

GAS DAILY

Thursday, November 15, 2018

NEWS HEADLINES

Cheniere starts LNG production at export terminal

- Event to mark facility opening set for Thursday
- US Gulf Coast netbacks to Asia remain solid

[\(continued on page 4\)](#)

Head of Mexico's upstream regulator resigns

- Zepeda to advise new administration
- Mexico's natural gas production declines

[\(continued on page 4\)](#)

Final gas net injection of season forecast at 38 Bcf

- Five-year average calls for 19-Bcf build
- First net withdrawal slated to top 100 Bcf

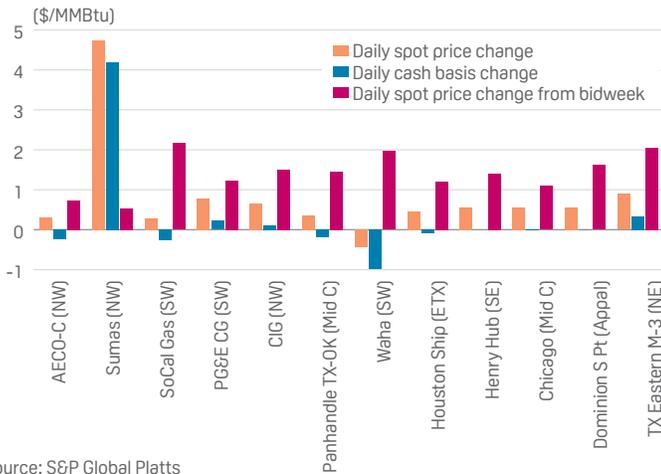
[\(continued on page 5\)](#)

Nueva Era to expand US-to-Mexico capacity

- Compression, looping could increase capacity to 1.4 Bcf/d
- Pipeline to boost supply to Nuevo Leon, Monterrey

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SPOT PRICE AND BASIS CHANGES



Source: S&P Global Platts

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FINAL DAILY PRICE SURVEY - PLATTS LOCATIONS (\$/MMBtu)

NATIONAL AVERAGE PRICE: 5.320

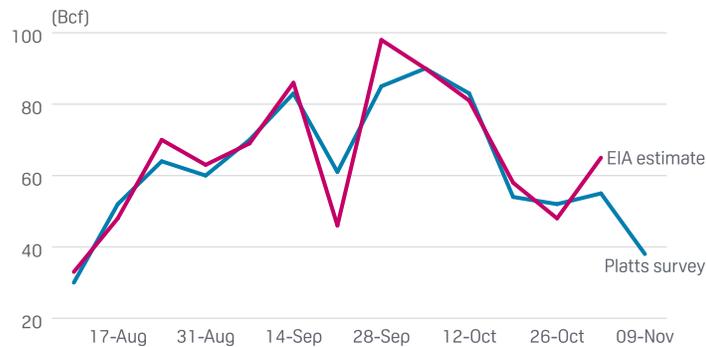
Trade date: 14-Nov

Flow date(s): 15-Nov



	Midpoint	+/-	Absolute	Common	Vol.	Deals
Northeast						
Algonquin, city-gates	IGBEE21	10.155	+1.915	8.000-11.010	9.405-10.910	162 47
Algonquin, receipts	IGBDK21	5.105	+0.695	5.000-5.260	5.040-5.170	16 4
Dracut, Mass.	IGBDW21	12.000	+1.000	12.000-12.000	12.000-12.000	3 4
Iroquois, receipts	IGBCR21	5.465	+0.700	5.280-5.675	5.365-5.565	617 149
Iroquois, zone 1	IGBRP21	5.835	+0.780	5.400-5.950	5.700-5.950	147 38
Iroquois, zone 2	IGBEJ21	6.005	+0.720	5.700-6.500	5.805-6.205	73 32
Niagara	IGBCS21	4.830	+0.615	4.790-4.900	4.805-4.860	69 16
Tennessee, z5 (200 leg)	IGBRQ21	6.000	+0.385	5.750-6.200	5.890-6.115	120 14
Tennessee, z6 (300 leg) del.	IGBJC21	—	—	—	—	—
Tennessee, zone 6 del.	IGBEI21	9.340	+0.835	8.150-11.000	8.630-10.055	61 14
Tx. Eastern, M-3	IGBEK21	5.080	+0.895	4.750-5.350	4.930-5.230	292 75
Transco, zone 5 del.	IGBEN21	5.085	+0.760	4.850-5.750	4.860-5.310	959 184
Transco, zone 5 del. North	IGCGL21	5.090	+0.780	4.900-5.500	4.940-5.240	125 29
Transco, zone 5 del. South	IGCHL21	5.085	+0.755	4.850-5.750	4.860-5.310	834 155
Transco, zone 6 N.Y.	IGBEM21	5.105	+0.680	4.880-5.350	4.990-5.225	421 82
Transco, zone 6 non-N.Y.	IGBEL21	5.105	+0.805	4.800-5.500	4.930-5.280	259 63
Transco, zone 6 non-N.Y. North	IGBJS21	5.105	+0.805	4.800-5.500	4.930-5.280	258 62
Transco, zone 6 non-N.Y. South	IGBJT21	5.260	+0.850	5.260-5.260	5.260-5.260	0.25 1
Northeast regional average	IGCAA00	6.545				
Appalachia						
Columbia Gas, App.	IGBDE21	4.425	+0.520	4.390-4.540	4.390-4.465	885 165
Columbia Gas, App. non-IPP	IGBJU21	—	—	—	—	—
Dominion, North Point	IGBDB21	4.465	+0.610	4.370-4.520	4.430-4.505	321 66
Dominion, South Point	IGBDC21	4.395	+0.555	4.320-4.600	4.325-4.465	1598 240
Lebanon Hub	IGBFJ21	4.525	+0.520	4.500-4.550	4.515-4.540	126 20
Leidy Hub	IGBDD21	4.600	+3.300	4.600-4.600	4.600-4.600	13 4
Millennium, East receipts	IGBIW21	4.475	+0.535	4.430-4.540	4.450-4.505	128 28
Tennessee, zone 4-200 leg	IGBJN21	4.475	+0.535	4.450-4.600	4.450-4.515	515 102
Tennessee, zone 4-300 leg	IGBFL21	4.485	+0.560	4.470-4.620	4.470-4.525	246 56
Tennessee, zone 4-313 pool	IGCFL21	4.490	+0.580	4.350-4.580	4.435-4.550	225 49
Texas Eastern, M-2 receipts	IGBJE21	4.410	+0.600	4.300-4.600	4.335-4.485	1212 219
Transco, Leidy Line receipts	IGBIS21	4.595	+0.645	4.500-4.700	4.545-4.645	628 133
Appalachia regional average	IGDAA00	4.485				
Midcontinent						
ANR, Okla.	IGBBY21	4.335	+0.425	4.280-4.400	4.305-4.365	57 18
Enable Gas, East	IGBCA21	4.595	+0.465	4.420-4.820	4.495-4.695	106 22
NGPL, Amarillo receipt	IGBDR21	4.490	+0.520	4.450-4.500	4.480-4.500	221 46
NGPL, Midcontinent	IGBBZ21	4.330	+0.500	4.200-4.400	4.280-4.380	429 69
Oneok, Okla.	IGBCD21	4.000	+0.255	3.870-4.050	3.955-4.045	265 37
Panhandle, Tx.-Okla.	IGBCE21	4.235	+0.365	4.150-4.400	4.175-4.300	554 86
Southern Star	IGBCF21	4.370	+0.450	4.330-4.400	4.355-4.390	18 3
Tx. Eastern, M-1 24-in.	IGBET21	4.580	+0.480	4.550-4.610	4.565-4.595	15 4
Midcontinent regional average	IGEAA00	4.365				
Upper Midwest						
Alliance, into interstates	IGBDP21	4.600	+0.545	4.535-4.680	4.565-4.635	1355 198
ANR, ML 7	IGBDQ21	4.585	+0.505	4.560-4.600	4.575-4.595	50 5
Chicago city-gates	IGBDX21	4.610	+0.550	4.550-4.700	4.575-4.650	1466 194
Chicago-Nicor	IGBEX21	4.620	+0.575	4.550-4.700	4.585-4.660	353 60
Chicago-NIPSCO	IGBFX21	4.615	+0.555	4.560-4.700	4.580-4.650	651 81
Chicago-Peoples	IGBGX21	4.590	+0.530	4.550-4.685	4.555-4.625	443 52
Consumers city-gate	IGBDY21	4.570	+0.535	4.550-4.600	4.560-4.585	160 32
Dawn, Ontario	IGBCX21	4.840	+0.690	4.675-5.100	4.735-4.945	980 119
Emerson, Viking GL	IGBCW21	4.695	+0.615	4.630-4.850	4.640-4.750	384 69
Mich Con city-gate	IGBDZ21	4.545	+0.550	4.450-4.630	4.500-4.590	1220 147
Northern Bdr., Ventura TP	IGBGH21	4.565	+0.550	4.500-4.700	4.515-4.615	408 70
Northern, demarc	IGBDV21	4.490	+0.480	4.450-4.520	4.475-4.510	155 29
Northern, Ventura	IGBDU21	4.550	+0.545	4.500-4.620	4.520-4.580	584 86
REX, Zone 3 delivered	IGBRO21	4.515	+0.535	4.400-4.580	4.470-4.560	1176 156
Upper Midwest regional average	IGFAA00	4.595				

EIA STORAGE ESTIMATES vs PLATTS SURVEY



Source: S&P Global Platts, US Energy Information Administration

to 532 Bcf.

The EIA reported a 65-Bcf injection for the week ended November 2. It grew inventories to 3.208 Tcf, which was 15.3% less than the year-ago inventory of 3.788 Tcf, and 16.2% less than the five-year average of 3.829 Tcf.

The Lower 48 states appear likely to exceed the five-year average injection of 19 Bcf for the final build of the year, however, inventories are expected to peak this year at only 3.24 Tcf – 14% below the five-year average, and the lowest level in more than a decade. Rounding out of shoulder season, temperature outlooks for the winter are mostly neutral or mild, likely adding to some of the complacency surrounding the current storage deficit.

November levels have been mostly unexpected, as the more accurate 14-day forecasts began to drop and the recent rally began. While the salt-dome facilities in the South Central region have made up a lot of ground, and the boom in production out of the Northeast has given the East and Midwest a bit of a buffer, concerns are unlikely to dissipate until January goes by without significant supply disruptions. The South Central sample is still currently reporting massive injections, bolstered by the salt domes, which typically reach peak levels around the end of December.

An early forecast for the week ending November 16 calls for a withdrawal of 113 Bcf, more than four times the size of the pull typically seen this week. This is the lowest level to start the heating season since 2003 when stocks peaked at 3.18 Tcf.

— [Brandon Evans](#)

Nueva Era gas pipeline to expand US-to-Mexico cross-border capacity

- Compression, looping could increase pipe's capacity to 1.4 Bcf/d
- Pipeline to boost supply to states of Nuevo Leon, Monterrey

The Nueva Era natural gas pipeline system could soon more than double its US-to-Mexico cross-border transmission capacity, according to developer Howard Energy Partners CEO Mike Howard.

Expanding the pipeline, which entered commercial service in July, will require the installation of additional compression and looping, allowing it to move as much as 1.4 Bcf/d – a significant upgrade from its current capacity of 630 MMcf/d.

“We think we’re expanding that pipeline in the next two years,” Howard said Wednesday at the US-Mexico Natural Gas Forum in San Antonio, Texas.

Mexico state-led power generator CFE was an anchor customer for Nueva Era and currently holds a 25-year contract for 500 MMcf/d of firm capacity.

With the startup of commercial service, though, interest in contracting for capacity has picked up as shippers on both sides of the border look to benefit from the growing US-Mexico gas trade.

According to Howard, the pipeline was first envisioned in 2012 when Mexico was importing LNG at prices upwards of \$20/MMBtu.

“In South Texas, we couldn’t get \$2/MMBtu for our natural gas,” Howard said.

While the spread between US and Mexican gas prices has since narrowed, Nueva Era is still expected to be a key component in an effort by Cenagas, Mexico’s independent system operator, to build a trading hub and benchmark gas price at the pipeline’s terminus in Monterrey.

NUEVA ERA PIPELINE SYSTEM ROUTE TERRITORY



Source: Howard Energy Partners

Supply

In mid-November, deliveries from Nueva Era to the 889-MW Escobedo power plant and the 670-MW Huinala plant increased to 120 MMcf/d and 101 MMcf/d, respectively, S&P Global Platts reported earlier this week.

As the Nueva Era system continues to ramp up, more gas sourced from Howard Energy’s 1.4-Bcf/d South Texas Gathering system in Webb County is making its way to the northern border state of Nuevo Leon.

Boosting US supply to states in northern Mexico, like Nuevo Leon, will be critical in developing liquidity and transparency in the country’s burgeoning gas market.

Still, Cenagas’ hope of building a hub in Monterrey is likely a long way off, according to traders active in Mexico’s gas market, at the conference Wednesday.

"It's a bit early," said BP's Pedro Elio, vice president of commercial. "First, we need to get the pipelines finished...and get them interconnected."

Once those interconnections are made, Elio envisions the flow of gas into Mexico from multiple locations — like Waha and Houston Ship Channel — facilitating the growth of trade liquidity and more robust pricing.

Jim Yorgason, general manager of gas and power at Shell Trading, agreed, saying that more liquidity will be key to developing a pricing hub in Mexico, which could still be a ways off.

According to Yorgason, trading in Mexico is still largely centered on familiar US indexes, which give participants access to basis prices and a forward curve.

"We don't have that flexibility in Mexico, to say, at Monterrey, here's my five-year strip," he said.

— *J. Robinson, Harry Weber, Ross Wyeno*

National Fuel weighs appeal after court denies eminent domain for Northern Access pipeline

- Court finds permit denial prevents eminent domain use
- Action comes in spite of FERC waiver of New York water review
- Project could boost western Pennsylvania production

New troubles arose for National Fuel Gas Supply's Northern Access 2016 natural gas pipeline project after a New York state appeals court denied eminent domain authority, citing the state's denial of a water quality certification.

The 99-mile, 490 MMcf/d producer-backed pipeline, proposed by National Fuel and Empire Pipeline, could help boost production in western Pennsylvania, and would likely drive down net Canadian imports because it will boost Northeast exports to eastern Canada by up to 350 MMcf/d, according to S&P Global Platts Analytics.

The eminent domain case touched on legal tensions between state authorities governing eminent domain procedures and federal powers to authorize interstate natural gas pipeline projects.

The project was freed from one major snag in August when the US Federal Energy Regulatory Commission found New York's water quality certification to be waived because the state took more than a year to act (CP15-115).

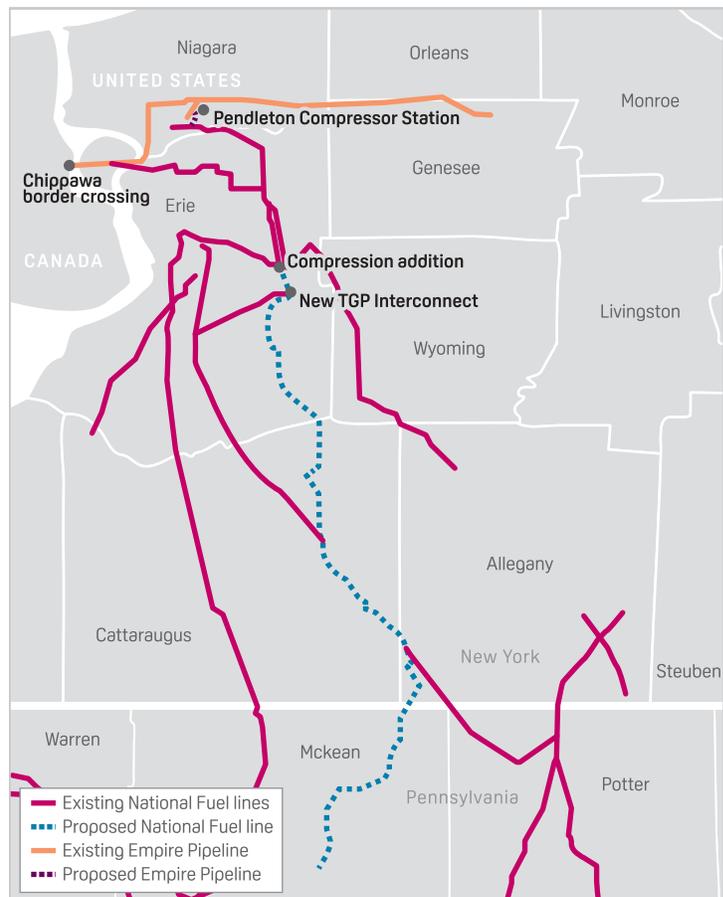
Notwithstanding FERC's action, the state appeals court November 9 denied the use of eminent domain on a property in New York on the ground that the pipeline could not be built because of New York's April 2017 denial of the water quality certificate (*National Fuel Gas Supply v. Joseph A. Schueckler, Theresa Schueckler, et al.*, 725 CA 17-02021).

When the state denied the permit, the sponsor lost the right to build the project, therefore losing the right to seek eminent domain, the court said. That is because the certificate order was conditioned upon acquisition of a state water quality permit.

Appeal options

Karen Merkel, a spokeswoman for National Fuel, said "it is too early to determine" whether the ruling will affect the 2022 in-service date for the project envisioned by company officials.

NATIONAL FUEL NORTHERN ACCESS 2016 PROJECT



Source: National Fuel Gas Supply and Empire Pipeline

National Fuel is weighing appellate options and is entitled to appeal the case to the New York State Court of Appeals, the highest court in the state, because two judges dissented in the opinion, she said in an email.

The property at issue is one of five along the route for which the company has been in litigation.

"National Fuel remains committed to this project and is pleased that we have secured agreements with more than 500 property owners along the 97-mile proposed pipeline route," she said.

In a footnote in the case, the majority explained that it declined to take judicial notice of the August FERC waiver ruling, which came after oral argument, because the FERC order is not final and is subject to administrative rehearing and judicial review. New York and Sierra Cub have sought rehearing.

Two dissenting judges argued that the state's denial of the water quality permit is no longer an impediment. The August FERC order "is binding unless and until it is vacated or overturned on appeal," they wrote.

The majority opinion, penned by Justice Patrick NeMoyer, said the developer "is trying to expropriate respondent's land in furtherance of a pipeline project, that, as things currently stand, cannot legally be built." It added: "Such an effort turns the entire concept of eminent domain on its head."