National Fuel Gas Company

First Quarter 2017 Earnings Conference Call

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CORPORATE PARTICIPANTS

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CONFERENCE CALL PARTICIPANTS

Holly Stewart, *Scotia Howard Weil*

Graham Price, *Raymond James*

Chris Sighinolfi, *Jefferies*

PRESENTATION

Operator:

Good morning, my name is Mike and I will be your conference Operator today. At this time, I would like to welcome everyone to the Q1 2017 National Fuel Gas Company Earnings Conference Call. All lines have been placed on mute to prevent any background noise. After the speakers' remarks, there will be a question and answer session. If you would like to ask a question during this time, press star, then the number one on your telephone keypad. If you would like to withdraw your question, press the pound key.

I will now turn the call over to Brian Welsch, Director of Investor Relations. You may begin your conference.

Brian Welsch:

Thank you, Mike, and good morning. We appreciate you joining us on today's conference call for a discussion of last evening's earnings release.

With us on the call from National Fuel Gas Company are Ron Tanski, President and Chief Executive Officer, Dave Bauer, Treasurer and Principal Financial Officer, and John McGinnis, President of Seneca Resources Corporation. At the end of the prepared remarks, we will open the discussion to questions.

The first quarter fiscal 2017 earnings release and February Investor Presentation have been posted to our Investor Relations website. We may refer to these materials during today's call.

We would like to remind you that today's teleconference will contain forward-looking statements. While National Fuel's expectations, beliefs and projections are made in good faith and are believed to have a reasonable basis, actual results may differ materially. These statements speak only as of the date on which they are made, and you may refer to last evening's earnings release for a listing of certain specific risk factors.

National Fuel will presenting at the Scotia Howard Weil Energy Conference in New Orleans later this March. If you plan on attending, please contact the conference planners or me directly to schedule a meeting with Management.

With that, I'll turn it over to Ron Tanski.

Ron Tanski:

Thanks, Brian, and good morning, everyone. Our 2017 fiscal year is off to a great start, and it's nice to have completed a quarter where the commodity prices that go into the formulas that we use to value our reserves leveled out to the point that did not require us to make any ceiling tests or balance sheet adjustments. In fact, spot pricing in the Basin improved to the point where Seneca brought a number of wells back on line and increased production by a healthy amount.

While we have seen an improvement in near-term NYMEX pricing, further out, the futures curve remains backwardated, and although we continue our standard practice to layer in some hedges for our future production at adequate prices, our biggest opportunity to increase the value of the Company hinges on the installation of more pipeline infrastructure to move gas out of both our Western Development Area and Eastern Development Area. The current pipeline capacity constraints in our producing regions puts us at risk for high basis differentials at various points during the year.

We have recently received good news for pipeline projects out of both the EDA and WDA.

The Atlantic Sunrise Project received its final Environmental Impact Statement from FERC at the end of December, and Williams has indicated a target completion date of mid-2018 for the project. Seneca has contracted for a 189.4 thousand dekatherm per day of capacity on that project and is expected to be able to fill that capacity right away.

On our Northern Access Project, we've received our Water Quality Certification for the Pennsylvania portion of our project from the Pennsylvania Department of Environmental Protection, and they've informed us that they will be issuing the remaining state permits this month.

In New York, the New York Department of Environmental Conservation is moving along with its permitting process and holding Public Statement Hearings next week. We expect the DEC to reach a decision on the New York permits, including the Water Quality Certification, in April.

As we announced last week, we've moved our projected in-service date for Northern Access to the second quarter of fiscal 2018. Because of a delay in the receipt of our FERC 7(c) Certificate, we were unable to complete development activities along the pipeline route and acquire the few remaining rights-of-way that we need. At this point, even if we had received the FERC certificate this week, and the New York permits in early March, we don't think we could finish our right-of-way clearing work before April 1, when the tree-clearing window closes. We do believe the revised target date is reasonably achievable.

Moving to the broader regulatory arena, we're two weeks into the new Presidential Administration and there have been a lot of questions as to how our business might be impacted by activities in Washington. The President's early actions appear to be very supportive of the domestic energy industry. We'll need a lot more details before we make any major changes in our operations, however.

Take, for instance, the President's memorandum to the Secretary of Commerce to develop a plan that all pipelines in the US will, to the maximum extent possible, utilize materials and supplies produced in the US. Depending on the timing and details of such a program, I could see domestic pipe mill space get pretty scarce if a number of pipeline projects get a green light to move forward all at the same time. Over the last five years, we've sourced the bulk of the pipe for our projects from US mills. In fact, if you include all pipe, valves, fittings and other hardware, over 97% of those materials have been US sourced. We've previously looked at locking up some mill space in Canada to supply pipe for our Northern Access Project, but we won't be in a position to nail down any pipe orders, whether from Canada or the US, until we get our permits. We're looking at all our options to source our pipeline materials and we don't expect to see any major issues there.

Tax reform is another area that also needs to be spelled out a little more before we can undertake a detailed analysis as to its effect on our operations. As we've seen through the years, our capital expenditures can vary tremendously each year, depending on the existence of major pipeline projects or the number of drilling rigs that we have active. At our current activity level, our initial analysis indicates that over the long term our cash flow would take a hit, a bigger hit, by the elimination of the interest deduction than we could pick up through the full expensing of capital expenditures. Of course, the biggest variable would be the tax rate that gets chosen. We'll keep an eye on tax reform and let you know how it will affect our forecasts when more details become available.

Likely, a more pressing issue for us, is the current status of the Federal Energy Regulatory Commission. With the resignation of Commissioner Bay at the end of today, the Commission will be down to only two members and won't have a quorum to issue certificate orders, like the one we need from FERC for our Northern Access Project. There's been a lot written about the lack of a FERC quorum in the trade press, and the industry trade groups have written letters to the White House urging swift action on the nomination of new Commissioners, so we hope the process will move quickly, and if FERC does get a quorum within the next three months, we think the revised in-service date of our fiscal '18 second quarter for our project can still hold. Now, there has been a flurry of activity this week and it's still possible that we could see an order today.

Now, there is a lot going on in Washington, but I expect that it will be state regulatory activity that can most impact our near-term operations. We're encouraged that the New York DEC recently issued permits for Dominion's New Market Project and that the DEC is moving along with the permitting process for our Northern Access Project; however, we're also well aware that there are two other pipeline companies that are currently in litigation with the DEC with respect to the status of the permits for their projects. We'll know in a couple of months if we're in the same boat, but I think the details in our permit application clearly support the project.

The Northern Access Project also aligns well with the Governor's own goals for economic development in the Buffalo area. In recent weeks, our local media has focused considerable attention on the Governor's budget proposal that includes $0.5 billion of public money for economic development projects in the Western New York Region. With our Northern Access Project, we stand ready to invest $0.5 billion of our shareholders' money in a project that's strongly supported by local labor unions and will fortify New York's access to a plentiful domestic supply of energy.

At our ongoing utility company rate proceeding in New York, the Administrative Law Judge issued a recommended decision, or RD, that supports an $8.48 million rate increase. The Company and staff are in the process of writing briefs, taking exceptions to certain provisions of the RD, and the Commission will make its own decision either in March or April. The RD is disappointing to us, in that it suggests that our utility should be allowed an 8.6% Return on Equity, the lowest return on equity in recent memory in the entire US, notwithstanding testimony in the case indicating that we are the most efficient utility in the state and that our residential rates are the lowest among the LDCs in the state. Given that new rates won't take effect until the spring, we don't expect that this case will have a meaningful impact on earnings for this fiscal year.

We're very comfortable with our earnings guidance and we don't expect any surprises for the remainder of the current fiscal year, and we should be able to firm up our plans for our 2018 fiscal year over the next quarter, when our permit applications at the FERC and the New York DEC get sorted out.

Now, I'll turn the call over to John McGinnis to review Seneca's operations for the quarter.

John McGinnis:

Thanks, Ron, and good morning, everyone. Seneca had a great quarter all around. Revenues were above forecast, given higher production and improved pricing, while a continued focus on expenses resulted in quarterly LOE below guidance on a per unit basis.

Seneca produced 44.9 Bcfe during the first quarter, an increase of 6.8 Bcfe, or 18%, versus the prior year's first quarter. This increase was driven entirely by higher gas production in Pennsylvania, where we produced 39.8 Bcf for the quarter, an increase of 7 Bcf, or 21%, versus the prior year. The increase in production was largely due to significant spot sales in November and December, as a result of the improved prices in the Basin and better than expected well performance related to wells that had been shut-in for several months. We produced 7.1 Bcf net into the spot market this past quarter. This compares to 7.5 Bcf over the entire year in fiscal '16. Strong spot pricing has continued into the second quarter.

In addition, as a result of the improved pricing, during the quarter we entered into additional firm sales, effectively reducing our spot exposure for the remainder of this year. We added 6 Bcf net of firm sales at prices between $2.00 to $3.00. It's important to note that these prices are net to Seneca, with no further transportation or other deductions.

Because of our increased production during the quarter and additional firm sales for the remainder of the year, we are raising our annual production guidance to now range between 155 to 175 Bcfe, an increase of 7.5 Bcfe at the midpoint. For the remainder of our fiscal year, we have 87 Bcf, or over 80% of our gas production, locked in at an average realized price of around $3.10, which leaves about 20 Bcf net of gas exposed to in-basin pricing.

With respect to our Utica/Point Pleasant appraisal program, our second Clermont Area Utica horizontal well has now been online for over 90 days. This well targeted the same zone as the first well, but rather than utilizing a high-strength proppant, we completed the well using standard sand. As a result, the completion cost was almost $2 million less than the first well. The well had a 30-day average initial production rate of about a million cubic feet per day per 1,000 feet. This compares to 1.4 per 1,000 feet for the first well. However, because we switched to standard sand, our pressure drawdown management program was very conservative, essentially restricting the choke size to less than 28/64th for the first 60 days. Even now, at over 90 days, we're only at a 33/64th choke and the well is still producing at a rate of over 5 million a day. It's a bit early to lock in an EUR per 1,000 foot, in that the decline is so small, but we are actually estimating between 1.6 to 1.8 Bcf, similar to our first CRV Utica well.

Given the success of our latest well, we plan on using standard sand proppant in our CRV Utica wells going forward, and this will effectively reduce our completion costs by almost half, resulting in full development and drilling and completion costs to range between $5 million to $6 million.

The next two Utica wells in this area have been drilled and completed, and will be brought online early in fiscal Q3. One of the Q3 test wells was drilled into a deeper zone, the Upper Point Pleasant, to compare productivity to our wells drilled in the Lower Utica. Our appraisal plan is to have eight Utica wells drilled by the end of this fiscal year, with five online. We'll continue to optimize both our completion design and target zone, testing various stage lengths, proppant concentrations and landing depths. All of these tests will be on existing Marcellus pads, with us significantly reducing current and future development costs for Seneca and NFG Midstream.

Moving to Tioga County, our first DCNR 007 Utica well has now been producing into the Tennessee line for two-and-a-half months. We also limited our pressure drawdown on this well and, as a result, this well flowed at a flat rate of around 15 million a day for the first 60 days. We are very pleased with the results of this well and we are now planning on moving to full development on this tract in 2018, with first production expected in the first half of fiscal ’19. In addition, and what has been a bit of a surprise, our Marcellus well on the same pad had a seven-day IP over 10 million a day and an IP60 of over 8 million a day, and therefore, going forward, it appears we’ll have two distinct formations to develop across our 007 tract.

In terms of our activity level, we intend to add a second rig this summer. This rig will begin drilling on our EDA acreage in Lycoming County to prepare for the startup of Atlantic Sunrise in mid-2018. We will drill 22 wells on four pads in Lycoming. Once we have completed this program, the rig will move to the DCNR 007 tract to begin development, as described earlier. Finally, in our first quarter of fiscal ’18, we plan on adding a third rig which will focus on building well inventory in the WDA for Northern Access. Our fiscal ’17 capital expenditure range remains between $180 million to $220 million.

With that, I’ll turn it over to Dave.

Dave Bauer:

Thanks, John, and good morning, everyone. National Fuel had a great first quarter, with earnings of $1.04 per share. In addition to being up significantly over last year, earnings for the quarter were well ahead of both the street and our own forecast. This strong performance was driven largely by the increase in spot production that John just mentioned, which contributed to higher earnings at both our E&P and gathering operations.

As you know, we produced very little in the way of spot volumes in fiscal ’15 and ’16. That lead us to be conservative in our approach to forecasting production. Our initial fiscal ’17 guidance assumed that we sold only 50% of our spot volumes at a price of $1.50 per MMBTU. What a difference a quarter can make. Starting in early November, pricing strengthened to sustained levels not seen in a couple of years and we’ve been producing all out ever since. For the quarter, we sold spot volumes for an average of $2.20 per MMBTU, or nearly 50% better than we had forecast.

Seneca’s earnings also benefited from improved operating expenses. Per unit LOE and G&A were both below the low end of the range of our guidance. While most of the drop in those items was caused by higher than forecast production in the East, LOE also benefited from lower workover and steam-related expenses in California, and G&A benefited from lower personnel expense. Per unit DD&A, at $0.65 per Mcfe, continues to inch lower and now roughly approximates our long-term expectations for F&D costs in the East. Large ceiling test impairments are hopefully behind us, so I don’t expect a lot of volatility in that rate.

Earnings from our gathering business more than doubled from last year, on the strength of Seneca’s increased throughput, particularly in the Clermont/Rich Valley area, where gross production nearly doubled. This highlights one of the key benefits from the IOG Joint Development Agreement. Though Seneca’s East Division’s net natural gas production for all of fiscal ’17 will be relatively flat compared to ’16, gross production will be up by about 15%, and all of those volumes will flow through our Clermont gathering system, with a good portion of that flowing on to our Northern Access ’15 Expansion Project that went in service last fiscal year.

Earnings of the regulated companies were mostly in line with our forecast. The weather in the Pennsylvania Division of the Utility, where we do not have weather normalization, was warmer than normal, but the impact of that was offset by a couple of regulatory true-up adjustments.

Pipeline and Storage earnings were in line with our projections, but you’ll note from last night’s release that O&M for the quarter was up $2.6 million over last year. As we’ve discussed in prior quarters, we anticipate O&M expense in this segment to be up relative to fiscal ’16, with the full-year total in a range of $85 million to $90 million. This is due to a number of factors, the largest of which are increased labor and benefit costs, and an increase in maintenance and pipeline integrity spending, some of which was simply a shift in timing from last year into this year.

Turning to guidance, we're raising and tightening our fiscal '17 earnings range to $3.10 to $3.30 per share. This new range reflects the strong first quarter results, the new hedges and firm sales John referred to earlier, and the updated assumptions contained on Page 5 of last night's release. Our guidance continues our conservative views on the spot market. It assumes we sell 50% of our potential spot volumes for the remainder of the year. However, given the ongoing pricing strength along the Tennessee and Transco systems, our forecast is a bit more constructive on near-term spot prices. For the remainder of the winter, we're assuming we sell spot volumes for $2.20 per MMBTU. Our assumptions with respect to the other businesses haven't changed. As a reminder, our forecast for the Utility assumes normal weather. The month of January was 16% warmer than normal, but the forecast for February and March are looking closer to normal.

Turning to capital spending, our consolidated budget for fiscal '17 is now $535 million to $645 million. The delay in the Northern Access Project will push roughly $190 million of cap ex into fiscal '18. As a result, our new Pipeline and Storage budget is now $200 million to $250 million. I'll caveat that we are still fine-tuning the timing of activity and when exactly spending will occur on the project, so capital may shift one way or the other between fiscal years. As John mentioned earlier, Seneca's level of activity won't change as a result of the delay; its budget is still $180 million to $220 million. The levels of planned spending at the Gathering and Utility businesses are also unchanged.

Based on our updated forecast, we now expect cash from operations will more than cover our capital expenditures in 2017. When you factor in our dividend, we project a modest financing need in the $75 million $100 million area, all of which should be met from the $136 million of cash we had on our balance sheet at December 31.

Lastly, while we don't anticipate being active in the debt capital markets this year, it is worthwhile to note that the restriction related to our 1974 indenture should be behind us after next quarter.

In closing, despite the regulatory challenges Ron alluded to, the first quarter was a strong one, and with the continued improvement in natural gas prices, fiscal '17 is shaping up to be a great year for National Fuel.

With that, I'll ask the Operator to open the line for questions.

Operator:

At this time, I'd like to remind everyone, in order to ask a question, press star, then the number one on your telephone keypad. We'll pause for a moment to compile the Q&A roster.

Your first question is from Holly Stewart from Scotia Howard Weil.

Holly Stewart:

Good morning, gentlemen.

Ron Tanski:

Good morning, Holly.

Holly Stewart:

Ron, maybe just a quick comment or two on the project—sorry, on Northern Access and this, you know, maybe tonight, or today, maybe tonight, and if not, you know. You mentioned in your prepared remarks you could still get it done if there was just a three-month hold. Maybe just kind of talk around that and kind of the expectations that we could see over the next few months.

Ron Tanski:

Yes, I guess, you know, it's funny, the Rover Order, which some might have thought was just behind us in the queue, since they received their final Environmental Impact Statement in July, the same month that we received our EA, it came out late last night, you know, sometime around 11:00, so it's possible that they're still working on the details of ours, to see today, but if we don't get it—and we had a lot of talk about this at a recent INGAA meeting, where we kind of went through the timeline of nominations and the Senate hearings to confirm nominations for FERC Commissioners, and it's reasonable, given the President's interest in moving along infrastructure build-out in the US, to actually get that done in April. I think people feel good about that possibility. Really, as far as we know, we haven't gotten any other requests for information in our filing, so we expect the staff is pretty close to being able to put out an order in our project.

Holly Stewart:

Okay, Ron, and maybe just for clarification, when you said get that done in April, you're meaning get another Commissioner on board?

Ron Tanski:

Yes, getting another Commissioner on board, and then get the quorum and then be able—be in a position to be putting out more certificates.

Holly Stewart:

Yes. So, theoretically, you just need a certificate—let's say we don't get it tonight—you just need a certificate before you can clear trees, you know, come August; is that correct?

Ron Tanski:

That's right, right.

Holly Stewart:

Okay. I'm just trying to get all the moving pieces. Then, John, maybe just on—can you just remind us—on the Joint Development Agreement, it looks like 75 wells, 66 you've drilled, 58 online. Will everything be online by year end? I think we're just trying to figure out, you know, what's the best way to think about the NRI in 2018.

John McGinnis:

Yes, we're actually drilling our final pad, which is a fairly large pad, about 12 wells, and once that's done—that'll be completed later this year, but it shouldn't be online until our second quarter of fiscal year '18. I think March was the target date for that, to have it on by then. So, we will continue to be drilling and completing wells early into next fiscal year.

Holly Stewart:

Okay, great, and then just one quick follow-up on that. The IRR hurdle rate there, I'm assuming, you know, with commodities—with commodity prices coming up, that hurdle is getting closer, so I'm just trying to—how do we think about that hurdle rate on the Joint Venture Agreement.

John McGinnis:

It obviously helps. Three months is a pretty short timeframe. If prices stay healthy for quite a bit longer than that, then it would certainly, I think, make progress on getting further towards that hurdle, but three months just is not long enough to really impact it significantly.

Holly Stewart:

Okay, great. Thanks, guys.

Operator:

The next question is from Graham Price from Raymond James.

Graham Price:

Hey, guys. Congratulations on the quarter and thanks for taking my questions. You've done a great job layering in additional firm sales contracts in 2017, and I guess, given the delay in the Northern Access Project, I was just wondering what the strategy is for layering in even more contracts, potentially, in 2018, and I guess sort of how much of the shortfalls can be covered there.

John McGinnis:

Sure. In fact, I'll speak to both receipt points, since we saw delays both on Northern Access and Atlantic Sunrise. At CRV, we essentially have between 13 and 14 Bcf of firm sales at Dawn already, and so our effort over the next few months is going to be more towards converting those firm sales to the receipt point at Clermont. We're already well over—a little over 20% of those conversions and we'll continue to work on that. If necessary, we will add firm sales again on Tennessee, but, really, our early focus is going to be converting Dawn sales to our receipt point. Then, on Transco, over the quarter, we added about 15 Bcf net of firm sales, at over $2.00, to cover our fiscal '18, to bridge that Atlantic Sunrise delay, so we're actually in pretty good shape there already, as well, thanks to this first quarter.

Graham Price:

Okay, gotcha. Thank you, that's definitely helpful. Then, I guess a quick follow-up. You indicated previously that well pressures were pretty strong for the previously shut-in wells that you brought online. I guess I was just wondering, then, if we might see a little bit of a drop-off in future quarters as that effect kind of dissipates over time, or whether you see those strong volumes being maintained.

John McGinnis:

Yes, the flush volumes, they pretty much produce out within two to three months, and so going forward, will fall into more of that natural decline that we see across all of those areas. Certainly, we see that flush early, but within a short period of time it falls into a more natural decline.

Graham Price:

Okay, gotcha. Thank you, guys.

Operator:

The next question is from Chris Sighinolfi from Jefferies.

Chris Sighinolfi:

Hey, good morning, guys.

Ron Tanski:

Good morning, Chris.

Chris Sighinolfi:

Hey, Ron, I really appreciate all the color on the political and regulatory fronts and the potential impact on Nat Fuel. Obviously, a lot is still subject to how specifically the Administration plays it, but very helpful to know some of the facets of what you're looking at and the fact that you're paying attention, so appreciate all of that color.

I think, with regard to where I want to start, I appreciate the color you offered to Holly in response to the FERC process, I just maybe have a few follow-up questions for you on that. One, you mentioned Rover appears to have perhaps jumped ahead of you in the queue. I think it was either Atlantic Bridge or Leach that seemingly did the same. So, I'm just wondering your thoughts on maybe why that's occurring, if you have any.

Then, second, you and Ron Kraemer have followed this space for a long time. I'm just curious—there's two Commissioners after Bay leaves today. Obviously, the full Commission is five. Are we just expecting, you know, one nominee, and then that nominee's confirmation means FERC certificates are flowing again, or do you suspect Trump might try and fill it all up?

Ron Tanski:

Well, the whole industry thinks that we'd like to get it filled up, because later on, the next Commissioner Honorable term would be up, I think, this summer, and it's always nice to have a full complement. What we've been hearing, and at least some of the talk during the INGAA meeting, was that there were discussions about—and, actually, Acting Chair LaFleur's hope—to get somebody with pipeline experience on the Commission. So, I mean, I think there's enough buzz about that going on inside the beltway, that that's a strong possibility of happening.

With respect to the order of the certificates, Chris, I wish we knew. Given the fact that once you've filed, you can't have direct or individual conversations with the FERC staff, because that would be considered ex parte, we don't have a real good handle on their thought process. I guess that's about all I can say.

Chris Sighinolfi:

Okay, and I have one follow-up on just this regulatory world. You had mentioned to Holly sort of as long as we have the FERC certificate by the time we can recommence tree clearing, that's sort of the point at which it would be problematic again. I'm just curious, are the New York State and federal processes completely sort of exclusive of one another, or is there the potential where your new timetable agreement with New York State in April, if there's not a FERC certificate by that point, it interferes in any way?

Ron Tanski:

Well, I mean, we still need the FERC certificate and the Notice to Proceed before we'd be in a position to be doing any work on the ground. I think the—I'm not exactly sure what you're asking, but, for example, Pennsylvania independently was able to issue its Water Quality Certification notwithstanding the fact that we don't have a FERC certificate, so I …

Chris Sighinolfi:

Okay, that is what I was asking, if the state would feel comfortable giving that authority or giving that approval in advance of you receiving federal approval.

Ron Tanski:

Yes, I mean, in previous certificates where we've seen the issue come up, particularly in New York, and we are very well versed in what's been happening with Constitution and Millennium, the DEC would unlikely issue a certificate if the FERC did not get their Environmental Assessment done beforehand, but, as you know, we already received our EA in July, and the New York DEC did indicate that our application was complete, and their Notice of Complete Application, and that's why they're ready to go ahead with their Public Statement Hearings next week.

Chris Sighinolfi:

Okay, great. Thank you for all of that. I guess, switching gears a little bit, John, I'm just curious, any update—if I missed this, I apologize, but spot sales quarter to date in the fiscal second quarter?

John McGinnis:

Yes, I don't have that number with me. We typically don't announce that until the end of the quarter.

Chris Sighinolfi:

Okay.

John McGinnis:

We've been flowing—let's just put it this way—we've been flowing full, 100%, all of January.

Chris Sighinolfi:

Okay, that's helpful, and I guess—obviously, you were talking about the primary goal, moving the Dawn firm sales to Clermont. I'm just curious, as you're thinking about, I guess, the delay in Northern Access and your first half production numbers for '18, is that—are firm sale agreements something counterparties are willing to entertain at any point in the year or is there sort of a season in which it's optimal to try and secure those commitments? Are we in that now or is that something we could expect to add over the course of the summer?

John McGinnis:

We can layer in firm sales at any time through the year. Having said that, it certainly makes more sense to be more active when prices—during a period when prices have rebounded. As we move into the shoulder month, and into summer, depending on what kind of summer we have, those prices, and especially the basis differentials, could erode. So, we certainly pay attention to that. That's why we're trying to pay attention to this as early as possible.

Chris Sighinolfi:

Okay. Then, the cadence of your field operations, it seems like, from your prepared remarks, there's no change in that, given the delay, so I'm imagining what we should just assume, if the Northern Access Project holds to a fiscal Q2 '18 schedule, is just that it might fill up faster than we otherwise would have assumed; is that correct?

John McGinnis:

Exactly, yes, there's no change whatsoever. We'd need the well inventory in the WDA, so we have to get a rig out there to begin.

Chris Sighinolfi:

Got it. Okay. Thanks so much for the time this morning, guys.

Ron Tanski:

Thanks, Chris.

Operator:

As a reminder, to ask a question, press star, one on your telephone keypad.

There are no further questions at this time. I will turn the call back over to Brian Welsch for closing remarks.

Brian Welsch:

Thank you, Mike. We'd like to thank everyone for taking the time to be with us today. A replay of this call will be available at approximately 3:00pm Eastern Time on both our website and by telephone, and will run through the close of business on Friday, February 10. To access the replay online, please visit our Investor Relations website at investor.nationalfuelgas.com, and to access by telephone, call 1-855-859-2056 and enter the conference ID number 47888632.

This concludes our conference call for today. Thank you and good-bye.

Operator:

This concludes today's conference call. You may now disconnect.