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. Click on the “full post” links to read the entire post.

Monday, Feb. 11:

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CNX Says Well Casing Issue, Not Fracking, Caused Rogue Utica Well

PA DEP to Issue “Acid Rain Permit” to Gas-Fired Power Plant

ODNR Shakes Down XTO Energy $425K for First Responders

Foreign LNG Imports Save New England from NatGas Shortage

Ohio Schools Rub Hands Together Waiting for NEXUS Tax Revenue

Blue Ridge Mountain Res. Shareholders Approve Eclipse Merger

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FERC Approves Partial Startup of Columbia’s Gulf XPress Pipe

ET Still Fighting Ohio AG re Rover Pipe Enviro Violations

Weymouth, MA Loses Fed Court Case to Block Compressor Station

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Acid Rain Emissions from Power Plants Flat Thru 2050 Thx to Shale

Wednesday, Feb. 13:

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CNX, Range Resources Proved Reserves Both Go Up

New “Report” Attacks WV Shale, Advocates 10% Severance Tax

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Bill to Encourage More Utica Wells Advances in WV Legislature

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Arsenal Energy Exits Bankruptcy in 10 Days Flat

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Exxon Building New Gulf Coast LNG Export Plant, M-U to Feed

It’s Time to Support Williams’ NESE Project in NY – Here’s How

Friday, Feb. 15:

EQT 2018: $2.2B Loss; CEO Ridicules Rice Plan, No “Magic App”

New Details on Williams and Unpaid Pipe Contractors in Lancaster

TransCanada Plans to Move W. Canadian Gas into New England

Eclipse 2018 Production (but not Financial) Results

Another New England Utility Says No New Gas Customers

Mountain Valley Pipeline Will be Done and Online in 2019

Rest of Mountaineer XPress Pipeline Ready to Go Online No

MONDAY - Feb. 11, 2019

PA Gov Wolf Declares War on ET/Sunoco – No New Pipeline Permits (full post)

Pennsylvania Gov. Tom Wolf has just declared full-on war with Energy Transfer and its Sunoco Logistics subsidiary by directing the Dept. of Environmental Protection (DEP) to suspend all reviews of clean water permit applications and other pending approvals for all of ET/Sunoco's pipeline projects in the state, including Mariner East 2 (ME2) and the Revolution pipeline project. The stated reason for the no-new-permits action is lack of progress in fixing eroding, sliding hillsides for the Revolution pipeline project, a 24-inch gathering pipeline in Beaver County, PA (Pittsburgh area) which shifted and exploded last September. Fortunately, nobody was hurt, although a nearby home, barn and two garages were leveled by fire from the blast. That region, like much of the northeast, had been pounded by rain week after week and month after month. All that rain resulted in a landslide, which caused the explosion. ET began work to fix it, pushing dirt around the entire 100-mile length of the pipeline to ensure there are no other problems. But a month later, the DEP put a stop to that work, and since that time work has remain stopped. The DEP hasn't budged since last October. According to the DEP, ET has not shown it can keep the area "stable enough" to run heavy machinery and fix the ground where the blast occurred. Revolution remains closed down. Last November, ET filed an appeal with the Environmental Hearing Board to refute the DEP's stop work order for Revolution. And there it remains, with both sides squabbling. In January, the DEP sent another letter to ET telling them their work on Revolution is not up to scratch. Now Wolf and the DEP are escalating the feud by refusing to allow ET to advance any of their pipeline projects in the state. It appears Wolf and the DEP are using a prohibition on ME2 work as a club, as leverage, to get ET to address ongoing issues with Revolution. Which is certain to set off a legal firestorm by ET. Watch for it to happen.

CNX Says Well Casing Issue, Not Fracking, Caused Rogue Utica Well (full post)

CNX Resources say they think they know why a Utica well they were fracking in Westmoreland County, PA suddenly lost pressure as they were fracking it–with gas escaping into nearby conventional wells. The reason for the loss of pressure and leaks into other wells had nothing to do with fracking itself. The problem is a faulty well casing. 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. CNX looked at all conventional wells within a two-mile radius of the Shaw well because it's possible more wells were impacted. CNX and the state Dept. of Environmental Protection (DEP) are still 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 working theory is a bad well casing about a mile down.

PA DEP to Issue "Acid Rain Permit" to Scranton Gas-Fired Power Plant (full post)

Pennsylvania's largest operating natural-gas fired electric generating plant, Lackawanna Energy Center (LEC) near Scranton (in Jessup), will soon receive a permit officially allowing and capping sulfur dioxide emissions from the plant. Should nearby residents be concerned? The short answer is "NO." They should not be concerned. But just mentioning that the plant is "polluting" the air with SO2 (sulfur dioxide) is enough to alarm some people. The Scranton Times-Tribune newspaper, which is typically anti-drilling and anti-shale, does a passable job in an article of presenting "both sides" of the SO2 issue. The reporter quotes one expert, from Syracuse University, who tries to put potential SO2 output from LEC into context. We contextualized it this way: In brief, yes, LEC will emit some SO2. The question is, is it enough to harm nearby humans, animals and the environment? What the author of the article (and expert quoted) don't provide are the following facts, taken from an article appearing on the Sciencing website: 1. Yes, burning fossil fuels (coal, oil, natural gas) is a major source of SO2 emissions. 2. Coal-fired power plants represent about 50% of all SO2 emissions. 3. Oil-fired power plants (which are used in New England when natgas supplies run low in the winter) represent another 25-30% of all SO2 emissions. 4. Other smaller sources of SO2 emissions come from industrial processes, like extracting metal from ore. 5. SO2 emissions also come from burning fuels with a high sulfur content, things like locomotives, large ships and off-road equipment. 6. Natural gas-fired plants, including LEC, represent a small fraction of all SO2 emissions.

ODNR Shakes Down XTO Energy $425K for First Responders (full post)

The Ohio Dept. of Natural Resources (ODNR) is doing a happy dance that they've shaken down XTO Energy $425,000 to settle a violation by XTO for drilling a shale well in Belmont County a year ago that exploded and caught fire. Last February, XTO was drilling a fourth Utica Shale well on the Schnegg well pad near Captina Creek (York Township, Belmont County, OH) when XTO "lost control" of the well and it exploded and caught fire. There were 24 people working at the well pad at the time. Fortunately, none of them were injured. Following the explosion and fire, 36 nearby homes and farms (around 100 people) were evacuated. XTO put them up at nearby hotels in St. Clairsville, Moundsville and Wheeling. Crews worked hard to try and keep the brine gushing from the well from reaching Captina Creek. XTO hired Wild Well Control to put out the fire (which happened quickly). XTO also hired Cudd Energy Services to cap the well. So the accident was already expensive to begin with, and now ODNR has extracted a few more pounds of flesh from XTO, giving it to (very worthy) local first responder organizations. We included the list of recipients in this post.

Foreign LNG Imports Save New England from NatGas Shortage (full post)

The following story highlights what should be, in our opinion, a crime: Foreign liquefied natural gas (LNG), in record amounts, is coming to Boston and being offloaded into the Algonquin Gas Transmission pipeline in order to meet the high demand of New Englanders for gas. In fact, a new record has just been set for the amount of foreign LNG imports flowing for a single day. Maddening. What's maddening is that there's more than enough cheap, locally-extracted natural gas from the Marcellus just a few hundred miles away that could feed New England–except new pipelines are being blocked by Andrew Cuomo (NY) and idiot politicians in New England. So they import LNG from foreigners instead. The following press release from Excelerate Energy crows about a new record set for LNG flowing through their offshore "terminal". The release does not mention where the LNG comes from. Based on our own research, it seems likely most of the LNG comes from Trinidad & Tobago. However, it's also possible LNG has arrived from Russia, which happened last year too. This is madness–that we can't ship LNG from the U.S. to Boston due to a law (the Jones Act) over 100 years old, and because pipelines are being illegally blocked by people like Cuomo. Enough! We hold no grudges against Excelerate Energy–they're in business and doing business and justifiably proud of their accomplishment. They just flowed 800 million cubic feet per day (MMcf/d) of natural gas from their offshore "terminal" to the Algonquin pipeline. Speaking of which, the Excelerate "terminal" is two big ships parked 13 miles off the coast, with pipelines connected to them. When you read "terminal"–it means ship.The offshore "terminal" which stores the LNG, regassifies it, and sends it through an underwater pipeline, was set up in 2008. What the press release does not tell you is where the incoming LNG is from. They don't want to inflame people's just sense of outrage that the LNG is coming here from foreign countries, when we have plenty of our own domestic natgas that could flow to New England. That is the problem. We suppose we would feel a little better if the LNG being offloaded at Excelerate's Northeast Gateway was coming from the U.S.–but as we mentioned, it can't because of an arcane law called the Jones Act that requires LNG tankers to be owned by U.S. companies and manned by U.S. personnel. Such LNG tankers simply don't exist.

Ohio Schools Rub Hands Together Waiting for NEXUS Tax Revenue (full post)

NEXUS Pipeline, a $2.6 billion, 255-mile interstate pipeline that runs from Ohio into Michigan, began a partial startup in October, and was fully online in November. Although there was early opposition to the project, and some complaints from landowners along the route of construction, the project is noteworthy for the just how little complaining there actually was. Not all restoration work–things like reseeding and landscaping–is done. And a few landowners still have some scattered complaints related to unfinished work. Massive amounts of rain in the region prevented final restoration work last year, which NEXUS says will get done this spring. In the meantime, local school districts are rubbing their hands, anticipating tax payments that will begin to flow into their coffers beginning in 2020. How much? They don't yet know for sure, but one school says it is expecting somewhere around $6.2 million, another $3.6 million, and yet another $1.4 million–for that's just for year one! No wonder the schools are rubbing their hands together and can't wait.

Blue Ridge Mountain Resources Shareholders Approve Eclipse Merger (full post)

Last August Eclipse Resources announced it had sold itself to Blue Ridge Mountain Resources, the renamed remnant of Magnum Hunter Resources. Although Eclipse shareholders have approved the deal, not until today was there official approval by the shareholders of Blue Ridge Mountain Resources. According to the press release below, the merger will happen by the last week of February. Which can't come too soon for Eclipse since last month the NYSE has threatened them with delisting their stock. We maintain that Blue Ridge is the company doing the buying, although the transaction is technically a merger (and although the name will remain Eclipse). Why do we say that? Because post-merger most of Eclipse's top management is exiting state left, and Blue Ridge people are assuming most of the top management positions.

TUESDAY - Feb. 12, 2019

Antero to Pay $11M in Fines/Restoration for Clean Water Violations (full post)

This has to be a record-high amount for a fine plus remediation work, at least in the Marcellus/Utica. Antero Resources has cut a deal with three government entities–the U.S. Dept. of Justice, federal Environmental Protection Agency, and West Virginia Dept. of Environmental Protection–to pay a $3.15 million fine and spend another $8 million to mitigate and restore 32 sites in West Virginia. Antero is accused of violating the federal Clean Water Act with "unauthorized activities [and] violations that threaten human health and the environment" in Harrison, Doddridge, and Tyler counties. What kind of health-threatening violations did Antero engage in? * monkeyed with some creeks (without permission) * filled in some swamps in order to build compressor stations (without permission) * changed the course for a few sections of streams (without permission) * failed to fully restore "temporary" impacts. In other words, Antero did what all drillers do when building roads and well pads. They just didn't get a "mother may I?" permission slip first from a dozen different local/state/federal/galactic/intergalactic regulatory agencies. We're not excusing bad behavior, we just fail to see where there was any seriously bad behavior on the part of Antero. Certainly there was no intentional bad behavior. The DOJ itself, in announcing the "deal" cut with Antero, said: "Approximately half of the [32] sites were identified by Antero through a self-audit. Several of the sites were associated with construction failures or "slips" from access roads and pads." Antero turned themselves in! "Hey, we missed some things, here's a list." And some of the "impacts" and "harms" came from accidents, not intentional actions on the part of Antero. And so now Antero must pay the piper, big time. The DOJ reached a "settlement" with Antero. Here's how it works with the DOJ and settlements–they tell you how much you'll pay, and you pay it. Or else you go to jail and they shut your company down. "I'm gonna make him an offer he can't refuse." Where have we heard that before?

PA Businesses Still Not Paid for Atlantic Sunrise Pipeline Work (full post)

Hey Williams, get off your rear-ends and start paying the bills owed for work done on YOUR pipeline! At least 77 local businesses in and around Lancaster County, PA are caught in the crosshairs of a dispute between Williams and one of its main contractors, Welded Construction. Last October Welded Construction, a pipeline construction contractor headquartered in Perrysburg, OH, filed for Chapter 11 bankruptcy protection because Williams refused to pay them $23.5 million for work completed on Atlantic Sunrise Pipeline, and that refusal/dispute leaked out into the marketplace and created a "liquidity crisis" (crisis of confidence) with other Welded customers and their projects. By filing for bankruptcy protection, Welded sought to create "breathing room" and settle folks down and reassure them their projects are OK. Welded had further subcontracted out to local businesses in the Lancaster area for the Atlantic Sunrise project, and because Welded is in bankruptcy, and because Williams has still not paid them, Welded can't pay its bills. Now the little guys Welded hired to help build the pipeline (a pipeline that now turns in big bucks for Williams) are stiffed. Some of them are on financial life support nearing bankruptcy themselves because of this mess. We get it. Williams may have a legitimate beef with Welded. Even if Williams is totally within their rights and has good cause to refuse payment to Welded, the fact remains this is a public relations disaster for Williams. Williams needs to make the situation right and make it right, NOW. Pay off the little guys on behalf of Welded, so they can stay in business. Otherwise, for the next pipeline project Williams builds, the little guys will think twice, and maybe walk away, from doing business with Williams and its contractors. Williams' reputation is on the line here. MAKE IT RIGHT. Paying $23.5 million to make it right may end up being a small price in the end.

FERC Approves Partial Startup of Columbia's Gulf XPress Pipe ([full post](#))

Yesterday the Federal Energy Regulatory Commission (FERC) granted TransCanada's Columbia subsidiary permission to begin a partial startup of the Gulf XPress Project that adds additional compression to the Columbia Gulf Transmission pipeline to flow more Marcellus/Utica gas to the Gulf Coast. Gulf XPress works hand in glove with another Columbia project–Mountaineer XPress. Both projects will carry significant volumes of Marcellus/Utica gas to new markets. Mountaineer XPress is 170 miles of new pipeline designed to flow 2.7 billion cubic feet (Bcf) per day of natural gas from existing and future points of receipt along or near the Columbia pipeline system–most of it located in West Virginia. At 2.7 Bcf/d, Mountaineer XPress is the second largest (by volume) new pipeline project for the Marcellus/Utica region–second only to Rover's 3.25 Bcf/d pipeline. FERC recently granted permission to start up a portion of Mountaineer. Gulf XPress consists of building seven new midpoint compressor stations along the existing Columbia pipeline system in Kentucky, Tennessee and Mississippi, with the aim of moving an additional 875 million cubic feet (MMcf) of Marcellus/Utica gas per day southward, to the Gulf Coast region. Yesterday FERC granted permission for part of Gulf XPress to begin service.

ET Still Fighting Ohio AG re Rover Pipe Enviro Violations ([full post](#))

Ohio's current Governor, Mike DeWine, is an establishment-type swamp dwelling Republican. DeWine was Attorney General for Ohio in November 2017 when he was manipulated into suing Energy Transfer claiming the Rover Pipeline project was guilty of "polluting state waters while constructing a natural gas pipeline across Ohio." The lawsuit has essentially gone nowhere since that time. Really? Yeah, the wheels of "justice" grind sloooooooooowly in Ohio. ET says Ohio has no right or jurisdiction to bring such a lawsuit against the Rover project because Rover is a federally-approved and regulated project. If anyone files such a lawsuit, it should be the Federal Energy Regulatory Commission (FERC). The Ohio AG's office says ET violated not only federal regulations, like the Clean Water Act, but also state environmental regulations issued by the Ohio EPA. (OEPA's director, Craig "Captain Ahab" Butler, rises up again to kill the great white pipeline.) Who's right? A judge will decide whether or not the lawsuit can proceed. Final briefs and arguments were filed in November 2018, a year after the lawsuit was originally brought against ET/Rover. There is "no timetable" for when the judge will make her ruling.

Weymouth, MA Loses Fed Court Case to Block Compressor Station ([full post](#))

The folks of Weymouth, Massachusetts have for years tried to block a new compressor station project, part of a Spectra Energy/Enbridge project to beef up capacity along the Algonquin Gas Transmission pipeline. Algonquin filed a lawsuit against Weymouth Town and its conservation commission in District Court of Massachusetts. The court ruled in Algonquin's favor and the town appealed the ruling to the U.S. Court of Appeals for the First Circuit. Weymouth asked the First Circuit to dismiss Algonquin's lawsuit and "help it protect its natural resources" by rejecting the compressor station. Yesterday the court told Weymouth "NO." The court rightly recognizes the compressor station as part of a federally regulated project. Weymouth had drafted up a wetlands ordinance prohibiting the compressor station. The First Circuit said too bad so sad–but federal laws trump your local ordinance. Last month the State of Massachusetts granted the project an air quality permit. Antis can still contest the state air permit and buy a few more months during an appeals process, but the end game is now in sight. Construction of the compressor station will begin by mid-year.

NY Court Shoots Down Request to Roll Back Power Plant Conversion ([full post](#))

It is beyond bizarre that the Sierra Club, which claims it defends the environment, works so hard to stop electric generating plants from converting from coal to natural gas. As we pointed out yesterday, gas-fired plants produce a small fraction of nasty pollutants like sulfur dioxide, compared with coal. Yet the Sierra Club continues to launch lawsuit after lawsuit aimed at stopping conversion from coal to gas. Why? The Clubbers are, of course, trying to close all fossil fuel plants. They hate coal, and now they hate natural gas. And hate is the correct word. The Clubbers don't actually want electric plants to convert back to coal, they simply want all of them shut down. Do without more electricity instead of have electricity generated by fossil fuels of any kind. Yes, it's certifiably nuts. The Clubbers tried their "you can't convert" routine with a project in Dresden, along the shore of beautiful Seneca Lake in Upstate New York. A state appeals court has just shot down the Sierra Club's request to make the plant quit using natgas, which would require it to close again. The court told the Clubbers they were a day late and a dollar short (our interpretation of the opinion). The Greenidge power plant in Dresden had been a coal-fired plant. It was closed down, but in 2017 it reopened, following all required laws and regulations, using natural gas instead of coal. Far less polluting. Far better for the environment. Far better for local taxpayers who once again get revenue from the facility in the way of taxes. But because it burns natgas, the loons at the Sierra Club tried their best to shut it down again. Thank God they failed.

Acid Rain Emissions from Power Plants Flat Thru 2050 Thx to Shale ([full post](#))

Yesterday MDN brought you the story of a so-called acid rain permit issued to Pennsylvania's largest natural gas-fired electric generating plant. We outlined in that article the teeny tiny amount of sulfur dioxide (SO_2), the stuff that causes acid rain, that gas-fired plants emit compared to coal and oil-fired plants. Because of the ongoing, rapid conversion of coal-fired to gas-fired plants here in the U.S., the Energy Information Administration says nasty emissions like SO_2 and NO_x (nitrogen oxides) has gone into the basement and flatlined, and will stay there through 2050. This is seriously good news. And it's all because of abundant, cheap, low-emissions shale gas. That's the news here–how the Marcellus/Utica (and other shale plays) are cleaning up the air around us. Hypocritical Big Green groups refuse to acknowledge the truth staring them in the face.

WEDNESDAY - Feb. 13, 2019

The Real Story of Antero's $11M Clean Water Act Violations (full post)

Yesterday MDN began our lead story about a big fine for Antero Resources by saying, "This has to be a record-high amount for a fine plus remediation work, at least in the Marcellus/Utica." We humbly admit we were wrong. In checking our records, we found that in a similar case from 2014, Trans Energy paid even more, quite a bit more. We researched what this whole business is about, why Antero and others were fined, interviewing a top Antero official, and we now have a far better understanding of what happened and why. On Monday the U.S. Dept. of (so-called) Justice issued a press release to say they had reached a settlement with Antero Resources, charging Antero with violating the federal Clean Water Act with "unauthorized activities [and] violations that threaten human health and the environment" in Harrison, Doddridge, and Tyler counties in West Virginia. Antero agreed to pay a $3.15 million fine and spend another $8 million to mitigate and restore a wetland site in WV that has nothing to do with the original violations. Penance. We nosed around and discovered, in our own archives, that Trans Energy was clipped for the same thing back in 2014. In Trans Energy's case, they were forced to pay a $3.6 million fine and perform $13 million worth of restoration work–total tab of $16.6 million! And there were others. Chesapeake Energy was forced to pay a total of $9.7 million in 2013–a $3.2 million fine and $6.5 million to clean up 27 sites in WV. XTO Energy was forced to pay a total of $5.3 million in 2014–a $2.3 million fine and $3 million to clean up various sites in WV. So what in the world is going on here? First thing you notice is that all of these cases involve violations of the Clean Water Act (CWA), and they all happened in WV. What's not apparent is that all of the violations stem from work done in 2011 or before–at the beginning of the shale revolution in WV. What's that? You mean that this settlement between the DOJ, EPA, WVDEP and Antero stems from work done before mid-2011? YES. We requested and got an interview with Al Schopp, Chief Administrative Officer, Regional Senior Vice President and Treasurer for Antero. Al is the guy in charge of what happens in WV. We got the straight story from him. The first thing to know is that all of Antero's 32 violations of the CWA happened *before* June 30, 2011. There may have been one or two cases after that time, but soon after. In other words, Antero has not violated the CWA pretty much since that time. These are all OLD cases that have taken this long to resolve with the DOJ. Why so many violations before June 2011, not only for Antero but the other drillers who got clipped by the DOJ? Basically it stems from a misunderstanding and misinterpretation of the CWA. Different groups within the company and within government agencies used different "delineators" for what is and is not a wetland or intermittent stream–they used different definitions. Based on unclear and fuzzy language in the federal code itself, Antero workers believed certain areas where they built well pads were not in violation of the CWA according to the Waters of the United States (WOTUS) definition. Turns out they were wrong. In 2011 the definitions were cleared up. Antero voluntarily, without prompting from the government, reviewed all of its well pad and other construction projects in WV using the now cleared-up definition, and found 20 cases where they had built on a wetland or affected a stream without getting proper permission (two-thirds of the final number of violations). Antero turned themselves in! You need to understand, Antero and other drillers WANT to do things the right way. They do not seek to cut corners and skirt regulations. This was a case of an honest mistake–and Antero's attempt to make it right once the mistake was discovered. The EPA and WVDEP reviewed Antero's self-confessed violations of the CWA and now, nearly nine years later, a final resolution of the matter has been reached with the DOJ. Yet the DOJ, in its press release about the Antero settlement, mentions none of this. The DOJ press release leaves out the fact that most (if not all) of the violations of the CWA happened before June 2011, and that none of this is new. The DOJ press release implies Antero's violations are recent, not close to a decade old. And the release implies the Antero was caught red-handed by regulators, which is not the case. Antero volunteered the information. So now you know the rest of the story–the real story. And MDN is the only place where you get the real story.

EQT Settles WV Class Action Royalty Lawsuit for $53.5M (full post)

In 2013 some 10,000 West Virginia landowners/rights owners filed a class action lawsuit against EQT over their practice of post-production deductions from royalty checks. The lawsuit was scheduled to go to trial last November, but at the last minute, it didn't. Word leaked that EQT had settled out of court. Since that time we haven't heard a peep–until this morning when EQT announced the terms of a "tentative" settlement. EQT has agreed to pay $53.5 million into a settlement fund that will disburse payments to each individual litigant–unless they elect to opt out of the settlement and continue on with a private lawsuit against EQT. The payment works out to be an average of $5,350 per landowner/rights owner. Of course some individuals will get a lot more, and some a lot less, depending on their lease, how much land they own, how much the well produced, etc. It will be a logistical nightmare to figure it all out–but there you go. We think the most important element of the settlement is this: "EQT has agreed to stop taking future post production deductions on leases determined by the Court to not permit deductions." No more post-production deductions, unless lease language specially allows it. And this: "EQT and the class representatives also agreed that future royalty payments will be based on a clearly defined index pricing methodology." No more funny business with the price used to calculate the royalty. Is this settlement a good deal? That remains to be seen. On the surface it appears to be a good deal. We'd like to hear from WV landowners signed with EQT who are a part of the class action, to see what they think about it.

CNX, Range Resources Proved Reserves Both Go Up (full post)

It's that time of year for energy companies to issue updates on just how much oil and gas they own in the ground, recoverable at current prices. Both CNX Resources and Range Resources, two major Marcellus/Utica producers, recently issued statements outlining their "proved reserves." CNX has 7.9 trillion cubic feet equivalent (Tcfe) in proved reserves as of Dec. 31, 2018. Range Resources has 18.1 Tcfe in proved reserves.

New "Report" Attacks WV Shale, Advocates 10% Severance Tax (full post)

A partisan left-wing group calling itself the West Virginia Center on Budget & Policy along with another partisan left-wing group called the Institute for Energy Economics and Financial Analysis (IEEFA) released a report last week that claims WV's shale industry has "fallen short" in delivering on economic promises, and the way to fix it is to boost the severance tax from 5% to 10%! Yeah, they're out of their collectivist minds. West Virginia is already struggling with a 5% severance tax on natural gas–higher than the tax charged in both Pennsylvania and Ohio. Which means drillers often will drill in PA or OH instead of WV. High taxes do change behavior. The more you tax something, the less of it you get. But that simple economic law seems to escape lefties like those publishing this faux "report." Thing is, lazy (or stupid) reporters in mainstream media pick it up and amplify the report, giving it credibility that it does not deserve.

Atlantic Coast Pipeline – Where Do Things Stand? (full post)

Although 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 company is still committed to building the pipeline. 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. Where, exactly, do things stand? What's holding it up? Give us a sitrep! A series of lawsuits is the problem. Since early December construction for ACP has been idled 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. So we're in wait mode. We recently spotted a couple of articles of interest. One outlines the regulatory and litigation history of the project to date. The other highlights a new lawsuit against a compressor station for the pipeline slated to get built in Virginia. Dominion is up to its neck in legal alligators.

Dominion's Plan to Reduce Methane Emissions 50% in Next 10 Years (full post)

Yesterday Dominion Energy announced they are launching a bold new program to cut down on methane emissions coming from their operations by 50% over the next 10 years. In raw numbers they hope to prevent 430,000 metric tons of methane from entering the atmosphere, "the equivalent of taking 2.3 million cars off the road for a year or planting nearly 180 million new trees." Hey, the more methane that stays in the system and doesn't escape, the better. It's better for the bottom line! That's methane you can sell. Of course the stated reason Dominion is undertaking this initiative is to appease the Big Green lobby–the warmers who believe methane escaping is a contributing factor to "global warming." Hey, if the marketing department can make some hay with it, fine by us. What Dominion doesn't seem to realize is that Big Green wants Dominion out of business. Dominion is appeasing the wrong people. Dominion outlines in the announcement below how they will go about cutting down their methane emissions by 50%.

Must-See Video on "Climate Change" (full post)

It's time to confront the "climate change" debate head on, since so-called man-made global warming (now renamed climate change) is supposedly caused by burning fossil fuels. We have a *must watch* video from the creative folks at Clear Energy Alliance that does a masterful job of skewering the climate change hoax that everyone seems to believe in. PLEASE WATCH THIS VIDEO! In order to know if a scientific theory may be true, there must be a way to demonstrably prove it to be false. Unfortunately, many climate change scientists, the media and activists are ignoring this cornerstone of science. In the bizarre new world in which we live, all unwelcome climate events are "caused" by "climate change." Ever notice that? If it's really hot–that's climate change. If it's really cold–yep, climate change. The global warming theory says by burning fossil fuels carbon dioxide is released into the atmosphere forming a canopy that traps in heat. So how can you have colder than normal temps when supposedly a canopy traps heat and warms the entire earth? It's all nonsensical gibberish. As legendary scientific philosopher Karl Popper noted, "A theory that explains everything, explains nothing."

THURSDAY - Feb. 14, 2019

Bill to Encourage More Utica Wells Advances in WV Legislature (full post)

Here's something we didn't know: In West Virginia there's a regulation on the books, put there decades ago (pre-shale), that stipulates wells targeting "deep" formations including the Utica Shale must be at least 3,000 feet apart. In today's modern shale-drilling world, multiple wells are drilled on a single pad–within a few feet of each other. But in WV, that's not happening with Utica wells. At least, not without filing for an exemption from this arcane old regulation, a process that costs drillers about $25,000 in legal and regulatory fees. Hence, there's very little Utica drilling in the Mountain State. That may change this year. A bill is advancing through the WV legislature, House Bill (HB) 2834, which would change the spacing restrictions for deep Utica wells and allow multiple wells on the same pad. The West Virginia Oil & Natural Gas Association (WVONGA) says HB 2834 is it's "top priority" during this year's 60-day session of the WV legislature. And for good reason. There's a lot of great Utica locations in WV.

Trump Tells Cuomo F2F – You Should Allow Fracking & Pipelines (full post)

New York Gov. Andrew Cuomo's foolish policies have finally come home to roost. You can only overtax and overregulate for so long before a state's economy comes tumbling down–and that's just what's happening to poor Andy, who went hat-in-hand to the White House on Tuesday to beg and plead with The Donald to tweak the newly implemented tax federal tax cut. Andy is mad that the Trump tax cut negatively impacts New York because NY has sky high state and local property taxes. The federal tax cut disallows deducting more than $10,000 of state and local taxes (or SALT). So states like NY with super high tax burdens no longer receive the "advantage" of being able to deduct all of those obscenely high taxes from their federal returns. End result–the super rich are moving out of NY as fast as the middle class is leaving–to escape crushing taxes. Andy is hosed. So while Andy begged Trump in the Oval Office to tweak the tax code, Trump took the opportunity to lecture Andy that he (a) ought to allow fracking, and (b) needs to allow pipelines. That didn't sit well with the spoiled man-child. Trump even told Andy that murdering about-to-be-born babies isn't such a good idea either. Talk about rubbing SALT in the wound! What did Cuomo really hope to accomplish in visiting the White House? No idea. We fail how to see it buys him anything politically. His visit makes him look like the weak, pathetic "leader" he is.

Rice Boys Goose EQT Board – Ask for April (not June) Annual Mtg (full post)

Earlier this month Toby and Derek Rice, formerly executives with Rice Energy (before it sold to EQT), launched a proxy war to nominate board members who will appoint Toby CEO of EQT.

The Rice boys are goosing the EQT board, asking them to schedule the annual meeting (where a vote will be taken) in April and not two months later in June as currently planned. Last year EQT was going through a split, separating the midstream (pipeline) company into a standalone, separate company. Because of the split, the company delayed its normal April annual meeting to June. Given the ongoing struggle to replace board members and all of EQT's top management, the board wants to delay this year's annual meeting to June once again. The Rice boys are saying "no way."

Arsenal Energy Exits Bankruptcy in 10 Days Flat
(full post)

On Feb. 4 the parent holding company for Marcellus driller Arsenal Resources, Arsenal Energy Holdings LLC, applied for what has to be the fastest "prepackaged bankruptcy" we've ever heard of. At the time they said they wanted to be out of bankruptcy no later than Valentine's Day–today. By golly, we they did it. Yesterday the judge in the case signed off on the plan and Arsenal's lawyer said the plan would go into effect today, Valentine's Day. The bankruptcy converted $861 million of 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 said "100% of its common equity holders" have voted in favor of the deal. That says to us all of the shareholders were in favor of the plan and will benefit from it. The judge himself said the fast turnaround is "not easy to wrap one's head around," but Arsenal had all its ducks in a row. So yesterday the judge signed off on the paperwork.

Westchester County Panic Continues – New Gas Requests Double (full post)

Utility company Consolidated Edison recently announced it will slap a moratorium on hooking up new customers for natural gas in Westchester County (NYC suburb) beginning March 15. Guess what's happened? New applications to hook up to the gas line have doubled and there's a virtual stampede to Con Ed's door to file even more requests–before the March 15 deadline. It seems that threatening a moratorium is good for business! Too bad there's not enough gas to service all the people who want it. Westchester County, a northern suburb of New York City, is in trouble thanks to Gov. Andrew Cuomo. Cuomo not only disallowed fracking in the state four years ago, he has also blocked new pipelines to bring Pennsylvania fracked gas into the state. The end result is that some areas of the state (in and around NYC) that continue to expand and need natural gas, are now running out. The situation in Westchester County is indisputably the DIRECT RESULT of Cuomo's policies in blocking new pipelines. Yet Cuomo and his henchman are trying to throw the blame back on Con Ed. We continue to find the situation amusing–that the same arrogant leftists who voted Cuomo into office and keep reelecting him are now pointing at everyone but themselves and Cuomo, trying to figure out what to do and who to blame. Westchester County is about to experience something the rest of NY west of the Hudson River has experienced for the last decade: an economic recession bordering on depression. Serves them right. Westchester is where all the cool kids live, like Bill and Hill, Andy and Sandra Lee. Arrogant snobs. Now some of those new upscale apartment buildings and restaurants and hotels won't get built in Westchester. Gee, we're so sad.

Exxon Building New Gulf Coast LNG Export Plant, M-U to Feed (full post)

Last week ExxonMobil and Qatar Petroleum announced a final investment decision (FID) to build Golden Pass LNG terminal, on the Texas side of the Sabine-Neches Waterway. That's a stone's throw from Cheneire Energy's Sabine Pass LNG terminal on the Louisiana side of the waterway. Marcellus/Utica gas flows to the Cheniere facility. Will it also flow to Exxon's when it's built? We believe the answer to that question is, "Yes!" However, the Exxon Golden Pass LNG terminal won't be built and operational until 2024 at the earliest. A long way off. There's no question much of the gas that will feed the Golden Pass terminal will come from the prolific (and nearby) Haynesville Shale. Enable Midstream is building the Gulf Run Pipeline, a 171-mile pipeline that will (as you will read below) "originate at an interconnect in Westdale, LA (in Red River Parish) with Enable's existing 1.9-Bcf/d Carthage-to-Perryville line, which traverses west-to-east through the heart of the Haynesville." Here's the tie-in with the Marcellus/Utica. "From there, Gulf Run would move gas south to Starks, LA, in Calcasieu Parish. The Gulf Run project includes modifications to Line CP to make it bi-directional between the Perryville hub — which is a critical Marcellus-to-Gulf Coast gateway hub in northeastern Louisiana — and the Carthage hub in East Texas." Yes, the very pipeline which will feed the Golden Pass project will connect with Marcellus/Utica supplies too. Meaning our molecules, one day, will flow to this new export facility.

It's Time to Support Williams' NESE Project in NY – Here's How (full post)

It's no secret that getting a gas pipeline project of any kind approved in New York State is an uphill battle because our governor, Andrew Cuomo, blocks all new pipelines in a bid to keep his left wing supporters happy. An important project from Williams, the Northeast Supply Enhancement (NESE) which would beef up capacity along the Transco pipeline system going into New York City, is about to get two hearings with the state Dept. of Environmental Conservation. 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 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. Now the DEC is ready to rule. They are conducting a public comment period during which people can write in with their thoughts on the project, ending March 15. The DEC is also conducting three public hearings, two on the same day in Brooklyn, and one in Rockaway Park. It's time to support this project! Below is a message we recently received from Williams, encouraging people to submit comments and sign up to come to the public hearings.

FRIDAY - Feb. 15, 2019

EQT 2018: $2.2B Loss; CEO Ridicules Rice Plan, No "Magic App" (full post)

EQT released its fourth quarter and full year 2018 update yesterday. The numbers show the company lost, on paper, $2.2 billion–but the loss was from "impairments," writing off the value of old assets they had sold. Not an actual $2.2B out-of-pocket loss. The company, which is the largest natural gas producer in the U.S., produced 1.49 trillion cubic feet equivalent of gas in 2018, up an incredible 68% from the 888 billion cubic feet produced in 2017. No doubt much of that increase came from adding in Rice Energy's production at the end of 2017 when the company was merged. And speaking of Rice, EQT CEO Robert McNally spent a good deal of time on the quarterly earnings phone call with analysts to discredit and ridicule the plan put forward by Toby and Derek Rice to "right the sinking ship" of EQT. On yesterday's call, McNally announced the company has found another $50 million they can cut, which is on top of the $50 million they're already cutting by laying of 15% of the workforce. We told you yesterday that the Rice boys are pressuring EQT to schedule the company's annual meeting in April, which has always been the case up until last year when it was in June (see Rice Boys Goose EQT Board – Ask for April (not June) Annual Mtg). McNally was asked by an analyst on the conference call when he thought the annual meeting would be held. McNally responded the board will decide that, and a date has not yet been scheduled. Nice dodge. At one point McNally quipped there's "no magic app" when it comes to decreasing certain costs, alluding to technology the Rice boys want to use to make the company more efficient.

New Details on Williams and Unpaid Pipe Contractors in Lancaster (full post)

It seems we owe an apology to Williams for the story we ran earlier this week. We took Williams to task for the fact many of the subcontractors that did work for their contractor Welded Construction have still not been paid for work done on the Atlantic Sunrise Pipeline project. There's far more to the story, including details on how those subcontractors can get their money. According to press reports (that we previously highlighted here on MDN), last October Welded Construction, a pipeline construction contractor headquartered in Perrysburg, OH, filed for Chapter 11 bankruptcy protection saying they did so because Williams refused to pay them $23.5 million for work completed on Atlantic Sunrise Pipeline, and that refusal/dispute leaked out into the marketplace and created a "liquidity crisis" (crisis of confidence) with other Welded customers and their projects. In a follow up report earlier this week, LancasterOnline said some 77 subcontractors had still not been paid. Our post from earlier this week said maybe Williams does have a legitimate beef with Welded, but they can't ignore the little guys getting stiffed by *their* main contractor. We have since spoken to a knowledgeable source and got a fuller understanding of the situation. When Williams awarded the project to Welded, they agreed to pay Welded on a monthly basis in advance. Welded received money at the beginning of each month before they even performed work. Then, because things never go 100% according to plan on a big project like Atlantic Sunrise, Williams would pay overruns at the end of each month if the monthly advance hadn't covered all the costs and labor. As the project progressed, Williams believed they were finding discrepancies in Welded's billings, and they conducted an audit. The audit showed Williams had been overpaying for items that should have already been covered, so Williams withheld some of the money it felt it had overpaid Welded over the course of the project. That withholding resulted in the $23.5 million dispute that got a lot of press attention. The point is that **Welded was given enough money to pay their subcontractors each month**–but didn't. But let's go beyond the finger pointing between Williams and Welded. There's still 70 or more companies owed money in Lancaster and surrounding regions. Those companies CAN make a claim for the money they're owed. When Williams strikes a deal with a contractor like Welded, they require the contractor to put up a bond in advance. In this case Williams required Welded to post a $450 million bond to cover this kind of unfortunate circumstance. There is a process for filing a claim against that bond. Many of the affected Lancaster subcontractors have already done so. Williams wants all of them to do it. We don't know how long it will take, but we do know that some subcontractor claims have already been paid. Subcontractors who file a legitimate claim will get paid what they are owed. **Contact Williams directly** for details on how to file a claim. The company can be reached at atlanticsunrise@williams.com.

TransCanada Plans to Move Western Canadian Gas into New England (full post)

TransCanada has cooked up a plan to expand an existing pipeline in New England and connect it to a point in Quebec to flow gas from the opposite side of the continent, Western Canadian natural gas (over 1,000 miles away), into New England! And we can't get a single new pipeline project approved to flow Marcellus gas a few hundred miles away into New England. Something is seriously wrong with this picture. We won't recount the history of TransCanada's plan to ship gas from Western Canada to Ontario and Quebec to compete with cheap Marcellus/Utica gas entering the country. You can read about that history here: Lowball Western Canadian Gas Can't Compete with Marcellus/Utica. This gets a little complicated, but we need to connect some dots. **Portland XPress:** Last November we updated you on a project by TransCanada called the Portland XPress Project (PXP), a project to increase the capacity of TransCanada's Portland Natural Gas Transmission System (PNGTS), a 295-mile pipeline that spans New England from the Canadian border to pipeline connections in New Hampshire, Maine and Massachusetts. No, TransCanada is not proposing to build any new pipelines as part of their plan. In fact, there is very little construction for PXP–mainly just beefing up some existing compressor stations. Phase I is under construction and Phase II will soon be under construction. TransCanada filed for Phase III last June. In November the Federal Energy Regulatory Commission (FERC) issued a favorable environmental assessment (EA) for Phase III of the project, prelude to issuing a final approval. We thought the aim of Portland XPress was to increase flows of Marcellus/Utica gas into New England. Stupid us. **Westbrook XPress:** Yesterday TransCanada subsidiary TC PipeLines announced a new $100 million expansion project for the PNGTS system–a project that will work hand-in-glove with the existing PXP expansion. So TransCanada's plan all along has been this: Expand the ability to deliver more natural gas into New England markets with the PXP project, and then expand the amount of Canadian (not Marcellus/Utica) gas that can be delivered into that system with Westbrook XPress. We don't blame TransCanada. They want to make money, and they want to free up a bunch of currently stranded gas in Western Canada. Ship it to new markets. Even though TransCanada owns the Columbia Pipeline system here in the U.S., they are first and foremost a Canadian company with a desire to benefit Canadians. We understand and respect that. But we are outraged that we can't get a single pipeline project approved–new or expanded–to flow

Marcellus gas into New England. It's kind of ironic that a Canadian company has figured out how to move their fracked gas from the opposite side of the continent into New England, but we can't move our gas a few hundred miles to the same market. That's wrong on so many levels.

Eclipse 2018 Production (but not Financial) Results (full post)

Eclipse Resources, which is about to be merged with Blue Ridge Mountain Resources (the old Magnum Hunter Resources), just posted its fourth quarter and full year production results, along with 2018 proved reserves numbers. The update is short and not-so-sweet. What do we mean by not-so-sweet? The statement below is all that was issued–no context whatsoever, just a simple statement of topline numbers. Perhaps they don't want to upset the merger apple cart? Here's what was issued: Eclipse Resources Corporation (NYSE:ECR) (the "Company" or "Eclipse Resources") today is pleased to announce fourth quarter and full year 2018 production results along with year-end 2018 proved reserves. **Fourth Quarter and Full Year 2018 Results:** The Company reported fourth quarter 2018 average net production of 404.5 MMcfe per day and reported full year 2018 average net production of 343.2 MMcfe per day, which were both above the high end of the Company's previously issued guidance and analyst consensus estimates. For the fourth quarter of 2018, the Company's production mix was 72% natural gas, 16% natural gas liquids ("NGLs") and 12% oil, while the production mix for the full year 2018 was 72% natural gas, 17% NGLs and 11% oil. **Proved Reserves:** The Company has recently received its annual reserve report as prepared by its independent reservoir engineering firm, Software Integrated Solutions (SIS) Division of Schlumberger Technology Corporation, which estimated the Company's proved reserves (based on SEC pricing) at December 31, 2018 to be 1.86 Tcfe, a 28% increase compared to proved reserves at December 31, 2017. The composition by product of the year-end 2018 reserves was 82% natural gas, 7% oil and 11% NGLs. This increase in reserves was driven predominately by an increase in proved developed producing reserves which increased by 68% to 665 Bcfe related to new wells coming into production during 2018 and from the addition of incremental proved undeveloped reserves. SEC prices for reserves were calculated as of December 31, 2018 and among other items calibrated for quality, energy content and market differentials with the average adjusted product price weighted by production over the remaining lives of the properties being $59.12 per Bbl for oil, $2.99 per Mcf for natural gas, and $26.41 per Bbl of NGLs. Utilizing SEC pricing as of December 31, 2018, the PV10 1 of the Company's total proved reserves increased by 87% to approximately $1.37 billion, and the PV10 1 of the Company's proved developed producing reserves increased by 72% to approximately $671 million, compared to the Company's respective reserves at December 31, 2017. For the year 2018, the Company estimates that its drill-bit only finding and development cost, excluding revisions, was $0.47 per Mcfe. The all sources finding and development cost for estimated proved reserve additions, including revisions was $0.70 per Mcfe, which included the Company's acquisition of the "Flat Castle" acreage in Pennsylvania. The finding and development costs are based on the Company's preliminary and unaudited 2018 capital costs. Final capital costs will be provided in the Company's Annual Report on Form 10-K for the year ended December 31, 2018 and may differ materially from the Company's estimates.

Another New England Utility Says No New Gas Customers (full post)

Blocking pipelines into New York State and New England has real-world consequences. Lack of natural gas supplies is causing multiple local utility companies in New England and New York State to put moratoriums on new customers from hooking up to natural gas. Another local utility yesterday announced a moratorium–this latest one in Massachusetts. Last fall the Massachusetts-based utility Berkshire Gas Company announced due to lack of new natural gas supplies, they were making a temporary moratorium on new gas customer hookups permanent. Recently Consolidated Edison announced a moratorium on new gas customers beginning March 15 in Westchester County, NY, a northern suburb of New York City. National Grid, utility company for some of New England and Long Island, said it too is very close to implementing a moratorium on new gas customers. And now, Holyoke Gas and Electric in Massachusetts has slapped a moratorium on new gas customers throughout its system. Every single one of these moratoriums could have been, should have been, prevented. But weren't, because of Gov. Andrew Cuomo, Sen. Elizabeth Warren, AG Maura Healey and others of their liberal Democrat ilk who are blocking new pipeline projects in the NY and New England. Lay the blame at their feet.

Mountain Valley Pipeline Will be Done and Online in 2019 (full post)

Although there are still a few regulatory hurdles to jump, Equitrans Midstream (nee EQT Midstream) announced yesterday during their quarterly/annual update that the company's 303-mile Mountain Valley Pipeline (MVP) project is still on track to be done and online by the end of this year. Equitrans issued their 2018 and 4Q update yesterday, along with holding a conference call. On that call we got some interesting tidbits–about MVP for sure, but also about other things, like the company has been hired to build a pipeline to what will be West Virginia's first natural gas-fired electric generating plant.

Rest of Mountaineer XPress Pipeline Ready to Go Online Now (full post)

Last month the Federal Energy Regulatory Commission (FERC) gave permission to TransCanada's Columbia Pipeline group to start up a portion of the Mountaineer XPress Pipeline in West Virginia. Columbia says the rest of the Mountaineer project is now ready to go online. In December 2017, FERC issued a final approval for the Mountaineer XPress pipeline project. The $2 billion project is approximately 170 miles of new pipeline, meant to flow 2.7 billion cubic feet (Bcf) per day of natural gas from existing and future points of receipt along or near the Columbia pipeline system–most of it located in West Virginia (see Details on Columbia Pipeline Mountaineer XPress Pipeline Project). At 2.7 Bcf/d, Mountaineer XPress is the second largest (by volume) new pipeline project for the Marcellus/Utica region–second only to Rover's 3.25 Bcf/d pipeline. It is a big and important project. Now Columbia wants to bring the rest of it online.