

Golden Triangle Business Roundtable
Minutes
June 21, 2005

John Durkay called the meeting to order and welcomed all members and guests. John recognized attending Plant Managers, Politicians and other distinguished guests.

Committee Reports

Safety Committee –Pat Avery reported that the Contractor group is working on the safety survey analysis. The Owner group is conducting onsite safety audits. Don't forget to mark your calendars for the 14th Annual Contractors Safety Awards Banquet, August 30, 2005, at the Holiday Inn Beaumont Plaza.

Program Committee – James Riley reported that our area politicians would speak at the July 19, 2005 meeting.

Program: Plant Managers Panel

Nick DeRoos Plant Manager of BMC Holdings gave a brief history of his facility. The facility was originally DuPont, located at the Industrial Park and was commissioned in 1969. It was sold in 1991 to Beaumont Methanol Corporation (BMC). Beaumont Methanol was acquired by Terra Industries in 1994. The plant has undergone many expansions and modernizations during its life. BMC is the largest methanol producing and capacity plant in North America. It is the lowest cost conventional, steam methane reformer, type plant. The facility shut down indefinitely as of December 2004. Nick presented slides of all the existing methanol plants in 1995. Today there are only six plants left. Two are in Canada and four are in the US.

Of the six, four are scheduled to come down in the next twelve months. The anhydrous ammonia businesses are shutting down too. Why? What are the reasons for these shutdowns? Some of the reasons are that other countries are producing methanol cheaper, decreased demand, and increased domestic natural gas prices. From 1990 to 2000 gas prices ran around two dollars. It has escalated to more than six dollars from 2000 to present. The latest prices are above seven dollars per MNTBU. To drive it home and make it clear here is the bottom line; natural gas prices in the US are at six dollars and fifty cents while Trinidad is at one dollar and fifty cents. Domestically it's seventy cents and it's nineteen cents in Trinidad. Add in variable costs and the costs are seventy-seven cents a gallon domestically versus twenty-three cents in Trinidad. The U S can't compete with prices that low. If the United States is going to grow the economy we need natural gas. Nuclear power is a proven technology but the U S has an aversion to it. The U S needs aggressive funding for alternative fuels research like clean coal and coke.

BMC Holdings, Inc. did layoff the bulk of their employees January 1, 2005. In 2004 the employees ran the plant without any OSHA recordables. They set seven monthly production records. The plant received the Texas Chemical Council award of excellence.

Some of those people have now moved on to other positions with other companies, retired or enrolled in educational programs. Nick stated that the plant would not reopen.

Ron Franklin, Plant Manager Huntsman O&O Plant stated he was warming up the group for Don Kuenzli. Huntsman is a consumer driven supplier. They make raw materials that go into the following industries: basic chemicals, plastics, automobile, aviation, footwear, paints and coatings, construction, technology, agriculture, healthcare, textiles, detergents, personal care, furniture, appliances and packaging. Basically all the industries are touched. Revenues globally are eleven and a half billion dollars. Huntsman went public earlier this year. They have 11,300 employees globally. Huntsman operates four different facilities, three in Pt. Neches and one in Port Arthur. They evaluate contractor usage continually. Huntsman contributes about twenty three million in taxes to this county.

Huntsman is very much affected by global economics and they live and die on energy costs. Good things are happening and they are investing and staying competitive. Huntsman has a facility in Pensacola, Florida that is producing a product that is in great demand and they are now looking at two locations in this area to possibly produce that product. Huntsman is working to expand their ethanalamines in the spring of next year. They are a very large producer of MTBE at two of their Port Neches plants. Methanol and natural gas prices do affect them. Regulations also affect them. They plan to produce MTBE well into the future.

A Japanese company is interested in investing in the new company along the Gulf Coast. The biggest obstacle to overcome is overseas production. They have energy and raw materials at almost zero cost. Huntsman just completed the relocation of a major product line from Canada to Port Neches. They are now making a detergent product that goes into some of the Lever Brother products. Ron said that it was a good move and Calabrian Chemicals assisted in this project. The labor force in this area is well qualified to meet their needs. Most of the Huntsman sites are older and keeping them operational is very important.

Don Kuenzli, General Manager, Premcor Refinery stated that he had addressed the group four times previously and that this may be his last opportunity to address the group. Valero is currently trying to merge with Premcor. This is good news for the company and its employees. The history and success of Premcor has been good. Gulf Oil was the start of the refinery. Then Chevron took over. In the early nineties it was sold to Clark. Then Premcor came along in 2000 and the plant has advanced since that time. The future looks to be Valero. In April of 2005 Valero planned to acquire Premcor. Stock went from 24 to 72 dollars. The future looks good and Valero is a super company. They look for the merger to take place by year-end.

Premcor has a 250 thousand barrel capacity for heavy sour crude, 80,000 barrels of coker, a couple of big hydro-crackers and other assets. Tax abatements make Premcor very attractive. Permitting is done. They are under construction for expanding a new crude vacuum unit operating at 150 thousand barrels a day capacity. They will run it at 75 thousand barrels until they get more equipment. Premcor is installing a new ultra low sulfur diesel hydrotreater operating at 45 thousand barrels a day. They are also expanding their coker to operate at a 105 thousand barrels per day which makes it the biggest in the USA. Premcor is expanding the hydro-cracker to 45 thousand barrels a day. Investment 420 million dollars and should complete June of 2006. Peak construction is about 1200 people. Engineering is 85% complete. Procurement is 100% complete. Major equipment is 100% complete. 40% of foundations are complete. Work awarded to local companies is 85% complete and that will change at some point because of specialty work that will be done. Current manpower is 240 people and projected manpower is 800. They have had two very successful turnarounds. Don complimented the contractors on their people's performance.

Don left us with this quote, "Old refiners never die they just smell that way". Questions & answers followed.

Adjourned