

Oil and gas association criticizes Kentucky judge's ruling against Bluegrass Pipeline

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A Franklin Circuit Court ruling on the proposed Bluegrass Pipeline this week was "flawed" and "revealed a very limited understanding" of oil and gas production, the Kentucky Oil and Gas Association said in a response Thursday.

Andrew V. McNeill, the association's executive director, said in the statement that Circuit Judge Phillip Shepherd's rationale for his ruling "defies the common-sense reality of our industry."

The association represents the state's oil and gas industry.

McNeill said Shepherd contended that natural gas liquids, which would flow through the proposed pipeline, are not actually oil and gas products. McNeill said they are.

"Nearly every cubic foot of natural gas produced in Kentucky contains some mixture of methane, ethane, propane, butane, isobutene and pentane," McNeill said in his statement. "That mixed natural gas stream is transported ... to processing facilities and often to neighbors' homes for heat.

"NGL (natural gas liquids) constituents are the same constituent parts of natural gas; the logic of the court's decision ignores that reality."

Shepherd ruled on Tuesday that Bluegrass Pipeline cannot use eminent domain to acquire easements for its proposed pipeline, which would carry natural gas liquids through 13 Kentucky counties.

The company said it would appeal the ruling.

McNeill said Kentucky produced almost 15 million barrels of natural gas liquids from 2009 to 2011.

"Every drop of Kentucky-produced NGLs is subject to Kentucky's natural resource severance tax," he said. "Like natural gas, the severance tax is applied to NGLs at their first point of sale ... Sounds like an 'oil and gas product' to me."

McNeill also argued that if significant natural gas resources are discovered in Eastern or Western Kentucky, natural gas liquids would be a key part of that discovery.

"If that scenario unfolds, the oil and gas industry could create thousands of jobs," he said.

Shepherd said in his ruling that the pipeline would carry natural gas liquids through Kentucky, but would not have an impact on Kentucky's energy needs.

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