



PIPELINE AUTHORITY

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Ken Hendricks, Board Chairman
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Greetings!

A lot has happened over the last couple of months and I wanted to provide an update on what the Wyoming Pipeline Authority (WPA) has been up to along with comments on market projects, commodity prices and the continued threat to coal production. Note that European and Asian prices have been added to the natural gas price updates to provide a feel for world natural gas prices (think liquefied natural gas-LNG) versus U.S. gas prices. It is critical that western states continue to push for Federal Energy Regulatory Commission (FERC) approval of the Jordan Cove LNG export project in Oregon as it provides Wyoming an outlet for natural gas on a world scale basis. Do not hesitate to call if we can be of service to you!

Wyoming Pipeline Authority Activity

- The WPA intervened in Wyoming Interstate Pipeline, LLC's (WIC) proposed sale and abandonment of natural gas service on its 24-inch Medicine Bow lateral that runs from Glenrock to Cheyenne. The line is paralleled by a duplicate 36-inch lateral, both of which were constructed to accommodate coalbed methane production from the Powder River Basin. **WIC is proposing to convert the 24-inch line from natural gas service to crude oil service in advance of growing Powder River Basin crude oil production.** The WPA is supportive of the conversion, however, WIC will have to accommodate protests filed by Black Hills Corporation and Microsoft both of which have contracts that provide them duplicative services on the 24-inch and 36-inch laterals. I am confident that a solution exists to provide these protesters remedy to their requests and that the conversion is in the best interests of the public at large and Wyoming.
- The WPA will intervene with conditional support in Cheyenne Plains Gas Pipeline Company LLC's (Cheyenne Plains) proposed abandonment of natural gas service on its 36-inch pipeline when it is filed with FERC. **Cheyenne Plains, in conjunction with its joint venture partner, Tallgrass Energy, will create a pipeline system able to move in excess of 1 million barrels of oil per day from Wyoming and Colorado to Cushing, OK and, ultimately, the Gulf Coast for export.** Conversion of this pipeline to crude oil service will eliminate 860,000 Mcfd of gas export capacity from the state.
- The WPA intervened in support of the Jordan Cove LNG export facility proposed off the Coast of Oregon. **Jordan Cove will have the ability, if approved by FERC and constructed, to export the equivalent of 1 billion cubic feet of natural gas per day, much of which will originate from Southwest Wyoming.** The project is receiving push back from environmentalists who are also protesting coal and other hydrocarbon export projects on the west coast. The WPA traveled to Medford, OR on June 26, 2019 to

provide testimony to FERC that the project was in the best interests of the public and, specifically, Wyoming where 57,000 oil and gas jobs exist and wages associated with those jobs exceeds \$4 billion per year (American Petroleum Institute, 2017). The project would also create redundancy in pipeline and supply for the Pacific Northwest and provide a gateway for Wyoming natural gas to Asia.

- The WPA visited with Senator’s Barrasso and Enzi as well as the office of Representative Cheney in Washington DC on June 25th to share with them some of the efforts the WPA was involved in, express the need for the Jordan Cove export facility and update them on foundational efforts to launch the Wyoming Energy Authority (WEA).
- On May 30, 2019 the WPA attended the Utah Governor’s Energy Summit where over 1,100 people attended to listen to what Utah is doing to enhance its energy sector. Wyoming Governor Gordon, Utah Governor Herbert and U.S. Secretary of Energy Perry participated in a panel discussing the importance of energy development on a state and national level. During the meeting, **the WPA became a signatory to the Western States and Tribal Nation’s (WSTN) Natural Gas Agreement.** WSTN is a joint, multi-state and tribal effort to promote development of natural resources in the west and push for natural gas market development and export access opportunities. Collectively joining forces with Utah, the Western Counties of Colorado, other western states and tribal nations will enable Wyoming to promote our natural gas resources to other areas of the country as well as the world.
- The WPA is undertaking a complete inventory of all major pipelines being proposed or under construction within the state and in immediately adjacent states.

Pricing

For the month of July 2019, the NYMEX natural gas contract settled at \$2.29 per MMBtu, the lowest settlement price since June, 2016.

On July 8th natural gas prices reported by Platt’s Gas Daily for through the July 4th weekend were as follows:

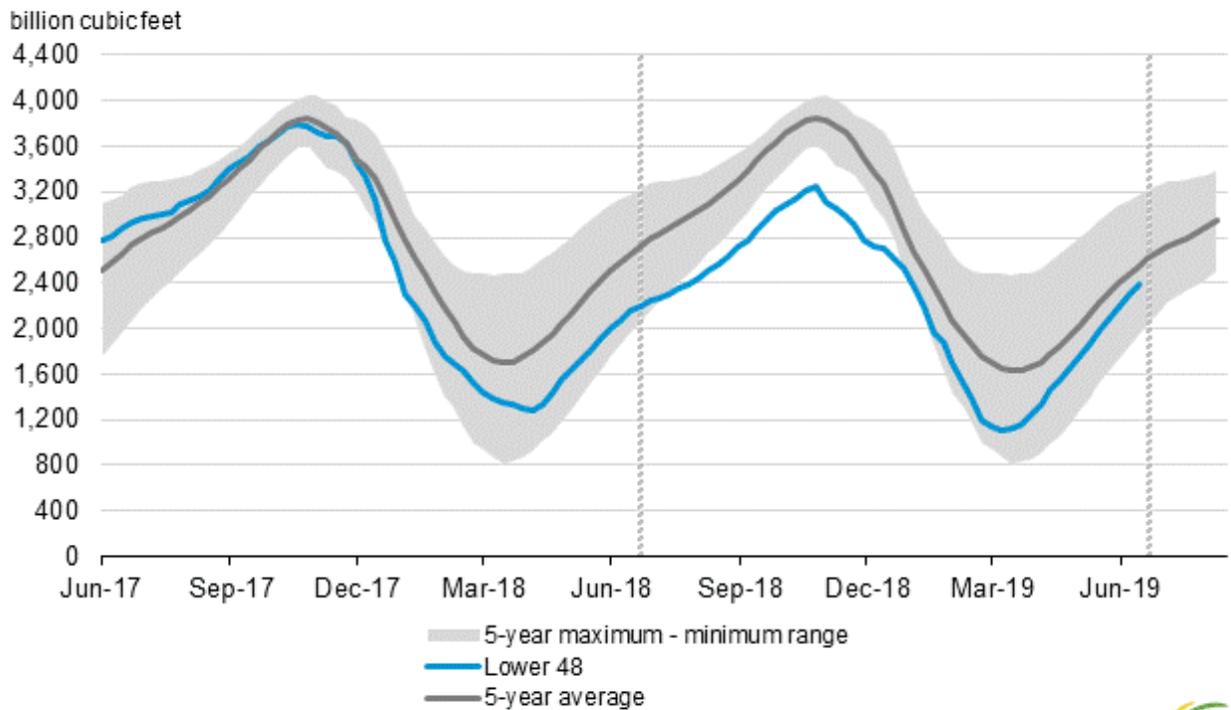
Pricing Point	Price (\$/MMBtu)	Basis to NYMEX
• Henry Hub	\$2.24	
• Cheyenne Hub (SE Wyoming)	\$1.62	-\$0.62
• Opal Hub (SW Wyoming)	\$1.63	-\$0.61
• Chicago	\$2.01	-\$0.45
• SoCal (Southern California)	\$1.79	-\$0.45
• Waha (West Texas)	\$0.00	-\$2.24
• Europe	\$3.20	+\$0.96
• Asia (August delivery LNG)	\$4.30	+\$2.06
• Central Mexico (Tula)	\$3.75	+\$1.51

Note that European and Asian prices, while greater than Henry Hub pricing, are not sufficient to support liquefaction, shipping costs and regasification costs of approximately \$2.15/MMBtu which is backing some natural gas destined for exports out of the gulf coast back into the U.S. This, coupled with record U.S. gas production, may lead to much lower prices in the fall as natural gas storage approaches capacity plus or minus 4 trillion cubic feet.

NYMEX crude oil prices for August delivery settled at \$57.73 on July 5, 2019. Brent pricing for the same period settled at \$64.23. Southwest Wyoming Sweet crude was trading at \$51.10.

Natural gas storage inventory for the week ending June 28, 2019 sits at 2.39 Bcf and is rapidly approaching the five-year average for inventory builds (stock builds are 249 Bcf higher than they were last year at this point in time).

Working gas in underground storage compared with the 5-year maximum and minimum



Source: U.S. Energy Information Administration



Parting Thoughts

Wyoming's natural resources are increasingly under pressure due to lack of infrastructure (transmission, pipeline capacity, market access on the west coast) to export underlying resources. The dynamics of U.S. and world markets are changing at an ever-increasing rate. Sound policy is needed to attract infrastructure capital to the State and make it more competitive with resources in other areas of the country. The Wyoming Energy Authority (WEA) can create tremendous value for Wyoming if it is properly funded in its first two years of existence, is driven by its primary mission, adheres to sound planning over the coming year and is staffed with experienced and knowledgeable employees driven to grow energy markets for the State's resources. To that end, the WPA and Wyoming Infrastructure Authority (WIA) boards are meeting jointly on July 18, 2019 to begin the strategic planning necessary to assure that the WEA is up and running before it "officially" opens for business July, 2020. Key areas of focus will include:

- Market access (pipelines, transmission, rail, truck, etc.) **Note: With all the activity going on in the state, it is increasingly necessary to have pipelines share their location data with the state so that exposed pipelines and or landowner disputes can be adequately addressed.**
- State resource assessment and comprehensive valuation (coal, natural gas, crude oil, uranium, wind, NGL's, etc.)
- Market dynamics: What are the forces driving prices and how does Wyoming get ahead of them in an increasingly "carbon neutral" future?
- Policy: How can the state encourage energy investment and provide a path to infrastructure development that will enable it to compete globally?
- Bonding authority

Sincerely,

Bryan Hassler
Executive Director
Wyoming Pipeline Authority

References

American Petroleum Institute (July, 2017). *Impacts of the Natural Gas and Oil Industry on the U.S. Economy in 2015*. Retrieved from [api.org](https://www.api.org/~/media/Files/Policy/Jobs/Oil-and-Gas-2015-Economic-Impacts-Final-Cover-07-17-2017.pdf):
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