

GPAC/PJVA

17th Annual Joint Conference

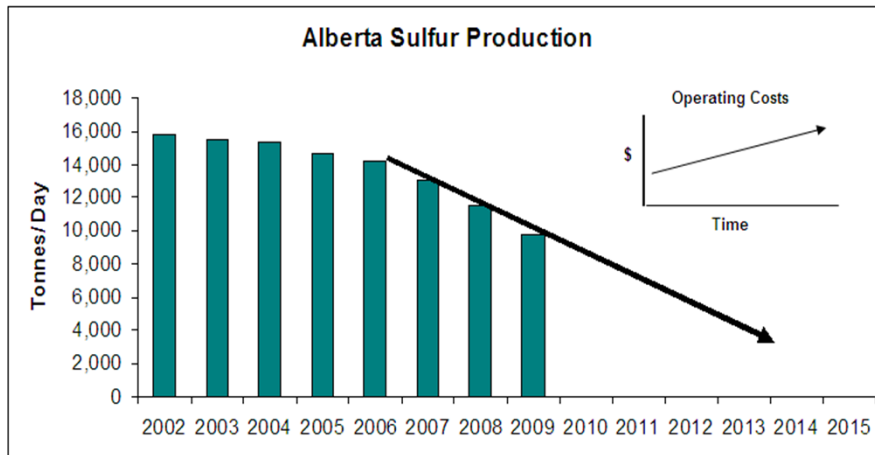
Staying Competitive in Changing Times
Operations Optimization



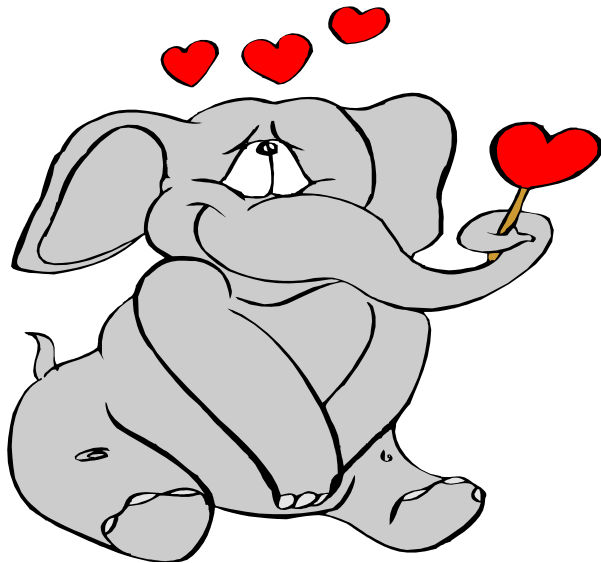
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The Elephant in the Room



- Sour conventional gas production declining rapidly.
- Gas processing cost structure is high and will get higher.
- Continued low gas price is eroding margins.
- Aging infrastructure requires significant expenditures to maintain operation at lower throughputs.
- **Current model for dealing with the issue – SELL!!**



Can Industry React Differently?

Producers

Public **Other Plant Owners**

Producer Plant Operators

Gathering System Operators

Government

Midstream Operators

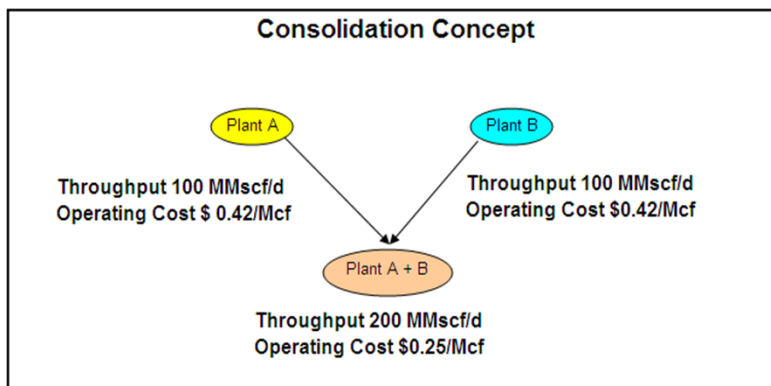
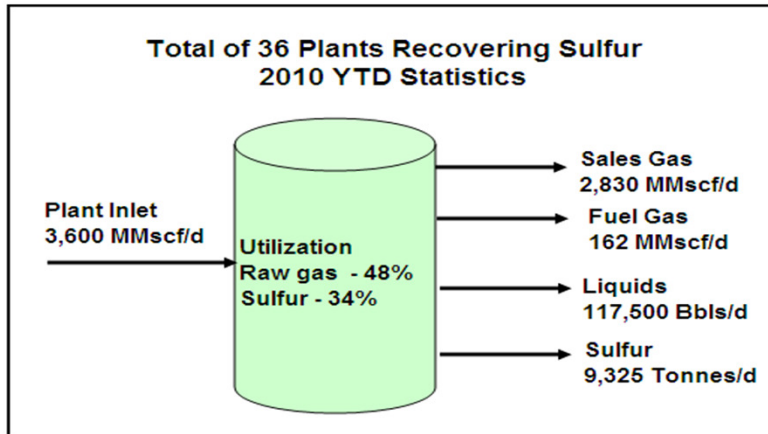
Special Interest Groups



Complex Issue

- Many stakeholders with diverse drivers and perspectives.
- Past approaches to address these underutilized facilities have had limited success.
- Industry “behavior” and general skepticism.
- Changing external environment.
 - Facility ownership
 - Government regulations
 - Public involvement
- **Is the default position to ignore the whole mess and hope for something to come along and save the day?**

Is There A Prize?



Yes

- Current gas processed – 11,000 MMcf/d – 650 +/- plants
- 36 sulfur recovery plants process a third of the total
- Current utilization
 - Raw gas – 48%
 - Sulfur – 34%
- Consolidating two average plants would share fixed costs of one plant and eliminate costs for the second plant saving +/- \$0.15/Mcf.
- Extrapolating this saving to the total throughput would save industry \$200,000,000/Year.
- **Who wants a share?**

Is There Another Way?



OR



Yes

- What needs to happen
 - Effective communication – may take an independent third party to facilitate.
 - Common understanding of size of prize.
 - Modify the current business and commercial “tools” to share the prize.
- Processors have a key role but must have involvement of other stakeholders.
- Difficult for an individual company to make the change on their own.
- **What will we choose?**