

ANP SE40: 0.000 ANP SW: 0.075 Agua Dulce: 0.000 Algonquin Citygate Alliance: 0.030 CIG: 0.015 CIG DJ Basin: 0.000

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BY ANDREW BAKER
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Oneok Inc. is waiting on the sanctioning of a proposed LNG export terminal on Mexico's Pacific Coast before proceeding with the 2.8 Bcf/d Saguaro Connector pipeline out of the Permian Basin, management indicated Wednesday.



Chat

The **155-mile pipeline** would supply Permian Basin natural gas to the Mexico border. From there, it would connect with a new pipeline in Mexico that would feed into Mexico Pacific Limited LLC's (MPL) **Saguaro Energía liquefaction terminal** planned for Puerto Libertad, Sonora. MPL has yet to reach a final investment decision (FID) for the terminal.

As for the Oneok pipeline, CFO Walt Hulse said the firm expects to receive approval from the U.S. Federal Energy Regulatory Commission this fall to operate the cross-border pipeline system.

"But probably more importantly, we're not going to go FID on a project until the overall project, the LNG facility itself, is FID'd," Hulse said.

MPL has secured offtake commitments from heavy hitters including ConocoPhillips, ExxonMobil and Shell plc for the three-train, 14.1 million metric tons/year project.



"They have done a fantastic job commercially," Hulse said of MPL. "Commercially I think you can look at [the project] as pretty much done."

Once MPL secures the necessary financing, "they'll be in position to get FID and we'll see the project moving forward," Hulse added.

Storage Demand Growing

Tulsa, OK-based Oneok operates in the natural gas pipelines, natural gas gathering and processing, and natural gas liquids transport segments. More than 10 Bcf/d of U.S. gas production is reliant on the use of Oneok's infrastructure, according to the firm.

Through its natural gas pipelines business, Oneok owns 57.4 Bcf of natural gas storage capacity, which increasingly is in demand following supply shocks such as **Winter Storm Uri** in early 2021, said Norton.

"We've had upticks in our gas storage business because with the winter storms that we've had recently, and in particular Uri, the value of storage is definitely being realized."

He explained that while storage demand from gas utilities has always been strong, Oneok is now seeing more demand from power generators as well, in order to hedge against winter supply interruptions.

"So there's competition from the electric side and the gas [utility] side," Norton said. "It's pushing those prices up on the value of storage."

Bullish on the Bakken

Oneok's Sheridan Swords, senior vice president for natural gas gathering and processing, expressed optimism about natural gas liquids (NGL) and natural gas G&P volume growth in the Bakken Shale.

Oneok is the primary NGL transportation provider for the Williston and Powder River basins, as well as the Midcontinent. In the Williston, Oneok also is a leading processor of associated natural gas produced in the oily Bakken.

Oneok boasts around 2.8 Bcf/d of total gas processing capacity, of which roughly 1.9 Bcf/d is located in the Williston.

"The Bakken looks to be very strong going forward," said Swords. He said **current drilling and completion activity** in the Bakken indicates steady growth ahead in oil and gas volumes. He noted that even flat crude oil production growth would likely mean continued growth in gas output due to rising gas/oil ratios in the Williston. ^

Meanwhile, In May, Oneok announced **an \$18.8 billion merger** with Magellan Midstream Partners LP that would add a massive crude oil and refined products pipeline network to its portfolio.

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“Bid rounds, including farmouts, can bring new investment, new ideas and new technology while creating diversity in energy resources and supply options. Of course, it is Mexico’s full right to develop its energy resources as it chooses,” Chris Sladen, a decorated executive of the international energy industry, told NGI’s Mexico GPI. “I also think there...”

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