Harbor petro grinding firm hopes to multiply in size

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A plant that grinds oil-refining residue into a fuel-powder used in some industries as a substitute for natural gas hopes to quadruple its capacity here.

DTE PetCoke, 745 Industrial Drive, operates a Vicksburg Harbor petroleum-coke-grinding mill that can produce 250,000 tons a year and hopes to build three more like it there, manager Andrew D. Herndon said.

Herndon made his comments at a Wednesday tour of the facility organized by the Vicksburg-Warren County Chamber of Commerce's Economic Development Foundation.

The mill is a collaboration of DTE Energy Services of Ann Arbor, Mich., and Falco Chemical of Vicksburg. It began operation in May 2005 and now produces the fuel at a rate of about 85,000 tons a year, Herndon said. That number is expected to grow to about 130,000 tons within six months, Herndon said.

"At that point we'd think about building a second mill," Herndon said.

And the harbor site can accommodate up to three additional mills, all of which Herndon said he hopes to see built there within five years.

DTE PetCoke's only major competing petroleum-coke processor in the region is in Tuscaloosa, Ala., Herndon said. Other such processors are located in the western United States but the fuel is processed by only "a handful" of companies nationwide, Herndon added.

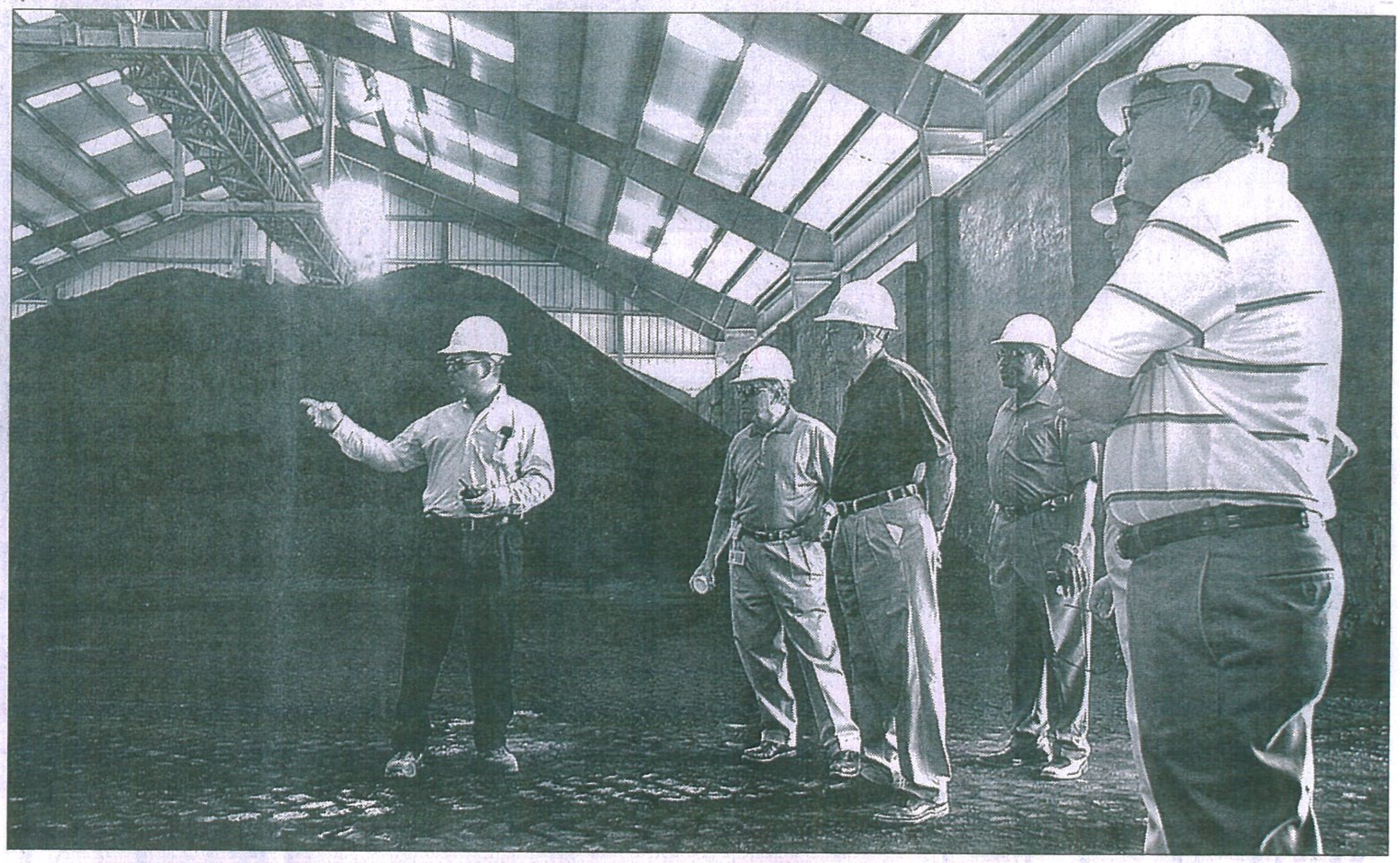
Petroleum coke is a byproduct of oil-refining that, once processed, can be burned in place of natural gas in some cases. Its capacity for use as a fuel of its own has been known since the 1970s Herndon said. Mainly due to the relatively low cost of natural gas, however, it's been used more in Europe than in the United States, Herndon said.

U.S. oil-refiners have typically put into landfills or sold to power companies the coke they produce that they don't sell for processing, Herndon said.

The cost of petroleum coke as a fuel has remained relatively stable while that of natural gas has risen much faster, making the alternative fuel more-viable in at least some industries.

At today's natural-gas prices industries that can use the coke as a substitute can do so at about one-third the cost, Herndon said. That barges can bring the raw material to the harbor and trains can take it to or near major customers also helps reduce customers' overall costs, Herndon added.

The Vicksburg operation's product is sold mainly to paper-makers, who use it to fire kilns, a DTEES spokesman has said.



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DTE PetCoke plant manager Andrew Herndon, left, shows where the PetCoke product is stored during a tour of the Industrial Road facility. Tour members, from left, are Mississippi Development Authority manager Sonny Thomas; Jim Pilgrim, director of the Economic Development Foundation; and Warren County Supervisors William Banks, David McDonald and Richard George.

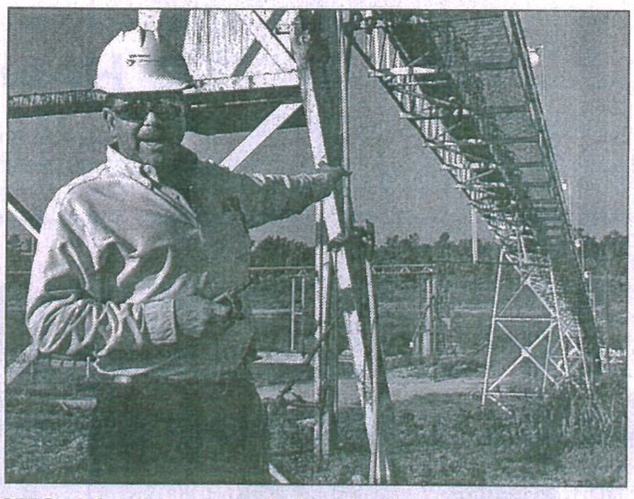
The petroleum coke processed at the harbor is shipped there from a Marathon Oil refinery in Garyville, La., Herndon said.

The Vicksburg mill was built in just more than six months, nearly twice as quickly as such mills are typically built, Herndon said. It is staffed by five employees, a number that will not need to grow above 12 even if the site is built-out with four mills, Herndon said.

The harbor is along the Yazoo Diversion Canal beside Falco Chemical facilities that are used to unload barges of petroleum coke, Herndon said.

When river levels are sufficient, barges bringing about 1,800 tons of petroleum coke each arrive at the site about three times a month, Herndon said.

Other times more trips must be made to deliver the same amount of raw material, Herndon said. Completion of a planned dredging project for that section of the canal should improve efficiency of the deliveries, Herndon said.



DTE PetCoke plant manager Andrew Herndon shows where the PetCoke product is received from barges along the Yazoo Diversion Canal.

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DTE PETCOKE

Maximum capacity per year (tons): 250,000

Production per year (tons): 85,000

Expected production per-year in six months (tons): 130,000

Operating hours per day: 12

Operating days per week: 5

Employees: 5

Cost per million BTU, petroleum-coke fuel: $3.50

Cost per million BTU, natural-gas: $9 to $10

Investment in current mill: $13.5M

Expected investment in each additional mill, if built: $2.5M