

## **Permian gas pipes will shift lower prices east: Panel**

Ponte Vedra Beach, 17 April (Argus) — Additional pipelines will be needed to remedy negative natural gas prices at Waha in west Texas, but that new takeaway capacity will only shift lower prices further east, according to panelists today at Southeast LDC Gas Forum in Ponte Vedra Beach, Florida.

Spot natural gas prices at Waha have mostly traded at negative levels since 11 March as robust gas production outstrips the pipeline capacity needed to ferry those supplies to market. The pipeline constraints have been exacerbated in recent weeks by seasonal pipeline maintenance and the usual drop in demand that accompanies spring.

Spot prices at Waha, a key indicator for the price of gas output from the Permian basin in west Texas and southeastern New Mexico, has averaged  $-\$1.45/\text{mmBtu}$  so far in April, meaning that producers were paying buyers to take gas.

Waha prices are waiting on Matterhorn, a 2.5 Bcf/d (71mn m<sup>3</sup>) gas pipeline that will connect the Permian basin to southeast Texas, Jack Weixel, senior director of East Daley Analytics, told attendees at the conference.

Matterhorn was scheduled to begin service later this year and will probably begin taking initial gas supplies this summer. Most of the gas produced in the Permian basin comes from oil wells, so as long as oil prices are high enough to encourage drilling, gas production will remain stout.

Oil producers in the Permian "are well in the money to drill," Zach Inman, vice president of origination for BP, said.

The additional gas supplies traveling to the Texas coast will push prices at key markets such as the Katy storage hub and the Houston Ship Channel to deeper discounts against the Henry Hub. Those additional supplies will also bottle up production that would usually flow to those markets from east Texas and parts of Louisiana, Weixel said.

The resulting gas supplies may even push prices in east Texas low enough to inhibit drilling in the Haynesville shale, a prolific gas field in east Texas and northern Louisiana.

Still, prices could receive a boost next year as new LNG export projects start service along the US Gulf coast, offering an outlet for those robust supplies, the panelists said.

By Jason Womack