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Subject: Louisiana Gas Association Winter E-Newsletter



Louisiana Gas Association

Winter
E-Newsletter
January 2012

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DNR Office of Conservation Adopts New Regulation for Hydraulic Fracture Operations in Louisiana

The Louisiana Department of Natural Resources (DNR) Office of Conservation adopted a new rule requiring oil and gas operators to obtain a work permit and disclose the types of fluids used in the hydraulic fracturing process of wells in Louisiana.

Additionally, operators are required to disclose the composition of the fracturing fluids and volumes used after completing the well to the Office of Conservation or to a public registry, such as FracFocus - <http://www.fracfocus.org/>, which was developed by the national Ground Water Protection Council and the Interstate Oil and Gas Compact Commission.

Louisiana oil and gas regulations are found in Title 43 of the Louisiana Revised Statutes, under Subpart 1, Statewide Order No. 29-B.

La. Commissioner of Conservation James Welsh said the new rule provides for more disclosure of information and allows the office to collect technical data not required before.

"With the intense development of the Haynesville Shale and in the interest of being protective of the environment, revising our rules provides substance and transparency," Welsh said.

Welsh explained that the STRONGER, Inc. report issued in March 2011 also recommended this type of amendment to Louisiana's existing regulations.

Since June of this year, the amended rule has made its way through the necessary administrative rule-making process, allowing for public comment along the way. Likewise, the states of Arkansas and Texas have similar requirements.

The Hydraulic Fracture Stimulation Operations rule is available in the Louisiana Register

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Back to Work Coalition Efforts Paying Off With New Gulf Activity

Louisiana Department of Natural Resources (DNR) Secretary Scott Angelle congratulated Anadarko Petroleum on its recently announced natural gas discovery in the deep waters of the Gulf of Mexico off the coast of Louisiana, the company's first announced new discovery since the declared end of the federal moratorium on drilling.

Anadarko reported that it discovered a natural gas layer more than 50 feet thick at its Cheyenne East prospect southeast of Louisiana, surpassing the thickness of potential production that had been expected.

"I am gratified to see that energy exploration companies have continued to show their confidence in the productivity of the Gulf of Mexico and in the progress we have made in getting as many rigs and workers back on the job," Angelle said.

Angelle noted that the federal drilling permit that allowed the Anadarko project to move forward was one of 57 well projects interrupted by the moratorium that would not require revised exploration or development plans to supplement federal environmental reviews. Those wells were identified in early 2011 during the Back to Work Coalition's ongoing efforts to work with federal regulators to bring back the exploration activity that produces both energy and jobs.

"We knew that group of wells gave us an opportunity to get a head start on bringing back work and energy production in Gulf as we kept up our efforts to ensure that federal rules provided for regulation of the industry without strangulation," Angelle said. "And today we see these efforts paying off."



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Natural Gas Vehicles Provide Cost Benefits to Fleets

With skyrocketing diesel fuel and gasoline prices, and since compressed natural gas (CNG) costs between 20% and 45% less than these fuels, fleet managers are turning to natural gas vehicles (NGV). These cost advantages are expected to continue in the future and may increase since diesel prices are expected to keep rising compared to natural gas. A projection by the Energy Information Administration predicts that diesel prices will increase by 5.6% per year compared to 1.6% per year for natural gas between 2010 and 2025.

The following table compares the most recent nationwide fuel prices. Using these prices and the U.S. Department of Energy's Natural Gas Vehicle Cost Calculator, which is based on the Honda Civic GX, annual fuel savings of approximately \$964 are possible when driving a total of 15,000 miles.

Type of fuel	Average price in gasoline gallon equivalents	Average price in diesel gallon equivalents
Gasoline	\$3.69	\$4.12
Diesel	\$3.62	\$4.04

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CNG	\$2.06	\$2.40
Ethanol	\$4.52	\$5.02
Propane	\$4.41	\$4.92
Biodiesel	\$3.69	\$4.12

Source: Clean Cities Alternative Fuel Report

Comparing Paybacks

The price of a natural gas vehicle is usually higher than the price of one that is fueled conventionally, with the number of miles driven determining the payback period for this extra cost. Fleet vehicles that cover longer distances can be more attractive. A study by the Pacific Northwest National Laboratory found that the years to recover the cost of a combination truck was about half that of a light-duty vehicle, as shown in the following table.

Parameter	Honda Civic GX	Combination truck
Miles per year	15,000	~65,000
Miles per gallon	29	5.1
Fuel savings per year	\$486	\$12,197
Vehicle purchase cost premium	\$6,935	\$63,600
Years to recover cost	6.0	2.9

In some cases the NGV price can be comparable or lower than competing vehicles. For instance, the city of Phoenix, Arizona chose NG transit buses over hybrids because the original price was lower. Stricter emission standards may also make diesel vehicles more expensive than NGVs, depending on how much it costs to retrofit them with pollution control devices. Moreover, as demand continues to increase, vehicle prices should come down.

Other Costs

Maintenance savings is another potential benefit. Engine life of CNG vehicles may be better than conventional diesel and mid-life overhauls may be avoided for certain vehicles because of cleaner combustion conditions. At the end of the vehicle's warranty period, the vehicle owner can have an oil analysis performed and base oil change intervals on the results of this test. Comparing the quantity of oil required for an oil change in a diesel engine versus the CNG engine, as well as the cost of the filters, can determine if maintenance costs are lower.

Fleet managers should base their decision to switch to NGVs on total vehicle life-cycle cost, however. A study by TIAX LLC estimated the initial owner life-cycle costs (LCC) for diesel and natural gas heavy-duty refuse haulers, transit buses, and short-haul trucks based on 2010 emission standards. For these three applications, NGVs would have lower LCCs when crude oil is priced greater than \$35/barrel. Other factors affecting LCCs included level of NGV market penetration, cost of emission control technologies for both fuels, and price ratios between CNG and diesel, and CNG and LNG. The following table summarizes the conditions required for NGVs to have lower LCCs.

Parameter	Refuse Haulers	Transit Buses	Short-haul Trucks
Cost/barrel of crude oil	\$25	\$35	>\$32
Diesel exhaust gas treatment	Most expensive	Most expensive	Most expensive
Price ratio, LNG:CNG, %	84	80 (CNG:diesel)	79
NGV market penetration, %	12.5	>50	12.5

Fleets Are Expanding

School districts are taking advantage of these cost savings and switching to natural gas

Exhibitors

- CenterPoint Energy-Mobil Energy Solutions
- Coastal Corrosion Control
- EGW Utilities
- Green Equipment Company
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- OQSG
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- The Service Center
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- Vulcan Utility Signs

**List as of January 20, 2012*

Save the Date LGA Upcoming Events

Confined Space, Rescue Equipment, Gas Fire & First Aid for Burns Training School

February 15, 2012
GUD #1 of EBR Parish
Zachary, LA

Police Jury of Louisiana 88th Annual Convention

February 23-25, 2012
Houma-Terrebonne Civic Center
Houma, LA

Plastic Pipe Joining Seminar

March 7, 2012
GUD #1 of EBR Parish
Zachary, LA

Fire School

April 10 & 11, 2012
Houma, LA

Louisiana Damage Prevention Summit

April 16-18, 2012
Crowne Plaza
Baton Rouge, LA

LGA Board Meeting

April 19, 2012
Baton Rouge, LA

Gas Pressure, Regulator, Relief, Measurement Seminar

April 25, 2012
Shreveport, LA

Valve Maintenance, Gas Pressure, Regulator, Relief, Measurement Seminar

May 23, 2012
Lafayette, LA

Line Locating Seminar

The Los Angeles Unified School District's fleet of 1,300 buses includes 25% that use natural gas, which results in about a 10% savings in fuel costs when comparing diesel per gallon versus gallon equivalents. Other school districts have followed their example, including Tulsa Public Schools District, Jordan School District (Salt Lake City), and Lower Merion School District (Philadelphia).

Other industries are expanding their NG fleets to take advantage of some of these benefits:

- Heckman Corporation, an oil and natural gas services provider, ordered 200 liquefied natural gas (LNG) trucks, which may be the largest fleet of LNG trucks in North America.
- UPS purchased another 48 heavy tractor trucks equipped to run on LNG, which will produce 25% fewer greenhouse gas emissions and use 95% less diesel fuel than the vehicles they replace.
- Ryder System, Inc. ordered 202 heavy-duty natural gas vehicles for Southern California, displacing more than 1.5 million gallons of diesel and reducing greenhouse gas emissions by more than 9.2 million pounds (4,195 metric tons) of per year.
- By the end of 2011, Alpine Waste & Recycling Co. (Commerce City, California) will convert about 30% of its 50-vehicle fleet to run on natural gas, saving \$140,000 a year in refueling costs.
- AT&T has deployed more than 2,400 CNG vehicles in 543 cities in 35 states and the District of Columbia. Through 2013, AT&T expects to purchase up to 8,000 CNG vehicles.

These additions join the 112,000 NG vehicles on the road today, of which 60% are fleets involving buses, vans, refuse trucks, and other commercial vehicles.

Demand Will Continue

As companies continue to compare the costs of NGVs to conventional vehicles, demand will increase, especially for long distance operations. Worldwide, NGV sales are expected to increase from 1.9 million vehicles per year in 2010 to more than 3.2 million units annually by 2016, according to Pike Research. Corporate and government fleets will represent two thirds of the total market by 2013. The U.S. market for NGVs will have the strongest growth, with 32,619 vehicles being sold in the U.S. in 2016.

Who to Contact for Information

To find out more information about natural gas vehicles, contact Mike DeArmond with Atmos Energy at 241-206-2804.

This article previously appeared in the Atmos Energy Matters newsletter, and is used with permission.

U.S. Transportation Secretary LaHood Announces Final Rule That Bans Hand-Held Cell Phone Use by Drivers of Buses and Large Trucks

Tday's Action is the Latest by the Department to End Distracted Driving

WASHINGTON - U.S. Transportation Secretary Ray LaHood today announced a final rule specifically prohibiting interstate truck and bus drivers from using hand-held cell phones while operating their vehicles. The joint rule from the Federal Motor Carrier Safety Administration (FMCSA) and the Pipeline and Hazardous Materials Safety Administration (PHMSA) is the latest action by the U.S. Department of Transportation to end distracted driving.

"When drivers of large trucks, buses and hazardous materials take their eyes off the road for even a few seconds, the outcome can be deadly," said Transportation Secretary Ray LaHood. "I hope that this rule will save lives by helping commercial drivers stay laser-focused on safety at all times while behind the wheel."

The final rule prohibits commercial drivers from using a hand-held mobile telephone while operating a commercial truck or bus. Drivers who violate the restriction will face federal

June 12 & 13, 2012
Baton Rouge & Alexandria, LA

191/192 & 195 Pipeline Safety Conference
July 23-27, 2012
Royal Sonesta Hotel
New Orleans, LA

LMA 75th Annual Convention
August 2-4, 2012
Lake Charles, LA

LGA Board Meeting
August 23, 2012
Location TBD

LGA Annual Operations Conference
October 2012
Location TBD

LGA Board Meeting
November 29, 2012
Location TBD

civil penalties of up to \$2,750 for each offense and disqualification from operating a commercial motor vehicle for multiple offenses. Additionally, states will suspend a driver's commercial driver's license (CDL) after two or more serious traffic violations. Commercial truck and bus companies that allow their drivers to use hand-held cell phones while driving will face a maximum penalty of \$11,000. Approximately four million commercial drivers would be affected by this final rule.

"This final rule represents a giant leap for safety," said FMCSA Administrator Anne S. Ferro. "It's just too dangerous for drivers to use a hand-held cell phone while operating a commercial vehicle. Drivers must keep their eyes on the road, hands on the wheel and head in the game when operating on our roads. Lives are at stake."

While driver distraction studies have produced mixed results, FMCSA research shows that using a hand-held cell phone while driving requires a commercial driver to take several risky steps beyond what is required for using a hands-free mobile phone, including searching and reaching for the phone. Commercial drivers reaching for an object, such as a cell phone, are three times more likely to be involved in a crash or other safety-critical event. Dialing a hand-held cell phone makes it six times more likely that commercial drivers will be involved in a crash or other safety-critical event.

In September 2010, FMCSA issued a regulation banning text messaging while operating a commercial truck or bus and PHMSA followed with a companion regulation in February 2011, banning texting by intrastate hazardous materials drivers.

"Needless injuries and deaths happen when people are distracted behind the wheel," said PHMSA Administrator Cynthia Quarterman. "Our final rule would improve safety and reduce risks of hazmat in transportation."

Nearly 5474 people died and half a million were injured in crashes involving a distracted driver in 2009. Distraction-related fatalities represented 16 percent of overall traffic fatalities in 2009, according to National Highway Traffic Safety Administration (NHTSA) research.

Many of the largest truck and bus companies, such as UPS, Covenant Transport, Wal-Mart, Peter Pan and Greyhound already have company policies in place banning their drivers from using hand-held phones.

To learn more about the U.S. Department of Transportation's efforts to stop distracted driving, please visit <http://www.distraction.gov>

<http://www.fmcsa.dot.gov/redirect.aspx?page=http://www.distraction.gov>

Bobby Burns named regional operations director

I am pleased to announce that, effective Feb. 1, Bobby Burns, north Louisiana district operations manager, has been named regional operations director for the Louisiana/Mississippi region.

Bobby began his career with the company in 1976 as a welder in Bernice, La. In 1985, he was promoted to operations supervisor and he has served in various management capacities throughout Louisiana for 25 years. He was named to his current position in 2000.

He has been an active member of the Louisiana Gas Association (LGA) and the Gas Technology Institute's Operations Technology Development group. He is a past president of the LGA. Bobby will be located in Shreveport and report directly to me.

Bobby and his wife, Pattie, have been married for 35 years and have two grown children and five grandchildren. Please join me in congratulating Bobby and supporting him as he transitions into his new role.

Confined Space, Rescue Equipment, Gas Fire & First Aid for Burns Training School

Louisiana Gas Association is hosting a one day Training School on Wednesday, February 15, 2012 at the Gas Utility District #1 of East Baton Rouge Parish in Zachary, Louisiana.

Doug Champlin, with C&C Emergency Response training, will educate and familiarize gas system personnel on various aspects of fire fighting techniques, provide hands on training in fighting natural gas fires, offer First Aid what to do and not to do for burn victims, and discuss how to prepare burn victims for transport.

This exciting seminar will be a prime opportunity for hands on techniques. Attendees who have taken this seminar in previous years have shared that the Training School is very informative and that Doug is knowledgeable in his field, very good at bringing attention to all areas of the course, and easy to relate to.

This seminar promises to be informative instruction for all pipeline companies, small municipalities and others in the industry.

[Download the registration form](#) for full program agenda as well as sponsorship and exhibitor opportunities or call the LGA office at (866) 921-0923 for more information.

191/192 & 195 Pipeline Safety Conference

Please make plans to attend the 191/192 & 195 Pipeline Safety Conference that will be held July 23-27, 2012 at the Royal Sonesta Hotel in New Orleans, Louisiana.



Tentative Agenda:

- July 23-25, 2012: 191/192 - Gas Transmission & Gas Distribution
- July 25-27, 2012: 195 - Hazardous Liquids
- **Agenda and Speaker Information coming soon in 2012!*

Hotel Accommodations:

Royal Sonesta Hotel
300 Bourbon Street
New Orleans, LA 70130

Due to the high demand for hotel rooms, please make your room reservations NOW by calling the hotel directly at (504) 586-0300 or (800) 766-3782. Be sure to mention that you are attending the PIPELINE SAFETY SEMINAR in order to receive the special negotiated rate of \$96.00 for a single/double guest room. The deadline to receive this special rate is Friday, June 29, 2012 (**deadline will not be extended due to the hotels expected occupancy**). Reservations made after this date will be accepted based on hotel availability. ROOMS ARE LIMITED, PLEASE REGISTER EARLY. The special rate of \$96.00 will be honored from July 20, 2012 through August 1, 2012. Room reservations may be made online by clicking [HERE](#) and using the code PIPELINE 2012.

Exhibitor & Sponsorship Opportunities:

Exhibitor & Sponsorship Opportunities are now available! The 2011 conference included more than 500 attendees, our largest turnout yet, and the conference continues to grow each year! Don't miss this opportunity to promote your products and network with individuals in the industry.

Booth space is limited - register NOW, register EARLY! Booths will be confirmed on a first come, first paid basis. Click [HERE](#) to download the registration form and secure your booth space TODAY!

** Updated exhibitor layouts available to view on the LGA website.*

Updated exhibitor floor layouts will be available online, www.lagas.org, to view which booths have been taken and which are still available.

If you have any questions, please contact Kathleen O'Regan at the LGA office.

- Phone: (225) 218-6885 or (866) 921-0923
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Have an interesting article for the LGA E-Newsletter?

Have an interesting article to include in the LGA E-Newsletter? Send suggested articles to Kathleen O'Regan at the LGA office. Your article could appear in the next quarterly issue!

Articles may include, but are not limited to:

1. LGA Member, Company, and/or Employee Recognitions
2. Industry Updates
3. Member special events
4. Company Announcements
5. Consumer Reports

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