Marcellus Drilling News

Helping People & Businesses Profit from Northeast Shale Drilling

MDN Weekly Digest

Issue 1, Vol. 8 - Mar 2, 2019

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.

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Friday, Mar. 1:

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MONDAY - Feb. 25, 2019

Cabot O&G 2018: Cash Generating, Marcellus Producing Machine (full post)

Last Friday Cabot Oil & Gas released its full year 2018 (and 4Q18) update, proclaiming 2018 was the best year ever for Cabot financially in the past almost 30 years the company has publicly traded shares of stock. The company hit new record natural gas production of 735 billion cubic feet equivalent (Bcfe) in 2018 (roughly 2 Bcfe/d), up 7% from 2017. Cabot made $557 million in profit during 2018, up from making $100 million in 2017. And they gave nearly $1 billion back to shareholders via dividends and share repurchases. In short, Cabot is a money-making and natural gas producing machine. In 2018 Cabot drilled 97 wells and completed 94 wells. Among the 97 wells drilled, 9 of them were Upper Marcellus wells, which Cabot is experimenting with for "what's next" after they exhaust drilling in the Lower Marcellus. This color commentary on their strategy from Cabot's Friday update: "The Company drilled and completed nine Generation 5 Upper Marcellus wells in the field during 2018. Based on the production data gathered to date, these wells on average have demonstrated an improvement over the average estimated ultimate recovery (EUR) per thousand lateral feet of 2.9 billion cubic feet (Bcf) from our earlier generation completions. "Given the limited sample size and production history, we plan to continue to allocate a small portion of our capital program annually to testing our Generation 5 completions in the Upper Marcellus in an effort to gather more production history from a larger sample of wells before updating our expected EURs; however, the long-term plan of fully-developing the Lower Marcellus before beginning full-development mode in the Upper Marcellus remains unchanged," stated CEO Dan Dinges. "Most importantly, our results from the 2018 wells reconfirmed what our previous Upper Marcellus results have demonstrated over the years, which is that we have two distinct, highly-economic intervals across our acreage position in Northeast Pennsylvania." What about 2019? Cabot said they would spend $800 million on drilling in 2019, which is down about 2% from 2018. That's more generous than most others in the Marcellus/Utica who are chopping much more from their 2019 budgets. The bottom line is the company feels a little belt-tightening is a good thing given the financial environment we now have. The Q&A portion of the quarterly earnings call turned up some interesting comments from Cabot personnel about new and not-yet-announced pipeline projects the company may support with their gas. Cabot has not given up on building the Constitution Pipeline, which is good news. During the tail end of that back and forth on pipelines, Dinges gave old Andy Cuomo a swift kick in the male parts for his actions in blocking pipelines into New York. Later in the call was a question about what lies ahead for Cabot, what other markets might they be looking at to sell their gas to. Dinges said he's looking at new LNG export facilities coming online, and New York/New England as future markets for more Cabot gas.

Cabot Pulls the Plug on Drilling in Ohio's Knox Layer (full post)

Comments by Cabot Oil & Gas in their 2018 update issued Friday, along with added comments by CEO Dan Dinges during the earnings call on Friday, reveals the big news that Cabot has given up test drilling in Ohio Knox formation. To be fair, from the beginning Cabot made it clear that their program to drill and test in Ohio was experimental and may not, likely would not, produce anything. Yet they wanted to give a go. Nothing ventured, nothing gained. The company opened a branch office last summer in Ashland County, OH. They proceeded to drill four, possibly five test wells in Ashland and surrounding counties. As recently as December we carried news that landowners in neighboring Richland County were being cautioned by lawyers to hold off on signing Cabot leases, making it seem as though the test wells had been successful. Cabot was cagey about which rock layer they were targeting in Ohio. We know it's not the Utica. Devon Energy previously tried drilling the Utica in Ashland and it didn't work. While both the Knox and the Rome layers were mentioned in Cabot's permits, it appeared (to us) that it was the Knox layer Cabot targeted. Although Cabot doesn't admit what they were hoping to find (oil, gas, NGLs), it was clear they were hoping to find oil. However, those hopes have vanished like a puff of fugitive methane into the atmosphere, which was made clear by comments both in the recently release 2018 update, and on the quarterly earnings call.

Legal Dispute Resolved for 2nd Lordstown Utica-Fired Elec Plant (full post)

There had been an ongoing legal squabble in Trumbull County, OH over a proposed Utica gas-fired electric plant in Lordstown, located next door to another gas-fired plant. The squabbling ended Friday when the two sides agreed to settle their differences. The good news is that the second Lordstown plant will begin construction in 2019. Clean Energy Future (CEF) built the Lordstown Energy Center which went online in October 2018. CEF proposed, and got the Ohio Power Siting Board (OPSB) to approve, plans to build a second Utica-fired plant next door to the first, called the Trumbull Energy Center. As typically happens, CEF (the builder) sold most of the first project (Lordstown Energy Center) to investors. In this case the new majority owner for the first plant is Macquarie, an international investment firm. CEF sued Macquarie in September 2017 saying Macquarie was preventing CEF from building the second plant. Macquarie says if a second plant gets built in the same location, the first plant (now owned by Macquarie) will take a $6.7 million hit on earnings each year. Macquarie wants CEF to pay them that amount annually when/if the second plant gets built. To which CEF says, "They're looking for an extortion payment." Trumbull County Court ruled in favor of CEF, instructing Macquarie to sign paperwork allowing the second plant to get built, and to sell property owned by the first plant to the second plant (as provided for under the original contract). Macquarie refused continued to sell the land, even though ordered to by the court. CEF asked the court to find Macquarie in contempt and make them sell. CEF also sued Macquarie for $130 million for delaying the second project for more than a year. It was into that legal mess both sides were forced into mediation last September. On Friday both sides agreed to a final settlement.

Delaware County Asks to Join Lawsuit Against Mariner East Pipes (full post)

In November seven anti-pipeline residents of Chester and Delaware counties (Philadelphia suburbs) filed a lawsuit against the Mariner East pipeline projects–1, 2 and 2X–alleging the pipelines are unsafe. It didn't take long for others to jump on the litigation bandwagon: Downingtown Area School District, Rose Tree Media School District, Twin Valley School District, East Goshen Township, West Whiteland Township, Uwchlan Township and Middletown Township asked to join the lawsuit. And now, Delaware County itself is asking the court for permission to pile on.

Enerplus 2018 – Still Owns 36K Marcellus Acres in NEPA (full post)

It's been a while since we've checked in on Canadian energy company Enerplus Corp, which currently owns some 36,000 acres of Marcellus Shale leases in northeastern Pennsylvania. The company doesn't drilling any wells in the region but does participate by funding the drilling programs of others. On Friday Enerplus issued their 2018 and 4Q18 update, which shows the company's Marcellus production averaged 208 million cubic feet per day (MMcf/d). Back in 2016 Enerplus owned 47,000 Marcellus acres, putting it all up for sale for half a billion dollars. It appears they only sold 11,000 acres. Brief description from Friday's update on Enerplus' Marcellus activity: "Marcellus production averaged 211 MMcf per day during the fourth quarter, approximately flat to the prior quarter. Full year 2018 production averaged 208 MMcf per day, a 5% increase year-over-year. In the fourth quarter the Company participated in drilling 15 gross non-operated wells (11% average working interest) with 30 gross non-operated wells (5% average working interest) brought on production. At the time of this news release, 28 of these wells had more than 30 days on production. These wells had an average completed lateral length of 6,950 feet per well and average peak 30-day production rates per well of 18.1 MMcf per day."

Halcon CEO Floyd Wilson (Who Guessed Wrong on Utica) Out of a Job (full post)

Looks like we won't have old Floyd Wilson, the colorful CEO of Halcon Resources, to kick around any more. Wilson along with two other Halcon executives–finance chief Mark Mize, and executive vice president of corporate development Steve Herod–all "resigned" on the same day last week. Halcon used to own acreage and drill in the Ohio Utica. Wilson had the misfortune to guess wrong when it came to the Utica, leasing acreage in the northern part of the play. In November 2013 Wilson famously said he wouldn't drilling any more "shitty" wells in the Utica. From an earnings call with investors: [Stephen F. Berman – Canaccord Genuity, Research Division] "Floyd, in the Utica. Other than the first slickwater frac you're going to drill, any other initiatives different there going forward?" [Floyd C. Wilson] "Well, we won't drill any more wells near the shitty ones we drilled already. That's one major initiative. We'll concentrate all of our drilling in the south part of our acreage, we have lots of room. We fully intend to evaluate different completion techniques, as you know, as many others in the play are doing as well. So I think that's our — our main initiative up there is to consolidate our position in the southern end and drill a bunch of wells down there over time." Two years later on another earnings call when asked about the Utica, Wilson said, "What's the Utica?" [Jason A. Gilbert – Goldman Sachs & Co.] "Okay. And then last one, if I might, what are your plans for the Utica?" [Floyd C. Wilson] "What's the Utica?" [Jason A. Gilbert] "Yeah." [Floyd C. Wilson] "Oh, the Utica. We have no plans this year for the Utica, the Northern Utica nor the TMS. We have some good land there. There's lots of gas up in the Utica and there's lots of oil in the TMS, but the prices and our concentration and our better targets that we have at El Halcón and North Dakota just demand that we don't do anything with those at this time." And since that time the Utica has been persona non grata for Wilson and Halcon. As far as we can tell, they've sold their Utica acreage and have concentrated solely on oil drilling in the West Texas Permian. We spotted a Reuters story about the changes not only at the top of Halcon, but also the change at oil driller Pioneer Natural Resources. The upshot of the story is that investors have short fuses these days and will not tolerate lack of results.

Nova Scotia Indians Illegally Shut Down NatGas Storage Site (full post)

MDN recently brought you news that two different large LNG export plant projects in Nova Scotia had agreed to pay an undisclosed amount of money to the The Mi'kmaq (pronounced mic-mac) indigenous peoples of Nova Scotia (i.e. Indians) to leave them alone so they can build their facilities. Now we know why. This is what happens when you don't pay the Mi'kmaq: they illegally trespass and shut down your project. Alton Natural Gas is trying to build an underground storage facility in Nova Scotia, north of Halifax, to store natural gas. We're guessing Alton didn't pay the Mi'kmaq because "protesters" have shut down all work at the site. So a group of maybe 2,000 people (the Mi'kmaq tribe) is responsible for shaking down these large projects, causing all sorts of economic harm. Something wrong with this picture. The reason we're interested in this story is because Marcellus/Utica gas may one day feed the LNG export facilities in Nova Scotia, and be stored in this underground cavern.

TUESDAY - Feb. 26, 2019

OH Man Arrested for Making Bomb Threat Against Marcellus Biz in PA (full post)

Last week an Ohio man was arrested for allegedly calling in a bomb threat last November against Myers Well Service, located in Eighty Four (Washington County), PA. A cell phone belonging to Ryan Dougherty of Belmont, OH was used to make the threat. Dougherty claims he called the business, but didn't make any threats. The investigation took three months. Last Tuesday authorities arrested and charged Dougherty. This story is strange. We feel like there are missing pieces of the puzzle. Dougherty claims his finance was being sexually harassed by a Myers employee. Does she/did she work there? We don't know. It's not explained. Apparently that harassment is what led Dougherty to call the business. Someone (Dougherty?) called at 11:25 pm on Nov. 16 and made accusations that "half of the employees are on drugs." The person answering the phone responded like you or I would in receiving a crackpot call late at night. The caller didn't like the response he got and said a bomb had already been planted at the facility and would go off at 9 am the following morning. Police, the FBI, and a bomb squad were called in. There's a 20,000 gallon fuel tank at the site–you don't monkey around with threats if you have that much fuel sitting around. After a thorough search, no bomb was found. Dougherty took a polygraph test on Jan. 15 (two months after the threat was made) and the results showed "inconsistencies in his statements." So a month later, last week, the police arrested him and charged him with making a terroristic threat.

FERC Says More of Mountaineer XPress Pipeline OK to Start Up (full post)

In January 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. Yesterday FERC gave Columbia permission to start up a wee bit more of the project. In December 2017, FERC issued a final approval for Mountaineer XPress. On Feb. 13 Columbia asked FERC to authorize startup for the rest of the project. However, FERC didn't grant that full request. Instead, FERC granted permission for more pieces to be placed in service, requested by Columbia on Feb. 7. Which is disappointing. We expect/hope it won't be long until the rest of the project is given a green light. The $3.2 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. 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. We're anxious to see the full thing in use.

OH Court Says Marketable Title Act Applies to O&G Rights (full post)

We've written extensively over the years about the Ohio Dormant Minerals Act (DMA) and even about the Ohio Marketable Titles Act (MTA), both of which impact Utica shale rights. There has been an ongoing question of whether or not the MTA can be used to return previously severed mineral rights back to a surface landowner. The answer to that question appears to have been rendered in a court decision made earlier this month. These legal matters tie our brain up in knots sometimes. We'll do our best to explain this recent decision and its implications, but we are not lawyers. Caveat emptor. Both the DMA and MTA deal with the title to mineral rights–when and how those rights are conveyed. The DMA specifically provides for a method for surface owners to regain severed mineral rights, while (until now), the MTA is simply the guidelines for how titles are conveyed and whether or not those titles are legal. In December the Ohio Supreme Court decided that if a deed refers to a previously reserved royalty interest where the reference identifies the type of interest created and the person to whom the interest was granted (with no other details), it is sufficiently specific enough to preserve the royalty interest under the MTA. A surface owner tried to regain mineral rights claiming the deed did not include specific references to a title book and page number, therefore was not specific enough. The Supremes said it was specific enough. In another case, decided earlier this month, Ohio's Seventh District Court of Appeals said that a mineral rights owner still had a right to the minerals stemming back to language in a 1947 deed. The surface owner sued using the MTA, echoing the case the Supremes decided last December, saying the deed language was not specific enough and therefore the rights should revert to the surface owner. The Seventh District Court said the surface owner should have used the DMA, not the MTA, to make such an argument. However, and this is the big point, the Seventh District Court said the MTA *can* be used to regain severed mineral rights in some circumstances. It's just that in this case the surface owner couldn't establish a "root of title" (didn't have a case based on the merits). So although the court didn't rule for the surface owner this time, the MTA *in addition to the DMA* can be used in future cases to regain severed mineral rights. An important legal weapon for surface owners. This decision impacts not only surface owners and mineral rights owners, but drillers as well, who must accurately ascertain who owns the mineral rights so they can send checks to the right address.

Fed Court Tosses One NEXUS Lawsuit, Hears Another (full post)

NEXUS Pipeline, a $2.6 billion, 255-mile interstate pipeline that runs from Ohio into Michigan, has been fully online for the past four months. Yet anti-fossil fuel groups continue to litigate and try to shut it down. One such lawsuit was just tossed by one federal court, and another lawsuit just filed briefs in a different federal court. On Feb. 21 the U.S. Court of Appeals for the Sixth Circuit dismissed a petition by three Little Green groups (no doubt funded by Big Green groups)–Protecting Air for Waterville, Neighbors Against NEXUS, and Sustainable Medina County. The three groups requested the court to overturn permits issued by the Ohio EPA for two NEXUS compressor stations. The court said the three groups didn't have standing to file the petition in the first place, so no dice. But the radical environmental left never sleeps. In December, the Coalition to Reroute NEXUS (CORN), folks we call CORNballs, along with the City of Oberlin, Ohio, asked the U.S. Court of Appeals for the District of Columbia to reverse the Federal Energy Regulatory Commission's original decision to approve the project. CORN's mission, falsely implied in their name is NOT to actually reroute NEXUS, but to kill it. But Coalition to Kill NEXUS (COKN) doesn't have quite the same ring to it. The same two groups tried this stunt in a different court, the Sixth Circuit, where the lawsuit was tossed out last March. They've gone court shopping to try it all again. Yesterday NEXUS fired back with a brief justifying the project, a project now fully online and providing all sorts of public benefits.

Radical Green Groups Try to Block NY Marcellus Landfill Expansion (full post)

New York benefits from the PA Marcellus in a very minor way–we sell a few hotel rooms, and a few restaurant meals to workers passing through. About the only way we tangibly benefit from PA shale is by accepting drilling cuttings in a few of our landfills. Yet antis want to take that away too. Just over the border from Binghamton, NY in Susquehanna County, PA, the shale industry has spent on the order of $10 billion in the past 10 years–between signing bonuses, royalty payments, salaries and wages for shale workers, and supplies and materials purchased locally. You read that right–at least $10 billion in 10 years. One county. But not a peep is said in Binghamton media about this economic bonanza. One of the few ways NY benefits economically is by accepting drill cuttings (leftover rock and dirt from drilling holes in the ground) in specially regulated landfills. There's only a few. One of them is the Chemung County Landfill in Elmira. Another is the C & D Hakes Landfill in Painted Post, NY (next town over from Elmira, located in Steuben County). The Hakes Landfill wants to expand from 60 to 80 acres, to accept more drill cuttings. Yet the radical Sierra Club is trying to block it, falsely claiming such cuttings are radioactive and will fry everyone and everything that comes close. The Sierra Club won't be happy until there's no one left living in Upstate NY–which is rapidly happening. The Sierra Club doesn't want the Campbell Town Board to approve a zoning change using the excuse the state Dept. of Environmental Conservation (DEC) hasn't approved it yet, so there's no hurry. To which we say, if the DEC hasn't approved it and you think they will deny it, why does it matter if Campbell goes ahead and approves the zoning change now? The landfill won't be able to expand unless/until the DEC, corrupted by Andrew Cuomo, gives its fickle blessing. So what's the big deal Sierra Club? Why wait? The bottom line here is that radiation detectors were installed long ago at all of these landfills, and they've never (to date) gone off. Which exposes the lie pedaled by the Sierra Club and other Big Green groups that drill cuttings are radioactive.

PEDF Once Again Demands Court Gut Funding for PA DCNR (full post)

Big Green insanity continues at the so-called Pennsylvania Environmental Defense Foundation (PEDF). The only thing they "defend" is their own twisted philosophy of trying to gouge out the eyes of the oil and gas industry in PA–even at the expense of de-funding their own beloved PA Dept. of Conservation and Natural Resources (DCNR). In June 2017, the PEDF won a case at the PA Supreme Court by the skin of their teeth. The case dealt with the narrow issue of how PA can spend revenue raised from

drilling for oil and gas under state-owned land. A divided court ruled that money from royalties (not lease signing bonuses) must be used only for "environmental" purposes. The Supremes sent the case back down to the lower Commonwealth Court to settle some of the still-unsettled issues. PEDF tried to fleece Commonwealth Court into disallowing lease bonus payments and royalties from being used to pay the operating expenses of the PA DCNR. That is, antis want to gut the funding that pays the people in the department to do their jobs! PEDF wants lease and royalty money to be used exclusively for Big Green causes. Commonwealth Court told PEDF: "No." The lower court will NOT address the issue of funding salaries and operating expenses of DCNR, an environmental agency. The only decision the lower court will make, per their instructions from the lofty Supremes, is whether or not lease bonus payments must also be used for the same things royalty payments are used for–whatever those "same things" happen to be (operating expenses or not). The PEDF went squealing back to the Supremes asking them to take the case back again. As near as we can tell, nothing came of that effort because the case still sits with Commonwealth Court. In the budget recently released by Gov. Wolf, he once again calls for transferring money from state-earned royalties to help pay for DCNR general operations. The money was raised by leasing state lands (under the umbrella of the DCNR), using DCNR personnel to oversee it, and the DCNR is an environmental agency doing environmental things (i.e. an environmental purpose). Yet the PEDF wants it stopped. Wants to gut the DCNR's budget and prevent them from using the money they themselves raised. Bizarre. As they did last year, the PEDF has filed with the Commonwealth Court to block the DCNR from using its own money.

MDN Featured in PublicSource Story re Shell's PA Cracker (full post)

More than a month ago MDN editor Jim Willis was contacted by PublicSource, an independent non-profit news organization based in Pittsburgh. A reporter wanted to know if Jim would grant an interview as part of a story he was doing on the Shell cracker, pipelines and the petchem industry in southwest Pennsylvania. Jim said yes. Jim had his reservations. You know how it goes–you grant an interview to an outfit that tilts to the left and either your words are twisted or a phrase is taken out of context. We have to say this time we were pleasantly surprised. The reporter, Teake Zuidema, was not only cordial in interviewing Jim, but he was accurate, faithfully reporting Jim's words and sentiments in the finished article. We were also pleasantly surprised that the finished article is quite balanced between those who oppose the Shell cracker and pipelines, and those in favor. Jim's is not the only voice in support of the project. The article is now online: Have environmentalists lost their battle to thwart the petrochemical industry in Southwest PA?

WEDNESDAY - Feb. 27, 2019

Range Resources: MarkWest Outage Cost Company 10 Bcfe in 4Q18 (full post)

Range Resources, the very first company to sink a Marcellus well back in 2004, issued its fourth quarter and full year 2018 update yesterday. Range's overall production increased 5% year over year, but production in 4Q18 actually fell from 4Q17 in part due to an explosion and extended processing plant outage at MarkWest's Harmon Creek operation. Range's 4Q18 production was 2.149 Bcfe/d, down from 2.170 Bcfe/d in 4Q17, mainly due to lower volumes in Range's Louisiana shale program. However, Range could have produced more had it not been for an explosion at the MarkWest Houston facility in December, which knocked production offline for roughly five days. Range said the "extended curtailment of both processing complexes" caused them to lose 10 Bcf of production. Ouch. Northeast Marcellus production averaged 113 net million cubic feet equivalent per day (MMcfe/d) during 4Q18, while the southwest Marcellus production averaged 1,780 net MMcfe/d during the quarter, a 7% increase over the prior year (even with the MarkWest outage). Range reported a net loss of $1.75 billion in 2018 after making a $333 million profit in 2017. However, almost all of the "loss" was a paper loss. In 2016 Range bought Memorial Resource Development and its 220,000 acres in the Terryville Field in northern Louisiana for $4.4 billion (see Range Resources Completes Buyout/Merger with Memorial Resource). The Louisiana wells haven't performed as expected, and so the value of that asset has plummeted. Range paid $4.4 billion, but "wrote off" (devalued) $1.6 billion of it in 2018, meaning the Louisiana assets are now worth $2.8 billion. Ouch. The company wrote off another $515 million in "unproved properties." In 2018, Range brought 86 wells online into production in the Marcellus, and 12 online in Louisiana, with an average lateral length of 9,388 feet. For 2019, the company plans to drill and bring 88 wells online in the Marcellus, and 8 in Louisiana with an average lateral length of 10,800 feet. Similar to the 2018 program, approximately half of the 2019 Marcellus wells are planned to be drilled from existing pads. Range said they will spend $154 million less on drilling in 2019, budgeting $756 million, down from $910 million spent in 2018.

Summit Midstream Fires CEO; M-U Volumes, Profits Down in 2018 (full post)

Summit Midstream has a meaningful presence in the Marcellus/Utica region. The company not only released their 4Q and full year 2018 update yesterday, they also released the bombshell announcement they have fired (our word, not theirs) CEO Steve Newby. Summit COO Leonard Mallett has become interim President and Chief Executive Officer while the company conducts a search. Summit currently operates natural gas, oil and produced water gathering pipeline systems in five shale regions. The Marcellus/Utica assets are Summit's biggest, although volumes and revenue went down in the Marcellus/Utica in 2018 as a result of old/existing well production declining and not enough new wells being added. During the earnings conference call, Summit's CFO Mark Stratton had this to say about the Marcellus/Utica: "Total operated natural gas volumes averaged 1.53 Bcf a day in the fourth quarter, a decrease of 12.9% compared to the prior year period, and was primarily impacted by production declines in our Marcellus and Utica segments. Adjusted EBITDA in the fourth quarter included $17.5 billion related to MVC mechanisms from our natural gas gathering and crude oil transportation agreements. Now I'll take a few minutes to walk through our reportable segments that comprise our core focus areas. Starting with our Utica Shale segment, our wholly-owned and operated Summit Midstream Utica system gathered 309 million cubic feet per day in the fourth quarter, down from 369 million cubic feet per day in the prior year period. Four new wells were commissioned late in the fourth quarter, which are the first new wells turned in line from a drilling program that was initiated by our anchor customer last spring. SMU's fourth quarter volumes missed our quarterly expectations due to well commissioning delays together with approximately 35 million cubic a day, a volume curtailments related to infill drilling and completion activities on existing pad sites. We anticipate that these curtailments will continue in 2019,

but we'll be more than offset by new production beginning in the second quarter of 2019 as our anchor customer begins turning wells in line on a more regular cadence. While these curtailments have resulted in some volatility during 2018, we remain very excited about the growth on this system. We expect 15 new wells on SMU in 2019. And we expect that these new wells will lead to an annualized segment adjusted EBITDA run rate in the second half of 2019 that is more than 50% higher than annualized fourth quarter 2018 run rate of $23.3 million. Recall that compared to our Ohio Gathering segment, 100% of SMU's volumes accrue to our benefit and the dry gas wells in SMU are highly prolific, with initial production rates, often exceeding 15 million cubic feet per day and holding flat for initial periods of six to nine months. Turning to our Ohio Gathering segment. Gross volume throughput in the fourth quarter of 2018 averaged 780 million cubic feet a day, down from 825 million cubic feet a day in the prior-year period. Lower volumes resulted from natural gas production declines of existing wells on the system, partially offset by the commissioning of three new wet gas wells during the quarter. On our November earnings call, we highlighted the shift in drilling activity from the dry gas window of the Utica to liquids rich and condensate windows of the play. That trend is still underway and recently our customers have been running one to three rigs behind the system. We expect that our customers will commission more than 50 new wells in 2019, which will keep volumes on the system relatively flat with 2018, which together with planned expense reductions will lead to EBITDA growth in this segment in 2019." Finally, we spotted an intriguing question and answer dealing with repayment of a debt obligation (Deferred Purchase Price Obligation, or DPPO) and whether or not that would prevent the company from selling all of it's Marcellus/Utica assets. The answer provided seems to indicate Summit may be considering an option to sell all or part of their Marcellus/Utica assets.

FERC Signals it May Overrule NY to Allow Constitution Pipe (full post)

The light at the end of the tunnel for Constitution Pipeline just got brighter. The Federal Energy Regulatory Commission (FERC) has asked the U.S. Court of Appeals for the District of Columbia to pass the ball back to them so they can reconsider whether or not to overrule New York State's blockage of a permit for the Constitution. FERC's action signals they may be ready to rule against NY and allow Constitution to begin construction. In Jan. 2018, FERC decided they would not overrule a decision by the corrupt Cuomo Dept. of Environmental Conservation (DEC) to block construction of the Constitution Pipeline, which FERC had previously approved in 2014. Cuomo's DEC took more than two years to evaluate and eventually reject the Constitution Pipeline–a $683 million, 124-mile pipeline from Susquehanna County, PA to Schoharie County, NY to move Marcellus gas into NY and New England. Constitution appealed to federal court to overturn the DEC decision, but ultimately failed in August 2017. But then a ray of hope appeared in the galaxy. FERC overruled NY DEC in another pipeline case, so Constitution filed a request with FERC to overrule NY DEC in their case. FERC wanted to overrule DEC again. You can read between the lines and detect it in their decision. But ultimately FERC could not overrule the DEC because the DEC rejected the permit with four days left ticking on a one-year clock. Five months later, in June 2018, Constitution asked FERC to "rehear" their earlier decision not to overrule NY DEC. FERC declined to rehear their earlier decision, so Constitution (i.e. Williams) appealed the case to the U.S. Court of Appeals for the District of Columbia, the court that considers actions brought against various government agencies and their decisions, including FERC. The case is and has been with the DC Circuit. Push the pause button for a moment. The same court, the DC Circuit, decided a case on Jan. 25 unrelated to the Constitution, but with huge implications for Constitution. The Hoopa Valley Tribe v. FERC case dealt with the recommissioing 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 exactly what NY did to Constitution. This is complicated stuff, but in essence, the court ruled if a state takes more than one year for any reason 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. The same principle applies to pipelines as well. Unpause. FERC has just asked the DC Circuit to drop their case reviewing FERC's refusal to rehear the Constitution decision, because FERC now wants it back so they can rehear it–or consider rehearing it. In other words, there is a very big and loud signal here that FERC wants to overrule NY using the precedent just set by the DC Circuit in Hoopa Valley Tribe v. FERC. This is the best news we've had about Constitution in years!

Dominion Appealing Atlantic Coast Pipe Case to U.S. Supreme Court (full post)

Dominion Energy has about had it up to *here* with the clown judges of the U.S. Court of Appeals for the Fourth Circus. Dominion asked for all of the judges sitting on the Fourth Circuit to rehear a case that blocks the pipeline from drilling *under* the Appalachian Trail because of a lawsuit brought by colluding Big Green groups trying to kill the entire project. The clowns refused. In December, the clown judges of the Fourth Circus vacated a permit issued by the U.S. Forest Service (USFS) that allows ACP to cross beneath the Appalachian Trail and 21 miles of national forest land in Virginia and West Virginia. You think we're kidding when we refer to the judges as clowns? How else do you explain one of them quoting from *The Lorax*, a fictional children's book written by Dr. Seuss, as part of the decision? The so-called decision is straight out of Alice in Wonderland. Bizarre. What's next? Will we be treated to Youtube clips from the Captain Planet cartoon in future decisions? Dominion asked for all of the Fourth Circuit judges to rehear the decision (called *en banc*), not just the loony *Lorax* judge, all of them. But on Monday they refused. So Dominion is appealing directly to the U.S. Supreme Court to cut through this hokum nonsense. Dominion still hopes to resume work on the pipeline in third quarter 2019.

PennEast Pipeline Tweaks Route in PA, Antis React (full post)

PennEast Pipeline, a $1 billion, (previously) 120-mile natgas pipeline that will stretch from northeast PA to the Trenton area of New Jersey, has made a few minor route adjustments, the most recent of which will make it another mile shorter, and anti-fossil fuelers like THE Delaware Riverkeeper is up in arms. The project now says it will run roughly 116 miles, so they've made other adjustments than the just-announced change that will have the pipeline now run through Monroe County, PA (previously it did not). There are four minor modifications to the route just released: (1) Appalachian Trail Realignment; (2) Freemansburg Avenue Realignment; (3) Interstate 81

Adjustment; (4) Saylor Avenue Realignment.Antis "took issue" with the changes announced Feb. 15. Why? Mainly because the public has only three weeks to comment on the proposed changes--not enough time to spread more lies about the project.

Westmoreland Gas Different from Mountain V Oil & Gas (full post)

About a month ago MDN ran a story in which we said we think it's likely that a new company called Westmoreland Gas is really just Mountain V Oil & Gas under a new name (see Is Westmoreland Gas Really Mountain V Oil & Gas Renamed?). We based that observation on the fact the CEO of Mountain V is co-CEO of Westmoreland, and because all of Westmoreland's wells are contract operated by Mountain V. Westmoreland has just responded to say no, they are in fact two different companies. Westmoreland didn't bother contacting MDN directly but instead issued the following press release to make it clear that Westmoreland and Mountain V are two distinct and different companies with different assets. Yes Mountain V does all of the drilling for and operation of Westmoreland's wells, but Westmoreland owns their own wells/acreage separate from Mountain V. The statement they issued: "Westmoreland Gas, LLC ("Westmoreland" or "the Company") confirms today that the Company previously entered into an agreement with Mountain V Oil & Gas ("Mountain V"), an independently-owned company, to contract operate all of Westmoreland's assets. Westmoreland Gas is a separate and independent Company with different ownership from Mountain V Oil and Gas. Mountain V contract operates for Westmoreland Gas and that is the extent of the relationship between the two companies. Mountain V is solely owned by Mike Shaver and will continue to operate as it has for the past 25 years. Mountain V has a long-standing reputation for safe efficient and value-added operations. WESTMORELAND GAS, LLC creates value utilizing a three-pronged approach in Appalachia by purchasing producing conventional and unconventional assets, improving operations and reducing costs, and securing value-added drilling opportunities through our long-term presence in the region. Westmoreland plans to capitalize on growing demand for natural gas and a deep understanding of Appalachia to grow the Company for the long term. The Company is headquartered in Bridgeport, West Virginia. More information about Westmoreland Gas, LLC can be found at www.westmorelandgas.com. MOUNTAIN V OIL & GAS, INC. is a privately held exploration and production company that has operated in the Appalachian Basin for over 25 years. During that time, Mountain V has continued to grow and operate solely in the Appalachia basin. www.mountainvoilandgas.com."

PA Permits & Wells Drilled in 2018 – Maps (full post)

We really dig maps and charts that illustrate data about permits and drilling. Yeah, we're shale geeks. We recently came across a series of maps issued by the Pennsylvania Dept. of Environmental Protection (DEP) that summarize how many permits were issued, and how many wells were drilled, across all relevant counties in PA. And does so on a super-handy map. We grabbed the two maps you need to view and have them below–one showing permits, the other showing wells drilled. Below you will see two numbers for each county with permits issued, separated with a slash. Susquehanna County, for example, is 0/217, and Warren County is 109/0. The first number in the series refers to conventional well permits, and the second number unconventional (or shale) well permits issued. The second map, showing wells drilled, uses the same conventional/unconventional convention. (Click the link above to view the maps.)

THURSDAY - Feb. 28, 2019

EQT Announces Late Annual Meeting, a "Screw You" to Rice Bros. (full post)

EQT is not holding their annual meeting in April this year, the month they've traditionally held the annual meeting until last year, when it was held in June due to an impending split of the company into upstream and midstream. Instead, the current board is using a legal loophole to delay this year's annual meeting to July–as a way of obstructing the efforts of Toby and Derek Rice and their proxy war to take over the company. It is a gigantic middle finger to the Rice boys. The late annual meeting delays what will be a nasty proxy fight to oust at least some of the board members. Perhaps sensing the board would try to pull something like this, the Rice boys two weeks ago issued a public appeal to the EQT board to return the annual meeting to April. The board *may have* (really stretching it) had a case to make in holding the meeting in June once again, as they did last year. But instead of that, the board in essence said "screw you" to the Rice boys and went the other way, moving the meeting even later, because the bylaws state the annual meeting must be held within 30 days of the anniversary the last annual meeting–i.e. no more than 13 months after the last annual meeting. The board is delaying because the Rice boys have backing for their plan to replace board members and appoint Toby and Derek to run the company. The current board and current management are unified in trying to stop that from happening. They want to keep their jobs, understandably. The Rice boys own a lot of EQT stock after selling their company to EQT in 2017, much of the payment coming in the form of stock. They have the backing of one of EQT's largest independent shareholders, D.E. Shaw, for their plan to take over. Together, Rice and Shaw own a huge amount of stock and it's likely they will be able to force at least a few of their own picks onto the EQT board. EQT must think it can somehow circumvent the Rice proxy war by delaying the annual meeting–perhaps by having a solid first two quarters. Look for current management to try and goose earnings by lowering costs, producing more and selling what they produce for more, from Jan-Jun, and then blowing their trumpet at the annual meeting. "See, our way is working. Don't rock the boat." That's the EQT plan.

Chesapeake's Marcellus Production Dips in 2018, Gas Price Soars (full post)

Chesapeake Energy, started by Aubrey McClendon as a gas-focused drilling company that went on to become the country's largest natgas producer, is doing its darnedest to get rid of its natgas assets and turn itself into an oil driller. Yet it was the company's natural gas assets that boosted the company's financial performance in 4Q18, helping them turn in a better financial performance than analysts expected. Ironic, no? Chessy issued its full year and fourth quarter 2018 update yesterday, along with a conference call with analysts. CEO Doug Lawler bloviated about the two biggest transactions the company did in 2018: selling all of their Utica assets for $2 billion to Encino Energy, and a few months later buying Wildhorse Resource Development Corp, a driller with big-time assets in the oily Eagle Ford Shale play in Texas, for $4 billion. The first words out of Lawyer's mouth (printed in the 2018 update) were this: "Doug Lawler, Chesapeake's President and Chief Executive Officer, commented, "I am very pleased with Chesapeake's operational

and financial performance in 2018. Two transformational business transactions not only serve as a significant inflection point for the company, but also provide foundational support in our strategic goals of further reducing our net debt, achieving sustainable positive free cash flow, and enhancing margins. The recent acquisition of WildHorse, which we refer to as our Brazos Valley business unit, provides significant profitability, flexibility and optionality to our diverse, deep asset portfolio and facilitates our achieving these strategic goals." What does "provides significant profitability, flexibility and optionality to our diverse, deep asset portfolio and facilitates our achieving these strategic goals" actually mean? Looks like gobbledygook to us. Lawler trying to bamboozle investors. "Hey, we got a good thing goin' baby." As we read through the 2018 update, here's what we noticed about the company's Marcellus assets: In 4Q18 Chesapeake's Marcellus assets produced an average of 821 million cubic feet per day (MMcf/d), and their NGL production was 137 thousand barrels of oil equivalent per day (mboe/d). That's down (slightly) from 4Q17 when they produced 829 MMcf/d and 139 mboe/d. They didn't provide full year statistics in the update. But here's the thing. In 4Q17 Chesapeake got an average of $2.22 per thousand cubic feet (Mcf) for the gas they sold, while in 4Q18 they got $3.68/Mcf for their gas. That $1.46/Mcf differential, largely thanks to new pipelines coming online in the Marcellus/Utica region boosting prices for everyone, gave Chesapeake a financial boost analysts didn't see coming.

Construction Begins on "Massive" PA to OH Risberg Pipeline (full post)

We had to chuckle when we saw a local television station in Erie, PA describe the start of construction for the tiny (distance-wise and money-wise) RH energytrans Risberg pipeline as a "massive" project. Energy Transfer's Rover Pipeline pumping 3.25 billion cubic feet per day (Bcf/d) over 713 miles is massive. Dominion's Atlantic Coast Pipeline pumping 1.5 Bcf/d over a distance of 600 miles is massive. Enbridge and DTE Energy's NEXUS Pipeline pumping 1.5 Bcf/d over 256 miles is massive. Each of those massive projects cost billions of dollars to build. The Risberg Line? Tiny by comparison. The project is 60 miles long, with half of that an existing in-the-ground pipeline. Risberg will cost maybe $86 million before it's all done. It will flow 55 million cubic feet per day (MMcf/d) of gas. Put another way, it will flow 0.055 Bcf/d of gas. Risberg, we can assure you, is not "massive." But we digress. The Federal Energy Regulatory Commission (FERC) gave the Risberg Line project final approval in December, months behind schedule. The original plan called for the project to be done and operating last fall. To their credit, RH energytrans remained patient with a "these things happen" attitude. The new news and the good news is that construction equipment has arrived and dirt is now being moved for the project. It's begun!

ME2 Pipe Restarts Drilling in Chester Co. – Stalled Since July 2017 (full post)

Energy Transfer and their Sunoco Logistics Partners unit are about to restart underground horizontal directional drilling (HDD) work for the Mariner East 2 (ME2) pipeline in West Whiteland Township (Chester County), PA–work that has been on pause since July 2017. Yet ME2 actually went online in December. **Question**: How can ME2 be online when not all of the work is yet done? **Answer**: In order to get the full pipeline running, Sunoco patched together substitute pipelines in a few locations where construction of the final pipeline has been stalled due to problems like sinkholes and water contamination from drilling. Sometime this year Sunoco will finish all outstanding work and ME2 will be fully, 100% online. It's online now, but flowing much less than it will flow once the missing pieces are put in place. At various points during construction, Sunoco Logistics, in using HDD negatively impacted private water wells. Some of the private wells affected are in West Whiteland Township, from work done in summer 2017. Sunoco made the situation right in West Whiteland, paying to extend a local municipal water line to the affected homes. But since that time Sunoco has not resumed construction. They are now, beginning March 6th.

WV NatGas Power Plant Gets Final Permits, Construction Begins Soon (full post)

Although Big Coal tried its best to prevent a single new gas-fired electric plant from getting built in West Virginia–indeed delaying several projects for years–we're happy to report the first such project, in Brooke County, finally has ALL of its necessary permits and will begin construction this year. Last November the West Virginia Supreme Court effectively ended opposition against building natural gas-fired power plants in the Mountain State. We've brought you a number of articles detailing how the coal lobby tried its best, via numerous lawsuits, to block three Marcellus-fired power plants from getting built. The final attempt to stop these projects was to challenge air permits issued by the WV Public Service Commission (PSC). Isn't that rich? Coal objecting to air permits for natural gas electric plants, which pollute far less than coal-fired plants. The WV Supreme Court took up a challenge by Big Coal (i.e. coal baron Robert Murray) against one of the projects located in Brooke County, and ruled Big Coal doesn't have a case. The Supreme Court decision cleared the way for the WV PSC to issue the necessary permits. We spotted a story by a local CBS affiliate in Wheeling that says the project now has all of the necessary permits it needs. We are guessing (but don't know for sure) that means the PSC has just delivered the final air permits required. Regardless of whether it's the PSC permits or perhaps other permits, either way the project now has all of it's permits and will begin construction this year.

Cape May NatGas Power Plant Dead – Scrub Pines Pipeline Too? (full post)

Anti fossil fuel freaks have scored a victory in reducing the amount of electricity available to New Jersey's southern shore area (rolling blackouts anyone?). There was a plan to convert a now-closed coal-fired electric generating plant to use natural gas, fed to it by a new (very short) pipeline. The Sierra Club and other radical groups have opposed the project for years, tying it up in an avalanche of frivolous lawsuits. The plant owner has finally thrown in the towel and no longer wants to do the project. Thanks Sierra Club! The question now is, will the pipeline project that would have fed the plant still get built? Running a spur to the power plant was part of the justification for the pipeline project, but not all of the justification. The "Southern Reliability Link" pipeline project is a $130 million, 28-mile natural gas pipeline proposed by New Jersey Natural Gas (NJNG) to connect NJNG's distribution system serving customers in Ocean, Burlington and Monmouth counties (in NJ) and the interstate pipeline system adjacent to the New Jersey Turnpike. In addition to providing gas to the power plant, the pipeline is meant to provide a backup for hundreds of thousands of NJ residents who lost access to natural gas following Super Storm Sandy. Redundancy is a good thing when it comes to natgas supplies. The pipeline would run through 12 miles of scrub pines that are "protected" in NJ. The scrub pines are actually overseen by a

state commission, the Pinelands Commission. In Sept. 2017 the full Commission voted 8 to 4 (with 1 abstention) to approve the Southern Reliability Link project. Big Green contested the Commission's vote in court. Not one shovelful of dirt has been turned to build it–yet. The question now is, with part (not all) of the raison d'etre gone (no power plant), will the Commission have to re-vote? Will the pipeline ever get built? Will demented antis ever pull their heads out of their…whoops, there we go saying something with our out-loud voice again.

WV Surface Rights Group Wants State to Enforce Plugging Old Wells (full post)

The West Virginia Surface Owners Rights Organization (SORO) says WV has a serious problem. Drillers are not plugging old/non-producing wells (most of them conventional). In fact, SORO says there are some 4,500 wells that have been unplugged for so long, they are considered "orphaned"–the original driller is long gone, out of business, and there's nobody around to do the plugging. Something's got to change. Abandoned and orphaned unplugged wells are a serious issue. They can leak and pollute groundwater, and any kind of new drilling that hits an old/unmarked well can cause a catastrophe. The problem is, of course, who pays? It cost between $25,000-$65,000 to plug an old well. And if no one will take ownership, the state itself is left to pay the bill. SORO is pushing two bills in the current legislative session they say will help address the situation. The WV Independent Oil and Natural Gas Association (WVIOGA) says they agree orphaned and abandoned unplugged wells are a problem, but they disagree with some of SORO's fixes for that problem.

FRIDAY - Mar. 1, 2019

Blue Ridge Merges with Eclipse, Renamed to Montage Resources (full post)

Yesterday was an eventful day for the former Blue Ridge Mountain Resources (nee Magnum Hunter Resources) and Eclipse Resources. We've been telling you since last August that the two companies are merging, with Blue Ridge Mountain essentially buying out Eclipse. The deal is done as of yesterday and there is A LOT of news to share–including a name change for the newly combined entity. We maintain it was Blue Ridge Mountain Resources that did the buying, although technically it is a merger, because most of Eclipse's top management, including CEO Ben Hulbert, are now gone. Perhaps a better way to think about it is that the money people (investors) forced the two companies to combine and restructure. That's probably a more accurate way to think about it. Eclipse has drilled a number of record-breaking long laterals in the Ohio Utica Shale, one that reached 19,300 feet long. Eclipse's problem is that they ran out of money, a while ago. Blue Ridge Mountain Resources used to be Magnum Hunter Resources. Magnum Hunter filed for bankruptcy in December 2015, emerging from bankruptcy in May 2016 minus CEO Gary Evans. Looking to shed the image of the past, the company renamed itself as Blue Ridge in January 2017. Blue Ridge, headquartered in Texas, has 99,000 acres of leases (mostly undeveloped) in the Marcellus and Utica Shale plays. Eclipse, on the other hand, is headquartered in State College, PA and has 128,000 acres–drilling mainly in the Ohio Utica. There's no announcement about where the new HQ will be located, but the dateline from the press releases issued yesterday indicates Texas. Immediately following yesterday's merger, the new company called Montage Resources, using Eclipse's stock as its own, effected a previously announced 15-to-1 reverse stock split, a move meant to prevent the stock's delisting. By combining 15 shares of stock into one, you automatically boost the value of each share. Theoretically if you had 15 shares worth $0.75 each, combined they would be worth $11.25. It doesn't work that way exactly, but you get the idea. The former CEO from Blue Ridge is the new CEO of the merged company, and the new entity has changed its name. A second announcement was issued yesterday, with 2019 operational and financial "guidance" (company's best guess as to what will happen this year). In this second announcement we learn the new Montage company will release a 2018 update for Eclipse on March 12. Montage plans to spend $375-$400 million in 2019. They don't mention how many wells they will drill with that money but they do say they will use two rigs. The company plans to produce around 1/2 billion cubic feet (Bcf) per day for the year. Perhaps most importantly, the new company plans to retreat from drilling super-long laterals (laterals more than 15,000 feet long). Instead, they plan to drill wells with laterals averaging 11,700 feet. Must be bigger isn't always better.

Gulfport 2019: Spend Less on Gassy Utica, More on Oily SCOOP (full post)

Gulfport Energy, one of the biggest drillers in the Ohio Utica Shale (210,000 acres) with record production in the Utica last year, is scaling back spending in the gassy Utica Shale this year and putting that money into other another shale play–the oily SCOOP. Gulfport issued its 2018 update Wednesday, and held an earnings call yesterday. In the update, Gulfport includes a look ahead (guidance) for 2019, where we learn about the company's plan to scale back, some, in the Ohio Utica. Let's begin with that happened in 2018. Last year in the Utica Gulfport drilled 23 wells and brought online to sales 44 wells. Gulfport's Utica wells produced an average of 397 billion cubic feet equivalent (Bcfe) in 2018, up 20% from 2017. That's roughly 1.1 Bcfe per day. Gulfport made $430.6 million in profit last year, down slightly from 2017's profit of $435.1 million. Gulfport drills in two plays, the Oklahoma SCOOP being the other play. In 2018 Gulfport drilled 15 wells in the SCOOP, and turned to sales 16 wells. In 2019 the company plans to drill 14 wells in the Utica (down from 23 in 2018), and drill 10 wells in the SCOOP (down from 15). They will turn to sales (meaning complete previously drilled wells) 48 wells in the Utica (up from 44) and 17 in the SCOOP (up from 16). So on the surface it appears they will simply drill less in both plays, and connect/finish more wells in each play. However, in comments on the earnings call we learn that the company plans to shift its spending, which was roughly 70/30 in favor of the Utica in 2018, to 50/50 in 2019, and in 2020 the SCOOP will see more than 50% of the company's spending. Gulfport believes their SCOOP wells perform better than their Utica wells, but they remain committed to the Utica over the long-term, which is good. We should mention that there's been a fair bit of turmoil at Gulfport over the past few months. In November they fired long-time CEO Michael Moore following allegations that he used a company credit card, and the company chartered jet, for personal uses. A month later, following a nationwide search, Gulfport appointed David Wood to become the new president & CEO. New guy, new ideas about the best places to drill. Some investors are unhappy with the direction of the company. In January investment firm Firefly Value Partners expressed its displeasure with the board of directors and current management, saying very publicly (via letter) that the current board lacks "necessary skills and experience" to turn the company's poorly performing stock around. In order to prop up the company's stock price, Firefly asked (demanded) that Gulfport (a) spend $500 million to buy back shares of its own stock, and (b) not issue any new shares of stock, which Firefly

says is "value-destructive." Gulfport completed a $200 million stock buyback in 2018 and is working on a new $400 million stock buyback campaign this year and next.

Exciting! DC Circuit Passes Constitution Pipe Case Back to FERC (full post)

You can feel the excitement and anticipation building. The Federal Energy Regulatory Commission (FERC) approved the Constitution Pipeline from northeast Pennsylvania into central New York in 2014, more than four years ago. This year, 2019, may be the year construction finally begins–and the year antis who have fought this pipeline every inch of the way finally LOOSE. On Wednesday MDN brought you the news that FERC had requested the U.S. Court of Appeals for the District of Columbia to pass the ball back to them so they can reconsider whether or not to overrule New York State's blockage of a permit for the Constitution. We explained in detail in that post how we got to this point. As we said in yesterday's post, FERC's request is a very big and loud signal here that agency wants to overrule NY's blockage of the project by using a precedent just set by the DC Circuit in another case. The new/good news: The DC Circuit agreed and has passed the case back to FERC.

NGPL Pipe Will Flow M-U Gas to Gulf Coast for LNG Export (full post)

We've come across information about Kinder Morgan's Natural Gas Pipeline Company of America LLC (NGPL) that intrigues us and makes us think that Marcellus/Utica gas either already is, or soon will be, traveling along NGPL from the Midwest all the way to the Gulf Coast to feed just about any of the existing or under construction LNG export plants in the region. What caught our attention was an article appearing in the always-excellent NGI Daily Gas Price Index publication. The article talks about NGPL's Gulf Coast Southbound Expansion Project, a project we've written about in the past. NGPL has been on a multi-year mission to expand its pipeline in the Midwest–mainly in Illinois–to flow more gas both north into the Chicago market and south to the Gulf Coast. Phase-1 of the Southbound Expansion project was placed in service in October 2018, and now provides an extra 460,000 Dth/d (460 million cubic feet per day, MMcf/d) of gas from NGPL's interstate pipeline interconnects in Illinois, Arkansas and Texas to markets in NGPL's South Texas zone. One of those interconnects (Illinois) is the Rockies Express Pipeline (REX). As you may recall, REX reversed its flow a number of years ago and now flow Utica/Marcellus gas to Illinois and the connection with NGPL. Phase-2 of the Southbound project is "under contract with a third party" and will provide an additional 300,000 Dth/d (300 MMcf/d) of southbound gas flows. According to Kinder Morgan's website, this phase is anticipated to be placed into service in mid-2021 pending appropriate regulatory approvals. According to the NGI article, Kinder officially filed for that approval yesterday. In the NGI article we learn that Cheniere Energy is the third party and has contracted for the full 300 MMcf/d to feed it's new and under construction LNG export facility in Corpus Christi, Texas. We located a map showing where the NGPL pipeline runs, and where the interconnections are located. NGPL essentially reaches all of the existing, under construction, and planned LNG export plants along the Gulf Coast with the exception of maybe one or two on the outer fringes. NGPL is investigating a Phase-3 for the project, which would flow another 260 MMcf/d from Illinois south. It makes us wonder, does (and how much) Marcellus/Utica gas already flows to points along the Gulf Coast? And how much more will flow to the Gulf after NGPL further expands and LNG export facilities get built? Exciting to ponder. Not all of the gas will come from the M-U. As mentioned in the NGI article, Phase-2 is "designed to allow additional volumes to move south from an existing interconnect with the Alliance Pipeline in Grundy County, IL." Does that mean the gas can possibly come from as far north as that interconnect (which is above REX)? Or does it mean all of the 300 MMcf/d of gas will come from that interconnect? The Alliance Pipeline flows gas all the way from Western Canada. So it may be the case that Cheniere will feed its Train 3 LNG facility in Corpus Christi using Canadian gas. We're not sure. Regardless of whether Phase-2 is flowing only Canadian gas or not, the fact remains with the existing expansion of Phase-1, and a potential expansion of Phase-3, there's plenty of capacity to send more of our gas straight to the Gulf Coast. We find that exciting.

List of 25 Pipelines Built or Planned in Marcellus/Utica Region (full post)

There are five major new natural gas pipelines online in the past year, another three partially online, and another 17 under construction or planned, all in the Marcellus/Utica region. Together they represent a staggering $32 billion of investment. Our friends at Energy in Depth recently compiled an awesome list of all these projects, which we share below. Here's the list of natural gas pipelines from EID...EID provides the following comment on how pipeline opposition is hurting our country: "Keep It In the Ground" efforts to delay pipelines prove costly. Despite the benefits, activists are attempting to block pipeline development across the Northeast and beyond. A recent Global Energy Institute report revealed that the KIITG movement has cost the United States nearly $92 billion in GDP, $20.3 million in state and local tax revenue, and 728,079 jobs. Efforts to stymie infrastructure bringing natural gas to New England also prove extremely costly to utility customers; residents pay 29 percent more than the national average while major providers are being forced to turn away potential customers. One such example is the Constitution Pipeline, which would bring much-needed Appalachian gas through New York. Three years ago, the New York State Department of Environmental Conservation (DEC) denied the pipeline a water quality certification, effectively halting construction on the project and prompting the company to file a petition with FERC. While FERC previously ruled in favor of DEC, it has now agreed to re-consider its decision in light of a U.S. Court of Appeals ruling on a similar, but unrelated hydropower case. If allowed to advance, the 124-mile pipeline would carry 650 MMcf/d of Appalachian gas from Susquehanna County to New York, transporting enough natural gas to serve more than 3 million homes. As Secretary Perry said earlier this week, "The sad thing is that not all Americans are getting to enjoy that because of some bone-headed political decisions that are made from time to time. In this case, New York, which won't allow those pipelines to transverse. These states that limit [energy infrastructure] because of their political concerns jeopardize their future of their citizens, not just economically but literally, I will suggest, jeopardizing their lives." Conclusion: It's clear that the shale revolution has been and will continue to provide a major economic driver for the Appalachian region. Industry investments will bring new jobs and economic opportunity to local communities and will help relieve energy constraints across the Northeast.

WV Orphan Well Bills Quickly Advance in Legislature (full post)

Yesterday we told you that the West Virginia Surface Owners Rights Organization (SORO) is pushing a couple of bills to address the issue of abandoned and orphan wells. While the bills

SORO is promoting have not advanced, several other bills in the WV legislature addressing the same issue have advanced. Rapidly. The bills SORO supports, S.B. 576 and H.B. 3065, are going nowhere fast. However, a couple of bills supported by the oil and gas industry are advancing–H.B. 2673 and H.B. 2779. The industry-backed bills provide for funds to cap old wells by assessing a 2.5% fee on stripper wells (produce less than 60,000 Mcf/d) and by grabbing unclaimed royalty money.

Cuomo Banning 3,500 MW of Electric Generation w/No Replacement (full post)

New York Gov. Andrew Cuomo is pulling another boner. Under Cuomo's direction, the state Dept. of Environmental Conservation (DEC) has issued new draft regulations aimed at shutting down most of the state's "peaker plants"–small electric generating plants that produce electricity for brief periods during high demand. The plants are powered by nasty, filthy fossil fuels and that, according to Lord Cuomo, must end. Cuomo's plan is to make new regulations so onerous the peaker plants, most of which are in and around New York City, will close down. Along with them goes some 3,500 megawatts of electric generation. New York State uses an average of 11,000 MW of electricity per day. Add to it the 3,500 MW of "on demand" capacity from the peakers, and you get a total generating capacity of 14,500 MW. If you eliminate 3,500 MW, you're eliminating 24% of the electric-generating capacity of the state! We sense another crisis coming, not dissimilar to the one in Westchester County where new natgas customers are banned. Many of these peaker plants are old, built decades ago. And they do emit some nasty stuff into the air–for very brief periods of time. Guess what? The air clears up after a few days. Hey, we're not saying we shouldn't try to clear up the air if there's a serious issue. What we are saying is that to simply eliminate all of these plants with no serious and credible plan to replace the capacity you're losing is, well, nuts. And saying "renewables" will magically ride in to save the day is doubly nuts. Peakers are used on days (and nights) when the temps are really high (or low). Battery storage is nowhere near capable of handling 3,500 MW of extra storage. It is a physical impossibility. So Cuomo's statements about renewables taking up the slack are just so much hot air. The article below is from the Albany *Times Union*, one of the most biased "news" sources in the state. They tilt somewhere left of Attila the Hun. However, there are a few facts hidden in the story. Cuomo is the one driving this train. By assassinating peaker plants, Cuomo will be responsible for removing 3,500 megawatts of electricity from the grid. Given that Cuomo won't let any new gas-fired plants get built in the state, and given you can't build enough windmills and solar farms and batteries to replace that much capacity any time within the next decade, and given Cuomo blocks new pipelines–the inescapable, logical conclusion is that locations in and around NYC are heading for rolling blackouts. There WILL be power shortages. And when it happens, look for the sycophants at the *Times Union* to blame utilities and not Cuomo. Wake up! Before it's too late!!