

Mirage Energy to build new commercial gas storage in Mexico

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HOUSTON (ICIS)--Mirage Energy, a US-based natural gas storage and pipeline company, announced it is on track to construct a natural gas storage facility in a depleted field with the ability to store as much as 786bn cubic feet (bcf) of gas in Mexico, according to a 14 November presentation during the US-Mexico Natural Gas Forum in San Antonio, Texas.

The company said it is in the process of applying for and obtaining the necessary permits from regulatory agencies in Mexico and the US, and it anticipates securing them by the third quarter of 2019.

The depleted area is the Brasil storage field located in the state of Tamaulipas in Mexico, and the first phase of the project contemplates an initial storage field with the capacity to house 52bcf of natural gas.

A company spokesman said the project is commercially feasible because it targets the need to balance peak loads by consumers and contributes to natural gas price arbitrage on natural gas.

Mirage said it has completed the engineering designs for two major pipelines to link Mexican and US pipeline networks.

The Progreso pipeline, named after the company's international crossing in Progreso, Texas, will run south to the new storage facility and will include several interconnects in between.

The Progreso pipeline will be complemented by the new Arguelles pipeline, which will travel west from Mirage's storage facility and connect to Mexico's major trunk lines.

Both pipelines have a planned capacity of 500m cubic feet (mcf) and are intended to inject gas into the company's storage field to deliver to customers in Mexico.

Other storage initiatives

Commercial natural gas storage is also being developed by Houston-based Kinder Morgan, who may serve Mexico as a primary or secondary market through its Arizona gas storage project, a 4bcf underground natural gas storage facility near Eloy, Arizona, between Phoenix and Tucson.

The project's initial storage capacity is to be allocated among four salt dome caverns of roughly 1bcf working gas inventory on each, with the ability to expand up to 8bcf of working capacity in an eight-cavern design. The project does not have a confirmed date for expected operations.

At the government level, Mexico's transmission system operator (TSO) CENAGAS is expected to tender for the natural gas storage project for the Jaf field in the southern state of Veracruz to store 10bcf. The strategic storage by CENAGAS responds to a policy established by energy ministry SENER to reach a five-day inventory, equivalent to 45bcf.

Mexico aims to be prepared for supply disruptions in case of emergencies, such as in 2017 when Hurricane Harvey led to Pemex's declaration of a force majeure when US pipeline flows tightened.

The government-owned gas reserves are only expected to be used when an alert is issued.

CENAGAS is in the process of finalising the terms for the Jaf tender, and it could potentially be awarded by February 2019.

Commercial versus strategic storage

With no natural gas storage currently in Mexico, the market now uses LNG imports for short-term balancing, but this pricier supply has caused concern among some users of Mexico's national Sistrangas pipeline grid, since they are charged more for it.

The promotion of strategic gas storage does not respond to commercial needs, since it is designed as fixed inventories determined by the state. Commercial storage on the other hand is created as a profit-making decision to minimize risks and volatility, and could therefore target the concerns by different users. In a market that is constantly showing increased demand, any project that contributes to adding natural gas supply could possibly be well received by the different participants in a way to increase the commodity's local liquidity.

"Any commercial plans for natural gas storage are independent from the strategic inventory planned by the government, and they respond to opportunities identified by the private sector" said Eduardo Prud'homme, chief CENAGAS technical planner, at the 14 November US-Mexico Natural Gas Forum in San Antonio.

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