

GAS DAILY

Wednesday, September 14, 2016

NEWS HEADLINES

Sabine Pass might be close to first maintenance

- Terminal has 10.4 Bcf of LNG in tanks as of Tuesday
- Tanks could be full by September 19

(continued on page 2)

REX adds LDC contracts to new capacity project

- Tallgrass signs deals to fill out last bit of available capacity
- REX gas set to expand into St. Louis, Missouri

(continued on page 3)

Oil pipeline halt might impact gas projects

- Obama administration stops Dakota Access pipeline
- Gas advocates worry about negative knock-off effect

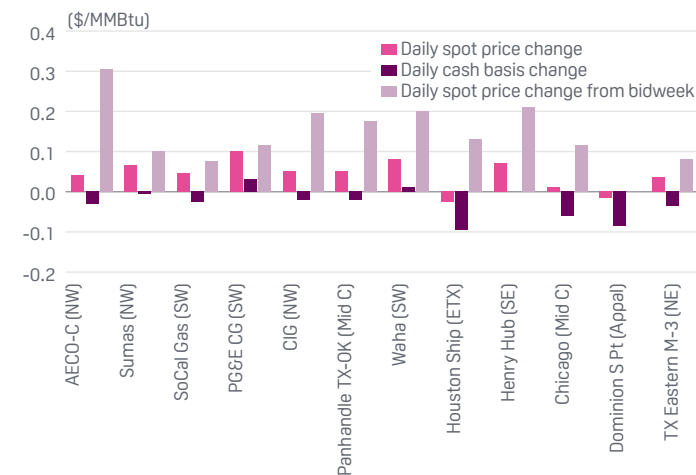
(continued on page 4)

FERC, gas firms defend Constitution approval

- Defense mounted against suits by enviro groups, landowners
- Argument at odds with decisions of 'every court': FERC

(continued on page 6)

SPOT PRICE AND BASIS CHANGES



Source: Platts

INSIDE THIS ISSUE

- Anadarko deal to aid development in two basins
- Pemex takes 2017 cut to budget, output
- Study questions need for Mid-Atlantic pipes
- Natural Gas Futures
- Northeast Gas Markets
- Southeast Gas Markets
- Central Gas Markets
- West Gas Markets
- Gas Daily Supplement Links

7
8
8
10
11
12
13
14
15

DAILY PRICE SURVEY (\$/MMBtu)

NATIONAL AVERAGE PRICE: 2.670

Trans. date: 9/13

Flow date(s): 9/14

	Midpoint	+/-	Absolute	Common	Vol.	Deals
Northeast						
Algonquin, city-gates	IGBEE21	3.135	-0.135	2.950-3.250	3.060-3.210	148 36
Algonquin, receipts	IGBDK21	—	—	—	—	—
Dracut, Mass.	IGBDW21	—	—	—	—	—
Iroquois, receipts	IGBCR21	3.065	-0.030	3.050-3.080	3.060-3.075	80 28
Iroquois, zone 2	IGBEJ21	3.085	-0.055	3.040-3.150	3.060-3.115	174 37
Niagara	IGBCS21	1.595	+0.025	1.550-1.650	1.570-1.620	18 4
Tennessee, z6 (300 leg) del.	IGBJC21	1.600	-0.100	1.600-1.600	1.600-1.600	4 1
Tennessee, zone 6 del.	IGBEI21	2.935	-0.235	2.550-3.200	2.775-3.100	143 30
Tx. Eastern, M-3	IGBEK21	1.350	+0.035	1.310-1.385	1.330-1.370	240 47
Transco, zone 5 del.	IGBEN21	3.065	+0.025	2.980-3.100	3.035-3.095	209 37
Transco, zone 5 del. North	IGCGL21	3.060	+0.025	3.055-3.070	3.055-3.065	76 11
Transco, zone 5 del. South	IGCHL21	3.065	+0.020	2.980-3.100	3.035-3.095	134 26
Transco, zone 6 N.Y.	IGBEM21	1.635	+0.255	1.600-1.680	1.615-1.655	46 13
Transco, zone 6 non-N.Y.	IGBEL21	1.960	+0.230	1.600-2.850	1.650-2.275	139 25
Transco, zone 6 non-N.Y. North	IGBJS21	1.630	+0.255	1.600-1.800	1.600-1.680	99 20
Transco, zone 6 non-N.Y. South	IGBJT21	2.765	+0.260	2.750-2.850	2.750-2.790	41 5
Northeast regional average	IGCAA21	2.345				
Appalachia						
Columbia Gas, App.	IGBDE21	2.955	+0.040	2.880-3.050	2.915-3.000	294 50
Columbia Gas, App. non-IPP	IGBJU21	2.125	-0.080	1.240-2.920	1.705-2.545	42 9
Dominion, North Point	IGBD821	1.230	+0.000	1.200-1.300	1.205-1.255	40 8
Dominion, South Point	IGBDC21	1.220	-0.015	1.195-1.290	1.195-1.245	276 55
Lebanon Hub	IGBFJ21	2.955	+0.135	2.950-2.960	2.955-2.960	10 3
Leidy Hub	IGBDD21	1.400	-0.020	1.400-1.400	1.400-1.400	5 1
Millennium, East receipts	IGBIW21	1.295	-0.015	1.270-1.330	1.280-1.310	23 4
REX, Clarington Ohio	IGBG021	—	—	—	—	—
Tennessee, zone 4-200 leg	IGBJN21	1.450	+0.000	1.445-1.465	1.445-1.455	172 17
Tennessee, zone 4-300 leg	IGBFL21	1.245	+0.005	1.230-1.250	1.240-1.250	15 3
Tennessee, zone 4-313 pool	IGCFL21	1.410	+0.000	1.390-1.450	1.395-1.425	57 15
Tennessee, zone 4-Ohio	IGBH021	—	—	—	—	—
Texas Eastern, M-2 receipts	IGBJE21	1.225	+0.005	1.190-1.285	1.200-1.250	221 57
Transco, Leidy Line receipts	IGBIS21	1.240	+0.000	1.210-1.295	1.220-1.260	135 28
Appalachia regional average	IGDAA21	1.645				
Midcontinent						
ANR, Okla.	IGBBY21	2.750	+0.000	2.670-2.815	2.715-2.785	34 9
Enable Gas, East	IGBCA21	2.605	-0.010	2.600-2.610	2.605-2.610	55 9
NGPL, Amarillo receipt	IGBDR21	2.820	+0.030	2.775-2.840	2.805-2.835	19 6
NGPL, Midcontinent	IGBBZ21	2.830	+0.030	2.700-2.850	2.795-2.850	341 38
Oneok, Okla.	IGBCD21	2.700	+0.025	2.670-2.700	2.695-2.700	151 16
Panhandle, Tx.-Okla.	IGBCE21	2.765	+0.050	2.745-2.775	2.760-2.775	202 45
Southern Star	IGBCF21	2.705	+0.060	2.680-2.720	2.695-2.715	51 12
Tx. Eastern, M-1 24-in.	IGBET21	2.955	+0.195	2.955-2.955	2.955-2.955	3 1
Midcontinent regional average	IGFAA21	2.765				
Upper Midwest						
Alliance, into interstates	IGBDP21	2.910	+0.005	2.875-2.935	2.895-2.925	138 20
ANR, ML 7	IGBDQ21	2.985	+0.055	2.900-3.020	2.955-3.015	14 2
Chicago city-gates	IGBDX21	2.925	+0.010	2.870-2.970	2.900-2.950	445 65
Chicago-Nicor	IGBEX21	2.920	+0.000	2.870-2.970	2.895-2.945	203 29
Chicago-NIPSCO	IGBFX21	2.925	+0.005	2.900-2.965	2.910-2.940	133 23
Chicago-Peoples	IGBGX21	2.930	+0.015	2.900-2.965	2.915-2.945	70 8
Consumers city-gate	IGBDY21	2.995	+0.040	2.930-3.010	2.975-3.010	163 24
Dawn, Ontario	IGBCX21	3.015	-0.005	2.980-3.080	2.990-3.040	681 111
Emerson, Viking GL	IGBCW21	2.675	-0.075	2.640-2.710	2.660-2.695	142 33
Mich Con city-gate	IGBDZ21	2.965	+0.020	2.915-2.980	2.950-2.980	243 36
Northern Bdr., Ventura TP	IGBGH21	2.865	+0.040	2.850-2.885	2.855-2.875	64 8
Northern, demarc	IGBDV21	2.850	+0.025	2.840-2.855	2.845-2.855	13 4
Northern, Ventura	IGBDU21	2.850	+0.030	2.830-2.870	2.840-2.860	97 13
REX, Zone 3 delivered	IGBRO21	2.930	+0.040	2.875-2.960	2.910-2.950	451 59
Upper Midwest regional average	IGFAA21	2.905				



Sabine Pass might be close to first maintenance

ANALYSIS Cheniere Energy's liquefied natural gas export terminal in Louisiana may be ready to begin its first scheduled maintenance next week based on the pace at which it is filling its storage tanks, data compiled by S&P Global Platts shows.

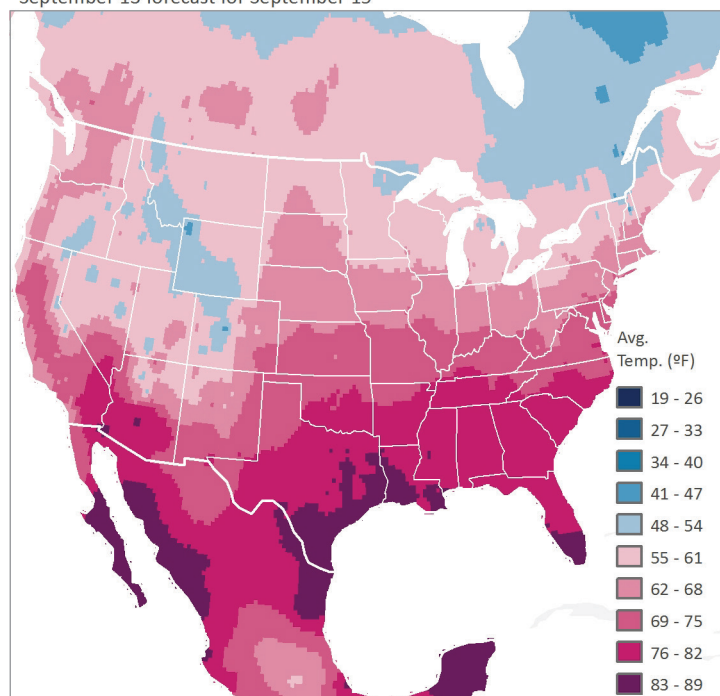
The Houston-based company's Sabine Pass terminal in Cameron Parish had 10.4 Bcf of LNG in its tanks as of Tuesday out of a total capacity of 17.1 Bcf, the data shows. That means that at an average rate of 1.2 Bcf/day over the past week, the tanks could be full by September 19.

Cheniere originally requested permission to begin the roughly four-week maintenance at Sabine Pass "no later than" September 9, but that date has come and gone and feedgas volumes have remained strong so far this month. An exact day for the maintenance on the flare stack shared by trains 1 and 2 has not been provided, but will result in a complete shutdown of both liquefaction units.

Investors are closely watching the maintenance for the first US exporter of LNG produced from shale gas at a time when global supply is shifting because of production declines in Trinidad and Nigeria. The shutdown at Sabine Pass could contribute to the recent tightness in the market, which has been more pronounced in the Atlantic Basin

2-DAY-AHEAD TEMPERATURE FORECAST MAP

September 13 forecast for September 15



Source: Platts, Custom Weather

ASSESSMENT RATIONALE

Platts Gas Daily indices are based upon trade data reported to Platts by market participants. The indices are calculated using detailed transaction level data from these providers. Platts editors screen the data for outliers that may be further examined and potentially removed. A volume weighted average is then calculated from the remaining set of data. For more details on this methodology please see our North American Natural Gas Methodology and Specifications Guide on Platts.com, located at http://www.platts.com/IM/Platts/Content/MethodologyReferences/MethodologySpecs/na_gas_methodology.pdf

Questions may be directed to Curt Mrowiec at 713-658-3271 or curt.mrowiec@platts.com.

DAILY PRICE SURVEY (\$/MMBtu)

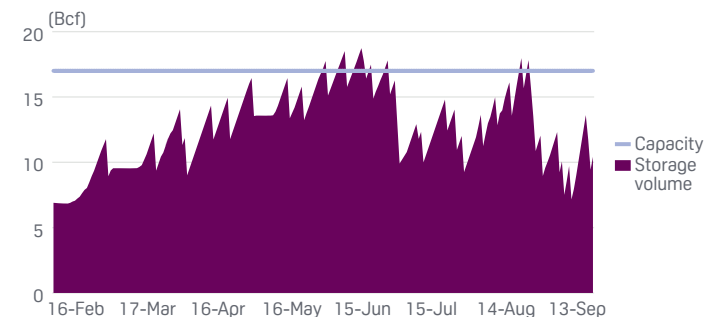
Trans. date: 9/13

Flow date(s): 9/14

	Midpoint	+/-	Absolute	Common	Vol.	Deals
East Texas						
Agua Dulce Hub	IGBAV21	—	—	—	—	—
Carthage Hub	IGBAF21	2.965	+0.075	2.955-2.970	2.960-2.970	60 10
Florida Gas, zone 1	IGBAW21	2.985	+0.065	2.960-2.990	2.980-2.990	29 3
Houston Ship Channel	IGBAP21	2.960	-0.025	2.930-2.970	2.950-2.970	52 8
Katy	IGBAQ21	2.950	-0.020	2.940-3.000	2.940-2.965	595 42
NGPL, STX	IGBAZ21	2.990	+0.080	2.990-2.990	2.990-2.990	9 1
NGPL, Texok zone	IGBAL21	2.920	+0.020	2.880-2.955	2.900-2.940	177 23
Tennessee, zone 0	IGBBA21	2.970	+0.085	2.910-2.990	2.950-2.990	154 22
Tx. Eastern, ETX	IGBAN21	2.900	-0.020	2.900-2.900	2.900-2.900	1 1
Tx. Eastern, STX	IGBBB21	2.955	+0.040	2.920-2.960	2.945-2.960	34 7
Transco, zone 1	IGBBC21	2.950	+0.055	2.940-2.960	2.945-2.955	34 7
Transco, zone 2	IGBBU21	2.950	+0.050	2.950-2.950	2.950-2.950	10 2
East Texas regional average	IGGAA21	2.955				
Louisiana/Southeast						
ANR, La.	IGBBF21	2.950	+0.040	2.935-2.965	2.945-2.960	115 18
Columbia Gulf, La.	IGBBG21	2.970	+0.050	2.885-3.025	2.935-3.005	125 27
Columbia Gulf, mainline	IGBBH21	2.945	+0.040	2.880-2.980	2.920-2.970	339 49
Florida city-gates	IGBED21	—	—	—	—	—
Florida Gas, zone 2	IGBBJ21	3.000	+0.055	2.970-3.010	2.990-3.010	163 4
Florida Gas, zone 3	IGBBK21	2.990	+0.035	2.930-3.015	2.970-3.010	205 25
Henry Hub	IGBBL21	3.060	+0.070	3.030-3.080	3.050-3.075	204 38
Southern Natural, La.	IGBB021	2.995	+0.050	2.910-3.030	2.965-3.025	540 77
Tennessee, 500 Leg	IGBBP21	2.995	+0.050	2.910-3.020	2.970-3.020	163 32
Tennessee, 800 Leg	IGBBQ21	2.950	+0.040	2.855-2.990	2.915-2.985	171 27
Tx. Eastern, ELA	IGBBS21	2.945	+0.025	2.905-2.970	2.930-2.960	149 20
Tx. Eastern, M-1 30-in.	IGBDI21	2.900	-0.035	2.900-2.900	2.900-2.900	1 1
Tx. Eastern, WLA	IGBBR21	2.955	+0.030	2.925-2.960	2.945-2.960	41 7
Tx. Gas, zone 1	IGBA021	2.965	+0.075	2.930-2.970	2.955-2.970	179 19
Tx. Gas, zone SL	IGBBT21	2.970	+0.080	2.970-2.970	2.970-2.970	6 1
Transco, zone 3	IGBBV21	2.975	+0.035	2.895-3.010	2.945-3.005	201 25
Transco, zone 4	IGBDJ21	2.995	+0.045	2.940-3.035	2.970-3.020	949 125
Trunkline, ELA	IGBBX21	2.940	+0.110	2.930-2.950	2.935-2.945	19 3
Trunkline, WLA	IGBBW21	—	—	—	—	—
Trunkline, zone 1A	IGBGF21	2.950	+0.055	2.910-2.960	2.940-2.960	89 11
Louisian/Southeast regional average	IGHAA21	2.970				
Rockies/Northwest						
Cheyenne Hub	IGBC021	2.755	+0.050	2.750-2.770	2.750-2.760	51 10
ClG, Rockies	IGBCK21	2.725	+0.050	2.700-2.745	2.715-2.735	20 8
GTN, Kingsgate	IGBCY21	2.495	+0.055	2.470-2.500	2.490-2.500	47 9
Kern River, Opal	IGBCL21	2.785	+0.070	2.765-2.810	2.775-2.795	336 52
NW, Can. bdr. (Sumas)	IGBCT21	2.730	+0.065	2.600-2.740	2.695-2.740	175 44
NW, s. of Green River	IGBCQ21	2.740	+0.060	2.725-2.750	2.735-2.745	55 12
NW, Wyo. Pool	IGBCP21	2.725	+0.065	2.700-2.740	2.715-2.735	20 4
PG&E, Malin	IGBD021	2.825	+0.075	2.805-2.850	2.815-2.835	316 44
Questar, Rockies	IGBCN21	2.755	+0.075	2.740-2.770	2.750-2.765	12 3
Stanfield, Ore.	IGBCM21	2.730	+0.080	2.700-2.740	2.720-2.740	116 16
TCPL Alberta, AECO-C*	IGBCU21	2.565	+0.040	2.500-2.680	2.520-2.610	1430 154
Westcoast, station 2*	IGBCZ21	1.405	-0.160	1.050-1.610	1.265-1.545	81 26
White River Hub	IGBGL21	2.785	+0.080	2.740-2.795	2.770-2.795	88 12
Rockies/Northwest regional average	IGIAA21	2.730				
Southwest						
El Paso, Bondad	IGBCG21	2.775	+0.070	2.750-2.795	2.765-2.785	110 15
El Paso, Permian	IGBAB21	2.780	+0.060	2.725-2.810	2.760-2.800	261 45
El Paso, San Juan	IGBCH21	2.790	+0.065	2.780-2.800	2.785-2.795	196 26
El Paso, South Mainline	IGBFR21	2.925	+0.075	2.910-2.940	2.920-2.935	22 3
Kern River, delivered	IGBES21	2.880	+0.055	2.860-2.885	2.875-2.885	292 40
PG&E city-gate	IGBEB21	3.425	+0.100	3.400-3.440	3.415-3.435	451 53
PG&E, South	IGBDM21	2.875	+0.065	2.870-2.880	2.875-2.880	87 13
SoCal Gas	IGBDL21	2.875	+0.045	2.850-2.890	2.865-2.885	334 48
SoCal Gas, city-gate	IGBGG21	2.925	+0.050	2.880-2.970	2.905-2.950	348 38
Transwestern, Permian	IGBAE21	2.795	+0.065	2.785-2.800	2.790-2.800	15 4
Transwestern, San Juan	IGBGK21	2.795	+0.060	2.780-2.805	2.790-2.800	124 19
Waha	IGBAD21	2.860	+0.080	2.795-2.900	2.835-2.885	325 33
Southwest regional average	IGJAA21	2.890				

*Price in C\$ per gij; C\$1=US\$0.7595; Volume in 000 MMBtu/day. Symbols represent gas flow date.

SABINE PASS LNG STORAGE

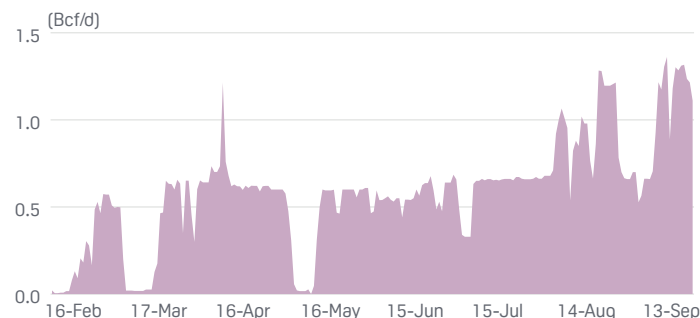


Source: Platts Analytics' Bentek Energy

than expected, said Madeline Jowdy, senior director, global gas and LNG, at PIRA Energy Group.

"When the plant goes for maintenance, they won't be pulling gas off the grid, so the regional traders are the people that will be affected the most," Jowdy said by phone from New York.

SABINE PASS FEEDGAS



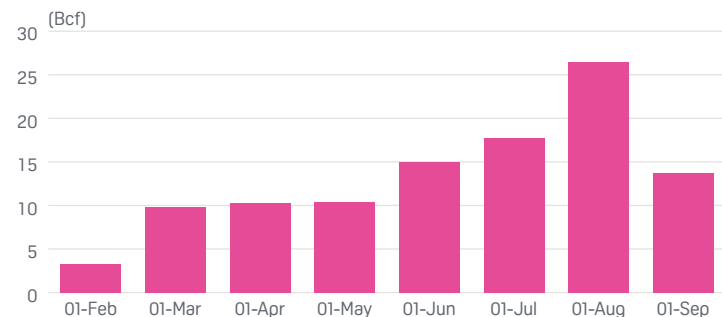
Source: Platts Analytics' Bentek Energy

However, there still could be nominal feed gas deliveries to the facility, though not likely to exceed 100 MMcf/d, during the maintenance as the company tests Train 3. Substantial completion for Train 3 has been delayed until June 2017.

Cheniere has been widely expected to want to fill its storage tanks before going into its maintenance turnaround because the tanks aren't refrigerated, but are rather only insulated. By filling the tanks with the chilled gas, the company can keep the LNG colder for longer. As the gas warms, boil-off can occur and cause the facility to lose some of the gas in storage.

As of Tuesday, Cheniere had shipped 34 cargoes since February, when it first began sending LNG overseas, according to Platts cFlow data.

SABINE PASS LNG EXPORTS



Source: Platts Analytics' Bentek Energy

Based on vessel tracking data, the next tanker, the Clean Ocean, could arrive September 20. The maintenance work would not necessarily prevent Cheniere from loading another tanker with gas already in storage.

The majority of the exports from Sabine Pass have gone to Latin America, amid heavy demand for the power plant fuel in a region that lacks sufficient output of its own. The netbacks to Europe have not been very profitable so far, and with the recent Panama Canal expansion Asia could become more of an attractive destination for US LNG long-term.

— *Harry Weber, Grant Gunter*

REX adds LDC contracts to new capacity project

As Rockies Express Pipeline's Zone 3 enhancement project nears completion, the pipeline operator Tallgrass Energy recently started signing contracts with LDCs to fill out the last bit of available capacity.

REX's Zone 3 enhancement project, which adds 800 MMcf/d of capacity into the Midwest, is now 93.75% contracted for and 94% completed, said Doug Walker, vice president of business development for Tallgrass Energy, on Tuesday at the LDC Gas Forum in Chicago.

"We started realizing a few years ago we've got to find a place to take all this gas, so there's been a focus to find more direct access to demand," Walker said.

Tallgrass has relied on producers to fill all the additional capacity

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on the first rounds of upgrades to REX, but have since started adding LDCs to its list of long-term subscribers for service.

REX was originally built to transport Rockies-produced gas west to east into Midwest markets. As new resource plays were discovered in the Northeast, Tallgrass underwent a bi-directional upgrade to REX to allow the flow of Appalachian gas east to west.

"We are currently set up with 1.8 Bcf/d capacity to move gas from east to west into our Zone 3," Walker said. "That gets your Marcellus and Utica gas into Ohio, Indiana or Illinois."

The contracts for the initial 1.2 Bcf/d of capacity from the east-to-west project were all taken by producers. And this summer, when the Seneca lateral added another 600 MMcf/d of capacity, it was entirely contracted by a single producer, Antero.

The nearly complete Zone 3 enhancement project will bring the total capacity from 1.8 Bcf/d to 2.6 Bcf/d, and for the first time some of the new capacity contracts are from LDCs.

Vectren North, Laclede Gas, Citizens Gas sign deals

The first was Vectren North, a gas supplier for more than 500,000 customers in Indiana, which contracted for 60 MMcf/d. The next LDC was Laclede Gas, which contracted for 20 MMcf/d. On Monday, Citizens Gas was the latest LDC to contract with REX for 20 MMcf/d. All three signed 15-year deals at 50 cents per 1 Mdth.

Tallgrass now has long-term contracts in place for 750 of the new 800 MMcf/d of capacity.

"We're happy to have LDCs on the system," Walker said. "It changes the perspective on the types of customers we can serve. Producers have always supplied this pipeline from both directions."

"We're not done," Walker added. "We are talking to a lot of power plant operators across the system. We're even looking at things that might take us further west, beyond Zone 3."

It will be at least until late 2019 though before Tallgrass decides whether or not to move beyond the current Zone 3 limit due to current contract negotiations.

Rockies gas could expand role on REX

Gas traveling east from the Rockies to the Midwest has fallen from a year-high of 1.7 Bcf/d on April 25 to 1.4 Bcf/d as of Tuesday, according to Platts Analytics' Bentek Energy.

However, Walker said the flow remains robust and he sees the potential for flow from the region to get stronger due to a combination of previously unknown quantities of gas found in western Colorado and stricter regulations in California.

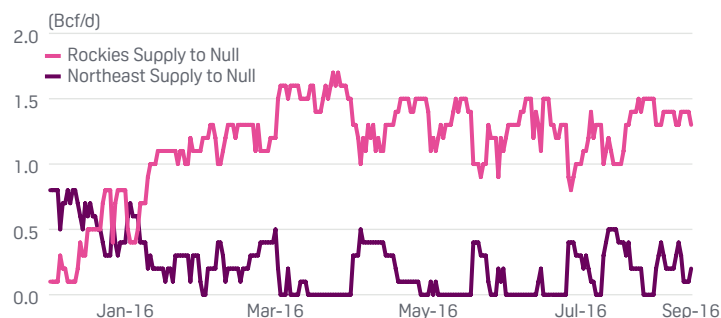
"Sometimes you'd rather be lucky than good," Walker said.

He was referring to a US Geological Service study released this summer estimating 66 Tcf of recoverable gas in the Mancos Shale on Colorado's Western Slope.

"We've been focused so much on the eastern end of REX, but the Rockies supply is still vibrant and the movement of gas to the Midwest is still vibrant at 1.4 Bcf today," Walker said.

As many of the contracts for west-to-east transport on REX come to an end in 2019, Tallgrass has been working with current customers to renew or extend contracts. Encana, for instance, just entered into a deal through 2029 to utilize more than 500 MMcf/d on the route.

Flows to REX null point



Source: Platts Analytics' Bentek Energy

When Tallgrass purchased REX from Kinder Morgan in 2012, one of the points market analysts used to knock the transaction was all those contracts dropping off in 2019.

"We initially dealt with that by moving to secure new contracts with east-to-west shippers to shore up any future losses," Walker said.

"Now that we have those in place we can focus on the west-to-east contracts to enhance revenue stream."

Also, as new regulations in California make it possible for gas demand in the state to fall in the coming years, REX becomes one of the few means by which Colorado producers will find access to large markets.

REX gas set to expand into St. Louis

A proposed project, Spire's STL Pipeline, will also expand REX gas into the St. Louis metro area.

"Now we want to get as close to possible to end-users," Walker said. "We're excited to get into St. Louis. I've been trying to get gas into St. Louis for the last 30-plus years."

Spire, a St. Louis-based public utility holding company, plans to build a lateral pipeline that would flow north to south from an interconnect with REX in Scott County, Illinois, to St. Louis, Missouri. Spire recognized the need to meet additional demand that will be coming online in the next few years as coal plants in St. Louis are expected to retire and be replaced by natural gas-fired plants.

The lateral will be approximately 70 miles of 24-inch pipe with a capacity of 400 MMcf/d. It will be used to take cheap Marcellus/Utica supply that is flowing westbound on REX and Panhandle Eastern Pipeline to meet the anticipated growth in power demand in St. Louis. Spire targets an in-service date of November 2018.

— [Brandon Evans](#), [Tyler Jubert](#)

Oil pipeline halt might impact gas projects

Advocates of the US natural gas pipeline industry on Tuesday expressed concern over an Obama administration decision to delay construction over a controversial crude oil pipeline, fearing the move could have negative implications for gas pipeline development.

On Friday, the US Justice and Interior departments and the US Army Corps of Engineers issued a joint statement halting the construction of a portion of the Dakota Access project, a 1,712-mile,

30-inch-diameter oil pipeline being built to carry crude oil from North Dakota's Bakken and Three Forks producing fields across four states to a major refining area in Illinois.

The administration action came after a federal judge ruled against a bid by the Standing Rock Sioux Indian tribe to block the pipeline construction. The tribe and their allies in the environmentalist community had been staging protests along the pipeline route, which they claimed would travel over sacred Native American sites.

While the US Federal Energy Regulatory Commission's process for siting gas pipelines differs substantially from the process to approving crude oil pipelines, gas pipeline advocates worried that the administration's action could have a negative knock-off effect on the gas industry.

"With its decision, the administration has turned the process for pipeline infrastructure projects that just engage in National Historic Preservation Act section 106 tribal consultations into a moving target," Cathy Landry, a spokeswoman for the Interstate Natural Gas Association of America, said in an email statement Monday.

"Regulatory approvals for these expensive infrastructure projects should be predictable and transparent. It is not good public policy to change the rules or expectations midstream," Landry said.

Landry said the administration's action in the Dakota Access has cast an unnecessary doubt on the future of that project.

"In this case, not only were the expectations changed, but the project sponsor was provided with no date certainty on when it could complete the project," she said. "We believe that permitting rules should be consistent and predictable. Changes to those rules should be made prospectively using proper administrative procedure."

Oil, gas pipeline approval processes differ

However, Christopher Stockton, a spokesman for The Williams Companies, noted that there are some important differences between the process that a company such as Williams must follow to gain approval for an interstate gas transmission pipeline, and that needed for the approval of an oil pipeline such as Dakota Access, a project of Energy Transfer Partners.

"Our projects are FERC-regulated, unlike Energy Transfer's Dakota Access Pipeline, and consequently 100% of the project land requirements are subject to survey and full agency review," he said in an email statement.

"Importantly, the FERC requires early coordination/consultation with Native American tribes, which continues throughout the entire permitting process," he said.

Criticism of the administration's decision to halt the oil pipeline construction also came Tuesday from energy industry-friendly groups and representatives of labor unions.

"We think that the administration is basically siding with protesters over a pipeline project where the project has already been permitted," Michael Whatley, executive vice president of the Consumer Energy Alliance, said in an interview Tuesday.

"You could say any pipeline that is going to be protested could be subject to the same process, and that alarms us," he said.

Whatley noted that the administration action followed a ruling by

US District Judge James E. Boasberg that the pipeline construction could proceed.

"He basically had said the environmental impact statement has said this route was by far the safest route, and this route is not on the tribal lands that are being talked about," Whatley said.

Court ruling favored pipeline developers

He added that "there had been a very significant interplay between the government and the tribe in terms of taking their concerns into account," prior to the tribe's filing the lawsuit.

"The fact that they basically took all of that into the decision and said, 'we're going to slow this down and we're going to do another look at the environmental and historical impacts and more stakeholder involvement,' with the tribe is just a delay," he said.

In a joint conference call with reporters Tuesday, American Petroleum Institute President and CEO Jack Gerard and North America's Building Trades Unions President Sean McGarvey decried the government decision to halt pipeline construction.

"The administration has unilaterally attempted to change the rules in the middle of the game," Gerard said. He added that the administration's action represented "a dangerous precedent for our country."

McGarvey added that as a result of the decision to halt construction on the project "750 of our members are idle; they're not receiving pay." These idled workers "are not going to be able to stay in limbo forever," he said.

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He said some of the pipeline workers had been intimidated by protestors, many of whom were not from North Dakota, but who had been bussed into the area by outside environmental groups. "Some of the workers had been afraid of getting out on the job site," McGarvey said.

He warned that the Obama administration decision on the Dakota Access line could have implications for any major infrastructure project, beyond just those undertaken by the energy industry, "if some vocal, violent minority wants to harness the power of the executive branch."

— *Jim Magill*

FERC, gas firms defend Constitution approval

Natural gas companies and the US Federal Energy Regulatory Commission mounted their defense of the agency's approval of the Constitution Pipeline and a related project in briefs Thursday countering lawsuits filed by environmental groups and landowners.

The suits in the 2nd US Circuit Court of Appeals had attacked FERC's signoff on the project from multiple directions, including presenting a sweeping attack on the environmental review (*Catskill Mountainkeeper, et. al v FERC*; 16-345, 16-361).

"In multiple, recent challenges to natural gas infrastructure approvals in the DC Circuit, that court has rejected such efforts to 'flyspeak' the commission's [National Environmental Policy Act] review by requiring discussion of impacts that are not caused by the project, or reasonably foreseeable, or by insisting on speculative analysis with tools not intended for this purpose," FERC said in its brief. "This court should do the same."

The Natural Gas Supply Association also asked the court to reject the petition, asserting the groups erroneously claimed that gas production results from pipeline development. The true purpose of the petition is to further a campaign to end fossil-fuel extraction including natural gas production, it contended.

Groups including Catskill Mountainkeeper, Clean Air Council, Delaware-Ostego Audubon Society, Riverkeeper and Sierra Club in a brief filed late July had argued that FERC unlawfully refused to consider effects of project-induced natural gas production, and that it failed to properly evaluate the project's greenhouse gas emissions.

They also argued that FERC's analysis of impacts on water quality violated NEPA. The absence of site-specific stream crossing information made it impossible for the commission to evaluate the impacts on water quality, they contended, adding FERC had based its finding of no significant impact on "impermissible assumptions." Moreover, they said FERC violated the Clean Water Act by granting approval before New York could act on a Section 410 water quality certification.

The project has drawn attention because following FERC's approval and the start of early work in Pennsylvania, environmental regulators in New York denied a federal water quality permit.

In a case consolidated with the environmentalist suit, Stop the Pipeline, whose members include affected property owners, also argued that FERC violated the due process clause by blocking judicial

review of its certificate order. By issuing a tolling order, which put off a decision on whether to act on rehearing for about a year, FERC prevented any judicial review of its certificate order, and thus deprived STP members of their property interests without due process, STP contended.

Pointing to the sequence in which sixteen months after the certificate order New York denied the water quality permit, effectively halting the project, STP said erroneous deprivations of real property resulted from FERC's procedures.

Argument at odds with decisions of 'every court': FERC

But FERC in its brief said the argument that the tolling order violates the NGA and affords insufficient process "is inconsistent with decisions of every court to address this issue."

Instead it defended the tolling order practice as a "long-standing" and "time-honored" interpretation of the NGA that gives FERC more time "to fully consider matters raised on rehearing" and, as well, ensure that requests are not deemed denied by operation of law. Under the NGA, FERC has 30 days to act on rehearing requests before they are considered denied.

Moreover, FERC said the type of judicial deprivation hearing the STP seeks is "plainly inconsistent" with the process envisioned by Congress. The act of filing for rehearing of judicial review was not meant to operate as an automatic stay of commission orders, it said.

"The NGA confers the power of eminent domain on a certificate holder ... and it is solely within the province of a court considering a request to grant eminent domain to determine if and when an eminent domain order should issue," FERC said.

On another aspect of the suits, FERC defended its practice of conditionally authorizing pipeline infrastructure projects, pending receipt of other federal and state signoffs.

"This conditional authorization is consistent with the Clean Water Act, and preserves a state's power to block the project. Indeed, New York's action to deny the water quality certification for, and thus effectively block, the project here demonstrates as much," the commission said.

FERC also contended that the precedent agreements showed the project was needed to satisfy demand. It also made the case that potential impacts from gas production are not indirect impacts and are not reasonably foreseeable, and further asserted that there was no causal link between increased gas production and the project.

"Catskill Mountainkeeper's claimed induced increases in gas production are neither sufficiently causally related to the project nor reasonably foreseeable to warrant further analysis," FERC said, adding the groups overstated their case in arguing FERC ignored potential increases in gas production or "bur[ied] its head in the sand." Rather, FERC considered environmental impacts on the region of influence around the project facilities and included that in its cumulative impacts analysis, FERC said.

"The commission's conclusion is consistent with this Court's previous holding in a factually similar case, as well as more recent decisions of the DC Circuit in cases brought by one of the petitioners here, Sierra Club."

Constitution: FERC considered stream crossing methods

Constitution also filed a lengthy defense of FERC's order, addressing much of the same ground covered by FERC. In addition, it said, the petitioners in "requiring complete site-specific data" on stream and wetlands impacts "would inappropriately morph NEPA into a substantive permitting statute" and contradict Supreme Court precedent, which does not require a fully developed plan.

"The Catskill petitioners' implication that Constitution did not submit to FERC the method it would use to cross each stream is directly contradicted by the record. The [final EIS] lists the 289 waterbodies that would be crossed and the methods by which Constitution proposes to cross them," Constitution said.

NGSA also filed a brief arguing that petitioners are erroneously claiming that production is the result of pipeline development, "reversing the causal connection between natural gas production and the infrastructure necessary to transport natural gas."

"As FERC has recognized ... the proposed pipeline is the result of substantial increases in natural gas production, not the cause of that production," the group's filing said, building the case that producer decisions are "highly market-driven responses."

Instead NGSA argued, the true aim of the petition is to advance the Sierra Club's campaign to eliminate the production and use of fossil fuels.

Separately, NGSA wrote September 12 to nudge NYSDEC to avoid further delay of Dominion Transmission's New Market Project, making the case that the project is needed to support growing businesses and New York residences, and to enhance reliability during winter peak periods throughout the Northeast.

"FERC notes in the certificate order that the analysis in its [environmental assessment] went beyond DEC's permit review requirements by requiring air quality impact modeling," the letter said. "Yet, DTI's air permits have now been pending before the DEC for more than two years, precluding DTI's ability to begin construction." Comments on a recently added 30-day comment period for the air permits were due Monday.

— [Maya Weber](#)

Anadarko deal to aid development in two basins

Anadarko Petroleum's pending \$2-billion acquisition of the deepwater Gulf of Mexico assets of Freeport McMoRan Oil & Gas will accelerate development of two key onshore basins and more than double the company's oil and gas production by 2021, Anadarko's top executives said Thursday.

But it will also provide valuable tie-back opportunities to extend the life of existing fields in the US Gulf's deep- and ultra-deepwater where Anadarko is a prominent player.

Ramp-up of Anadarko's operations in the basins — the oil-rich emerging Delaware Basin and the DJ Basin — will be funded by Freeport's assets, which will add 80,000 b/d of oil equivalent and more than double Anadarko's US Gulf production, company CEO Al Walker said in a conference call to explain the deal, announced late Monday.

"This extremely attractive bolt-on acquisition was achieved by

purchasing assets at a very attractive price from a motivated seller" that wanted to exit the oil and gas business, Walker said.

To accommodate increased drilling in the two onshore basins, Anadarko will also raise its full-year 2016 capital budget to around \$2.9 billion, up by roughly \$200 million. The Delaware is sited in West Texas and New Mexico, and the DJ is in Colorado.

Anadarko's production from the two onshore basins together should average 280,000 boe/d of production this year, rising to more than 600,000 boe/d by 2021, he said.

The company will add two rigs in each play later in 2016, and expects to increase activity further over time, Walker said.

Anadarko anticipates higher oil prices in 2017, which would set it up for growth.

The transaction, effective August 1, 2016, is expected to close prior to the end of the year, Anadarko said in a statement.

Company expects to increase 2016 capital guidance

The company also expects to increase its 2016 full-year capital guidance, not including the acquisition, to a range of \$2.8 to \$3.0 billion, primarily reflecting the increased activity in the Delaware and DJ basins.

The increased drilling would also underpin a company-wide 10% to 12% compound annual growth rate in oil production over the next five years at a \$50/b to \$60/b oil price, Walker said.

The transaction also more than doubles to 49% Anadarko's stake in its operated Lucius field in the remote southern US Gulf not far from Mexico's border. Lucius came on stream in January 2015 and is now producing over 100,000 b/d.

The field has achieved such strong reservoir performance and productivity that Anadarko has increased its estimated ultimate recovery to more than 400 million boe from a previous 300-plus million boe.

Adding the Freeport properties not only more than doubles Anadarko's existing Gulf of Mexico production of 75,000 boe/d, but the added output is around 80% oil. The properties also have proved reserves of around 125 million boe and three operated facilities and associated infrastructure, RBC Capital analyst Scott Hanold said.

At current strip prices, the acquisition is expected to add \$3 billion in free cash flow over the next five years.

The acquired assets include not only a 25% stake in Lucius but also a 12.5% interest in the Heidelberg field, also Anadarko-operated, which came online this year.

Added Lucius stake 'linchpin' of deal: Walker

The added Lucius stake will be of particular value offshore over time, Walker said, calling it the "linchpin" of the acquisition.

The Freeport acquisition adds at least 20 subsea tieback opportunities — low-cost targets that are easily produced from infrastructure at existing fields, some of them around Lucius. These carry a 50% before-tax return rate, at forward strip prices he said.

For example, an appraisal is scheduled later this year for the Phobos discovery, south of Lucius, Walker said.

The transaction also adds more than 15 new exploration prospects.

— [Starr Spencer](#)

Pemex takes 2017 cut to budget, output

Petróleos Mexicanos or Pemex will take a \$5.2-billion budget cut in 2017 and expects to see its production of crude oil decline by 202,000 b/d, Mexico's *Secretaría de Hacienda y Crédito Público* said recently.

The SHCP expects crude production to average 1.93 million b/d in 2017 and exports to total 775,000 b/d, with an upside risk to those estimates contingent upon the Pemex 2017 business plan.

Production estimates are based on a projected Mexican crude oil price of \$42/b.

Reductions in output next year will come principally from naturally occurring production declines in the offshore Cantarell field located in the Gulf of Mexico, the secretary said.

"Contrary to the observed tendency and at the root of the energy sector reform, positive future impacts are expected from the migration of exploration-and-production contracts from Pemex to third parties, and from contracts awarded in Round One," the secretary said in its *Paquete Económico 2017*.

Reforms take hold at Pemex

The SHCP will cut deficit spending at Pemex by over 70% next year, capping total domestic and foreign borrowing at \$1.84 billion, down from \$6.23 billion this year.

Personnel spending at Pemex will also be capped in 2017 at \$4.7 billion, the secretary said.

Payroll expenditures and particularly pension obligations have been at the heart of budgetary woes at Pemex.

In mid-August the Mexican government took on \$10.1 billion in fixed-income payments from the company, in addition to providing a \$2.6-billion capital injection.

The cash transfer was the second installment of a \$4.2-billion government-funded liquidity package for the struggling national oil company, first announced in mid-April.

At the time, the government described the money as a rescue package intended to bolster financial solvency at Pemex as sustained low oil prices prompted the company to cut both capital spending and production forecasts earlier this year.

Despite efforts at reforming Pemex, second-quarter results announced in late July showed no tangible impact from the government's financial and institutional support.

Revenues at Pemex contracted by over 18% in the first six months of the year to \$25.4 billion and were accompanied by a continued slide in oil and gas output.

Crude oil production fell nearly 3% in first-half 2016 to an average 2.2 million b/d, while natural gas output contracted 7%, averaging 6 Bcf/d, Pemex said at the time.

Industry reps offer sour response to Pemex cuts

On Monday Juan Acra, president of *El Consejo Mexicano de la Energía*, expressed disappointment over the new budgetary and production cuts at Pemex, which he said leave Mexico more vulnerable to international energy markets, domestic media outlets reported.

Acra called on Pemex CEO José Antonio González Anaya to craft a 2017 business plan that would halt further deterioration of Mexico's national oil company, while taking advantage of private investment.

In a similar vein, Erik Legorreta, president of *la Asociación Mexicana de la Industria del Petróleo*, said that the new cuts at Pemex could put maintenance and infrastructure projects at risk.

Legorreta said specifically that budgetary cuts would reduce maintenance and infrastructure spending by 12%, while operational expenditures would decline by 7%, *El Financiero* newspaper reported.

— [J. Robinson](#)

Study questions need for Mid-Atlantic pipes

The Mid-Atlantic's future energy demands do not justify the proposed Atlantic Coast and Mountain Valley pipeline projects, according to a report commissioned by opponents of the natural gas projects.

The study demonstrates that the focus of interstate projects should be on necessity rather than placement, said Greg Buppert, senior attorney with the Southern Environmental Law Center.

"The dilemma for communities up until now has been figuring out where these pipelines would be built," Buppert said. "But today we know they don't need to be built at all. Despite what we have heard from the utilities, we will have plenty of power and heat without them."

The Synapse Energy Economics study, released September 12, said a variety of pipelines and storage systems would be able to meet maximum future demand in Virginia and the Carolinas from 2017 through 2030. Altogether, the study's authors estimated that existing pipelines could supply more than 300 MMcf per hour for the area.

With the proposed Atlantic Sunrise and Transcontinental Gas Pipe Line Mainline pipeline projects, an additional 254 MMcf/h would be added to the region by 2017. A Columbia Pipeline Group upgrade project called WB Xpress would contribute an extra 73 MMcf/h in 2018.

"Additional interstate natural gas pipelines ... are not needed to keep the lights on, homes and businesses heated, and existing and new industrial facilities in production," the report said.

However, the report pointed out that supply to these areas will also depend on policies within the states, including implementing the federal Clean Power Plan. Should states decide not to enact policies that bolster energy efficiency and renewable energy supplies, the actual future demand could be different from the study's assumptions.

The study, "Are the Atlantic Coast Pipeline and the Mountain Valley Pipeline Necessary?" was commissioned by the Southern Environmental Law Center and Appalachian Mountain Advocates.

INGAA disagrees with study's conclusions

The Interstate Natural Gas Association of America disagreed with the study's suggestion that the current method of establishing a need for a pipeline project has not proven necessity for the region.

"The project sponsors must demonstrate need, and the best way to do that is with long-term, firm contracts with shippers," INGAA spokeswoman Catherine Landry said.

"These shippers are willing to 'put their money where their mouths are' because they want that capacity. They see a long-term need for this capacity, and are willing to pay for it. This kind of actual, economic commitment is far more tangible proof of need than economist

studies, especially those sponsored by opponents of natural gas and natural gas pipelines.”

The long-term, firm contracts between pipeline project developers and shippers are used in project applications to prove to FERC that there is a need for the proposed infrastructure.

“This FERC approval process has been in place since restructuring,” Landry said. “It’s worked and will continue to work.” Both the Atlantic Coast and Mountain Valley projects need FERC approval to move forward.

The Atlantic Coast project, which would include about 564 miles of pipeline, is a joint venture of Dominion Resources, Duke Energy,

Piedmont Natural Gas and AGL Resources. The project would deliver natural gas supplies to utility subsidiaries and affiliates of the four project developers and PSNC Energy, with almost all the pipeline’s capacity having been contracted for by the companies.

The Mountain Valley project, which would involve about 300 miles of new pipeline, was proposed by a joint venture of EQT Midstream Partners and affiliates of NextEra Energy, WGL Holdings, Vega Energy Partners and RGC Resources.

In total, the projects would be able to deliver up to about 3.5 million Dt/d to Virginia and North Carolina.

— *Ximena Mosqueda-Fernandez, S&P Global Market Intelligence*

PIPELINE MAINTENANCE

Start date	End date	Pipeline	Description
01-Apr	31-Oct	Algonquin	Summer-long maintenance will reduce capacity through Stony Point compressor by 600 MMcf/d, from a design of 1.5 Bcf/d, while the pipe implements construction for the forthcoming AIM Expansion
12-Sep	12-Sep	Algonquin	Algonquin will be conducting maintenance on the mainline compressor station Stony Point in Rockland County, NY on 9/12 that will restrict capacity by 588 MMcf/d.
13-Sep	19-Sep	Algonquin	Algonquin will be conducting maintenance on the mainline compressor station Stony Point in Rockland County, NY from 9/13 to 9/19 that will restrict capacity by 790 MMcf/d.
13-Sep	19-Sep	Algonquin	Algonquin will be conducting maintenance on the mainline Southeast compressor station in Putnam County, NY from from 9/13 to 9/19 that will restrict capacity by 810 MMcf/d.
20-Sep	22-Sep	Algonquin	Algonquin will be conducting maintenance on the mainline compressor station Stony Point in Rockland County, NY from 9/20 to 9/22 that will restrict capacity by 614 MMcf/d.
23-Sep	23-Sep	Algonquin	Algonquin will be conducting maintenance on the mainline compressor station Stony Point in Rockland County, NY on 9/23 that will restrict capacity by 650 MMcf/d.
24-Sep	30-Sep	Algonquin	Algonquin will be conducting maintenance on the mainline compressor station Stony Point in Rockland County, NY from 9/24 to 9/30 that will restrict capacity by 588 MMcf/d.
27-Sep	29-Aug	Texas Eastern	Sarahsville Compressor Reduction
05-Sep	01-Nov	Texas Gas	Texas Gas to install pig traps on Youngsville East Segment

NATURAL GAS FUTURES

NYMEX October gas settles at \$2.909/MMBtu

The NYMEX October natural gas futures contract settled at \$2.909/MMBtu Tuesday, down 0.6 cent, after spending much of the day moving in and out of negative territory.

Although the October contract dipped Tuesday, it added just under 24 cents over the three previous trading sessions. Monday's \$2.915/MMBtu closing price was the highest settle since July 1 and the second highest close for a prompt-month contract this year.

Phil Flynn of Price Futures Group said Tuesday's dip may be attributable to weakness in the oil markets — crude futures fell Tuesday after the International Energy Agency revised downward its estimate for global oil demand growth.

Looking to the longer term, Flynn said prices could face additional upward pressure if rig counts do not climb and augment production heading into winter.

Meanwhile, support comes as the US National Weather Service's latest six- to 10-day and eight- to 14-day outlooks continue to call for unseasonably warm weather across much of the continental US, likely leading to strong power demand in the coming weeks.

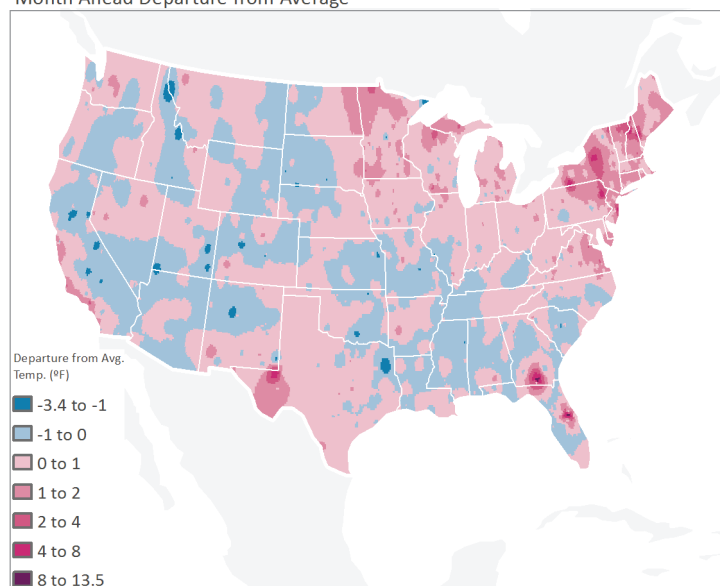
Total US demand over the next seven days is forecast to average 63.5 Bcf/d, down 0.3 Bcf/d from the month-to-date average, according to Platts Analytics' Bentek Energy. Looking ahead to the eight- to 14-day range, US demand is expected to decline somewhat to an estimated 62.5 Bcf/d.

According to Flynn, Thursday's weekly natural gas storage report from the Energy Information Administration is likely to show an injection around 55 Bcf. But if the build falls below the market's expectations, it could push the October futures contract above \$3/MMBtu, Flynn added.

The October contract traded Tuesday in a range between \$2.887/MMBtu and \$2.942/MMBtu.

MONTH-AHEAD TEMPERATURE FORECAST MAP

Month Ahead Departure from Average



Source: Platts, Custom Weather

NYMEX HENRY HUB GAS FUTURES CONTRACT, SEP 13

	Settlement	High	Low	+/-	Volume
Oct 2016	2.909	2.942	2.887	-0.006	189734
Nov 2016	2.989	3.015	2.966	0.003	124184
Dec 2016	3.176	3.208	3.159	-0.003	46350
Jan 2017	3.296	3.330	3.282	-0.002	60319
Feb 2017	3.299	3.329	3.285	0.002	14157
Mar 2017	3.256	3.275	3.243	0.004	22944
Apr 2017	3.030	3.046	3.019	0.010	20575
May 2017	3.003	3.015	2.990	0.010	5940
Jun 2017	3.030	3.039	3.017	0.011	2853
Jul 2017	3.058	3.070	3.046	0.010	4203
Aug 2017	3.066	3.078	3.055	0.009	3684
Sep 2017	3.050	3.061	3.043	0.008	3354
Oct 2017	3.070	3.083	3.059	0.008	6097
Nov 2017	3.121	3.134	3.118	0.006	2921
Dec 2017	3.246	3.255	3.238	0.006	1981
Jan 2018	3.342	3.352	3.335	0.005	2567
Feb 2018	3.304	3.313	3.299	0.008	1577
Mar 2018	3.219	3.230	3.217	0.006	1445
Apr 2018	2.828	2.830	2.828	0.002	1115
May 2018	2.784	2.790	2.774	0.002	212
Jun 2018	2.810	2.810	2.803	0.002	54
Jul 2018	2.837	2.837	2.835	0.002	3
Aug 2018	2.846	2.846	2.846	0.002	6
Sep 2018	2.831	2.831	2.830	0.003	6
Oct 2018	2.861	2.861	2.860	0.005	168
Nov 2018	2.921	2.921	2.915	0.004	136
Dec 2018	3.070	3.070	3.070	0.001	72
Jan 2019	3.175	3.175	3.175	-0.002	0
Feb 2019	3.137	3.137	3.137	-0.001	0
Mar 2019	3.068	3.068	3.068	-0.003	0
Apr 2019	2.764	2.764	2.764	-0.007	19
May 2019	2.752	2.752	2.752	-0.009	1
Jun 2019	2.783	2.783	2.783	-0.009	0
Jul 2019	2.819	2.819	2.819	-0.009	0
Aug 2019	2.832	3.068	3.068	-0.009	0
Sep 2019	2.817	2.817	2.817	-0.010	0

Contract data for Monday

Volume of contracts traded: 516,672

Front-months open interest:

Oct, 156,135; Nov, 221,116; Dec, 80,342

Total open interest: 1,033,296

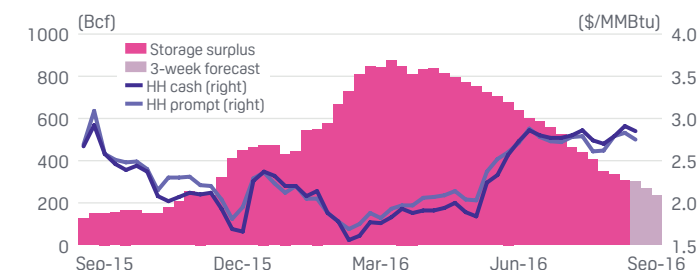
Data is provided by a third-party vendor and is accurate as of 5:30 pm Eastern time.

NYMEX PROMPT MONTH FUTURES CONTINUATION



Source: Platts

BENTEK US GAS STORAGE SURPLUS VS. ROLLING 5-YEAR AVERAGE



NORTHEAST GAS MARKETS

Northeast prices mixed as temps rise

Spot natural gas price movements around the Northeast were mixed Tuesday, with points around New York markets rising with the hottest weather of the week expected Wednesday, while points in the producing regions were mostly making small moves lower.

At Transcontinental Gas Pipe Line Zone 6 New York, spot prices jumped just over 25 cents to trade around \$1.63/MMBtu.

The uptick in New York prices came as temperatures around New York City were forecast to climb into the mid-80s Wednesday, nearly 10 degrees above seasonal norms, according to the US National Weather Service. After Wednesday, temperatures are expected to trend back toward seasonal norms, likely pushing spot prices lower for the remainder of the week.

By the weekend, Northeast power burn is expected to fall to about 6.4 Bcf/d, below the nearly 7.7 Bcf/d prior-seven-day average, as milder weather returns to the region, data from Platts Analytics' Bentek Energy showed.

Looking ahead into the forward market, November basis at Algonquin Gas Transmission reversed course, falling nearly 13 cents to reach plus 27 cents/MMBtu. November basis reached as high as plus 40 cents/MMBtu Friday following a Federal Energy Regulatory Commission letter regarding a "serious violation" because of recent incident involving construction as part of the Algonquin Incremental Market expansion.

Spot prices at the Algonquin city-gates fell, sliding about 13 cents to reach \$3.13/MMBtu.

But the operational flow order that Algonquin issued Wednesday remained in effect as ongoing planned maintenance activities continue to limit capacity through the system.

Farther south, prices at Texas Eastern Transmission M-3 were up almost 4 cents to trade around \$1.35/MMBtu.

TETCO notified shippers Tuesday afternoon that it was lifting, effective immediately, the OFO that had been in place for its market areas M2-30 and M3 since September 10.

Upstream in Appalachia, spot prices trended lower as the Dominion Transmission South point shed about a cent to trade around \$1.22/MMBtu.

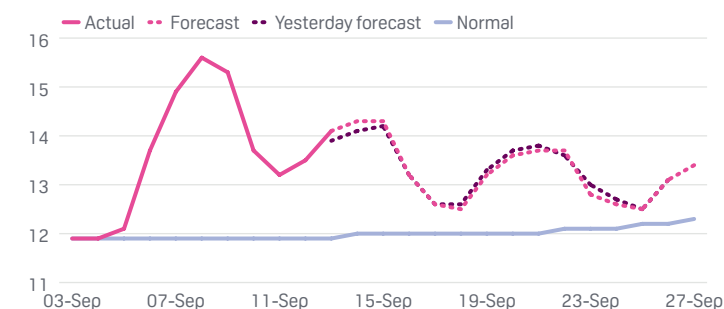
In the forward market, Dominion November basis also fell 3 cents to reach minus \$1.42/MMBtu.

NORTHEAST SPOT AND FORWARD BASIS (\$/MMBtu)

	Spot basis						Prompt forward basis		
	13-Sep	12-Sep	Chg	MTD Avg.	MTD last year	Chg	13-Sep	12-Sep	Chg
Henry Hub	3.06	2.99	0.07	2.90	2.69	+0.21	2.91	2.92	-0.01
Northeast region									
Algonquin CG	0.08	0.28	-0.21	0.12	0.30	-0.18	-0.22	-0.19	-0.03
Iroquois Zn2	0.03	0.15	-0.13	0.10	0.45	-0.35	-0.03	-0.03	0.00
Tenn Zn6 Dlvld	-0.13	0.18	-0.31	0.05	0.24	-0.20	-0.21	-0.18	-0.03
Transco Zn 6 NY	-1.43	-1.61	0.19	-1.05	-0.46	-0.59	-1.37	-1.40	0.03
Transco Zn5 Dlvld	0.01	0.05	-0.05	-0.07	0.07	-0.14	-0.72	-0.74	0.02
Transco Zn6 Non-NY	-1.10	-1.26	0.16	-0.93	-0.38	-0.55	-1.48	-1.44	-0.04
TX Eastern M-3	-1.71	-1.68	-0.04	-1.56	-1.34	-0.22	-1.58	-1.60	0.02
Appalachia									
Col Gas Appal	-0.11	-0.08	-0.03	-0.13	-0.09	-0.05	-0.16	-0.16	0.00
Dominion N Pt	-1.83	-1.76	-0.07	-1.65	-1.44	-0.21	-1.76	-1.70	-0.05
Dominion S Pt	-1.84	-1.76	-0.09	-1.65	-1.44	-0.21	-1.70	-1.71	0.01
Lebanon Hub	-0.11	-0.11	0.00	-0.09	--	--	-0.05	-0.05	0.00
Millennium East Receipts	-1.77	-1.68	-0.09	-1.63	-1.51	-0.12	-1.74	-1.68	-0.06
Tenn Zn4-200 Leg	-1.61	-1.54	-0.07	-1.47	-0.95	-0.52	-1.47	-1.48	0.01
Tennessee zone 4-300 leg	-1.82	-1.75	-0.07	-1.67	-1.63	-0.04	-1.87	-1.88	0.01
Texas Eastern M-2 receipts	-1.84	-1.77	-0.07	-1.69	-1.46	-0.22	-1.71	-1.72	0.01
Transco Leidy Line receipts	-1.82	-1.75	-0.07	-1.68	-1.53	-0.14	-1.76	-1.77	0.01
Other locations									
Dracut MA	--	--	--	--	--	--	0.13	0.16	-0.02
Iroquois Receipts	0.01	0.11	-0.10	-0.02	0.38	-0.40	-0.09	-0.09	0.00
Niagara	-1.47	-1.42	-0.05	-1.39	-1.02	-0.36	-0.48	-0.47	-0.01

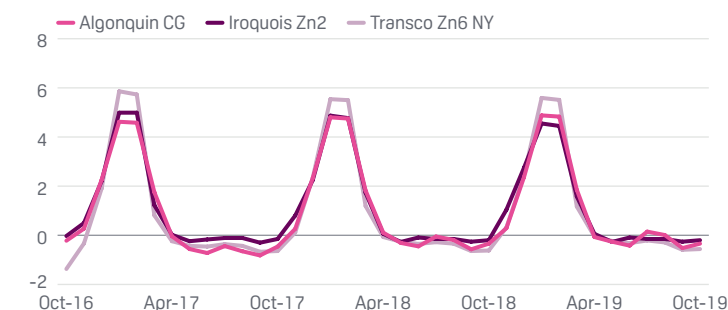
Source: Platts M2M data

NORTHEAST DEMAND FORECAST (Bcf/d)



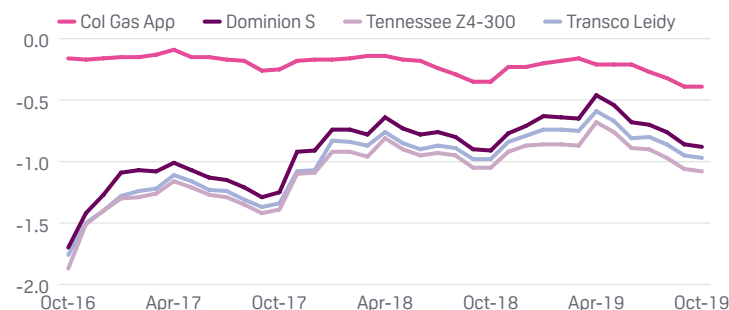
Source: Platts

NORTHEAST FORWARD BASIS (\$/MMBtu)



Source: Platts

APPALACHIA FORWARD BASIS (\$/MMBtu)



Source: Platts

SOUTHEAST GAS MARKETS

Prices mixed despite strong demand forecast

Spot natural gas prices in the Southeast showed some gains on Tuesday, while Texas Gulf Coast prices were slightly lower in spite of solid demand forecasts for both regions through Friday.

In the Southeast region, cash prices for the benchmark Henry Hub were up by 7 cents, while Tennessee Gas Pipeline-500 leg prices gained 5 cents.

Overall demand for the Southeast region topped 19 Bcf on Monday, according to Platts Analytics' Bentek Energy. Forecast gas usage will remain above 18.5 Bcf in the Southeast through the balance of the week as demand remained 15% above normal.

Discovery Gas Transmission posted that planned maintenance at the LaRose gas processing plant in southern Louisiana will reduce available processing capability through September 23, so offshore supplies are expected to decline sharply from Discovery during the period.

The National Weather Service indicated rain for the Southeast region will become more widespread by the end of the week. Despite the expected rain, temperatures were expected to stay nearly 3 degrees above seasonal averages.

Gas prices rose 3.5 cents at Florida Gas Transmission-Zone 3 and climbed by 5 cents on Southern Natural Gas.

The National Hurricane Center said that the area of low pressure covering southeastern parts of Florida was upgraded late Tuesday and had a 40 percent chance of becoming a tropical depression by Thursday as the system slowly moves northward toward Georgia.

Along the Texas Gulf Coast, gas prices were trending slightly lower Tuesday with the Houston Ship Channel prices down by 2.5 cents and the Katy Hub down 2 cents.

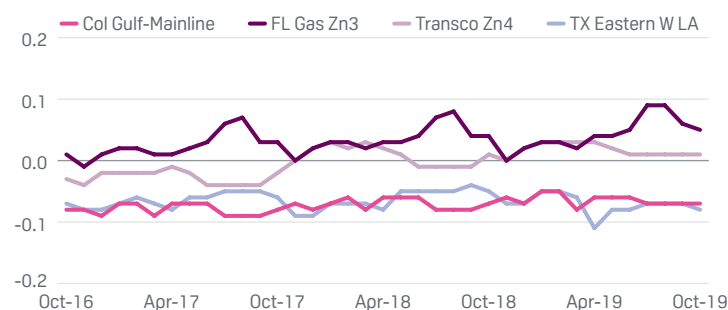
Electric generation for the Texas region continues to be over 5 Bcf/d again Tuesday with demand expected to remain at this level through Friday.

Overall demand for Texas, according to Platts Analytics' Bentek Energy, will remain greater than 10.5 Bcf/d this week.

In South Texas, Tres Palacios Gas Storage posted that a new interconnect with Gulf South Pipeline Company has been placed into service and is available for customer nominations.

In forwards trading, the Houston Ship Channel rose by 0.25 cent Tuesday to minus 4 cents/MMBtu.

SOUTHEAST FORWARD BASIS (\$/MMBtu)



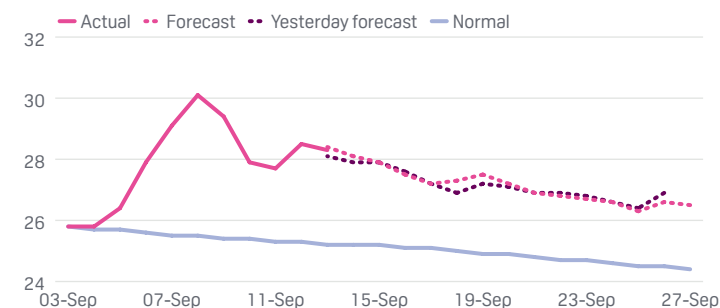
Source: Platts

SOUTHEAST SPOT AND FORWARD BASIS (\$/MMBtu)

	Spot basis						Prompt forward basis		
	13-Sep	12-Sep	Chg	MTD Avg.	MTD last year	Chg	13-Sep	12-Sep	Chg
Henry Hub	3.06	2.99	0.07	2.90	2.69	+0.21	2.91	2.92	-0.01
Southeast									
ANR LA	-0.11	-0.08	-0.03	-0.08	-0.06	-0.03	-0.07	-0.07	0.00
Col Gulf LA	-0.09	-0.07	-0.02	-0.08	-0.04	-0.04	-0.06	-0.06	0.00
Col Gulf-Mainline	-0.12	-0.09	-0.03	-0.10	-0.07	-0.03	-0.08	-0.09	0.01
FL Gas Zn1	-0.08	-0.07	-0.01	-0.07	-0.04	-0.02	-0.04	-0.05	0.00
FL Gas Zn2	-0.06	-0.05	-0.02	-0.05	-0.02	-0.03	-0.03	-0.03	0.00
FL Gas Zn3	-0.07	-0.04	-0.04	-0.04	0.01	-0.05	0.01	0.02	0.00
Florida CG	--	--	--	0.27	0.40	-0.13	0.30	0.31	0.00
SoNat LA	-0.07	-0.05	-0.02	-0.06	-0.02	-0.03	-0.05	-0.05	0.00
Tenn LA 500 Leg	-0.07	-0.05	-0.02	-0.06	-0.03	-0.02	-0.06	-0.06	0.00
Tenn LA 800 Leg	-0.11	-0.08	-0.03	-0.09	-0.05	-0.03	-0.06	-0.07	0.01
TETCO-M1	-0.16	-0.06	-0.11	-0.09	-0.07	-0.02	-0.05	-0.05	0.00
Texas Gas Zn SL	-0.09	-0.10	0.01	-0.10	--	--	-0.04	-0.04	0.00
Texas Gas Zn1	-0.10	-0.10	0.01	-0.09	-0.07	-0.03	-0.08	-0.08	0.00
Transco Zn2	-0.11	-0.09	-0.02	-0.09	-0.04	-0.06	-0.12	-0.12	0.00
Transco Zn3	-0.09	-0.05	-0.04	-0.06	-0.02	-0.04	-0.04	-0.04	0.00
Transco Zn4	-0.07	-0.04	-0.03	-0.05	-0.01	-0.04	-0.03	-0.03	0.00
Trunkline E LA	-0.12	-0.10	-0.03	-0.11	-0.08	-0.04	-0.07	-0.07	0.01
Trunkline W LA	--	--	--	--	-0.04	--	-0.05	-0.06	0.00
Tx Eastern E LA	-0.12	-0.07	-0.05	-0.09	-0.07	-0.02	-0.07	-0.07	0.00
TX Eastern W LA	-0.11	-0.07	-0.04	-0.08	-0.05	-0.02	-0.07	-0.07	0.00
East & South Texas									
Agua Dulce	--	--	--	0.06	-0.03	+0.09	0.00	0.00	0.00
Carthage Hub	-0.10	-0.10	0.01	-0.09	-0.06	-0.02	-0.08	-0.08	0.00
Houston Ship Channel	-0.10	-0.01	-0.10	-0.05	-0.03	-0.02	-0.04	-0.04	0.00
Katy	-0.11	-0.02	-0.09	-0.06	-0.03	-0.03	-0.04	-0.04	0.00
NGPL S TX	-0.07	-0.08	0.01	-0.07	-0.08	+0.01	-0.08	-0.08	0.00
NGPL Texok Zn	-0.14	-0.09	-0.05	-0.10	-0.07	-0.03	-0.08	-0.08	0.00
Tenn Zn0	-0.09	-0.11	0.02	-0.10	-0.09	-0.01	-0.10	-0.10	0.00
Transco Zn1	-0.11	-0.10	-0.02	-0.10	-0.05	-0.05	-0.06	-0.06	0.00
TX Eastern E Tx	-0.16	-0.07	-0.09	-0.11	-0.08	-0.03	-0.08	-0.08	0.00
TX Eastern S TX	-0.11	-0.08	-0.03	-0.08	-0.06	-0.02	-0.06	-0.06	0.00

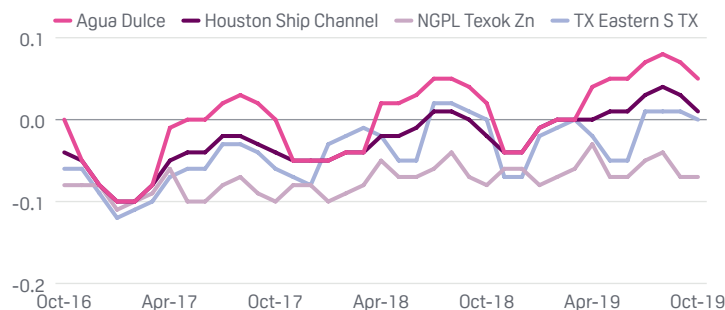
Source: Platts M2M data

SOUTHEAST & TEXAS DEMAND FORECAST (Bcf/d)



Source: Platts

EAST AND SOUTH TEXAS FORWARD BASIS (\$/MMBtu)



Source: Platts

CENTRAL GAS MARKETS

Spot rises with demand, falling temperatures

Central region spot prices edged up Tuesday on expectations of rising residential/commercial demand offsetting cooler weather Wednesday.

In the forwards market, prompt-month contracts were predominantly down.

Central region demand appears poised to climb considerably Wednesday, as Platts Analytics' Bentek Energy expects demand to settle around 11.1 Bcf/d, up nearly 800 MMcf from the forecast for Tuesday.

Although Central region demand fluctuations have been principally driven by expanding and contracting power burn in recent days, Platts Analytics' Bentek Energy expects the lion's share of Wednesday's demand growth to come from market region residential/commercial demand, which could grow by some 500 MMcf.

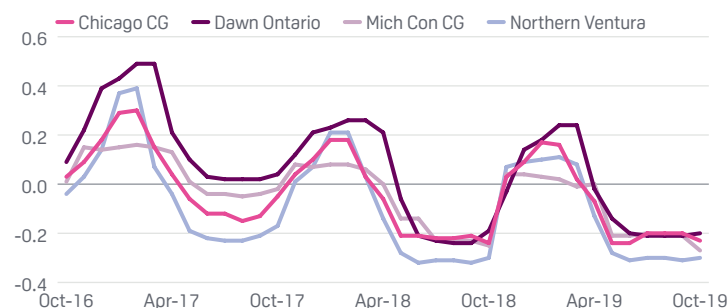
Wednesday's weather outlook does not seem likely to provide much support to power burn. The US National Weather Service forecasts temperatures in both Chicago and Detroit peaking in the low 70s, a couple degrees below the seasonal average.

In this context, most Central spots climbed 1-5 cents but Texas Eastern M-1 24-inch was a notable outlier, up almost 20 cents.

Meanwhile, in the forwards market, October strips were almost all down 1 cent or less. As the weather service's latest eight- to 14-day outlook shows a fair chance of above-average temperatures in most of the country, lower forward prices could be reflective of the Central region's bloated storage inventories, which are flirting with their year-to-date five-year maximum.

Further along the curve, Chicago city-gates November strips also are down, which highlights a trend Platts Analytics identified. Since July 26, Chicago basis has averaged a discount of 5 cents/MMBtu, even though Chicago basis never traded at a discount during the same time period last year. September alone has not averaged at a discount since 2008, but this month is well on track to be the fourth straight month to do so. This trend could be putting downward pressure on the Chicago city-gates along the forward curve, and Platts Analytics expects it to continue until demand picks up in winter.

MIDWEST FORWARD BASIS (\$/MMBtu)

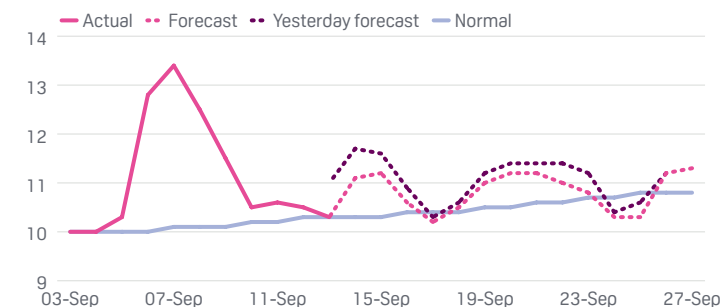


CENTRAL SPOT AND FORWARD BASIS (\$/MMBtu)

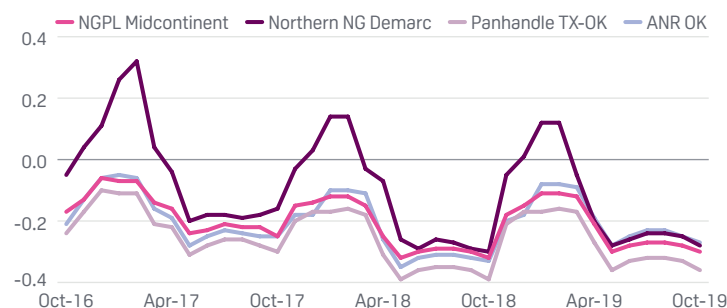
	Spot basis						Prompt forward basis		
	13-Sep	12-Sep	Chg	MTD Avg.	MTD last year	Chg	13-Sep	12-Sep	Chg
Henry Hub	3.06	2.99	0.07	2.90	2.69	+0.21	2.91	2.92	-0.01
Midwest/East Canada									
ANR ML 7	-0.08	-0.06	-0.02	-0.05	0.13	-0.18	0.09	0.09	0.00
Chicago CG	-0.14	-0.08	-0.06	-0.06	0.04	-0.11	0.03	0.03	-0.01
Consumers Energy CG	-0.07	-0.04	-0.03	-0.03	0.31	-0.34	0.03	0.03	-0.01
Dawn Ontario	-0.05	0.03	-0.08	0.02	0.36	-0.34	0.09	0.09	-0.01
Mich Con CG	-0.10	-0.05	-0.05	-0.05	0.27	-0.32	0.01	0.01	-0.01
Northern Ventura	-0.21	-0.17	-0.04	-0.13	-0.01	-0.12	-0.04	-0.04	0.00
Viking-Emerson	-0.39	-0.24	-0.15	-0.25	0.07	-0.31	-0.22	-0.22	0.00
Midcontinent									
ANR OK	-0.31	-0.24	-0.07	-0.27	-0.22	-0.05	-0.21	-0.21	0.00
Enable Gas East	-0.46	-0.38	-0.08	-0.20	-0.12	-0.08	-0.16	-0.15	-0.01
NGPL Midcontinent	-0.23	-0.19	-0.04	-0.18	-0.10	-0.08	-0.17	-0.17	0.00
Northern NG Demarc	-0.21	-0.17	-0.05	-0.13	-0.02	-0.12	-0.05	-0.05	-0.01
Oneok OK	-0.36	-0.32	-0.05	-0.31	-0.21	-0.10	-0.24	-0.24	0.00
Panhandle TX-OK	-0.30	-0.28	-0.02	-0.26	-0.17	-0.09	-0.24	-0.24	0.00
Southern Star TxOKs	-0.36	-0.35	-0.01	-0.29	-0.19	-0.10	-0.24	-0.24	0.00

Source: Platts M2M data

MIDWEST & MIDCONTINENT DEMAND FORECAST (Bcf/d)



MIDCONTINENT FORWARD BASIS (\$/MMBtu)



WEST GAS MARKETS

Prices rise as weather remains near normal

Prices around the Western US and the Rockies garnered another bump on Tuesday as regional temperatures were set to hold around or slightly below seasonal averages and regional demand was poised to increase day on day in the Southwest and decrease in the Rockies and Pacific Northwest.

The high temperature in Denver is forecast in the upper 70s on Wednesday before retreating to the mid-to-low 70s for the remainder of the workweek. The normal high is closer to 80 degrees. Farther west, in Sacramento, temperatures are expected to hit the low 80s before climbing to the 90s by week's end.

Prices in the Rockies gained on average 5-7 cents, with Cheyenne Hub inching up 5 cents and Opal grabbing an additional 7 cents. On the Canadian border, Kingsgate rose 6 cents.

Southwest demand is predicted to increase 338 MMBtu on Wednesday to 8.991 Bcf. The SoCal city-gate and Kern River-delivered jumped around 5 cents each. The October SoCal Gas swap was up three-quarters of a cent in trading to minus 6.50 cents/MMBtu, reversing Monday's small decline.

PG&E has posted a reminder notice on the Hinkley Station 12-hour maintenance event scheduled for Thursday.

"Once the Hinkley Compressor Station and the pipeline are shut down and the pipeline is at maximum pressure, no further gas will be able to enter the CGT system at the Transwestern interconnect at Topock North, the El Paso Natural Gas interconnect at Topock South, the Questar-Southern Trails interconnect at Essex and the Kern River Gas Transmission interconnect at Daggett for the duration of the outage," the notice said.

In Canada, prices at Westcoast Station 2 fell 16 Canadian cents while to the east, AECO prices rose 4 cents.

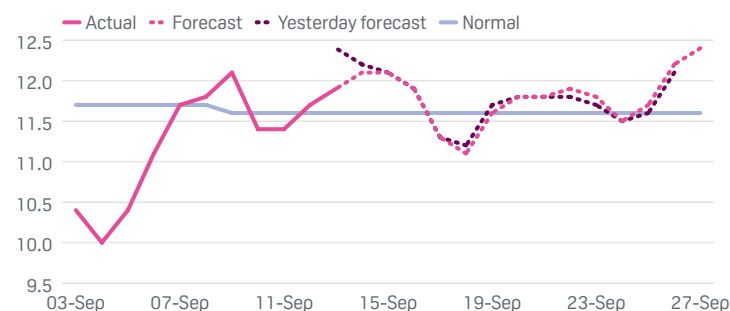
Looking further along the curve, AECO October swaps were trading 2 cents lower at minus 95.50 cents/MMBtu, while Sumas October basis was up 2.87 cents to minus 41.38/MMBtu.

WEST SPOT AND FORWARD BASIS (\$/MMBtu)

	Spot basis						Prompt forward basis		
	13-Sep	12-Sep	Chg	MTD Avg.	MTD last year	Chg	13-Sep	12-Sep	Chg
Henry Hub	3.06	2.99	0.07	2.90	2.69	+0.21	2.91	2.92	-0.01
Northwest									
GTN Kingsgate	-0.57	-0.55	-0.02	-0.51	-0.23	-0.28	-0.37	-0.37	0.00
Northwest Sumas	-0.33	-0.33	-0.01	-0.31	-0.20	-0.11	-0.44	-0.44	0.01
Northwest Stanfield	-0.33	-0.34	0.01	-0.30	-0.16	-0.14	-0.23	-0.23	0.00
Rockies									
Cheyenne Hub	-0.31	-0.29	-0.02	-0.29	-0.18	-0.11	-0.28	-0.27	0.00
CIG Rockies	-0.34	-0.32	-0.02	-0.32	-0.19	-0.13	-0.28	-0.27	0.00
Kern River Opal	-0.28	-0.28	0.00	-0.26	-0.14	-0.12	-0.23	-0.23	0.00
NW WY Pool	-0.34	-0.33	-0.01	-0.32	-0.18	-0.14	-0.23	-0.23	0.00
Questar Rky	-0.31	-0.31	0.01	-0.30	-0.15	-0.15	-0.24	-0.23	0.00
Southwest									
El Paso Permian	-0.28	-0.27	-0.01	-0.26	-0.14	-0.12	-0.22	-0.22	0.00
El Paso San Juan	-0.27	-0.27	-0.01	-0.26	-0.14	-0.11	-0.21	-0.20	0.00
Kern River Dlv'd	-0.18	-0.17	-0.02	-0.16	0.02	-0.17	-0.05	-0.06	0.01
PG&E CG	0.37	0.34	0.03	0.39	0.42	-0.02	0.47	0.46	0.01
PG&E Malin	-0.24	-0.24	0.01	-0.22	-0.08	-0.15	-0.14	-0.15	0.00
PG&E South	-0.19	-0.18	-0.01	-0.17	-0.01	-0.16	-0.07	-0.07	0.01
SoCal Gas	-0.19	-0.16	-0.03	-0.16	-0.01	-0.15	-0.07	-0.07	0.01
SoCal Gas Citygate	-0.14	-0.12	-0.02	-0.09	0.18	-0.27	0.04	0.03	0.01
Transwestern Permian	-0.27	-0.26	-0.01	-0.26	-0.16	-0.10	-0.23	-0.23	0.00
Waha	-0.20	-0.21	0.01	-0.20	-0.12	-0.07	-0.16	-0.16	0.00
West Canada									
AECO-C	-0.50	-0.47	-0.03	-0.55	0.07	-0.62	-0.96	-0.94	-0.02

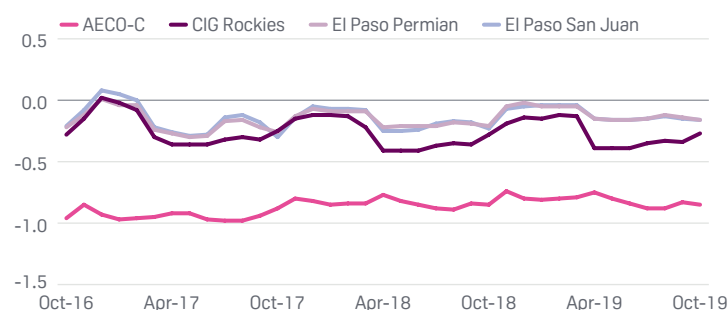
Source: Platts M2M data

SOUTHWEST, NORTHWEST, ROCKIES DEMAND FORECAST (Bcf/d)



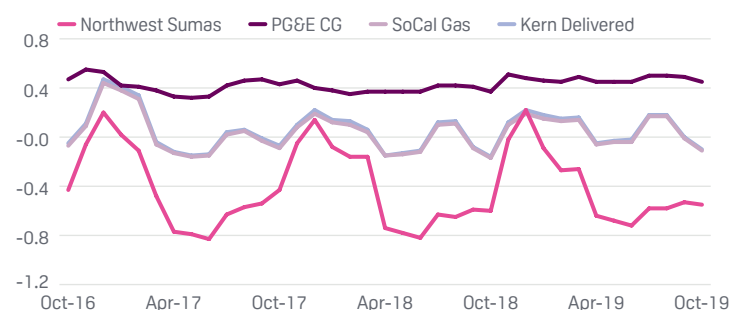
Source: Platts

WEST SUPPLY LOCATIONS FORWARD BASIS (\$/MMBtu)



Source: Platts

WEST DEMAND LOCATIONS FORWARD BASIS (\$/MMBtu)



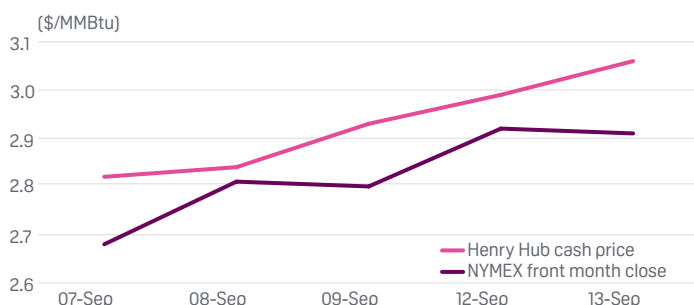
Source: Platts

TOTAL NET PIPELINE FLOWS BY REGION (MMcf/d*)

	12-Sep	13-Sep	Change	MTD avg.	MTD last year	Change
Supply regions – net pipeline outflows						
Texas	8,149	8,153	-4	8,184	9,771	-1,587
West Canada	8,881	8,897	-16	8,631	8,816	-185
Rockies	6,842	6,594	248	6,829	7,187	-358
Midcontinent	2,876	2,959	-83	2,859	3,463	-604
Northeast	4,018	3,809	209	4,223	2,238	1,985
Demand regions – net pipeline inflows						
Southwest	4,509	4,335	-174	4,485	5,331	846
Southeast	7,012	7,141	129	7,007	5,219	-1,788
Northwest	1,839	1,891	52	1,722	1,743	21
Midwest	10,212	10,128	-84	10,499	12,269	1,770
East Canada	3,516	3,124	-392	3,319	3,671	352

* Net pipeline flows by region are the aggregated total interstate pipeline flows across the regional border. Net supply regions are those that historically have had more supply than demand within the region and have been net suppliers of gas to other regions. Net demand regions historically have had more demand than supply and have been net receivers of pipeline gas from other regions.

HENRY HUB/NYMEX SPREAD

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Gas Daily Questions? Email:
NAGas&Power@platts.com

Managers North America Gas and Power Content
Rocco Canonica, +1-720-264-6626
Matthew Eversman, +1-713-655-2238
Beth McKay, +1-713-655-2258
Anne Swedberg, +1-720-264-6728

Editors
Brandon Evans, +1-720-264-6671
Jim Magill, +1-713-658-3229
Jasmin Melvin, +1-202-383-2135
Chris Newkumet, +1-202-383-2141
J. Robinson, +1-713-658-3257
Mark Watson, +1-713-658-3214
Maya Weber, +1-202-383-2244

Spot Market Editors
Douglas Baldelli, +1-832-918-3387
Art Fresquez, +1-713-655-2279
Ashish Kothari, +1-713-655-2241
Curt Mrowiec, +1-713-658-3271
Charles Noh, +1-713-658-3259
Ryan Ouwerkerk, +1-713-655-2202

Analysts
Eric Brooks
Richard Frey
John Hliffiker
Luke Jackson
Tyler Jubert
George McGuirk
Mason McLean
Jonathan Nelson
Thad Walker
Ross Wyeno

Director, Global Gas and Power Pricing
Mark Callahan

Director, Global Gas and Power Content
James O'Connell

Global Editorial Director, Gas and Power
Simon Thorne

Chief Content Officer
Martin Fraenkel

Platts President
Imogen Joss

Advertising
Tel: +1-720-264-6631

Manager, Advertisement Sales
Kacey Comstock

To reach Platts: E-mail: support@platts.com; North America: Tel: 800-PLATTS-8; Latin America: Tel: +54-11-4121-4810; Europe & Middle East: Tel: +44-20-7176-6111; Asia Pacific: Tel: +65-6530-6430

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To access the latest issue of the Gas Daily supplements, click below.

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[Gas Daily Market Fundamentals Data](#) (xls)

[Gas Daily Monthly Price Guide](#) (pdf)

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SHALE VALUE CHAIN ASSESSMENTS, SEP 13

	\$/MMBtu	+/-
Gulf Coast ethane fractionation spread	0.048	0.044
Gulf Coast E/P mix fractionation spread	0.179	0.044
E/P mix Midcontinent to Rockies fractionation spread	-0.075	-0.013
E/P mix Midcontinent fractionation spread	-0.180	0.007
National raw NGL basket price	5.076	-0.038
National composite fractionation spread	2.116	-0.013

The methodology for these assessments is available at:

www.platts.com/IM.Platts.Content/MethodologyReferences/MethodologySpecs/shale-value-chain.pdf

PLATTS OIL PRICES, SEP 13

	(\$/b)	(\$/MMBtu)
Gulf Coast spot		
1% Resid (1)	39.61-39.63	6.34
3% Resid (1)	36.31-36.33	5.81
Crude spot		
WTI (Oct) (2)	44.89-44.91	7.74
New York spot		
No.2 (1)	54.39-54.43	8.71
0.3% Resid LP (3)	47.32-47.34	7.57
0.3% Resid HP (3)	47.07-47.09	7.53
0.7% Resid (3)	40.57-40.59	6.49
1% Resid (3)	38.57-38.59	6.17

1= barge delivery; 2= pipeline delivery; 3= cargo delivery

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September 16, 2016 – October 7, 2016

NW Natural, a Storage Provider connected to Williams Northwest Pipeline, is currently requesting non-binding proposals for up to 750,000 Dekatherms of Firm storage service beginning May 1, 2017.

For more information contact:

Robert McAnally

Robert.McAnally@nwnatural.com
503.226.4211 ext. 2469

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