

Presentation of Ultra Pipeline, LLC Congressional Natural Gas Coalition Field Hearing

I plan on discussing both our owners experience and history in the natural gas industry; their experience in new gas field development and how the larger energy companies deploy capital in those fields; Ultra Pipeline, LLC's experience in Pennsylvania; and how both the state and local governments can assist their citizens and the gas industries on a going forward basis.

Both of the owners of Ultra Pipeline are natives of an area that is rich in natural resources. The predominate industry in their home town was coal. After decades of coal mining and encountering the naturally occurring methane gas in the coal fields of far southwestern Virginia and southern West Virginia, the prospect of drilling for and capturing coalbed methane gas began to be explored.

Beginning in the late 1980's and the early 1990's, several large gas companies began exploring for, drilling and producing coalbed methane gas in the coal fields of far southwest Virginia and southern West Virginia. Both those gentlemen lived through, and work through, the opening of a gas field, the development of the field which included stimulating or "fracing" wells from the late 1980's to the present, and also included the construction of the infrastructure, and the field being produced.

Jeff Taylor, one of the owners, began his career as a mining engineer and work in the coal mining industry for several years. When the methane gas field began being developed he work with various large companies, including Conoco, CNX and GeoMet, in the development, drilling, completing and production of those gas wells. He also had the opportunity to oversee the construction of many miles of gas pipelines from small gathering lines to large transmission lines and the handling and proper disposal of the produced brine waters from those wells.

Tom Mullins began working at the family hardware and lumber business that included mine supplies and other support related materials for mining. After completing college and law school he began practicing in 1987 when the coalbed methane development just started in those areas. He has had the opportunity to represent several gas companies as well as both property owners and local governments regarding the issues that such gas field development generates in areas that are new to the gas industry.

In 2008 Jeff and Tom, who had worked together for several years regarding various gas and related issues, began Ultra Pipeline, LLC to provide pipeline construction and other related support services to the natural gas industry. Less than 30 days after they began their business the price of natural gas dropped to record lows and the gas companies elected to redeploy their capital from the coalbed methane fields to the higher volume and newly discovered Marcellus field in West Virginia and Pennsylvania. That redeployment of capital from the coalbed methane fields caused a sudden and dramatic loss of both direct and indirect employment in those areas.

Beginning in the spring of 2010 Ultra began to work in the Howard, Pennsylvania with 11 employees providing pipeline construction and related services. By the fourth quarter of 2010 Ultra was able to double its employment base to 22 employees. By the end of 2012 we moved to our permanent Pennsylvania headquarters in Beech Creek, Clinton County, Pennsylvania and had 93 employees with two-thirds of those employees being from Pennsylvania.

Both our history and the industry history in the Clinton County area demonstrates a initial capital expenditure in 2010 for a “ramp up” of the development with a large deployment of capital in 2011, with, for example, up to 22 drilling rigs being used by one of the large producers during that year. The year of 2012 showed a reduction in the deployment of capital as the field development began to mature, a reduction in rig count while other areas were chosen for the deployment of capital. One of the many criteria large energy companies use for the deployment of capital includes both the state and local regulatory environment and how difficult it is for such companies to do business.

Despite the reduction in the capital outlay by the larger companies, Ultra continued to maintain its commitment to the Beech Creek and Clinton County area. We have made this area home and hope to continue to do so for a very long time. One example of this commitment was our actions during flood event of June 27. One of our founders lived through a very devastating flood in 1977 back in southwest Virginia and both immediately understood the immediate need that such an emergency created. Ultra responded to every request and utilized its fleet of trucks and heavy equipment during the actual flood event and also dedicated personnel and equipment to assist in the cleanup efforts.

In conclusion, the economic benefit to such development is both large and quite dramatic. However, given the competition for capital and the opportunities these large companies have in other areas, an environment of cooperation and a willingness to work with the industries will help tremendously to ensure a long and productive life of the shale gas development in Clinton County and the surrounding areas.