Comment by Email Sent 12/22/05

Natural Gas Supply/Demand Notice of Inquiry

Sender Name: Lowell Fraley
Company/Organization: Fraley & Associates

Please refer to paper presented at the CMR Global Business Forum Galveston Texas 14 May 2004 by Fraley and Madden 14 May 2004:

http://home.alltel.net/ldfraley/methanol.pdf

The paper raises the following issues:

1) For the two decades prior to 1997 the price of natural gas was stable at about 2 $/MM Btu. The paper demonstrates that the introduction of volatile peaking gas turbine power plants into the natural gas system de-stabilized it. Price oscillations of an ever increasing amplitude are the result.
2) There was no evidence of a shortage of gas reserves in the USA. E&P and gas delivery systems were not designed to to dampen the oscillations.
3) LNG is not a good choice for a solution. It may even add to the instability.
4) Short term solution --- Government agency similiar to the Texas Railroad Commission should manage the drilling rig count so as to dampen the price fluctuations.
5) Long term solution ---- Fuel all the gas turbine power plants with methanol stored at each plant site with at least 30 day methanol supply on hand. This de-couples the power plant gas demands from those of resendential, commercial and industrial. The price to these segments will tend toward the "cost of production" (+/- 4 $/MM Btu).
6) Methanol is an ideal gas turbine fuel supported by all turbine vendors. It is more efficient, cleaner burning and produces more power than natural gas.
7)The paper demonstrates that methanol produced from stranded gas can be delivered to the power plant gate at a lower cost than LNG.
8)The methanol fueled distributed power system would be resistant to disruptions from terrorists, weather and other phenomena.
9)The paper argues that methanol is economically feasable as a chemical feedstock and in various forms as a motor fuel.
10) Methanol technology is mature. Daily, 90,000 tons are produced and traded worldwide.
11) Methanol has been commercially produced from coal for over half a century. Deploying this technology would allow the USA to become energy independent.

The paper presents methanol as the energy carrier of the future while solving major energy problems of today.

The highly promoted hydrogen energy carrier has no relevance today and with the many technical hurdles in it's path may never become relevant.