



306 West Main Street  
Suite 404  
Frankfort, Kentucky 40601  
Office: 502.226.1955  
Fax: 502.226.3626  
[www.kyoilgas.org](http://www.kyoilgas.org)

**FOR IMMEDIATE RELEASE  
MARCH 27, 2014**

**KENTUCKY OIL AND GAS ASSOCIATION EXECUTIVE DIRECTOR'S STATEMENT:  
"CIRCUIT COURT DECISION DEFIES COMMON-SENSE REALITY OF OUR INDUSTRY"**

"The Franklin Circuit Court's flawed decision on the Bluegrass Pipeline revealed a very limited understanding of Kentucky's and our nation's oil and gas production, transmission and transportation. The decision's rationale - that natural gas liquids (NGLs) are not 'oil and gas products' - defies the common-sense reality of our industry. Nearly every cubic foot of natural gas produced in Kentucky contains some mixture of methane, ethane, propane, butane, isobutene and pentane. That mixed natural gas stream is transported from the wellhead through gathering lines to larger pipelines and processing facilities and often to neighbor's homes for heat. NGL constituents are the same constituent parts of natural gas; the logic of the court's decision ignores that reality.

The ruling argued that Kentucky's Legislature did not intend for NGL's to be included in its definition of 'oil and gas products.' Methane, what is most commonly thought of as 'natural gas' is a hydrocarbon. NGLs are hydrocarbons. In fact, it is not uncommon for some amount of ethane to remain in the natural gas stream after separation and, then, delivered to homes as a household energy source.

From 2009-11, Kentucky produced nearly 15 million barrels (630 million gallons) of natural gas liquids. Every drop of Kentucky-produced NGLs is subject to Kentucky's natural resource severance tax. Like natural gas, the severance tax is applied to NGLs at their first *point of sale*. That bears repeating, NGLs are bought, sold and taxed at a point of sale. Sounds like an 'oil and gas product' to me.

At some point in the future, it is possible that Kentucky's producers could uncover a new and significant resource play in either eastern or western Kentucky (or both). NGLs would be an

important component of that discovery. If that scenario unfolds, the oil and gas industry could create thousands of jobs. There is no question that, if built, the Bluegrass Pipeline could play a critical future role in growing Kentucky's industry.

Judge Shepherd revealed his leanings by using the language of the Bluegrass Pipeline's opponents, labeling NGLs as 'highly dangerous chemicals.' Think about it: Propane heats Kentucky homes and fuels Kentucky's backyard grills. Butane lights our children's birthday candles. Every Toyota Camry or Ford F-150 that rolls off a Kentucky production line contains parts and trim that were made possible by NGL production and transportation. What Judge Shepherd call's 'highly dangerous chemicals' Kentucky's oil and gas producers call indispensable energy resources and industrial feedstocks that help make Kentucky's incredible quality of life possible and affordable.

Pipelines, both interstate and intrastate, are essential infrastructure. Pipelines are a safe and effective means to transport our nation's energy resources. By suggesting NGL's are not 'oil and gas products', the circuit court decision denies a certain level of common-sense that should be brought to the discussion on the role affordable and reliable energy plays in our lives."

Andrew V. McNeill  
Executive Director  
Kentucky Oil and Gas Association  
502-226-1955  
[amcneill@kyoilgas.org](mailto:amcneill@kyoilgas.org)