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Settlement puts offshore oil port back on track

By TOM FOWLER Copyright 2009 Houston Chronicle

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Plans for a \$1.8 billion oil port off the Texas coast will move forward following the settlement of a lawsuit among former partners in the project.

Oiltanking Holding Americas reached a deal with Houston-based Enterprise Products Partners and Teppco Partners in the lawsuit Oiltanking filed earlier this year when the other two companies pulled out of the project.

Despite losing two of its three founding partners, the Texas Offshore Port System will continue with permit applications in the works and a search for new investors, said Carlin Conner, chairman of the venture's management committee and president and CEO of German-based Oil-tanking's North American subsidiaries.

Exxon Mobil Corp. and Motiva, a joint venture of Royal Dutch Shell and Saudi Arabia's Aramco, are still signed on as customers.

The project, announced in August 2008, would locate a platform 36 miles off Freeport to unload crude from two supertankers at a time, totaling up to 1.8 million barrels a day. The oil would travel via undersea pipeline to shore and then to a new storage facility in Hitchcock, where it would feed into the many refineries along the Texas coast.

In April of this year, Enterprise and Teppco, which are linked to Houston billionaire Dan Duncan via

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their general partner Epco, said they were backing out of the project but did not give a reason. Oiltanking sued. Until the settlement, the trial had been scheduled for 2010.

Terms of the settlement haven't been disclosed, but Enterprise and Teppco said in filings with the Securities and Exchange Commission they will each record a \$33.5 million expense during the third quarter in connection with the settlement. That's slightly less than the \$34.2 million the two said they expected to have to pay when they announced their departure from the project earlier this year.

Efforts to build an oil port off Texas date back more than 35 years. A project called Seadock, proposed in 1972, would have unloaded up to 2.4 million barrels per day from a site 26 miles off Freeport. Thirteen companies were involved in the project at one point, and the price tag ran from \$650 million to \$1.1 billion.

The project fell through by 1977, though, when three of the largest companies involved — Gulf Oil, Exxon and Mobil — pulled out. Oil imports were waning at the time, and federal officials made several demands the companies considered untenable, including that the terminal be opened to shippers that weren't part of the project.

The state of Texas tried to keep the project alive a year later by creating the Texas Deepwater Port Authority but shelved the idea because of a lack of industry interest. It was resurrected a few

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Seadock was proposed at the same time as the Louisiana Offshore Oil Port, which faced the same regulatory hurdles but was smaller, with a capacity of 1.2 million barrels per day and backing by a broader mix of midsize independent oil producers.

The LOOP is now owned by Shell, Marathon Pipe Line and Murphy Oil, and it handles up to 12 percent of the country's annual oil imports.

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