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Tenaris Chooses Bay City for New \$1B Steel Pipe Mill

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\$1B Tenaris Ba

1,800 Jobs

By all accounts, it's

Tenaris, a 107 year old global manufacturer of steel pipe products used for the energy industry, chose Bay City, Texas as the home for its new, \$1.5 billion, 1 million square foot, state-of-the-art seamless steel pipe mill because the city offers a combination of favorable geography, operational logistics and the availability of a skilled workforce.

Bay City, with a population of 18,667, welcomes the approximately 1,800 jobs its construction will bring. By the time the mill is operational in 2016, it is pro-

jected to create 600 direct manufacturing jobs with an average salary of \$66,000, an annual projected payroll of about \$40 million and significant impact in nearby counties including Brazoria County, where a deep water port is located that will feed steel to the mill.

"This project is the realization of a dream," said Sergio Tosato, Tenaris' Industrial Expansion Director. "It shows our confidence in the growth of the industrial and energy sectors in North America and our ongoing commitment to strengthening our U.S. operations.

This investment will complement our integrated global manufacturing network, as well as our existing North American facilities."

Tenaris' annual capacity is 6.5 million tons of steel pipe for sales of \$10 billion. The company has almost 4,000 employees and 11 manufacturing facilities in the U.S. TenarisBayCity is the company's first seamless pipe production plant in the U.S. and its first green field project in over 60 years.

Tenaris also found Bay City appealing because of its close proximity to Tenaris' North American headquarters in Houston, as well as other shale plays such as the Eagle Ford Shale, Tosato said. "The participation and support of the local community were also major factors for the decision."

"We need to build something here that outlives us old folks and creates new opportunities for young folks to come back and live with us," said Matagorda County Judge Nate McDonald, who was part of a group of people who worked for about a year to put the economic incentive package together. "In order to keep the kids and grandkids in Matagorda County, we've got to have career opportunities."

On June 10, 2013, when the Matagorda County Commissioners Court passed

the final piece of the economic incentive package offered to Tenaris – a Chapter 381 agreement – it brought the packed audience to its feet in a standing ovation.

"Owen Bludau (recently retired Executive Director of the Matagorda County Economic Development Corporation) said this was the pinnacle, the crowning achievement of his 30 plus years of economic development," McDonald said.

Texas Governor Rick Perry praised the local business community and state and local officials for their efforts in attracting such a terrific asset.

"The most profound statement about our favorable economic climate comes when companies like Tenaris make an investment of this size in our state," Perry said. "That says that not only is Texas the best place to grow your business now, but they're confident that we'll remain that way moving forward."

Seamless Steel Pipe Production

The mill will annually produce 600,000 tons of oil country tubular goods (OCTG), which refers mainly to casing and tubing used in drilling as well as line pipe and other pipe used in producing or transporting gas and oil.

"Unlike the welded production process that consists of joining a flat steel piece



Bay City Will Add Jobs to Area

a perfect marriage.

By Angelle Bergeron

through a weld, seamless pipe is manufactured in a continuous rolling process starting from a solid round billet," Rolando Testini, Project Manager for Tenaris-BayCity explained.

Tenaris manufactures steel pipe products in a wide range of specifications, which vary in diameter, length, thickness, finishing, steel grades, coating, threading and coupling, he added. "For most complex applications, including high pressure and high temperature applications, seamless steel pipes are usually specified and, for some standard applications, welded steel pipes can also be used."

The facility has been designed under

stringent environmental and safety standards. For the new mill, Testini added, Tenaris is implementing the most advanced control technologies available for natural gas heating furnaces, such as Selective Catalytic Reducers (SCR), that will substantially reduce its emissions footprint and exceed state and federal regulations."

Once construction is complete, the facility will apply for the Leadership in Energy and Environmental Design (LEED) certification.

Executing Design-Build

Tenaris and Techint Engineering & Construction (which provides engineer-



ing, construction and procurement services on a global basis) are managing construction. Different aspects of the project will be awarded to reputable subcontractors through a bidding process.

"Parts of the project will be executed under a design-build strategy," Tosato said. "Other parts will be designed and engineered internally while construction will be outsourced."

In order to attract local suppliers and companies that utilize local workforce, Tenaris conducts regular supplier fairs in Bay City.

"Opportunities are available in areas such as electrical and mechanical works, engineering services, equipment rental and leases, laboratory services, transportation, solid waste, trash services, landscaping, and civil works," Tosato said. "We also will utilize small-to-medium machining shops with capabilities to provide parts in a short timeframe."

Tenaris is also partnering in workforce training programs with Wharton County Junior College and Lone Star College.

"We are setting up a technical school that will offer a one-year program to





prepare students at Wharton for jobs at Tenaris or any area industry,” said Holly Southerland, Tenaris’ U.S. Industrial Relations Director.

Tenaris evaluates many different factors in the contractor qualification process. “Nothing is more important for Tenaris than safety,” Tosato said. “We carry out evaluations of the company’s Quality Management System including safety and environmental records, procedures, and training, even before financial qualifications are considered.”

Additionally, Tenaris “deeply reviews the execution capabilities and the internal documentation and control systems of every potential vendor,” Tosato said.

Troy Nugent, U.S. Health, Safety and Environment Director explained that if a contractor fatality has occurred in the past three years, that company will likely not work for Tenaris. Contractors’ HSE performance shall exceed industry standards, which includes a Total Recordable Injury Rate of ≤ 1.5 ,

Experience Modification Rate of ≤ 1 and a Days Away Restricted Transferred rate of ≤ 1 . In addition, all Tier I contractors will participate in the Tenaris contractor audit evaluation process. This OSHA / EPA compliance-based audit is directly managed by Tenaris and contractors must pass prior to working on the Bay



City project.

The audit also evaluates the contractor HSE culture, which is a leading indicator of performance, said Nugent. Tenaris employs full-time HSE professionals at all U.S. facilities and the company utilizes its Safe Hour program during operations and construction. “We train senior operations and HSE personnel to openly communicate with field and shop employees on workplace safety,” Nugent said. “We ask employees to stop their regular jobs,

communicate to their supervisor that they are in Safe Hour and then we ask them leading questions to learn how to make their jobs safer. We don’t talk about anything else but safety for the entire hour.” The process takes place weekly at all of Tenaris’ U.S. facilities.

Breaking Ground

Tenaris broke ground on the project on September 9, 2013. The 1,500-acre site on Hwy. 35 between Bay City and Van Vleck will include a seamless pipe mill, heat treatment and premium threading facilities, as well as training and administrative offices, Tosato said.

The first contract, for earthwork, was awarded to W.T. Byler Co. of Houston in October of last year.

W.T. Byler’s scope of work included building a temporary construction entrance off of Hwy. 35 including guard quarters, truck lanes, gates, scales and truck wash, said Wendell Rychlik, W.T. Byler’s Director of Business Development and Marketing. W.T. Byler will also perform earthwork for road systems and parking; a 50-acre pipe storage yard; and a 1.3 million square foot building pad for manufacturing.

“This is a fast-track project that is extremely important to W.T. Byler Co., and

working with the parties Exiros, Tenaris and Techint Engineering and Construction combined is truly an honor,” Rychlik said. “They are world class owners and the operations are highly technical and innovative.”

“Furthermore, my wife, Teresa, was born in Bay City,” Rychlik said. “She still has relatives who live in the community, so we know how excited everyone in Bay City is about the project. We know the project and continuing operations are very important for both the persistent growth and sustainment of the Bay City community.”

W.T. Byler recently completed the manufacturing pad January 6, ahead of the January 24 scheduled completion date, added Jeremy Perkins, W.T. Byler’s Project Executive. “We were eighteen days ahead of schedule, despite three weeks of inclement weather.”

Keeping in synch with Tenaris’ plans to seek LEED certification, W.T. Byler’s team members are Green Advantage certified, Rychlik said. He added that W.T. Byler Co. recently exhibited LEED Gold after having completed Ben E. Keith Distributing site work in Missouri City, Texas.

W.T. Byler’s current portion of the project is scheduled for completion September 2014. 🏗️

