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Pipes, plates reactivate steel complex

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The Jindal Texas Steel Works is running again at full capacity to meet soaring demand for natural gas pipelines.

The steel manufacturing complex built by U.S. Steel Corp. in the 1960s sat idle for nearly 10 years in the late 1980s and early 1990s.

Jindal Group, a family-owned company based in India, acquired the pipe mill in 1993 and the plate plant in 1997 after U.S. Steel had shut both down in 1987.

The plants ran at partial capacity due to limited demand, but two Jindal subsidiaries are now going full speed ahead once more to supply a resurgent market for specialty pipes and plates.

Saw Pipes USA is one of two mills in the United States able to produce coated pipes up to 48 inches in diameter with inch-thick walls.

Jindal United Steel is one of three U.S. plants capable of producing wide steel plates up to 160 inches wide and four inches thick.

Jindal's steel mills are fully booked through 2007 with additional bids in the pipeline, says Kevin Bartol, who was chief financial officer of Jindal until stepping down in late August.

Most of the business consists of new natural gas transmission projects.

"The big thing is the hundreds of thousands of miles of pipeline needed to move natural gas," says Bartol. "We expect this demand to continue for at least the next several years."

The pipe and plate plants now running at full capacity will expand operations to a level the facilities originally were designed to handle.

The ultimate production goal is 40,000 tons of pipe a month -- about a half-million tons a year -- and more than a million tons of steel plate a year.

The two facilities operate at 50 percent to 60 percent of that projected capacity, with total combined annual revenue of \$6 billion.

Jindal Group acquired the properties when the steel industry was in a downslide.

"The industry bottomed out in 2002," says Bartol, an entrepreneur who in the 1990s co-founded the St. Arnold Brewing Co.

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The steel plate business began picking up in 2003 and pipes started recovering in late 2005 due to natural gas projects that had been on the back burner while prices were low. When gas prices hit record levels, dormant projects began to be launched.

Both international and domestic growth has been strong, Bartol says.

Jindal bids on projects all over the world and has done work for Aramco -- Saudi Arabia's state oil company -- and the Egyptian National Gas Corp., in addition to heavy imports of steel plate to India.

Price in the pipeline

Prolific pipeline production is expected over the next five years "to feed the huge and growing demand for raw gas and LNG exports" to Asia.

This prediction comes from a report issued last month by Infield Energy Analysts, a Norwegian firm with a Houston office.

Infield forecasters envision pipeline growth in other regions as well. They expect expenditures on offshore pipelines to be nearly \$16 billion a year through 2011, with more than 46,000 miles of lines laid.

Global demand for steel has driven up prices. As a result, pipeline buyers face added costs as well as delays in production schedules due to the heavy backlog of orders to suppliers.

Attorney William Swanstrom of Houston law firm Locke Liddell and Sapp LLP recognizes the situation.

Swanstrom represents the joint venture of Kinder Morgan Energy Partners LP, Sempra Pipelines & Storage and ConocoPhillips building an extension of the 622-mile Rockies Express Pipeline to transport natural gas out of the Rockies to southern and eastern markets.

He says pipe for the Rockies Express is coming from multiple suppliers around the world.

Notes Swanstrom: "It's definitely a challenge for companies expanding pipeline systems to get the supplies when you need them."

Another Houston pipeline company, Enterprise Products Partners LP, has more than 650 miles of expansion pipelines just coming online or scheduled for completion next year.

Projects range from a 165-mile expansion of the company's MidAmerica Pipeline System in the Rockies to the 134-mile offshore deep water Independence Hub pipeline project in the Gulf of Mexico. All carry natural gas or natural gas liquids.

Pipe for these projects is typically ordered six months to a year in advance, says Enterprise Products spokesman Rick Rainey.

But so far the company has not had any problems procuring the necessary pipe, mainly 24 inches in diameter.

Says Rainey: "We aren't seeing the challenges with procurement as companies that need the larger-diameter pipes."

mperin@bizjournals.com • 713-960-5910

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