the Board of Gas Technology Institute. Over the years, Jibson has held the positions of executive vice president, vice president of operations, general manager of operations, operations manager and director of engineering. He has been with Questar Corporation for the past 32 years where he started as a design engineer. Questar Gas Company distributes natural gas services to about 900,000 customers in Utah, southern Idaho and southwestern Wyoming.

After his presentation, in an exclusive interview, Jibson was asked whether other energy plays are experiencing the same level of natural gas activity like the Bakken energy play. Is 2014 the "Year of Natural Gas" for the country?

"I think it is very applicable to us," Jibson said. "It started prior to 2014, but obviously the shale plays have been a paradigm shift in our industry. We always knew there was gas in the shale, but we could not economically get that gas out. Now with the technology of hori-

zontal drilling and the continued ability to use fracking, fracking is not new, we've been doing it for 25 years, but with the technologies we are not only able to get the gas out of the shale but very economically. Some of the lowest cost plays. And so as a result of that you know what an abundance of natural gas that we've never had before."

Jibson continued contextualizing the milestones and magnitude of this modern day shale play.

"For many, many years, dating back to the 1970s with Pres. (Jimmy) Carter when he said the country would be out of gas in the next 8-10 years," Jibson said. "He was right, we had an issue at the time, but as always, ingenuity and smart people found ways to change that and find new ways to develop the natural resources and do it very effectively and prudently."

Shifting gears, the conversation en-

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— Questar Corporation Chairman, President, CEO Ron Jibson

tered the world of transportation.

"We are behind a lot of countries in this regard," Jibson said. "We got one foot into it back in the 90s, then with more computerized engines and different engines and kits for conversions it made it difficult to continue that market. Plus I am not too sure the American public was ready for smaller vehicles and so forth."

Jibson reset the conversation back to the abundance of natural gas and how it has allowed a "foundation" market to emerge in the automotive industry.

"Again, because of the abundance of natural gas you now have what I would call the foundation market which is your mid-sized vehicles," Jibson said. "These would be your trash hauling vehicles, your busses, commuter shuttles and so forth. Places where the economics are a flat out no brainer. They are seeing tremendous savings, again the abundance of natural gas makes that possible."

Jibson pontificated that America's transition to natural gas trash hauling vehicles may shift quickly over the next

two years, indicating 70 percent is "very likely." He continued saying the most current numbers he saw in the trash hauling vehicle niche was approximately 49 percent.

"The medium, mid-sized vehicles, the transit busses and so forth, are definitely the foundation of this shift. The large vehicles, the big semi trucks, are now what I would call the emerging market. We are seeing tremendous results from companies like Swift Trucking and Central Freight Lines, major companies like Frito Lay and Dart Transportation who have made major commitments to convert large number of vehicles, who are buying the engines currently available in a 12-liter engine. We are seeing the trucking industry really take hold of this."

Jibson said costs are being reduced and major milestones and hurdles have recently been addressed.

"All the little issues are being resolved that were there originally," Jibson said, "For example the issue of where to fuel — we are out building those kind of facilities in the right locations. How to fill — we are seeing the filling times of natural gas, both CNG and LNG, are it filled as quickly as diesel into the trucks. The drivers love them and companies are starting to move that direction."

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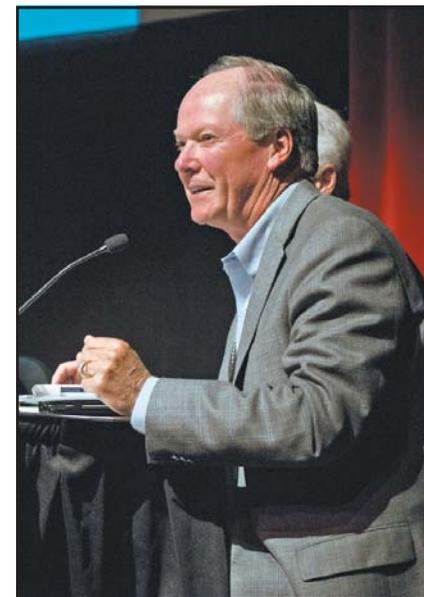
Jibson offered an update on the direction of passenger vehicles, too.

"Passenger vehicles are probably the market that is being pulled along right now. I think we are going to need to see home refueling at a very economic rate and technology, there are devices currently available, but we need to get the price down on home refueling units. When that happens I think you will also see the passenger market also take off."

Home fueling stations are exactly how it sounds according to Jibson.

"These units are attached directly to the home natural gas system, does not take any different pipelines, doesn't take a different service line in the home, it just needs to be tapped into it," Jibson said. "They are slow fill. So the concept is with a lot of the new vehicles being introduced by Detroit, we are starting to see passenger vehicles that are dual fuel."

Jibson said the majority of the miles



PAUL FLESSLAND/For the Tribune
Ron Jibson speaks at the 2014 Rocky Mountain Energy and Infrastructure Summit in Jackson Hole, Wyo.

American's put on their vehicles are commuter miles.

"So the philosophy is that you have a vehicle, that say has a 150-mile range on natural gas, people can drive to work everyday, they come home and plug-in in their garage, by the next morning they have a full tank again ready to go," Jibson said. "If they decide to drive outside the range of a natural gas filling station on the weekend, they can run on the gasoline in the dual fuel vehicle. It's a great philosophy and can be done right on their home unit."

Jibson said many natural gas utility companies can supply, install and maintain these units. The charges vary depending on region and amount of service required.

Jibson said it is an exciting time in America and the transportation transformation is happening.

"We are very excited to be a part of that," Jibson said. "We are building these major facilities, literally from the West Coast to the East Coast in strategic locations. A lot of cities many people haven't heard about, but they are major hubs for major trucking companies and we are going to see that market continue."

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