Marcellus Drilling News

Helping People & Businesses Profit from Northeast Shale Drilling

MDN Weekly Digest

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The "meat" and essence of each main story appearing on the *Marcellus Drilling News* (MarcellusDrilling.com) website during the previous week. Read this, and you will have the gist of an entire week's worth of news for those with an interest in what happens in the upstream, midstream and downstream in the Marcellus and Utica Shale region.

We use italics to indicate additional information in the online version of the post that is not included in this digest. For those with a keen interest in the added information not appearing here, simply visit the MDN home page and click on the date of the issue for that story, which appears on the right sidebar under "Recent MDN Issues."

Below is a list of all the headlines for stories in this issue, as a quick way to zero in on the stories you want to read. Let us know how we can make this weekly digest more useful for you!

MONDAY - Jan. 28, 2019

Enbridge Trying to Restore 1 Bcf/d on Exploded Tetco in Ohio (read full post)

A 30-inch segment of Enbridge's Texas Eastern Transmission Company (Tetco) interstate natural gas pipeline exploded one week ago today, sending two people to the hospital and destroying two nearby homes when fires from the blast spread. Enbridge is hoping to restore partial service along the line early this week. How could Enbridge restore service when that line will be down likely for months? It's not just one line but three. As we previously reported, some 2.31 billion cubic feet per day (Bcf/d) of Utica Shale natural gas had been flowing through the Berne Compressor Station in Noble County, OH. Some (most?) of that gas goes to the Gulf Coast. Following the Tetco explosion, that 2.31 Bcf/d coming from Berne dropped to 0 Bcf/d. What we didn't know (until today), is that the Tetco pipeline in the Berne area is not one pipeline, but three pipelines–all laid near each other along the same right-of-way. It was, according NGI, Line 10 that experienced the explosion. Lines 15 and 25 were shut down along with Line 10 "just in case" there was damage to them. Enbridge is working feverishly to check and double-check and if there was no damage to Line 25, they plan to restart it asap–maybe even today. They want to begin flowing upward of 1 Bcf/d of gas through the Berne Compressor Station once again–heading south as far as the Gulf Coast.

FERC Gives NYC Transco Pipeline Expansion Favorable Enviro Review (read full post)

Some great news for the Williams Northeast Supply Enhancement (NESE) project–a project to beef up capacity along the Transco pipeline system going into New York City. The Federal Energy Regulatory Commission (FERC), after delaying a decision for four months, has just issued a final *favorable* environmental impact statement (EIS) for the project. A favorable final EIS means a full FERC approval is sure to follow soon. In March 2017, Williams filed a full, official application for NESE. The project will increase Transco pipeline capacity and flows heading into NYC and other northeastern markets. In particular, Williams wants to provide more Marcellus natural gas to utility giant National Grid beginning with the 2019-2020 heating season. National Grid operates in New York City, Rhode Island and Massachusetts. There are a number of components to the project, but the key component, the heart of the project, is a new 23-mile pipeline from the shore of New Jersey into (on the bottom of) the Raritan Bay–running parallel to the existing Transco pipeline–before connecting to the Transco offshore. Much of the Raritan Bay pipeline is located in New York territorial waters, meaning the NY Dept. of Environmental Conservation (DEC), which is controlled by anti-pipeline Andrew Cuomo, must sign off. So far the DEC has issued two "application incomplete" notices to Williams, the most recent last July. Which is not a bad thing as it keeps the project alive, allowing Williams to resubmit the application again. In other words, although the project is delayed because of NY, it's not dead like some of the other Williams projects in NY. FERC issued a favorable draft environment impact statement (DEIS) in March 2018. FERC was due to issue the final environmental impact statement by Sept. 17, 2018, but at the last minute FERC told Williams they needed more time. At least FERC came through in the end.

Trend: Marcellus/Utica Drillers Will Drill Less in 2019 (read full post)

There's just no getting around the obvious–that the shale industry is once again heading into something of a dip. We're not just talking about shale oil drillers scaling back drilling new wells in places like Texas and North Dakota. We're talking about big gas drillers in the Marcellus/Utica who are signaling that 2019 will see less spending and less drilling, although production won't decline. Several of the biggest shale gas drillers in the M-U have released their "guidance" or best guess of what will happen in 2019. Among them, the largest natural gas producer in the U.S.–EQT. Another biggie is Antero Resources. And Gulfport Energy. All three say they will spend less and drill less in 2019 than they did in 2018, part of "fiscal discipline." In other words, live within your means. Fund your drilling program not with other people's money, but from your own profits. None other than the Wall Street Journal discusses this trend in the M-U in a recent article.

PA Marcellus Map – Where Does Drilling Happen? (read full post)

A few weeks ago MDN brought you an updated map showing where Utica drilling has (and has not) happening in Ohio. We heard from a number of MDN subscribers asking for similar maps for Pennsylvania and West Virginia. We struck out for WV, but we do have a map that shows the location for shale wells in PA. As you can see in the map below, most drilling happens in the northeast and southwest corners of the state. But there has been/is drilling in other areas as well. The map below is downloadable and printable. However, you may want to click to view it online in an interactive format, which will let you zoom in to a particular county–even down to the individual well level.

National Park Service "Reconsiders" Permit for Atlantic Coast Pipe (read full post)

Since early December Dominion Energy's 600-mile Atlantic Coast Pipeline has been idle, not able to do any new construction due to a cockamamie ruling by the Fourth Circuit Court of Appeals. The Fourth Circus clown judges are making Dominion wait until end of March for the next phase of a lawsuit brought by Big Green groups challenging a U.S. Fish and Wildlife Service (FWS) permit. The U.S. Fish and Wildlife Service (FWS) had issued a permit allowing the pipeline to build through areas with so-called endangered and threatened species. The Sierra Club and other radical green groups challenged the permit and got the clowns to stop all work until a full hearing later this spring. Thing is, there are only four so-called endangered and threatened species and they live along roughly 100 miles out of the 600-mile project. Yet the whole darned thing was shut down by the clowns, which is costing Dominion $20 million PER WEEK. Another lawsuit is also percolating at the Fourth Circus before the clowns, over a permit issued by the National Park Service (NPS). While the FWS permit issue plays out, NPS has asked, and has been granted, the right to "pull back" the permit they issued in order to reconsider the permit and (presumably) reissue the same permit all over again. It's a dog and pony show, but necessary to avoid delays later on. We have a really screwed up court and regulatory system. The NPS' action in pulling back their permit is portrayed by media with an anti-pipeline tilt as being ominous and throwing the future of the pipeline in doubt. Which it does not. Dominion was in favor of NPS doing this time-saving tactic

of pulling back the permit. After all, now's the time to do it when all work is idled.

PA PUC Begins Geologic Testing Near ME1 Sinkhole (read full post)

A couple of developments to share with you about the Mariner East 1 NGL pipeline which has been completely shut down since Jan. 21 when a new sinkhole appeared in Chester County exposing a few feet of the bare pipe. The Pennsylvania Public Utility Commission (PUC) began geologic testing over the weekend, presumably to see whether the geology in the area of the sinkhole is repairable, and if so, how that might be done. In addition, Sunoco Logistics Partners (i.e. Energy Transfer) has now purged 44 miles of the ME1 pipeline from all NGLs sitting in the pipeline–to "allow inspection" of the pipeline in the Philly area. A few points to make about the shutdown of ME1: (1) While it's unsettling to see a few feet of bare pipeline 10 feet down in the ground near a home, the pipeline is not/has not leaked. Yes, let's be sure there are no cracks caused by the sinkhole potentially shifting the pipeline around. And let's get it covered back up–quickly. There's no reason to delay restarting ME1. (2) Range Resources and other Marcellus drillers are being economically harmed by ongoing delays in restarting ME1. (3) We're happy to see PUC investigators working quickly on this issue, going to the sinkhole over the weekend to begin tests. Kudos to them for pushing this along.

O&G Opposes Plan to Raise WV Severance Tax to Fix Roads (read full post)

We didn't think it would take long for the oil and gas industry to push back against efforts to raise the state's severance tax from 5% to 6% and use the "extra" money to fix secondary roads in the state. What we didn't know about (until now) is that a second such bill was introduced in the House by a Democrat, the second bill raising the severance tax by 50% to 7.5%! Talk about nuts!! WV House of Delegates member Joe Canestraro (D-Marshall) has introduced a bill to increase the severance tax by 2.5% to 7.5%, and wants to allocate $30 million of the money raised each year to go to counties with active shale drilling–to be used for (yep) road repair. Anne Blankenship, Executive Director of the WV Oil & Natural Gas Association (WVONGA), takes aim at the second severance tax proposal in a letter to the editor of the Wheeling Intelligencer/News-Register. She doesn't mention the first proposal to raise the severance tax by 1%. Anne points out the industry is already working with state and local officials on road repairs–and stands ready to do more. No new tax is necessary, thank you very much. She also makes a great point that the oil and gas industry isn't the only user of the roads that so desperately need repairs.

TUESDAY - Jan. 29, 2019

PA AG Investigates Shale Drillers for "Enviro Crimes" (read full post)

It turns out Pennsylvania's current Attorney General, Josh Shapiro, is not much different than his predecessor, Kathleen Kane (who is sitting in jail for committing perjury). Kane, and now Shapiro, have targeted the Marcellus Shale industry, accusing drillers of committing crimes against the environment. It's cheap and it's sleazy and a total abuse of the office, all for political grandstanding. Having an accident while engaged in an industrial activity is not a "crime"–unless there is wanton negligence or outright intent to do harm. We maintain such wanton negligence and intent to harm does not, and never has, existed in the Marcellus industry. Kane tried to accuse XTO Energy of committing an environmental "crime" following an accidental spill of frack wastewater in Lycoming County. She also accused EQT of perpetrating an enviro crime over a leaky wastewater impoundment in Tioga County. Kane wasted tens of thousands of taxpayer dollars and never proved anything, let alone a crime. And now, Shapiro is doing the same thing–attempting to turn accidents into crimes. We are not unsympathetic to the complaints of landowners who live adjacent to drilling activity that disturbs their existence. But at best, their complaints are civil matters–NOT crimes. The activities Range and others are engaged in is legal, permitted, and encouraged by the State of Pennsylvania. If they violate regulations while performing those activities, those violations are a matter for the Dept. of Environmental Protection. If the violations are wanton disregard or intentional disregard, they may be criminal (although we doubt even that). There is no criminal case here on the part of Shapiro. He is grandstanding because he wants to take over the governor's chair after Wolf has exited stage left. Shapiro is the one who should be investigated.

PA Enviro Radicals Brainwash/Use Children to Pressure Gov. Wolf (read full post)

How is it not child abuse to brainwash young kids with your particular brand of sick environmental radicalism? That's apparently what THE Delaware Riverkeeper herself has done–brainwashed little kids. Maya van Rossum, who arrogantly calls herself THE Delaware Riverkeeper (she's the ONLY one who speaks for the mighty Delaware, apparently), accompanied a group of little crumb crunchers dressed up as Dr. Seuss' The Lorax, taking the kiddies to the state Capitol in Harrisburg. One of the stops the group made was at Gov. Tom Wolf's office. The group didn't have an appointment–they just showed up and demanded to have a meeting so the brainwashed crumb crunchers could hand Wolf petitions demanding action on so-called climate change (i.e. man-made global warming, which doesn't exist). Ever notice how the enviro left makes lots of demands? At first Wolf's staffers politely told the crumb crunchers to buzz off, but mama Maya kept pressing. At some point during the day Wolf relented and granted the crumb crunchers an audience. While the kids waited to see Wolf, they made the rounds at the Capitol to hand out copies of The Lorax to legislators. Apparently The Lorax has become the new Communist Manifesto for radical environmentalism. We find it offensive that children as used as props, to tug at heart strings–kids that don't have a clue as to how they are being manipulated and used by adults. Shame on their parents, and shame on van Rossum for using them like this.

Banpu Opens Field Office in NEPA, Looks to Invest $300M in 2019 (read full post)

Banpu Pcl, Thailand's largest coal producer, invested over $500 million in 2016-2017 to buy existing Marcellus wells and acreage in northeast Pennsylvania. The last such purchase was in December 2017. Banpu is back–in a big way. The company has just opened a new field office in Tunkhannock (Wyoming County), PA. In a Banpu press release, dated today, the company makes reference to a ceremonial groundbreaking for the new office, but does not say when that happened. Perhaps yesterday? As part of the groundbreaking, dignitaries from Thailand showed up. The ambassador from the Thai Embassy in Washington, D.C. came to the ceremony, along with the Consul-General of Thailand from New York City. And none other than Banpu CEO Somruedee Chaimongkol (here all the way from Thailand) was

on hand to shovel dirt. All heavy hitters! Banpu's American agents/partners, Kalnin Ventures, was also on hand, as were various local and state officials. While the fact that Banpu is opening an office in Tunkhannock is interesting and important as a signal of their commitment to the Marcellus in northeast PA, what really caught our attention was a line in the press release that says the company is ready to spend another $300 million *this year* to buy more Marcellus assets.

FERC Responds to NY Radicals re Pipeline Impacts on Global Warming (read full post)

This post is about a pipeline project we've written quite a bit about over the past few years–Dominion Energy's New Market project that ever-so-modestly expands an existing pipeline in Upstate New York. But at its heart, the issue is much deeper. Anti-fossil fuel radicals are challenging this project, in court, as a way to force the government to consider man-made global warming when approving such projects. Last July a small group of rich snobs from Cooperstown, NY calling themselves Otsego2000 sued the Federal Energy Regulatory Commission (FERC) in federal court to try and stop Dominion Energy's New Market Project–which is now largely done. The false premise of Otsego2000's lawsuit is that FERC did not consider mythical man-made global warming when it decided to approve the New Market Project. Unfortunately, NY's wildly left/radical Attorney General's office has entered the case by filing a "friend of the court" brief in December, along with the wildly left/radical AGs in Maryland, New Jersey, Oregon, Washington State, Massachusetts and the District of Columbia. But wait…the pipeline doesn't run through any of those other states (other than NY), and has zero impact on those other states. Doesn't matter. The point is they want to redefine how FERC does its job by warping and twisting our laws. This case conveniently provides them with a way to do just that. FERC responded last Friday to the lawsuit, which sits before the U.S. Court of Appeals for the District of Columbia Circuit. In their response, FERC points out the global warming emperor has no clothes. Trying to calculate the impact on so-called climate change from this one pipeline is "virtually unknowable" according to FERC's response. Let's hope the justices agree. If they don't, all future pipeline projects are in peril. Big Green would use a ruling that FERC must calculate climate change impacts as a tactic to slow and stop most new projects. A hideous prospect.

NY PSC to Hold Hearings on ConEd's New Gas Customer Moratorium (read full post)

This is fun to watch. The monied interests in Westchester County, NY (suburb of New York City) are outraged that beginning in March Consolidated Edison will no longer accept new natural gas customers. There's just not enough gas to go around. Why? Because demand for natgas continues to grow, but supplies (via pipelines) is not there to meet the demand. New apartment buildings, shopping malls and other projects are now on hold in Westchester County because of a crisis caused by Gov. Andrew Cuomo and his refusal to authorize new pipeline projects like the Constitution Pipeline and the Northern Access Project. Now that Cuomo's chickens have come home to roost, residents who live under his tyranny (frankly, the very people who voted for him), don't like it! Aw, gee. Poor babies. This is what you get when you elect a madman who insists all electricity in the state must (by government fiat) come from so-called renewable sources by 2040. And when you elect a madman who refuses to authorize new pipeline projects because his radical supporters have him by the short hairs. This is what you get. The real estate people in Westchester are going ballistic. Their gravy train of fat commissions has come to a sudden halt. Someone must be blamed! Somebody's head must roll! And so the state Public Service Commission will hold hearings next month in an attempt to pin the blame on the victim (ConEd) instead of pinning the blame on the perp (Andrew Cuomo). The PSC will go into full butt-covering mode.

CNX Decides to Buy Frack Sand Direct from Wisconsin (read full post)

Hi-Crush Partners, a frack sand vendor, announced yesterday they've cut a long-term deal to supply Northern White frack sand, which comes from Wisconsin, to CNX Resources for fracking Marcellus and Utica wells. So why is that a big deal? It's a big deal for a couple of reasons. One is that the sand gets shipped by railroad, meaning a new uptick in rail traffic to the region. Further meaning an uptick in shortline railroad activity to deliver the sand. But beyond that, the big deal is that CNX is changing the formula for how frack sand gets purchased. We're not sure how many/if any other drillers do it this way, but typically a driller (or producer is a more accurate label) will hire a company like Baker Hughes, or Halliburton, or Schlumberger or another oilfield services company to do the actual fracking. And typically, the OFS company will source and buy the sand used for fracking–not the producer. CNX is changing that model. They're purchasing the sand direct, and then having the OFS company they contract with to do the fracking, use the sand provided purchased by CNX. Kind of like hiring a roofer, but you buy the shingles the roofer will use. Not unheard of, but not common either. We're guessing CNX will save some coin by "going direct." The challenge will be to ensure the sand arrives at the well pad the day fracking is set to begin. Logistics may be an issue with this extra step of CNX inserting itself in the middle. However, it sounds like the savings will be worth it.

New Video Skewers "Green New Deal" Hucksters Like AOC (read full post)

Mark Mathis and the Clear Energy Alliance have done it again! Mark has produced a brilliant new video (just 4 minutes long) that absolutely skewers Alexandria Ocasio-Cortez (AOC to her friends), and other Big Green windbags like dinosaur Al Gore and their call for a "Green New Deal." You must watch this video. AOC and her Big Green supporters irrationally hate all fossil fuels–the very form of energy that makes modern existence possible. Such hatred is dangerously stupid. AOC is totally vain and empty-headed. All the lights are on, but nobody's home. And yet the media fawns over her because (a) she's young, and (b) she's pretty. Is this what our country has come to?! ACO (whom we call Alexandria Occasional-Cortex) is a bloody idiot! Everyone knows it, but no one will say it out loud. Sooner or later the media will tire of their latest creation and discard ACO like yesterday's trash. But until then, we will be subjected to sycophantic fawning that makes us want to puke. According to Mark, some folks actually believe ACO–that we can discard all fossil fuel use in the next 16 years (by 2035). This is a dangerously stupid thing to believe. Here, watch it for yourself. And turn up the volume so your co-workers can hear it (and laugh) too!

WEDNESDAY - Jan. 30, 2019

PA Drillers/Pipelines Must Now Deal with 3 Protected Bat Species (read full post)

Bats are a big deal in the Pennsylvania Marcellus. Why? Drillers and midstreamers can't cut down trees from April 1st through October 31st of each year for fear of killing a northern long-eared bat that may be roosting in one of those trees. The PA Board of Game Commissioners have just added two more bat species to the list, further complicating the issue. In April 2015 the Obama administration's U.S. Fish and Wildlife Service (USFWS) did a disservice to not only the drilling industry, but the wind industry, farmers and the construction industry. USFWS listed the northern long-eared bat as "threatened" under the Endangered Species Act. USFWS says a fungus is spreading through the bat population, killing it. The northern long-eared bat is found in pretty much the eastern two-thirds of the country, minus Florida. The Independent Petroleum Association of America (IPAA) pointed out that USFWS has admitted the the bat is threatened because of something called white nose syndrome–which has nothing to do with habitat destruction. Yet drillers and midstreamers are now hamstrung with new regulations to "save the bats" even though they are not the ones causing harm to the bats. There are other bat species also impacted by white nose syndrome, including the Indiana bat, eastern small-footed bat, little brown bat and tri-colored bat. All five species are in decline because of white nose syndrome. The PA Board of Game Commissioners yesterday gave final approval to a measure that updates the state's list of threatened and endangered species to include not only the federally-protected northern long-eared bat, but also the little brown bat and tri-colored bat (neither of which are federally protected). What does yesterday's action mean? After all, mass-cutting trees for a drill pad or pipeline right-of-way is already banned for most of the year in PA (and elsewhere), from April 1st to October 31st, for fear of bats roosting in the trees. The Game Commission says, "Since tri-colored and little brown bats currently are not federally listed, projects within 300 meters of known summer roost locations and winter hibernacula used by these bats will require Game Commission consultation." Translation: More paperwork (and delays) with yet another government agency in order to clear trees at ANY time of the year. Joy.

Highland Begins Drilling New Injection Well in Trumbull Co., OH (read full post)

MDN recently received a tip from a reader that Highland Field Services (subsidiary of Seneca Resources, which itself is a subsidiary of National Fuel Gas Company) began drilling a new wastewater injection well in Brookfield (Trumbull County), Ohio. This is the third (of five) injection wells Highland has received permits to drill in Highland. In June 2017 the Ohio Dept. of Natural Resources (ODNR) approved permits for two Highland frack wastewater injection wells in Brookfield. At the time, anti-fracking nutters called the ODNR approval "immoral." Whatever. Highland subsequently drilled both wells–although we don't know their operational status. In March 2018, ODNR issued permits/permission to Highland to drill three more injection wells in Brookfield, close to the existing two. Nearby residents strongly objected. The locals appealed ODNR's order that would allow at least one (maybe the first?) of the wells to begin operation. An MDN reader recently sent along this screen shot showing a rig has arrived and has begun drilling a new saltwater (i.e. wastewater) injection well on Jan. 19. Note the designation of this well is #4, which seems to indicate the appeal filed in November (for #5) was to block commencement of operations on the already-drilled #5 well, not the drilling of this #4 well. Our take is that the well now being drilled, #4, is the third such well Highland will have drilled in Brookfield. Bottom Line: Highland is drilling another new wastewater injection well in Brookfield, right now, which we believe is the third such well. And either the first or second well to be drilled (#5) will go online soon.

Antis Try to Convince Fed Court to Block Mountain Valley Pipeline (read full post)

Equitrans' (EQT Midstream) 300-mile Mountain Valley Pipeline (MVP) is now 70% built. Even so, radicalized environmental groups are still trying to overturn and block it from beginning service via numerous lawsuits. One lawsuit in particular seeks to emasculate the Federal Energy Regulatory Commission (FERC) in the process. Appalachian Mountain Advocates (AMA), a radical group that proudly proclaims on their website they intend to assassinate the natural gas industry as they have done with the coal industry, filed a case with the U.S. Court of Appeals for the District of Columbia Circuit in which they attempt to use verbal jiu-jitsu to confuse and confound the judges. AMA's argument goes something like this: FERC claims they evaluated the MVP project and determined there is a public need for it. Yet as part of the evaluation, FERC did not calculate the impact of the project on mythical man-made global warming–so how could FERC know the project truly benefits the public without knowing the impact? Ergo, the court should overturn FERC's authorization of the project, and make FERC go back to the drawing board in its evaluation process. FERC fired back with the argument of "How can you know of the impact of the gas flowing through the pipeline when you don't know exactly how it will be used?" To which AMA (and apparently one judge) asked, "Then how did you perform your evaluation?" The whole case is bollocks right from the beginning–because there IS NO GLOBAL WARMING. Just ask those in the Midwest and northeast freezing their rear-ends off over the next few days. Coldest temps in decades. Yet the highest amount of CO_2 in the atmosphere. Fortunately two of the three judges pushed back against the radicals' arguments. So hopefully we'll get a good outcome with this case.

Radicals Protest NatGas-Fired Electric Plant in Dutchess Co., NY (read full post)

We recently brought you the news of four supposedly grown men (in their 30s to 50s) engaging in criminal activity in order to block delivery of large gas turbines to the Cricket Valley Energy Center project in Dover (Dutchess County), NY. In what appears to be a Big Green organized protest, some of the same people who have protested other gas plant projects showed up to mouth off about the Cricket Valley project. One of the biggest mouths at the protest on Saturday was James Cromwell, actor and resident of Orange County, NY who is PO'd that the Valley Energy gas-fired plant located near his summer home (a) got built, and (b) is now producing electricity. Apparently Cromwell's lack of results in Orange County has only emboldened the aging actor, who now fancies himself an "activist." (Aren't all actors activists for something?) Our point: The people who protest these gas electric plant projects belong to a small but well-organized group that travels around like a band of Gypsies to various locations to protest. Oh sure, there will always be one or two locals in the crowd too, but they're just window dressing. Dupes. Most of the "protesters" are either wealthy white men and women like Cromwell, or paid by Big Green to be there (i.e. rent-a-mob). These protests are not spontaneous opposition from mom-and-pop locals. The good news is that none of this radical

chicanery has slowed progress. Cricket Valley construction began in July 2017. And, construction continues. Regardless of the protestations of people like big mouth Cromwell.

Plugging Orphan O&G Wells May Economically Hurt WV Counties (read full post)

MDN previously reported on efforts in both Ohio and Pennsylvania to plug orphaned and abandoned oil and gas wells (all of them conventional/vertical wells), which present a health and safety issue. It's all too easy to hit one of these old wells when drilling a new horizontal shale well. In WV, a new effort to plug old wells is causing concern for some–that the effort to plug old wells may inflict economic damage on WV counties. Huh?! In early 2018 the Ohio legislature passed a new bill signed by then-Gov. John Kasich that tripled the amount of money set aside to cap orphan wells in the Buckeye State. The bill also "creates a more streamlined and efficient process for identifying and plugging" orphan wells. So-called orphan wells are old conventional oil and gas wells that have been abandoned (for decades). They are hazards for shale drillers who stumble across them when drilling new wells. If you drill horizontally and clip an old/abandoned well, it becomes like an elevator pumping fluids and gas to the surface. Ohio has an estimated 600 orphan wells. In Pennsylvania, it's a whole other story. PA has some 200,000 orphan wells! The main issue in PA has been who will pay to cap them? Most of PA's orphan wells are not mapped or known. Yet some of them are known–by the landowners on whose land they sit. A second (very important) issue in PA is that if a landowner or driller tries to cap an orphan well they come across, the party doing the work may be liable if there are any environmental impacts from the effort. Let's see, nobody to pay for it–and if you assume all the legal risk. It's a recipe for "Don't touch that orphan well with a 10 foot pole!" Not long after Ohio's bill was signed into law, the PA Dept. of Environmental Protection launched a program "encouraging private-sector partners to become Good Samaritans, by participating in a program that helps cap dangerous abandoned oil and gas wells statewide." Was the DEP goaded into doing something about orphan wells after seeing the success Ohio is having? Whether coincidence or not, the DEP told landowners and drillers: If you pay for it and plug it yourself, first getting the DEP's "mother may I?" permission, you will not be on the hook legally (i.e. can't be sued) later on if the well ends up harming the environment. Now it's West Virginia's turn. The House Energy Committee passed House Bill 2673 on Tuesday creating the Oil and Gas Abandoned Well Plugging Fund. The program would be funded by exempting low-production wells from the state's 5% severance tax–wells producing less than 60,000 cubic feet of natural gas less than 10 barrels of oil per day–and instead make those wells pay 2.5% of the value of everything produced into a special fund. A sizable number of wells would suddenly be exempt from paying the severance tax, shifting that money to this special new fund. The low producing wells are exempt from the 5% severance tax, but must pay a 2.5% tax for plugging old wells. Counties around the state that have oil and gas drilling receive a portion of the 5% severance tax. They get 10% of the revenue raised by the 5% severance tax. Run the numbers and you find that counties receive one-half of one percent of the value of production for all wells. But now, a meaningful portion of that revenue would disappear under this bill. Which has some counties concerned.

New England States Finally Waking Up re Domestic Natural Gas (read full post)

It seems the rather thick-headed governors from New England have finally woken up and understand their resistance to new natural gas pipelines has placed them in a pickle. The region, when it gets really cold (like over the next few days), gets really short on natural gas. Prices soar, supplies diminish, and people not only pay high natgas prices, but high prices for electricity, which gets generated by natgas. The govs have a plan to slap a Band Aid on the problem. The Band Aid plan is to do something we've long advocated: Get Congress to either repeal, or in this case, grant an exemption to, the Jones Act. What's that? The Jones Act is a federal law, passed in 1920, that regulates maritime commerce in the United States. The Act requires goods shipped between U.S. ports to be transported on ships that are built, owned and operated by United States citizens or permanent residents. The problem is, big LNG tankers are all owned and/or operated by foreign countries. You can't fill up an LNG tanker in Sabine Pass, or Cove Point, and float it into Boston Harbor and unload it, because the ship is not U.S. flagged. It's illegal. And it's nuts! The governors want an exemption to the Jones Act so U.S. gas supplies can be shipped to New England. Shipping the gas as LNG is not as good as pipelines (it costs more and takes longer), but it's a whole lot better than big price spikes, and forcing electric plants to burn oil when it gets cold. Here's the irony. Let's suppose Congress acts and provides the exemption for New England. All of the gas exiting Cove Point (Maryland) already goes to either Japan or India. Yes, India is trying to sell a few loads of it. But stick with us here–assume all of those shipments head to other countries. Some of our Marcellus/Utica molecules go to the Gulf Coast and get liquefied an exported–currently from the Sabine Pass facility. It's conceivable that M-U molecules would travel all the way to the Gulf Coast, via pipeline, get liquefied, loaded onto a big ship, then sailed up to Boston where the M-U molecules get unloaded and regassified before entering a local pipeline system. These now-desperate New England governors who want to receive U.S. LNG could have had U.S. gas in abundance by approving a simple pipeline. It's a classic example of the end result of leftist thinking.

Baker Hughes Claims They Will Eliminate All CO2 Emissions by 2050 (read full post)

Baker Hughes, a GE Company (a company GE is trying to dump) is holding its annual meeting in Florence, Italy. Must be nice to work for BH! At the meeting BH made a big production of announcing they intend to reduce their carbon dioxide (CO_2) emissions by 50% by 2030, and 100% by 2050. Fat chance. BH is one of the larger oilfield services companies operating in the Marcellus/Utica, hence our interest in this latest announcement. Using various technologies, BH maintains they can completely eliminate their carbon output in a little over 30 years. Ever see the big engines used to operate drilling rigs and fracking operations sitting at a well pad? Those engines burn something–diesel or natural gas. If you replace them with electric motors, the electricity still gets produced by a fossil fuel, almost always on site (by burning diesel or natural gas). BH will never be able to power big engines by sticking up solar panels and windmills–or running very long extension cords from the nearest utility pole. Ain't no way they will EVER achieve 100% CO_2 reduction. It's disingenuous for a company to claim it will achieve a lofty goal, like 100% carbon dioxide elimination, in 30+ years–long after every person currently working at that company is either retired or dead.

THURSDAY - Jan. 31, 2019

Columbia Sues Southwestern Energy for Shorting Royalties in WV (read full post)

Here's an interesting twist on the theme of drillers shorting leaseholders out of royalty money. Usually such cases involve drillers claiming post-production deductions from landowner royalty checks. This time the landowner/rightsholder is Columbia Gas Transmission (pipeline company owned by midstream giant TransCanada), and the claim is that Southwestern Energy (driller) is not paying royalties for gas produced but not actually sold. Say what? How does that happen? Apparently Southwestern siphons off some of the gas it produces and uses or "consumes" the gas–likely to power drilling rigs. It's becoming a much more common practice to use "field gas" to power the rigs drilling the wells. While we don't have incontrovertible evidence that Southwestern used the gas for its own rigs, that's the only scenario that makes sense to us. Regardless, Columbia says, in a lawsuit, that their lease agreement states they get a royalty on all gas produced, whether or not it's sold. And that Southwestern, by using some of the gas and not paying a royalty, is shorting Columbia. How much has Columbia been shorted? They don't know for sure, but say it's "at least" $17,504. To which we say, really? That's nothing! Apparently it's the principle of thing.

Michigan NatGas Compressor Station Catches Fire, Explodes (read full post)

A pipeline compressor station for Consumers Energy (Michigan utility company) experienced an explosion and fire yesterday morning. The facility is located in the Lower Peninsula of Michigan in Macomb County. Is there any direct connection to the Marcellus/Utica? None that we know of, except it's likely some of the gas they being pumped at the compressor is sourced from pipelines like Rover and NEXUS. If you look at a map, the facility is not all that far from Sarnia, Ontario where gas flowing through Rover and NEXUS ultimately terminates. What caught our attention about this story is that the compressor station, which Consumers calls the "crown jewel" of its natural gas pipeline system, received a $175 million expansion and upgrade in 2013. The pipeline industry often touts safety precautions and over-designed systems–rightfully so. Yet it seems we increasingly hear of compressor station mishaps, which is troubling. We understand–accidents do happen. No industry is 100% accident-free. But still… So what, exactly, do we know about the incident in Michigan? * There was an explosion and fairly dramatic fire. * Nobody was injured (thank God). * The explosion happened away from the main buildings, "out in a field." * The explosion/fire is related to an equipment malfunction, exact cause not yet known. * All gas flowing into and out of the compressor station was shut off, and remains off (for now). * Consumers is using stored gas from their 15 area underground storage facilities to meet demand while the compressor is off. * Consumers, which has over 6 million natural gas customers, is asking their customers to turn down the thermostat to 65 while they're at home, and 62 if they go out. Brrrr.

All-Time Record NatGas Demand Expected Today; M-U "Freeze-Off"? (read full post)

The folks who keep track of these things expect today's record-cold polar vortex in the Midwest and northeast (coldest temps in more than a generation, hey, what was that about global warming?) will create the highest demand/usage of natural gas for a single day–ever. Prognosticators also predict a "freeze-off" in the Marcellus/Utica, causing a temporary 1 Bcf/d decrease in production. What's a freeze-off? That's when temperatures get so cold some equipment at well pads and along pipelines freezes and stops the gas from flowing. It can and does happen. The folks at IHS Markit's OPIS PointLogic say they expect between yesterday and today that M-U production will slip around 1 billion cubic feet per day (Bcf/d) due to freeze-offs. Although IHS Markit predicts bouts of freeze-offs in the M-U, individual companies, when polled, claim they are ready and freeze-offs will be minimal, if at all. The previous all-time record high for natural gas usage happened last year, on Jan. 1, 2018, when usage hit 144.6 Bcf/d. Refinitiv predicts today, Jan. 31, we will see 145.2 Bcf/d of usage in the Lower 48.

Lowball Western Canadian Gas Can't Compete with Marcellus/Utica (read full post)

Canadian pipeline giant TransCanada, which owns the Columbia Pipeline system here in the U.S., blames the Marcellus/Utica for a huge drop in volumes flowing through its Canadian Mainline from Western Canada to Ontario and Quebec. How much of a drop? According to a recent regulatory filing, TransCanada Mainline flowed 6 billion cubic feet per day (Bcf/d) in 2006. By 2013 it had fallen off a cliff and flowed just 2 Bcf/d. So TransCanada cooked up a plan to radically cut the price of shipping gas, a plan that needed approval by the Canadian National Energy Board (NEB), causing flows to increase to 3 Bcf/d last year. TransCanada wants to better that rate. In 2016 TransCanada floated a plan to pipe natural gas from Canada's West Coast to the East Coast in order to fend off cheap supplies of Marcellus/Utica. TransCanada dropped their pipeline price to lure drillers by (theoretically) making it less expensive to get gas from Western Canada, some 2,400 miles away, than from the Marcellus, just 400 miles away. Following a couple of open seasons and stiff regulatory hurdles, the plan was adopted and went into service in November 2017. In February 2018, TransCanada announced a $1.9 billion plan to expand its Western Canadian pipeline system in a bid to gather up and send even more Western Canadian gas to the East Coast, to compete with our gas. The expansion added an additional 1 Bcf/d of gas to flow through the Nova Gas Transmission Line (NGTL) in Western Canada, which in turn connects to TransCanada's Canadian Mainline that hauls gas to our region. The plan worked. TransCanada cut agreements with shippers for another 280 million cubic feet per day (MMcf/d) of natgas on the NGTL system. But TransCanada wasn't satisfied to leave it there. In December TransCanada announced long-term deals to pump another 630 MMcf/d of Western Canadian gas to eastern U.S. markets–to further compete with and try to regain market share from Marcellus/Utica gas. TransCanada needs the NEB to sign off on the new 630 MMcf/d plan. To support the plan, TransCanada recently outlined certain key facts that show just how decimated the Canadian natgas industry has become due to competition from the Marcellus/Utica.

Va. Bill Would Block Atlantic Coast Pipe from Passing Along Costs (read full post)

Virginia House of Delegates member Lee Ware, a Republican, has "quietly" introduced a bill in the General Assembly that would block Dominion Energy, builder of the Atlantic Coast Pipeline (ACP), from passing along costs related to the pipeline to the electric generating plants and their ratepayers that will use the cheap natural gas made available by the pipeline. In what is a case of very strange bedfellows, both conservative Republicans and flaming leftist green Nazis are backing the bill. Boil it all

down, the bill's supporters want Dominion shareholders to shoulder the cost of building the pipeline, and not electric ratepayers. The theory is that by prohibiting electric generating operations from passing along costs from the pipeline, it will force those plants to act in their own best economic self-interest (and the interest of their ratepayers) to locate gas from "cheaper" pipelines other than ACP. Note that the electric generating plants that will use ACP gas are mostly owned by Dominion–a gigantic company that owns pipelines, electric plants, and the local utilities that distribute the electricity. Dominion argues there are checks and balances already in place to ensure ratepayers are getting the best deal, and that this bill is redundant and not needed. Del. Ware claims he's not trying to block construction of ACP. Which is disingenuous political double-speak. Of course he's trying to block it! Let's just be honest and lay all our cards on the table.

EPA Plan Allows E&Ps to Self-Report Clean Air Act Violations (read full post)

The Environmental Protection Agency's (EPA) office of enforcement is close to launching a new audit policy "that will offer significant new penalty reductions for the oil and gas industry." That's how the news is being spun–that oil and gas are about to get a big, fat, wet, sloppy kiss from the EPA. The truth is far different from the media spin. The "New Owner Clean Air Act Audit Program" will allow new company owners (drillers having newly purchased wells and drilling operations from others) to self-audit their new purchases for violations of the Clean Air Act–looking for fugitive methane and VOCs (volatile organic compounds). If that self-audit turns up such violations, the driller can report the violations and (a) get a longer period of time to clean it up, and (b) pay less in the way of fines. The EPA doesn't have the time and manpower to perform all these audits itself. By getting the industry to help out, providing them with a financial incentive to help out, ultimately the air will get cleaner, faster. That's the rationale behind the program. Why not just forget about the self-audit and wait for the EPA to roll around whenever they get there? Because the EPA *will* get there, eventually. And if the EPA finds something, drillers will have far less time to make it right, and pay far more in the way of fines. Carrot and stick.

Oil Drilling in U.S. in Decline, but Gas Drilling Remains Strong (read full post)

As we have noted recently in a number of posts, it appears we're heading into a dip of drilling activity–not only in the oil plays but also here at home in the Marcellus/Utica. However, a recent analysis piece by S&P Global Platts says while oil-focused drilling is objectively in decline (lower rig counts), overall gas-focused drilling, so far anyway, remains strong. While all of the guidance reports coming from big M-U drillers indicate they are slowing down and spending less on new drilling this year, the trend for rig counts in gas-focused plays *including the M-U* has been up over the past 10 weeks. M-U drillers *say* a dip is coming. Apparently it's not here yet.

FRIDAY - Feb. 1, 2019

PA Gov. Wolf Launches Severance Tax Fight 5th Year in a Row (read full post)

Yes, we told you so. We told you that if our friends in PA were to unwisely re-elect Tom Wolf for a second (and thankfully final) term as governor, he would continue to fight for a Marcellus-killing severance tax each and every year of his ignominious second term. Democrats (and some Republicans) just can't keep their hands off other people's money–it's in their DNA. And so it has happened. Wolf has, for the fifth year in a row, floated a severance tax plan. But this time he's changing it up. This time the money won't go to Big Education and Philadelphia labor unions. They've done their job in getting him elected, he's term-limited out after this four-year stint, so he doesn't need to pay back the unions any more. Big Education got a raw deal–they never got to see big money from a severance tax. Oh well. This time Wolf and his sycophantic supporters in the legislature, people like Scranton area Democrat Sen. John Yudichak and Philly area RINO (Democrat-lite) Sen. Thomas Killion, are floating a plan that will assess a complicated sliding scale severance tax on natural gas production, and use the money for a laundry list of "good purposes"–like fixing roads, spreading high speed internet access to rural areas, storm preparedness, and corporate welfare. Oh, and the language used in the bill to introduce this new tax says it won't replace the existing impact fee (i.e. impact tax). Instead, it will be larded on top of the existing impact tax. Tax on tax on tax. Gotta love those Dems. This is the same bad severance tax newly reconstituted like yesterday's leftover carrots and squash and beans becomes today's succotash. We have a variety of reports. Wolf coordinated this latest tax attack with legislators in both the House and Senate, and with his favorite propagandist reporters, like the PBS gang at StateImpact PA. Yesterday was a choreographed severance tax dance.

PA Sen. Gene Yaw, in Heart of Marcellus, Supports Severance Tax (read full post)

How the voters of northeast Pennsylvania who support shale energy continue to reelect Gene Yaw as their State Senator is beyond us. He's proven in the past that he will fold like a cheap suit on the issue of a severance tax. He did so once again yesterday, implying he supports Democrat Gov. Wolf's latest effort to tax the shale industry into oblivion. Yaw had a sit down yesterday with the editorial board of the Williamsport Sun-Gazette. During his chat, he was asked about "a" severance tax. Yaw was not asked specifically to address Wolf's new severance tax proposal, launched yesterday, but since Wolf introduced it yesterday, that's obviously the tax plan Yaw was asked to comment on. Yaw said he would vote for a "reasonable" severance tax. How do you define "reasonable" Sen. Yaw? Is Wolf's new plan "reasonable"? This isn't Yaw's first time in supporting a severance tax. He voted for one in 2017. Following our coverage of that vote and Yaw's support of it (yes, we were critical of Yaw's vote), we received a couple of profanity-laden email tirades from Yaw. Apparently he got heat from MDN readers. Good. We're not letting up and not backing down. Yaw is WRONG on this issue. And he should be held to account. He needs to hear from his constituents that if he votes yes on Wolf's severance tax, he's political toast. We will be the first to campaign for whoever opposes him in the next primary. No, Senator Yaw, it's not an impact fee *plus* a "reasonable" severance tax. It's EITHER an impact fee OR a severance tax. If you want to discuss and debate the merits of one form of tax over the other–fine. We can have that debate. What is being floated by Wolf (and apparently supported by Yaw) is tacking a severance tax *on top of* the existing impact fee, doubling up the taxes that would be paid by drillers. It simply is not acceptable. And don't think for a New York minute that landowners will escape the affects of a severance tax. Your royalty checks will get dinged to help pay the new tax (see our lead story today).

"Rule of Capture" Briefs Filed w/PA Supreme Court in Briggs Case (read full post)

In November the Pennsylvania Supreme Court agreed to hear a case, Briggs v. Southwestern Energy, that is hands-down the most important court case to ever happen regarding the Marcellus Shale in PA. And no, we're not exaggerating. A blizzard of briefs by Southwestern and those supporting Southwestern were filed earlier this week. Last April, MDN brought you the news that Pennsylvania Superior Court had handed down a decision in the Briggs case that has the power to greatly restrict, perhaps even stop, Marcellus drilling in PA. The issue, in brief, is that the PA Superior Court decision disallows using the age-old principle called the "rule of capture" when it comes to shale drilling and fracking in PA. Southwestern Energy successfully argued in a lower court that the odd crack here and there that may slip under a neighbor's property from fracking is permissible. The neighboring landowner, not signed with Southwestern, appealed that decision to Superior Court and won. Southwestern then appealed the case to the PA Supreme Court and the court agreed to hear the case. How will this affect nearly every landowner, signed or not, in shale regions of the state? Click here to read our explanation of the rule of capture and why this case is important for every single landowner (and non-landowner) in PA. The new news is that earlier this week a huge pile of briefs was filed by "our side" in the case–by Southwestern and those supporting Southwestern's position. A brief is a legal argument for or against a particular position or decision. A brief lays out the best thinking on the matter at hand. Among the briefs filed were two filed by individuals, both geologists: Terry Engelder, former professor at Penn State University and the "father of the Marcellus"; and Thomas Gillespie, geologist from Bethlehem, PA.

The Rise of the Utica...in Southwest Pennsylvania! (read full post)

The Utica Shale is beginning to get noticed in southwestern Pennsylvania. The rise of the Utica can be traced back to a single well drilled by CNX Resources in 2015. That first well, the Gaut well, became the second-highest producing Utica well anywhere at the time–61 million cubic feet per day (MMcf/d). Since 2015, CNX has pioneered drilling Utica wells in SWPA. And 2019 may be the year the Utica soars in PA. Other companies besides CNX drill in the PA Utica, including Huntley & Huntley, Chevron, XTO Energy. But the story of the Utica in SWPA is mainly the story of CNX. An extensive article appearing in the Pittsburgh Business Times tells that story.

CNX Resources: Scaling Back in 2019, Still Loves the Utica (read full post)

Yesterday CNX Resources, a Marcellus/Utica driller head-quartered in Pittsburgh and concentrating on southwest PA, issued its fourth quarter and full year 2018 update, along with looking-ahead guidance for 2019. Like other M-U drillers we've recently chronicled, CNX is scaling back its budget for 2019–by 5-10%. But even spending less, the company says it will produce about 5% more gas in 2019. CNX's 4Q18 numbers/activity: * Marcellus gas production jumped 47.6%, while Utica production eked out a 1% increase. * Operated 4 drilling rigs and used 3 frac crews. * Drilled 20 wells, including 10 Marcellus wells in Greene County, PA, 9 Marcellus wells in Washington County, PA, and 1 Utica well in Westmoreland County, PA. * Drilled its longest ever Marcellus lateral, over 15,000 feet (Greene County). * Drilled a 6-well Marcellus pad in Washington County, with average laterals over 12,500 feet. * Completed 14 wells, and turned onto sales 16 wells. * Sold 136 billion cubic feet equivalent (Bcfe) of natgas, an increase of 14% from 119 Bcfe sold in 4Q17. For all of 2018, CNX produced 507 Bcfe, up 25% from 407 Bcfe in 2017. We can't tell exactly how much the company spent on drilling in 2018 (it's buried in the numbers), but they previously announced they would spend $790 million to $880 million in 2018 on capex. What about 2019? They'll spend less.

Blackstone Buys Controlling Interest in Tallgrass Energy (read full post)

Tallgrass Energy, builder and operator of the mighty Rockies Express (REX) pipeline which is a critical link that flows Marcellus/Utica gas to Midwestern markets, dropped a bombshell announcement yesterday. The company said that investment firm Blackstone is buying a "controlling" interest in the company. Which raises the question, will Blackstone indeed "control" the company? Last June Tallgrass unitholders voted to dissolve the master limited partnership (MLP) and turn the company into a shareholding corporation. The current board of directors for Tallgrass consists of David Dehaemers (President and CEO of Tallgrass), Bill Moler (EVP and COO of Tallgrass), three outside independent directors, and four investors–two each from Kelso and Energy & Minerals Group. Blackstone is buying out the shares of Kelso and EMG and will then have four seats on the board. After making yesterday's bombshell announcement, Dehaemers faced a flurry of questions from investors on a conference call about 4Q and full year 2018 results. According to Dehaemers responses, nothing will change except the company will now be able to tap into more money for major projects, and four different people will sit on the board. Still, the headline of Tallgrass' press release says Blackstone will "Acquire Controlling Interest in Tallgrass Energy." It gives one pause.

EIA Says NGL Production Will Grow Massively in Marcellus/Utica (read full post)

The U.S. Energy Information Administration recently published its Annual Energy Outlook for 2019. Among the numbers EIA released are predictions about how much natural gas liquids (NGLs) the U.S. will produce between 2018 and 2050. EIA says production will go up 32% over that period, to 5.8 million barrels per day (b/d). Guess where most of that increase will come? Yep, the Marcellus/Utica. Oh, and from the Texas Permian Basin too. NGLs are primarily used as feedstocks (raw materials) in the bulk chemical industry. Ethane is used almost exclusively for producing petrochemicals. Approximately 40% of propane is used for petrochemicals and the remainder for heating, grain drying, and transportation. Translation: An uptick in NGL production will result in an uptick in petrochemical plants which will result in an uptick in factories locating near the places the NGLs are produced which will result in more jobs and economic prosperity for all. Unless Big Green gets its way and destroys the fossil fuel industry.