

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!

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CNX Hits Major Problem Fracking Utica Well Near SWPA Reservoir ([full post](#))

When people communicate, that's a good thing. When a shale well "communicates" with nearby conventional wells, that's a bad thing. And that's what happened with a CNX Resources Utica well being fracked in Westmoreland County last week. CNX was fracking the Shaw 1G well in Washington Township on Saturday, Jan. 26, when they detected "a strong drop in pressure" and stopped fracking. They found "some type of obstruction in the well bore." CNX also noticed that four nearby conventional wells showed a spike up in pressure—meaning somehow the cracks created during fracking of the Shaw well found their way into the wellbores of those other wells and the gas was leaking into the conventional wells. By Saturday night Feb. 2, seven conventional wells were being flared—burning off natural gas pouring out of the wells. So it appears that perhaps the unwanted "communication" had spread to seven wells, not just four. The flaring was so bright Saturday night a nearby resident said it looked like "the sky was on fire." The Shaw 1G well is located on Municipal Authority of Westmoreland County property, close to the 1,300-acre Beaver Run Reservoir which provides drinking water for some 130,000 people. According to CNX and the state Dept. of Environmental Protection (DEP), which is now monitoring the situation 24/7, there has (so far) been no impact on the reservoir. The DEP is keeping a close eye on the reservoir, sampling water periodically. An out-of-state team was summoned to come "kill" the well. We don't know if that has happened yet.

Recent Fed Court Decision Gives NY Pipes Hope for Bypassing Cuomo ([full post](#))

A huge crack of sunshine has just shown through the court system with respect to pipeline projects. A case decided on Jan. 25 in the DC Circuit Court of Appeals which technically has nothing to do with either the Williams Constitution Pipeline project nor the National Fuel Gas Company Northern Access Pipeline project (both being blocked by New York State), may be the one court decision to break open the logjam and allow both projects to begin construction. The Hoopa Valley Tribe v. FERC case deals with the recommissioning and decommissioning of a series of hydroelectric dams in Oregon and California. The court decided that Oregon and Cali, by using the technique of pressuring those seeking a "401" application (authority delegated to states under the federal Clean Water Act) to withdraw and resubmit the application, lengthening the time to consider the application to more than one year, is a waiver of the state's rights to review the application and rule based on the merits of the application. This is complicated stuff. In essence, the court ruled if a state takes more than one year to review a "stream/river crossing" permit, which is the time the federal statute gives them, they have automatically waived their right to block a project. In the Hoopa case, a hydroelectric dam project. However, lawyers reviewing the case say the same principle applies to pipelines as well. Specifically to pipelines like the Constitution where New York State did precisely what happened out West—the state asked Williams to withdraw and resubmit the application. And then, just before the end of the second year, the state Dept. of Environment Conservation, under orders from Gov. Andrew Cuomo, rejected the project. Williams now has legal precedent to ask the court to overrule NY and allow the project to proceed. In addition, NY took more than the one-year time limit with NFG's Northern Access Pipeline project. On a quarterly conference call

last Friday, NFG CEO Ron Tanski specifically referred to the Hoopa Valley case and said NFG is "encouraged" by the outcome. This is SERIOUSLY good news, for both projects and for the future of more pipeline projects in radicalized states like NY (and the states of New England). Perhaps some sanity has returned to our court system.

Northern Access Pipe Gets 3-Year Extension to Build in NY ([full post](#))

Speaking of National Fuel Gas Company's Northern Access Pipeline project, NFG asked the Federal Energy Regulatory Commission (FERC) last November to extend the project timeline by an extra three years, to give them more time to fight with Cuomo in court and actually get the pipeline built once lawsuits from the state are exhausted. Last Thursday FERC granted that request. Four years ago National Fuel Gas Company (NFG) proposed and filed to build the Northern Access Pipeline project—a \$500 million project that includes building 97 miles of new pipeline along a power line corridor from northwestern Pennsylvania up to Erie County, NY. The project also calls for 3 miles of new pipeline further up, in Niagara County, along with a new compressor station in the Town of Pendleton (also in Niagara County). FERC granted final approval for the project in February 2017. However, in April 2017, the New York Dept. of Environmental Conservation (DEC) ruled against granting the project stream crossing permits, effectively killing it, at least for now. Lawsuits ensued (we won't bore you with the ups and downs), but eventually NFG asked FERC to overrule the Cuomo-corrupted DEC, and in August 2018, much to our delight, FERC did just that. The Cuomo-corrupted DEC continued to fight the project. After all, the DEC is Cuomo's lapdog and they do their master's bidding. Cuomo, pressured by his radical left, is behind the state's rejection of the project. Makes no difference. In the end, Cuomo will lose this fight. But, as NFG CEO Ron Tanski said last fall, "we're still a couple of years and likely a few legal challenges away from constructing this project." He also said, "We anticipate that this will likely be a 2022 project." So NFG applied for, and as of last Thursday received, permission to extend the project another three years.

NFG Qtrly Update: PA Production Up 28%, 7 New Utica Wells Online ([full post](#))

Last week National Fuel Gas Company (NFG), headquartered in Western New York State (operates drilling subsidiary Seneca Resources and pipeline subsidiary Empire Pipeline), issued its first quarter 2019—everyone else's fourth quarter 2018—update. Via Seneca Resources, NFG drills wells in northcentral and northwestern PA. Via Empire Pipeline, they build and maintain hundreds of miles of pipelines. NFG CEO Ron Tanski took direct aim at NY Gov. Andrew Cuomo on the quarterly conference call with analysts. He scoffed at Cuomo's totally unrealistic goal of forcing New York residents to stop using fossil fuels like natural gas and convert to electric. On the same conference call Seneca Resources president John McGinnis had a number of interesting comments about NFG's drilling program. We included a number of quotes and resources in this post, including NFG's full quarterly update.

Dominion Delays Atlantic Coast Pipeline Again – 2018 Update ([full post](#))

In November, Dominion Energy said that their 600-mile Atlantic Coast Pipeline (ACP) would be delayed, with a partial startup in 2019 and full startup for everything else in mid-2020. The company also said the price tag had gone up from \$6.5 to \$7 billion. Strike all that. Last week Dominion said the startup will now be even later, and the cost even more. The blizzard of frivolous lawsuits brought by Big Green organizations like the Sierra Club are costing Dominion billions and throwing people out of work. Disgusting organizations. Jobs destroyers. Last week Dominion issued its fourth quarter and full year 2018 update. As part of the update, CEO Tom Farrell said the new partial startup date for ACP will be late 2020, with full service sometime in 2021. Oh, and the new price tag has gone up another half a billion dollars—to \$7.5 billion. So the price has gone up \$1 billion just since November, thanks to the Sierra Club and their friends. Maybe when this is all done and the pipeline built, Dominion should sue the Clubbers to try and get back some of that billion dollars? One can dream.

PA Chamber Files Brief in Martian School Court Case ([full post](#))

The Pennsylvania Chamber of Business and Industry (PA Chamber) recently filed a brief in Commonwealth Court opposing THE Delaware Riverkeeper in a case that still has us angry and baffled. The case brought by Riverkeeper is clear across the state, hundreds of miles from the Delaware River Basin where Riverkeeper supposedly operates, and attempts to force a local municipality to adopt zoning ordinances it doesn't want to adopt. And it involves Martians. A handful of anti-drilling parents from the Mars School District (“Martians”) in Butler County, PA, backed by money and legal help from Philadelphia Big Green groups THE Delaware Riverkeeper and the Clean Air Council, have filed frivolous lawsuit after frivolous lawsuit going back more than three years. The effort is aimed at denying landowners in Middlesex Township revenue from legally permitted drilling. The actions by radicalized Martian parents have cost the taxpayers of Middlesex Township over \$100,000 in legal fees. Eventually most of the lawsuits were won by the good guys and at least two wells got drilled. However, in 2016 the Martians appealed a town ordinance that allows the wells to be drilled about 3/4 of a mile from the school. A panel of three western PA judges in Commonwealth Court heard arguments in the case, and in June 2017 the judges ruled against Riverkeeper and the Martians. Riverkeeper, using funding from the William Penn Foundation and Heinz Endowments (among other Big Green funders) pressed on, all the way to the PA Supreme Court. Last August the Supremes told Commonwealth Court to do it over again, this time considering PA's so-called Environmental Rights Amendment as part of their thinking. In other words, do it over, and rule another way this time—that's what the Supremes are telling the lower court to do. Into this mess the PA Chamber has filed a “friend of the court” brief. The Chamber's brief takes direct aim at an overly broad and loose interpretation of the PA Environmental Rights Amendment. We have the brief (below) and an excellent bit of analysis of the brief and its legal arguments by MDN friend Tom Shepstone.

MI NatGas Compressor Stn Fire Leads to GM, Ford Plant Closures ([full post](#))

Last week a pipeline at a single Michigan compressor station caught fire and exploded. That single compressor (single point of failure, as it turns out) is responsible for pumping natgas to

two-thirds of Michigan residents, including all those big automobile assembly plants Michigan is famous for. The compressor station is owned by Consumers Energy and is (or was) the “crown jewel” of its natural gas pipeline system, upgraded in 2013 at a price of \$175 million. So what happened? We're still not sure. Consumers is saying “it” won't happen again, although how can they know it won't if they don't know what caused it? The explosion and fire happened away from the main buildings and was related to “an equipment malfunction.” Consumers asked its customers to turn down the thermostats to conserve natural gas. On Wednesday, GM closed 11 Michigan plants. It is rumored (not confirmed) that Ford, Fiat and other auto plants also closed down.

TUESDAY - Feb. 5, 2019

List of PA's 42 Shale Drillers – How Many Wells Drilled & Where ([full post](#))

It's good to step back every now and again and look at who is drilling, how much they are drilling, and where they are drilling. We have such a list below for the 42 active shale drillers in Pennsylvania. The Pittsburgh Business Times recently compiled several helpful lists, one of which chronicles all of the companies that drill (or manage shale wells) in the Pennsylvania Marcellus. It's a fascinating list. We've pulled details for how many total shale wells each company has drilled (or owns), how many they drilled in 2018, and the counties where they have wells. Here's the top 3 in the state: Range Resources is #1 having drilled 1,438 shale wells in PA to date, drilling 80 of them in 2018. EQT is #2 drilling a total of 1,419 wells to date with 98 drilled in 2018. And Chesapeake Energy is #3 having drilled 936 wells to date, drilling only 37 in PA in 2018. Click the link to view the full list.

Arsenal Resources Files for Speedy Chapter 11 Bankruptcy ([full post](#))

The parent holding company for Marcellus driller Arsenal Resources, Arsenal Energy Holdings LLC, is applying for what has to be the fastest “prepackaged bankruptcy” we've ever heard of. Yesterday (Feb. 4) the company filed, claiming nearly all of its outstanding “stakeholders” are on board with the plan—and they aim to exit bankruptcy on Valentine's Day, Feb. 14. Arsenal Resources says vendors don't have to worry, it's business and usual and everybody will get paid everything they are owed. The bankruptcy is designed to convert \$861 million in debt into equity (shares of stock). This is not the first time we've seen this kind of deal. We've written plenty about how existing stockholders typically get the shaft under such debt-to-equity conversions, with their shares becoming worthless. In the case of Arsenal, the company says “100% of its common equity holders” have voted in favor of the deal. That says to us all of the shareholders are in favor of and will benefit from this deal (there are likely just a few such shareholders, we doubt there's a lot of stock floating around). At any rate, this one is a speeding bullet.

CNX Rogue Utica Well in SWPA Affects 9 Vertical Wells, Maybe More ([full post](#))

CNX was fracking their Shaw 1G Utica well in Washington Township on Saturday, Jan. 26, when they detected “a strong drop in pressure” and stopped fracking. Turns out the well was “communicating” (i.e. losing gas to) several nearby conventional wells. At first it was thought there were four conventional wells affected, then the number went to seven, and then nine. Now CNX is looking at all conventional wells within a two-mile radius

of the Shaw well because it's possible more wells are impacted. CNX and the state Dept. of Environmental Protection (DEP) are investigating how it could have happened—how fracking a single shale well could suddenly lose its gas/pressure to so many nearby conventional wells, all of which have had to be flared to relieve the pressure. The Shaw well is located on Municipal Authority of Westmoreland County property, close to the 1,300-acre Beaver Run Reservoir which provides drinking water for some 130,000 people. Authorities have been testing the water frequently and there have been no impacts (so far). CNX hired a well control team to “kill” the well, which means pumping it full of heavy mud. That happened yesterday afternoon. Below are several reports, the most recent information we can find about the status of the well, and the impact this episode may have on CNX's future Utica drilling program.

Dimock, PA Landowners Paid \$5K/Mo by Green Groups to Bash Cabot ([full post](#))

A startling revelation came from yesterday's court hearing in the tiny village of Montrose, PA. Some of the landowners from Dimock, PA who have traveled around the country claiming their water had been contaminated by Cabot Oil & Gas (remember the fraud “documentary” called Gasland?) were actually paid up to \$5,000 *per month* by green groups to spread their lies. Cabot Oil & Gas is tired of being sued, and slandered, by people like Dimock resident Ray Kemble and his ambulance-chasing lawyers. In August 2017 Cabot sued back—for \$5 million. Kemble lives in Dimock Township, in Susquehanna County, PA. Kemble and other families in the Dimock area claimed Cabot's drilling in the area (~12 years ago) caused problems with their water wells—a claim strongly refuted by Cabot. Cabot settled with most of the landowners, including Kemble. But a couple of Kemble's neighbors did not settle. They sued and, in a sham trial, won a jury award of \$4.2 million. A federal court later threw out the verdict and the \$4.2 million judgement. The judge said the Dimock lawsuit would have to be re-tried, a years-long process now under way. Our theory is that news of a potential new lawsuit and the previous OJ-like jury's award of \$4.2 million must have got old Ray a thinkin'...What if? So in April 2017 Ray and lawyers from two law firms launched yet another frivolous lawsuit against Cabot, litigation over something previously settled. It was a naked attempt to shake down Cabot for money in a quick settlement. But Cabot called them on it, filing a counter-lawsuit seeking \$5 million—against Kemble, and against lawyers Charles Speer from the Speer Law Firm, and Edward Ciarimboli and Clancy Boylan from Fellerman & Ciarimboli. Since that time Ray's sleazy lawyers have tried to wiggle out of their losing legal battle—trying their darnedest to dump old Ray. We won't recount all the ins and outs. Old Ray started all this, got himself counter-sued, and then he refused to show up for depositions, twice. So Cabot asked the judge to make him show up, and that somehow got twisted by mainstream media propagandists as “Cabot is trying to throw an old man into jail.”

Kinder Morgan Takes Another Baby Step with Elba Island LNG ([full post](#))

Kinder Morgan's Elba Island LNG, situated along the Georgia coastline near Savannah, is supposed to launch the first of its 10 LNG export mini-trains by the end of first quarter this year, and have all 10 up and running by the end of the year. Good news: FERC has just granted permission to begin flowing feed gas into the facility for testing. Elba Island will be the second LNG export facility along the East Coast, after Cove Point in Maryland. As we previously noted, Elba is quite a bit smaller than Cove Point. Whereas Cove Point, which has been up and running since

March, can take in and liquefy up to 3.5 billion cubic feet per day (Bcf/d) of natural gas, Elba Island will be able to liquefy up to 350 million cubic feet per day (MMcf/d)—just 10% of Cove Point's capacity. Elba Liquefaction Co. and Southern LNG Co., both subsidiaries of Kinder Morgan, received authorization “to proceed with introduction of fuel gas to commission the HF-LF flare pilot system” according to an order granted by the Federal Energy Regulatory Commission (FERC) last Friday.

WSJ Calls NY Gov. Cuomo's Pipe Blockade a “Cold Weather Tax” ([full post](#))

The pressure is mounting on New York Gov. Andrew Cuomo with regard to blocking natural gas pipelines. Except now the pressure is coming from the adults in the room who see through Cuomo's sleazy politics. None other than the editorial board of the Wall Street Journal has ripped into Cuomo, calling his blockade of new pipelines the equivalent of a “cold weather tax”—not only on New Yorkers, but also those living in New England. As the WSJ points out, Upstate New Yorkers who heat with fuel oil could be heating with natural gas—better for the environment and better for the pocketbook. Cuomo's action in blocking pipelines and fracking is costing those of us who live in Upstate on the order of an extra \$1,000 per year in heating bills. Now do you understand why people are leaving NY in droves? And that's to say nothing of the economic harm Cuomo has inflicted on neighboring New England states! It's “just desserts” in our book that wealthy Westchester County (NYC suburb) residents are now feeling the pinch themselves, with a moratorium prohibiting new natural gas customers from getting service.

The Future of Ethane Exports from Marcus Hook, PA ([full post](#))

Ethane exports came from nowhere, dead zero, three years ago and took off like gangbusters until mid-last year, in no small part because of Marcellus/Utica ethane exports coming from the Marcus Hook refinery near Philadelphia. But part of the way through last year those exports began to decline—and not because of lack of ethane flowing through the Mariner East pipelines. Nope. They declined due to lack of demand. That's right, international demand is what drives ethane exports here in the U.S. Demand softened, and so did exports. But according to the expert analysts at RBN Energy, demand will once again begin to grow, and along with it ethane exports from Marcus Hook. Here's a look at the Marcus Hook ethane export operation, and what we might expect in the next few years.

WEDNESDAY - Feb. 6, 2019

Proxy War: Rice Brothers Say Top EQT Mgmt, Board Must Go ([full post](#))

Let the fight begin. Yesterday the Rice brothers, Toby and Derek, held a conference call with EQT investors to lay out their detailed proposal for how EQT should be run. The Rice plan includes giving the boot to current EQT CEO Rob McNally and much of top management, and installing Toby as CEO, bringing along 15 Rice alumni to kick-start EQT's “moribund performance” (our interpretation of what Toby said). Not only do the Rice boys intend to replace top management, they also intend to replace board members. You need board members in order to make major changes. Toby says EQT is paying too much to drill—\$1,095 per foot for all expenses. He says he can get that number down to \$735/foot by using “existing proprietary technology, improved well spacing, and company-wide

operational planning.” In broad brush strokes, EQT dismisses the Rice brothers and their plan as snotty nosed kids who had their fun with their little play thing called Rice Energy, and wouldn’t have a clue how to run a *real* operation like EQT. Rice responds that EQT is old, bloated and full of baggage that needs to be cleaned out. Toby said yesterday, “This is not a personal attack on the current management team, but they simply do not possess the necessary experience or track record to navigate this path forward.” We beg to differ—it IS a personal attack! And the words are flying back and forth. We couldn’t find a transcript of the entire hour long session, but we do have snippets of what was said from several sources, along with the slide deck Toby and Derek used during the call.

6th Circuit Court Upholds Ohio’s Forced Pooling Law ([full post](#))

Landowners in Ohio who didn’t like being force pooled with their neighbors have, since 2015, tried to get the courts to declare that forced pooling is illegal. They’ve struck out in every court where they’ve tried that argument, including (now) the U.S. Court of Appeals for the Sixth Circuit. In 2015, landowners in Harrison County, OH who own 127 acres (the Kerns) filed a lawsuit alleging their property rights were being violated because Chesapeake Energy had filed a pooling request with the Ohio Dept. of Natural Resources (ODNR) to pool (combine) the Kerns property with surrounding properties for shale drilling. The Kerns had not signed a lease and do not want drilling under their land. Their neighbors did sign a lease and do want drilling. Ohio has a law on the books that allows for “forced pooling” in cases where a majority of the surrounding land is leased but landowners with small positions refuse to sign. The Kerns resisted and fought the case all the way to Ohio Supreme Court, which rejected their claims. Chesapeake drilled and fracked three wells (on a neighboring property), which included drilling under the Kerns’ property. So the Kerns filed a new lawsuit in 2016, in federal court, claiming a “taking” of their property had occurred. The federal court ruled against the Kerns in June of last year. Apparently the Kerns have big bucks for lawyers (or someone willing to bankroll them), because they appealed the case to the next level, the Sixth Circuit Court of Appeals. That court has now affirmed what all the previous courts said: the Kerns are out of luck. **We see both sides of this issue.** In general, we like the principle of “You can’t tell me I can’t frack, I won’t tell you that you must frack.” However, there are times when someone’s tiny slip of land sits in the middle of what would be a larger unit. Should that one holdout block his neighbors from benefiting economically? Tough call!

Eco-Terrorism: Fire Set at MVP Site in Virginia, \$500K Damage ([full post](#))

More eco-terrorism to report, unfortunately. Someone (not yet arrested, but they’ll be hunted from now until eternity) set fire to construction equipment being used to build the 300-mile Mountain Valley Pipeline (MVP). The construction site is located in Pittsylvania County, Virginia. A reward is being offered for information leading to an arrest. MVP, which is now 70% complete, runs from Wetzel County, WV to the Transco Pipeline in Pittsylvania County. Sometime Saturday night an arsonist set fire to pipeline laying equipment: a Caterpillar PL 87 (pictured above). No one is accusing anyone specifically, but the day before an out-of-state radical from Florida, Emma Howell, chained herself to a piece of MVP equipment at a nearby location. She was arrested and released after posting a \$2,500 bond. There were others with her at the protest on Friday. That small group of

radical protesters should be the first to be investigated, which we’re sure the police are doing.

Federal Court Slaps Down NY DEC Rejection of Northern Access Pipe ([full post](#))

The New York Dept. of Environmental Conservation (DEC), thoroughly corrupted by, and a political tool of, NY Gov. Andrew Cuomo, continues to have a bad week. Monday we told you about a recent court decision that gives new hope for both the Constitution and Northern Access Pipeline projects. A second court decision has just been issued that allows Northern Access to take a huge step forward. Three years ago National Fuel Gas Company (NFG) proposed and filed to build the Northern Access Pipeline project, then estimated to cost \$455 million (now over \$500 million), which includes building 97 miles of new pipeline along a power line corridor from northwestern Pennsylvania up to Erie County, NY. The project also calls for 3 miles of new pipeline further up, in Niagara County, along with a new compressor station in the Town of Pendleton. The Federal Energy Regulatory Commission (FERC) granted final approval for the project in February 2017. However, in April 2017, the DEC—after reviewing a stream crossing application for more than two years—ruled against granting the project a certificate, effectively killing it. A few weeks later, NFG sued the DEC in the Second Circuit of the U.S. Court of Appeals to overturn the denial. The case was argued in November 2017. And now, some 15 months after the case was argued, the Second Circuit has ruled, “vacating” (or removing) the DEC’s rejection of the stream crossing permit, sending the application back to the DEC with instructions to explain its decision. Wait, what? Didn’t the DEC explain its decision in this case over the past 15 months?! Apparently not, at least not to the judges’ liking. They told the DEC, verbatim in their order: “[T]he denial letter here insufficiently explains any rational connection between facts found and choices made....Specifically, there are no record citations in the denial letter, and there are no citations to specific projects or studies the department may have considered.” Talk about being slapped! This still isn’t a “you must issue the certificate” instruction from the court to the DEC, but it comes close.

Southwestern 2019: Spend \$70M Less, Produce 83 Bcfe More ([full post](#))

Southwestern Energy released its 2019 predictions (guidance) yesterday. In line with other 2019 guidance numbers issued from other Marcellus/Utica drillers, Southwestern says they will spend less money and drill fewer new wells. Unlike other M-U drillers, Southwestern is predicting year over year they will actually produce less gas—but that’s somewhat deceiving. The company sold off their Haynesville Shale assets in December, which is why they will produce less. We don’t yet have the final production numbers for Southwestern for 2018, but in early 2018 they provided guidance of producing a high of 965 billion cubic feet equivalent (Bcfe). Their guidance for 2019 is a high of 785 Bcfe, a shortfall of 180 Bcfe. The difference is that Southwestern sold off their Haynesville assets in December, which were forecast to provide as much as 265 Bcfe of production last year. If you compare apples to apples, Southwestern will produce more gas (and equivalents) in the Marcellus/Utica region in 2019, even with less drilling. They, like their peers, are becoming more efficient each year. Southwestern says in 2018 they spent \$1.25 billion on drilling and associated costs. In 2019, they plan to spend a maximum of \$1.18 billion, or \$70 million less. As for production, the company produced (in Appalachia) 702 Bcfe in 2018, and they plan to produce a maximum of 785 Bcfe in 2019,

an increase of 83 Bcf (12%). Southwestern is now 100% focused on the Marcellus/Utica. Full speed ahead!

Ohio Univ Gets \$1M Grant to Figure out Better Way to Crack Ethane ([full post](#))

An Ohio University professor has landed himself (and his research associates) \$1 million in grant money to study a better way to turn raw natural gas with lots of ethane in it, directly into ethylene (raw plastics), bypassing the need to separate the raw stream into methane and ethane, and bypassing the need for a huge cracker plant to crack the ethane into ethylene. If this prof's research bears fruit, it will be an extraordinary breakthrough. Can you imagine a semitrailer parked on a well pad eliminating the need to process raw natural gas, turning it into plastics right there on the pad? That's the promise of this research. Mind blowing!

National Grid Threatens New Gas Customer Moratorium on Long Island ([full post](#))

Utility giant National Grid, which services Long Island (part of New York City) with natural gas service, is threatening New York State that if the state does not approve Williams' Northeast Supply Enhancement (NESE) pipeline project by May 15th, they will, as Consolidated Edison has just done in Westchester County, impose a no-new-natural gas customers moratorium for the New York City area. Which would block development of the new \$1 billion Belmont Park Arena. It's getting ugly in corrupt New York State (more properly, New York City). Because Andrew Cuomo is blocking new natural gas pipeline projects that would bring more gas to the NYC area, gas utility companies are being forced to block new customer signups for gas service. In Westchester County, Con Ed's moratorium on new customers, set to begin on March 15, is causing panic. And now National Grid is saying the same thing. If NY denies the NESE project, National Grid will implement a moratorium on new gas customers on Long Island in May, which would devastate the NYC economy (Brooklyn and Queens are on Long Island). The NY Dept. of Environment Conservation, in a pattern all-too-familiar, has been playing delay games with NESE, for years. National Grid is now playing hardball. No more delays, or else.

THURSDAY - Feb. 7, 2019

WV Bill Would Let Utilities Pay Producers to Drill New Gas Wells ([full post](#))

The West Virginia House Energy Committee passed a bill yesterday that appears to be picking up steam and possibly headed for approval by both the House and Senate. It's an interesting bill that allows local natural gas utilities to pay drillers to drill new gas wells in areas where there is not a reliably sufficient supply of gas. Yeah, it sounds really strange to us too. Dominion Energy is pushing the bill. The language in the bill, as you will read, would allow a local gas utility (like Dominion) to offer incentives (which are not specifically outlined in the bill) to drillers to either expand existing wells, or drill new wells. Are the drillers intended by the bill conventional, or shale? We can't tell. Here's the justification: Utility company A supplies gas in a town or village and gets the gas for those customers from local conventional gas wells. But those local conventional wells can no longer compete with shale wells and are either turned off, or producing a lot less, without new conventional wells being drilled to supply said local utility. The local utility, under this bill, can

(with approval from the state Public Service Commission) offer an "incentive" (i.e. pay the driller above market rates) to supply more gas. Say market rates are \$3.00/Mcf. The utility may tell a local driller, "We'll pay ya \$4/Mcf instead"—and pass along the \$1/Mcf higher cost to all of its customers. In essence, the bill will require all ratepayers to fund uneconomic gas supplies in parts of the utility's territory. One neighbor would underwrite cheaper gas for another. Not our idea of letting the free markets do their thing. Oh, and if the utility can't find any gas at a reasonable price, and can't convince a local driller to provide more via "incentives," the utility can (with permission from the PSC) dump their natgas pipeline network and convert those customers to something else, like electricity—again passing along the huge cost of such a conversion to the rest of the ratepayers. We wonder, can't the utility just buy their gas from an interstate pipeline flowing unending supplies of shale gas being produced in the state? That's what doesn't make sense to us about this bill. Perhaps those local pipeline networks are not currently connected to larger interstate gas pipelines, and are fed only by local conventional wells? We're just not sure. Something seems strange about this to us. At any rate, we mention it because the bill may have the power to encourage more gas well drilling, whether conventional or shale, we don't know.

PA Shale Drilling Permits Issued in January Show Mixed Bag ([full post](#))

The folks at Argus Media have done an analysis of the number of shale well permits issued in Pennsylvania for January 2019. The numbers show the number of new permits issued during January were up 72% from the number issued in December 2018, but down 11% from the number of permits issued in January 2018, one year earlier. Can we divine anything from this mixed bag of numbers? In January 2019, the state Dept. of Environmental Protection issued 219 permits for new gas wells, and 33 permits for new oil wells, for a total of 252 permits issued. In December 2018 only 146 permits were issued, so January was a huge 72.6% jump in a single month. But PA issued 246 gas well permits in Jan. 2018, vs. 219 in Jan. 2019, an 11% drop year over year. Yet production continues to climb each month. Our conclusion: Year after year it takes fewer wells to produce higher quantities of gas. And although the price of gas influences how much companies are willing to drill, price doesn't seem to influence how much is produced. Production is skyrocketing regardless of how high or low the price of gas goes.

Dominion "Still Committed" to Building Atlantic Coast Pipeline ([full post](#))

Dominion Energy's 600-mile Atlantic Coast Pipeline (ACP) is facing serious delays and cost overruns mainly due to lawsuits brought by Big Green groups. The project is now delayed until late 2020 for a partial startup, with full service sometime in 2021, and the new price tag has ballooned to \$7.5 billion. The project will be several years late and several billion dollars more expensive than original forecast. Thanks Big Green! Even with the delays and the higher price tag, Dominion CEO of the Gas Infrastructure Group, Diane Leopold, told an audience earlier this week that the company is still 100% committed to the project: "We are committed to it," said CEO Diane Leopold of Dominion's Gas Infrastructure Group, during a luncheon Monday at American Gas Association (AGA) headquarters in Washington, DC. "Our customers desperately need the infrastructure. It is still profitable and the customers still need it...We certainly are pursuing judicial, legislative and administrative routes." Amid the delays, a couple of partisan, anti-fossil fuel groups attempting to pass themselves off as

unbiased NGOs (what a laugh!) have issued reports questioning whether ACP will ever get built. A sycophantic press jumps in to lend credibility to their incredible “reports”.

PA DEP Southwest Office Says Permit Backlog Down 75% ([full post](#))

One of the long-running complaints from shale drillers across Pennsylvania has been the amount of time it takes the state Dept. of Environmental Protection (DEP) to issue a simple permit—like an erosion and sediment control permit. In the past, shale drillers have waited more than eight months to receive an erosion and sediment control (Chapter 102) permit, used in building roads and shale well pads. Turnaround from the time a permit is requested until it is supposed to be approved is, by DEP’s own statutory standards, 14 days. In 2017 it was taking over 250 days in some areas of the state. According to the DEP, those days are now long gone—at least in the southwestern part of the state. In 2018, the DEP Southwest Regional Office says it has reduced its backlog of permit requests by 75%, and has reduced the time it takes to get a Chapter 102 erosion and sediment control permit by 220 days.

New Anti Tactic? Individuals Challenge Mariner East Pipelines ([full post](#))

Perhaps two unrelated cases of individual landowners challenging Energy Transfer’s Mariner East 2 (ME2) Pipeline—one in court, the other with regulators—doesn’t make a trend, but it is worth noting. Our antennae are up. Is this a new tactic being pushed by anti-fossil fuel groups? In one case, a new lawsuit by a local developer attempts to block ME2 by claiming an easement awarded to Mariner East 2 for the property near Philadelphia was “temporary” and is now expired. The lawsuit is being pushed by well-known anti-fossil fuel shakedown expert State Sen. Andy “Tony Soprano” Dinniman. In the another case, a Cumberland County homeowner (who looks to us like an old hippie, watch the video below) who lives nearly a quarter of a mile from Mariner East 2 says the pipeline is “a bomb” and that his home sits “in the blast zone” of the pipeline. That’s the language of an anti-fossil fuel true believer. It’s also incendiary and false. The homeowner filed a complaint with the state Public Utility Commission and will get a hearing next month. Big Green groups have repeatedly sued the Mariner East projects and challenged the projects before regulatory bodies like the PUC, but we’ve not noticed many individuals doing so. Which makes us wonder if this is a new tactic hatched by Big Green—death by a thousand cuts, or in this case by a thousand lawsuits/regulatory challenges. Evidence “A” this may be a Big Green plot: The following press release from anti-driller Sen. Andy Dinniman, touting the lawsuit in Chester County Common Pleas Court claiming ME2’s easements are expired.

Pieridae Energy Pays Off Nova Scotia Indians to Allow LNG Plant ([full post](#))

Pieridae Energy wants to build an LNG export plant in Nova Scotia, Canada. The Mi’kmaq (pronounced mic-mac) indigenous peoples of Nova Scotia (i.e. Indians) have never formally surrendered their “ownership” claim of Nova Scotia—a claim long disputed. In order to build and operate the Goldboro LNG export facility, Pieridae has agreed to pay off the Mi’kmaq. Call it “leave us alone” money. If Pieridae or any other big petchem operation wants to set up operation in Nova Scotia, they must pay a fee to the Mi’kmaq to be left alone and allowed to operate. That’s how it works in organized crime, and that’s how it works with “First Nations” Indians in Canada. Sorry if the truth hurts. In May

2017, MDN told you that Pieridae had signed a labor agreement to build the Goldboro LNG export facility. The U.S. Dept. of Energy approved the plant for exporting to non-free trade agreement counties in February 2016, an indication that Marcellus/Utica gas may flow to the plant. A year ago Pieridae hired both Morgan Stanley and Société Générale to help the company raise up to \$10 billion (Canadian) to build the project. But before you begin to move dirt around, you need to pay off the Indians—otherwise they’ll show up in court and tie you up for decades. Last October the Mi’kmaq mysteriously and suddenly withdrew their objection to the Goldboro project.

Global Warming Lawsuit by Brainwashed Kids Begins at 9th Circus ([full post](#))

A lawsuit brought by greedy lawyers (ab)using a group of 21 children against the United States for not doing enough about mythical man-made global warming has once again heated up. The lawsuit aims to force the end of using all fossil fuels in the United States, to address so called man-made global warming. Yes it’s totally nuts and will never fly. It’s just irritating that it’s gotten this far. In November the U.S. Supreme Court refused to stop the lawsuit from proceeding. The case has survived numerous challenges and was set to go to trial Oct. 29 in U.S. District Court for the District of Oregon when it was briefly paused by the Supremes. The case then got transferred to the Ninth Circuit (“Circus”) Court of Appeals. Last Friday the U.S. government asked the Ninth Circuit judges to (once again) toss this lunacy out the nearest courtroom window. They question the competency of U.S. District Judge Ann Aiken (overseeing the case at the District of Oregon) because Judge Aiken has written that her court may order the federal government “to create a plan to phase out fossil fuel emissions and reduce atmospheric carbon dioxide.” It’s sheer, unadulterated lunacy. And it’s time for it to stop.

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Transco Pipe Breaks Record for Deliveries – Keeps Pressure on NY ([full post](#))

The largest interstate natural gas pipeline system in the country, the Transcontinental Gas Pipe Line (Transco), owned by Williams, recently flowed and delivered the most gas for a single day it has ever delivered—15.68 billion cubic feet (Bcf), on Jan. 21. Transco also set a new 3-day average record of 15.3 Bcf/d, from Jan. 30 through Feb. 1. While the pipeline was originally built to flow gas from the Gulf Coast to the northeast, in the past couple of years Williams has converted the system to be bidirectional. These days most of the gas flows from the Marcellus/Utica south, rather than the other way around. So this record comes as a result of the huge production coming from the M-U. You may recall that Atlantic Sunrise Pipeline project which built 200+ miles of new pipeline in northeast Pennsylvania is part of the Transco system, which went online in early October. The main shipper on Atlantic Sunrise is Cabot Oil & Gas, but Cabot isn’t the only shipper. Seneca Resources and Range Resources are also shipping gas on Atlantic Sunrise. We don’t think it’s a stretch to say record volumes being pumped through Transco are due to the prolific production of Cabot and Seneca and Range. The country’s success is due to these companies’ success. A big hat tip to them! Too bad places like Westchester County, NY is not able to share in the success of Transco. NY Gov. Cuomo is blocking pipelines that would bring some of northeast PA’s prolific production to the Empire State, and because of those policies, suburban New York City is now

suffering the consequences. And now New York City itself is facing a moratorium on new natural gas customers—from utility company National Grid. National Grid says if NY blocks Williams' Northeast Supply Enhancement (NESE) pipeline project—and expansion of the Transco into metro NYC—National Grid will slap a moratorium on new customers hooking up to their gas service. That means a new \$1 billion arena for the New York Islanders hockey team won't get built. Oops. In yesterday's press release, Williams mentions/nudges NY about NESE. A gentle reminder that NY had better get off the dime and approve it—or else.

Rice Boys Secret Sauce for Reviving EQT: Digital & Data ([full post](#))

EQT CEO Rob McNally and board chairman Jim Rohr are in a pitched battle to maintain their control of the company. They dismiss a plan by Toby and Derek Rice to enhance EQT's production at a lower cost as something that worked for small potatoes Rice Energy, but couldn't work for a big, important company like EQT. The Rice boys shoot back that EQT is bloated and lumbering and needs a good house-cleaning. So what is the essence of the Rice plan to get EQT back on track? What's the Rice boys' secret sauce? At Rice Energy, Toby and Derek (and their older brother Dan, now on the EQT board) used mountains of data from every aspect of drilling in order to iterate and get better. The technology they designed and used at Rice Energy to drill wells is "lying dormant" at EQT. The tech is there, it worked before, and many of the wells EQT plans to drill this year are on what used to be Rice Energy leases. Toby and Derek say they can step in, rev up the tech they've already pioneered, and save EQT boatloads of money by drilling more/better/faster. McNally and Rohr dismiss the Rice boys' claims as so much hot air. Here's a look at the secret sauce the Rice boys say can save EQT...

Antis Try to Pick Open Old Scab of Settled (and Sealed) Range Case ([full post](#))

Three families who live near a former drill site and frack wastewater impoundment at the Yeager Marcellus Shale site in Washington County, PA sued Range Resources in May 2012 claiming the air they breathe and the water they drink had been contaminated by Range's operations at the site. The case was eventually settled and sealed in September 2018. Now the PA Attorney General and the Pittsburgh Post-Gazette are trying to pick the scab off that healed wound, in an attempt to (a) criminalize Range Resources, and (b) if they can't make any crimes stick, at least humiliate and make Range look bad. As part of the lawsuit, a Washington County court in 2013 ordered Range (not its contractors, but Range itself) to disclose a list of all chemicals used at the site—right down to the type of motor oil used in vehicles coming and going at the site. It would be an impossible task to construct such a list from activities stemming back to 2010, so Range appealed. Range lost their appeal in June 2014 (see Court Says Range Resources Must Disclose Chemicals in SW PA). Range appealed a second time, and lost the second appeal in April 2015. It was at that point we lost track of the story and heard nothing further. What we now know is that Range eventually settled with the families, and the settlement (likely millions of dollars) is secret. Those are the terms the families accepted—keeping the settlement secret. Range no doubt maintains they are innocent, but wants to make the bad publicity and escalating legal fees go away—so they settled. But it's such a juicy case for grandstanding politicians with their eye on the governor's chair, politicians like PA Attorney General Josh Shapiro. Shapiro is investigating so-called environmental crimes committed by shale companies, in a bid to boost his chances of

being the next nominee to run for governor. One of Shapiro's sham investigations is into Range and the now-settled-and-closed-and-sealed "Haney" case (the families living near the Yeager site in Washington County). Shapiro's action of opening up the old wound caught the attention of the anti-drilling Pittsburgh Post-Gazette, so they've just filed a request with the court to unseal the settlement, so they can blab the terms of the settlement far and wide, further damaging the old wound.

WV Sen. Manchin Supports Marcellus/Utica, Rejects "Green New Deal" ([full post](#))

Let's be honest. West Virginia Sen. Joe Manchin (Democrat) is a swamp dweller—an establishment guy who, when it really counts, votes with his own sleazy party against the best wishes of the United States (he's done it multiple times). However, Manchin is one of the better Democrats in Congress when it comes to energy issues. Yesterday Manchin rejected, out of hand, the insane "Green New Deal" just floated by two members of his own party. So Joe isn't all bad. Manchin spoke to the West Virginia Press Association's annual Legislative Breakfast yesterday via video link. He had some very interesting things to say on a variety of topics: the multi-billion dollar NGL/ethane storage hub, that he's pushing to have located in WV; the need for new pipelines, and the tragedy of Russian tankers bringing LNG to New England; the need for Atlantic Coast Pipeline in particular, and the fact that this project won't touch the Appalachian Trail; he pledged to "push back" against any so-called "Green New Deal," saying it "is not feasible, not practical, and it's not going to happen." So old Joe is having none of the nonsense being pedaled by wacky Ed Markey, Senator from Massachusetts, and Alexandria Occasional-Cortex, Congresswoman from Queens. And guess what? Joe is now the ranking Democrat on the Senate Committee on Energy and Natural Resources. Any so-called Green New Deal plan would have to go through his committee. He as much as promised it would be dead on arrival. So yeah, Joe sticks with his party and hurts the country on some issues, but he breaks with his party and helps the country on other issues. We could certainly do worse.

Democrat Ernest "Hair" Moniz Pees All Over Green New Deal ([full post](#))

The so-called Green New Deal plan being floated, which isn't really a plan as much as general sentiments, was not only refuted by Democrat WV Sen. Joe Manchin yesterday, it's also being refuted by some of the left's biggest thinkers. Earnest "Hair" Moniz, former Secretary of Energy under Lord Obama, says the Green New Deal and its goal of 100% renewable energy by 2050 is, in a word, crazy. Well, Moniz didn't use that exact word, but that certainly was his sentiment. Moniz said this: "The idea we're going to have by 2050 ... a 100 percent renewable system is not realistic, straightforwardly, certainly at a reasonable cost," Moniz said in an interview, referring to one version of a "Green New Deal" target. "It doesn't violate the laws of physics to do it. But that doesn't mean it is politically or economically implementable, and I think that is the issue." Moniz is, in fact, a fan of natural gas: "Moniz said the reality is that natural gas will have "a fairly long run" in the drive to decarbonize the U.S. economy, "because as more and more variable resources are brought into the electricity system, the more you are going to need natural gas for the balancing of that system." In other words, Hair just peed all over the Green New Deal, turning it bright yellow.

Want to Know Where NY is Heading re Energy? Look at Venezuela ([full post](#))

We spotted a couple of op-eds yesterday commenting on the obtuse position taken by New York State (Andrew Cuomo) in blocking natural gas pipelines. One of the columns, by MDN friend Katie Klaber, makes a brilliant point. Want to know where New York is heading energy-wise? Just look at Venezuela. The same socialist policies that have thrown Venezuela into a death-spiral will do the same here in NY. Venezuela is a perfect picture of what awaits NY. Klaber, managing partner of The Klaber Group and founding president of the Marcellus Shale Coalition, points to what's happening in Westchester County, NY as a preview of things to come. She goes on to point out lack of investments in Venezuela's infrastructure has led to a situation where one of the most oil-rich countries on the planet is close to running out of gasoline. The second column also takes aim at Cuomo's idiotic policies in blocking pipelines, and concludes those policies will inevitably lead to a rationing of natural gas.

Radicalized Senator Intros Bill to Ban New Pipelines in Vermont ([full post](#))

Our use of language and the word radicalized is intentional. In the same way some otherwise peace loving and normal Americans have become radicalized by fringe elements of Islam, it's also happening in the environmental movement. Otherwise rational people are becoming radicalized—with an irrational, intense hatred against fossil fuels like natural gas. It's totally bonkers. One of the places it's happening—Vermont. Vermont State Sen. Alison Clarkson, Democrat, has introduced a bill that if it becomes law, will outlaw building new oil and natural gas pipelines in the state. No new pipelines, period. No new local utility pipelines, no new interstate or intrastate pipelines. No new nothing. Why? She has an irrational hatred of fossil fuels and believes in the fairy tale that burning fossil fuels is causing Mom Earth to toast, even though there is no such evidence. No new pipelines, yet bloviating numskulls like Sen. Clarkson will be the first ones to investigate local utility companies like Vermont Gas should they threaten to cut off new natural gas customers. When will people like Sen. Clarkson be held to account for her actions?! You can't ban pipelines and then demand more gas be delivered, as if by waving a magic wand it can happen. Westchester County and soon Long Island are learning these lessons the hard way. This is the fate that Vermont will also endure if such an utterly stupid bill is signed into law.

