

Marcellus Drilling News

Helping People & Businesses Profit from Northeast Shale Drilling

MDN Weekly Digest

Issue 1, Vol. 10 - Mar 16, 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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Williams Announces Transco Competitor to PennEast Pipe in NEPA ([full post](#))

Did Williams just float an alternative/competitive pipeline to PennEast? Sure looks that way to us. On Friday Williams announced a binding open season to add 34 miles of looping pipeline next to existing Transco pipeline along with beefing up some of its compressor stations, in a bid to increase flows along the Transco from Luzerne County, PA (where PennEast would originate) to Mercer County, NJ (where PennEast would terminate). Williams calls the Transco expansion project Regional Energy Access. The aim is to deliver 1 billion cubic feet per day (Bcf/d) of Marcellus gas from northeast PA to local distribution companies (LDCs, the local gas utility) and to gas-fired power plants in the region. How is this not a direct competitor to PennEast, which also aims to flow 1 Bcf/d for the same purposes in the same region? The advantage for Transco is that they already have pipeline in the ground, and own the right-of-way for that pipeline to install additional “looping” pipeline next to it, which they plan to do along 34 miles of the existing Transco. And they own existing compressor stations that they can beef up with new equipment. PennEast, on the other hand, has to install brand new pipeline (greenfield) in the ground for 116 miles and build a brand new compressor station. It’s a much harder row to hoe. Antis try to bury any pipeline project with frivolous lawsuits and regulatory filings—but they especially hate brand new pipeline projects like PennEast. Is the Williams proposal a threat to the \$1 billion, PennEast project, which hasn’t started construction yet? We don’t think so—because PennEast is mostly permissioned by the Federal Energy Regulatory Commission (FERC). PennEast recently made some tweaks to the route, changes which need FERC approval. However, until the first steel is in the ground, you just don’t know. PennEast aims to start construction in late 2019, and have the pipeline operational by 2020, according to project officials. The Williams Regional Energy Access project aims to be up and running “as early as November 2022”—some two years after PennEast.

Tree Clearing Begins at PTT Cracker Site in Belmont County, OH ([full post](#))

As we keep pointing out, PTT Global Chemical, the company that says they want to build a \$6 billion ethane cracker plant complex in Belmont County, OH, keeps hinting that a “final investment decision” (FID) will come soon. Any day now. Just around the corner. They’ve been saying it for nearly two years. On the plus side PTT paid \$13.8 million for a 168-acre site back in 2017 on which to build it. They picked up another 300 acres nearby in 2018 for \$17.5 million. PTT paid two engineering companies \$100 million to come up with a design for the facility. The design contest winner was Bechtel, the same company that designed and is building the Shell ethane cracker in Monaca, PA. PTT now has all of the major permits they need to build it. They’ve spent gobs of money on all sorts of things to get ready to build. Everyone knows it’s going to happen. Why not just be done with and announce? We don’t know. But we do continue to look for signs. Another important sign has just appeared. Kallanish Energy is reporting that last week PTT began clearing trees from the original 168-acre site for the cracker in Belmont County. Such projects are subject to a federal ban on cutting trees after March 31 and until October 31 due to threatened/endangered bats (don’t ask). Our point is there is a deadline looming, and PTT wants all of the trees gone in the next few weeks to meet that deadline. The tree clearing is a good indication that other activity

to prep the site—pushing dirt around—will begin this year. Perhaps even this summer. What do you know? Maybe an FID is finally close after all!

FERC Approves Empire Pipe Request for 2 New Compressors in PA, NY ([full post](#))

Well well well—this news is sure to ruin the day of irrational fossil fuel haters in New York and Pennsylvania. The Federal Energy Regulatory Commission (FERC) last week approved a request by National Fuel Gas Company subsidiary Empire Pipeline to build two new compressor stations along the Empire Pipeline—one in Tioga County, PA, the other in Ontario County, NY, to flow an extra 205 million cubic feet per day (MMcf/d) of yummy fracked PA gas into the Empire State (don’t tell Cuomo). In February 2018, Empire filed an application with FERC to build the Empire North Project, two new compressor stations, no new pipeline required. The project will provide much-needed natural gas for Upstate NY and Canada. It will also connect to the Tennessee Gas Pipeline, so who knows? Maybe some Marcellus molecules will find their way into New England too. Anti-fossil fuelers in NY ramped up to oppose the project. Nothing new about that, unfortunately. The thing is, the proposed compressor station in Ontario County will have zero (yes, zero) emissions. It will use electricity instead of diesel or natural gas or other fuels—so there’s no smoke stack and absolutely nothing going into the atmosphere. Completely benign. And yet, because the compressor station will flow more “fracked gas” from PA, irrational nutjobs oppose it. Last week FERC commissioners approved the plan, although there was some disagreement over how much of an impact the project will have on so-called, non-existent man-made global warming. In the end enough commissioners approved the plan, which will now proceed.

Antis Ask Westmoreland Co. to Stop CNX Drilling Near Reservoir ([full post](#))

Anti-fossil fuelers are once again riding their high horse “demanding” that the Municipal Authority of Westmoreland County block any more shale drilling on county-owned property located near Beaver Run Reservoir. Even though CNX’s shale drilling has been going on there since 2011 with zero impacts on the reservoir and its water supply. Antis are using a recent CNX well problem to push a frack ban in the region. It’s not the first time they’ve pushed for a ban, it’s just that an opportunity has presented itself and you know lefties: “Never let a good crisis go to waste” (Saul Alinsky’s Rules for Radicals, page 89). CNX was fracking their Shaw 1G Utica well in Washington Township (Westmoreland County) near the reservoir 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. The working theory is that the well has a faulty casing (cement and pipe in the borehole) about a mile down. The casing leaked and the gas found its way via cracks to other wells in the area—some nine nearby conventional wells that had to be flared. CNX hired a well control company to “kill” the Shaw 1G well. Several weeks ago in a revised 2019 guidance slide deck CNX revealed they will spend \$30 million on the Shaw pad this year, including remediation costs. They will permanently plug Shaw 1G, but no decisions have yet be made on whether or not they will finish fracking the other three wells on the same pad. Just to add insult to injury, the Pennsylvania Dept. of Environmental Protection sent CNX a “notice of violation” for the accident, which is a notice warning CNX they will have to fork over tens of thousands (maybe hundreds of thousands) of dollars in fines once this is all over

and done. Using the the Shaw 1G “crisis” as an excuse, so-called environmentalists pressured Westmoreland officials on Friday.

Encino Says They’ll Do it Better in the Utica than Chesapeake Did ([full post](#))

Last Friday MDN reported that Encino Energy CEO Hardy Murchison and COO Ray Walker (formerly of Range Resources) spoke at the Ohio Oil & Gas Association (OOGA) 72nd Annual Meeting in Columbus. We have two more reports on their talk that mentions things not covered in the first report. In a deal that shocked everyone, last July Encino announced the purchase of all of Chesapeake Energy’s Ohio assets, including their Utica Shale assets, for \$2 billion. Last Friday at the OOGA meeting, Murchison said that whereas Chesapeake was a big spender and piled up big debts, Encino is focused on “proven reserves” and a “healthier balance sheet.” Murchison says he runs his company different than Chesapeake. Encino will be run “profitable, less volatile and therefore better for its shareholders, its employees and the community.” That is, we do it different, and we do it better. Part of doing it different/better is to drill slow and steady. The company is running two rigs this year and plans to drill 40 new Utica wells with those two rigs. Next year expect more of the same. Slow and steady. Make money. Stop the cycle of “boom and bust” found in other companies. Murchison told audience members to be patient, that although the transaction with Chesapeake closed in November, Encino is still in the process of taking over from Chessy, and it will take more time to effect a complete transition. Ray Walker said the Encino is in this for the long-term—they aren’t looking to rapidly build up for a quick sale in three or four years. Which is what drew him to the company out of retirement with Range Resources. Two more reports about last Thursday’s Encino talk...

Court Challenge to Plum Zoning Against Injection Well Proceeds ([full post](#))

In early 2018, the federal EPA approved a new Marcellus wastewater injection well for the Pittsburgh suburb of Plum Borough. The PA Dept. of Environmental Protection (DEP) also needs to approve it. They held a public hearing in October to elicit input, a hearing where every single person who spoke was against the project. The locals pressured Plum Borough officials to adopt a zoning ordinance that would block the project, not waiting for the DEP’s decision. Penneco Environmental Solutions, the company that wants to build and operate the injection well, challenged the zoning ordinance in court. But Plum countered with the argument that until the project is fully permitted by both the feds and the state, suing to overturn the ordinance is not valid. It’s putting the cart before the horse. However, Pennsylvania Commonwealth Court ruled on Friday against Plum, stating that even without a state permit, the lawsuit against Plum’s ordinance may proceed.

Questerre Energy Picks Up Another 753K Utica Acres in Quebec ([full post](#))

Last year the Canadian province of Quebec decided to ban pretty much all oil and gas drilling. The ban hits Questerre Energy, a Canadian driller who has patiently waited for years to begin drilling on their extensive Utica acreage in the St. Lawrence Lowlands of Quebec, the hardest. Yet even with the ban Questerre continues to buy more Utica acreage. In addition to a total frack ban, Quebec instituted a “no drill zone” for conventional (non-shale) drilling of 1 kilometre (.62 miles) from municipalities, 300 metres (984 feet) from private residences, 550 metres (1,804 feet) from schools, hospitals or public

buildings, and 200 metres (656 feet) from “ecotourism” sites. In other words, all drilling of any kind (conventional and unconventional) is pretty much banned pretty much everywhere in Quebec. It didn’t take long for Questerre to challenge the Quebec frack ban in court. At the time Questerre challenged the frack ban, they owned leases for ~350,000 Utica acres in the St. Lawrence Lowlands of Quebec. Last year Questerre got into a dispute with its joint venture partner in Quebec—Repsol—and hammered out an agreement to settle the dispute by buying out Repsol’s part of the partnership in a whopping 753,000 Utica net acres in the St. Lawrence Lowlands of Quebec. Although Questerre doesn’t name Repsol in their June 2018 announcement, and won’t say how much they’re paying, we know it’s Repsol and that they are stealing the property for \$16.1 million (\$21/acre). This was Repsol walking away and wiping its hands of the acreage because of Quebec’s lunatic frack ban. Only if Questerre actually wins its court case against Quebec will drilling ever be allowed on all that land. It’s a long shot. Repsol wasn’t willing to wait around. The new news is that Questerre has paid the money and now owns the Repsol acreage, meaning Questerre’s Quebec Utica acreage portfolio has now swelled to 1.1 million acres. Good luck to Questerre in reversing the Quebec frack ban! We sincerely hope it happens and that Questerre begins drilling Utica wells north of the border.

TUESDAY - Mar. 12, 2019

Ohio Utica O&G Production Rockets in 4Q18 – Top 25 Wells ([full post](#))

The Ohio Dept. of Natural Resources (ODNR) issued fourth quarter 2018 numbers for Utica shale oil and gas production yesterday, and wow! Both natural gas and oil production rocketed upward. Natgas production was up 32% over the same period last year, to a new all-time high of 663.5 billion cubic feet (Bcf), and oil production hit 5.8 million barrels, up 39% over last year’s 4Q. Ascent Resources, founded by the late Aubrey McClendon, dominated the top 25 highest-producing gas wells, with 15 of the top 25 (down from 20 of the top 25 in 3Q18). However, Eclipse Resources (now merged with Blue Ridge Mountain Resources and renamed to Montage Resources) grabbed the top two spots, both wells in Monroe County. Eclipse’s Yellow Rose A 2H well produced an amazing 3,789 billion cubic feet (Bcf) during 3Q18. The top 25 producing gas wells were scattered across Jefferson, Monroe, Belmont and Harrison counties. In something of a reversal from previous quarters, Eclipse dethroned Ascent to have a majority of wells (13) in the top 25 oil producing wells. Eclipse took the top five spots in the list for most-producing in 4Q18, with the top well, the Outlaw A 1H in Guernsey County, producing 181,579 barrels of oil in 4Q18. Incredible! Below we have the ODNR’s high level overview of the numbers, along with MDN’s own exclusive analysis showing: the top 25 producing gas wells, the top 25 producing oil wells, and then the top 25 gas and oil wells as ranked by average production per day. There is a difference. We show you which wells are not just producing the most quantity overall, but which wells are producing at the fastest (most productive) rates—even if those wells haven’t yet been online a full three months. We also include a link to the complete list (Google spreadsheet) of wells included in the 4Q18 ODNR report, in a more useful format than that provided by ODNR.

DEP and Diversified Gas & Oil Compromise on Plugging Old PA Wells ([full post](#))

Diversified Gas & Oil has been on a mission to buy as many non-shale (conventional) oil and gas wells as it can in the Appalachian Basin. It owns over millions of acres and tens of thousands of wells—many of them located in Pennsylvania. Last fall the PA Dept. of Environmental Protection (DEP) told Diversified it wants 1,000 of its nonproducing wells plugged in the next five years. Diversified countered it would like to plug 2,000 wells, but over the next 20 years. They ended up compromising. Last June Diversified Gas & Oil burst on the Marcellus/Utica scene when they bought 2.5 million acres of leases with thousands of conventional gas (and oil) wells in Appalachia from EQT. The sale included nearly 12,000 conventional wells with 200 million cubic feet per day of natural gas production, with 2.5 million acres of leases and some 6,400 miles of gathering pipelines. Why would anyone want 12,000 conventional wells when 12 shale wells can produce the same amount of gas? According to Diversified's founder and CEO Rusty Hutson, those old conventional wells have steady, predictable returns that generate income with next-to-nothing in the way of capital investment. Diversified has continued to grow, picking up wells in West Virginia, Ohio, Kentucky and Pennsylvania. They now own some 60,000 wells! Out of which some 23,000 wells are located in PA. Some accuse the company of picking up other drillers' cast-off conventional wells with no intention of plugging them. They claim Diversified is trying to shirk its responsibility—either by delaying so long someone buys the company (and then it's their problem), or by going out of business at some future date, leaving taxpayers holding the bag to pay for plugging the wells. Last September the PA DEP told Diversified it wants 1,000 of the PA wells it owns, that no longer produce, to get plugged. The DEP has held up approval of transferring title to thousands of other old wells to Diversified unless it promises, in writing, to plug those 1,000 wells. The situation has held up deals from closing. Diversified countered with a pledge to close and plug double the number of wells, but over a much longer period of time—20 years instead of five. Yesterday the DEP announced they've reached a mutually acceptable agreement with Diversified to plug 1,400 old wells over 15 years, with the possibility of extending the deal to 20 years. Plus Diversified has to put up \$7 million in surety bonds to guarantee the money is there to plug those wells in the event Diversified goes bye bye. Those are the broad brush strokes of the deal.

WV Legislative Session Closes w/Several Pro-Drilling Bills Passed ([full post](#))

West Virginia has the right idea. Their legislature meets for 60 days total at the beginning of each new year, and then they're pretty much done for the year. Go to Charleston, work hard, then leave and go back to your day job. Part-time legislators. Love it! The 2019 session is now done and dusted. In the closing days of the session, two bills to help the oil and gas industry got passed and now wait for Gov. Jim Justice to sign them. However, one very important bill for the industry did not pass. One of the bills that passed, HB 2673, gives a severance tax break to low-producing wells. Gas wells that produce less than 60,000 cubic feet per day, and oil wells that produce less than 10 barrels per day, will be exempt from paying WV's 5% severance tax. Hold on there, don't get your knickers in a twist. In place of the severance tax is a new 2.5% fee on the value of product sold. That fee will go into an Oil and Gas Abandoned Well Plugging Fund. So, low-producers get a 2.5% tax break, and the money that's raised from them will go to a fund to plug old wells. A win/win.

Another bill that passed was HB 2661. The bill permits natural gas utility companies to request "incentivized" gas drilling where dependable, low-priced supplies of natural gas are not readily available. That is, the state will fund drilling in areas that currently aren't all that economic to drill in. The bill also permits gas utilities to recover costs (charge ratepayers) should they need to convert customers to an alternate fuel source when gas service to those customers has been abandoned. Not so sure we like this particular bill. The one bill the industry wanted, really needs, didn't get passed—HB 2834, which would change the spacing restrictions for deep Utica wells and allow multiple wells on the same pad. 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. It's nuts. With modern shale pad drilling you can stick a dozen wells on the same pad a few feet apart because the horizontal portion of the well stays well away from the other wells. In WV it takes a lot of money (\$25,000) and lots of time to get an exemption to drill multiple Utica wells on the same pad. Consequently, very little Utica drilling happens in the state. Which is a crime. The industry is trying to get the state to hold public hearings, and perhaps even issue an emergency temporary regulation to allow the change before a law can be passed. We hope they succeed.

PA AG Shapiro Colludes w/Delaware County DA to Investigate ME Pipe ([full post](#))

Ever notice how predators like to hunt in packs? First the Chester County, PA District Attorney launched an ethically questionable "investigation" into "crimes" that may have been committed by building the Mariner East pipelines through his county. The Chester DA recently impaneled a grand jury to hear fake allegations against Energy Transfer and Sunoco Logistics Partners. Neighboring Delaware County and the sleazy state Attorney General, Josh Shapiro, now want in on the hunt. We also spotted the following article which says the PA Attorney General, Josh "the putz" Shapiro has launched an investigation, and that he's colluding with Delaware County's investigation. As to why Delaware and Shapiro don't coordinate their predatory attack with Hogan in Chester County, we don't know. We suspect they are, but haven't announced it publicly. That's how predators behave—sneaky. **MDN's view:** What "crimes" could possibly have been committed by building a pipeline? If ET had bribed officials, OK, that's a crime. If they secretly dumped construction waste along a roadway somewhere, like people dump old refrigerators along the highway, maybe that's a crime. But violating DEP regulations (unintentionally) is not a crime. Drilling underground and having an "inadvertent return" (i.e. leak of drilling mud) is not a crime. It's an accident. And **turning accidents and violations of regulations into crimes is an egregious abuse of prosecutorial power.** Yet that's what the state and county AGs are doing—attempting to turn accidents into crimes, on the theory if they had never tried to build it at all there would have been no accidents. It's ludicrous. It's outrageous. We think the U.S. Attorney General's office should investigate the PA AG and the DAs from Chester and Delaware counties, and expose the festering corruption that exists in PA.

NJ Commission Pulls Approval for Short Pipe Thru Scrub Pines ([full post](#))

Two weeks ago MDN told you that New Jersey radicals had succeeded in scuttling a plan to convert an old coal-fired electric plant into using natural gas. At that time we raised the question about whether a tiny 22-mile pipeline that would feed the plant

would still get built. A state commission that had approved that pipeline has just unapproved it—so we now have our answer. Running a spur to the power plant was part of the justification for the “Southern Reliability Link” pipeline project, but not all of the justification. The \$130 million, 22-mile natural gas pipeline was 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 10 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—a drama still playing out. Big Green doesn’t have to contest the decision any more. Last Friday the Pinelands Commission reversed its approval.

Proposed Rhode Island Gas-Fired Plant Still has a Pulse ([full post](#))

Last September MDN told you that a new natgas-fired electric plant planned for the People’s Republic of Rhode Island in Burrillville was on life support, with antis reaching to pull the plug. Sometimes patients just won’t die. Such is the case with this project, which resumes state hearings this week. MDN first told you about the Burrillville project back in August 2015. Invenergy is the project builder for the Clear River Energy Center, a 900-megawatt electric generating plant that will run on natgas. The plant would lower RI residents’ electric bills by a collective \$280 million and replace aging coal and oil power plants—cleaning the air in the process. With the jobs created, the investment in the facility, and lower electric rates, it’s calculated this single plant will have a \$1.3 billion impact on the economy of RI. So-called environmentalists oppose the project because it burns an evil fossil fuel. Yuck. The plan was to begin construction in summer 2016 and have the plant up and running by 2019. What’s happened since the initial announcement? A lot of bureaucratic bull. The project has been under review and a final decision by the Rhode Island Public Utilities Commission was slated for January 2019. Didn’t happen. Because of delays in building the plant, the Independent System Operator (ISO) New England filed an application with the Federal Energy Regulatory Commission (FERC) to cancel the plant’s capacity supply obligation, or CSO. CSO’s are contracts awarded years in advance to supply electricity. ISO says there’s no way this plant will be producing electricity on time, and so they want out of the contract, to find someone else to produce the electricity. Last September RI state regulators put their review of the project on hold until FERC makes a decision about canceling the CSO contract. Which is when we declared it to be on life support. But Clear River Energy Center hasn’t flatlined yet! State regulators are reconvening hearings on the proposed facility this week.

NatGas Hunger Games: New England vs. Canadian Maritimes ([full post](#))

Cue the dramatic music, cameras pan on the audience (audience members wearing freakish costumes). It’s time for the beginning of the Natural Gas Hunger Games. We have two contestants: New England and the Canadian Maritimes. Only one will survive and have access to barely enough natural gas to sustain life. Which will it be? Re-cue dramatic music with drums... Lack of

pipelines to bring new supplies of natural gas into New England, and beyond, is now having a seriously negative impact. Everyone can see it. This situation is the result of policies by Andrew Cuomo (Governor of New York), and politicians and New England like Maura Healey (AG of Massachusetts) that have barred new natgas pipelines from Pennsylvania to New England. The Canadian Maritimes provinces, including Nova Scotia and New Brunswick, have always teetered on the edge of not enough natural gas to meet their needs—but they had offshore wells to keep them going. Those offshore wells recently closed, and now the Maritimes have two ways to get natural gas: via the Maritimes & Northeast Pipeline (M&NP) from New England, which carries Marcellus gas north into Canada, or via LNG imports to the Canaport facility in New Brunswick. That’s it. The only two ways. Utility company after utility company in both New England and urban/suburban New York City are now turning away new natgas customers because they don’t have enough supply. So how can we even think of sending more of our gas up the M&NP when we’re short here ourselves? RBN Energy explores the coming battle, to the death, between New England and the Maritimes for natural gas supplies. It won’t be pretty.

WEDNESDAY - Mar. 13, 2019

WV Supreme Court Ponders Important Case, Surface v Mineral Owners ([full post](#))

A West Virginia Circuit Court case in September 2017, Crowder and Wentz v EQT, found in favor of surface landowners ruling that EQT did not have the right to extend underground shale wells to adjacent properties where EQT also owned the mineral rights (see WV Surface Owners Win Important Case Against EQT re Drill Pad). The decision was appealed all the way to the WV Supreme Court, where arguments were heard yesterday. This is a VERY important case. Crowder and Wentz v EQT case has far-reaching implications, not only for surface owners and drillers, but mineral rights owners too. Our explanation gets a little bit into the weeds, touching on the issue of “joint development,” but you need the history in order to properly understand the issues, and what is at stake in this case. From the first time we read about so-called “joint development” legislation being promoted by the drilling industry in WV, in February 2017, we were not fans. In brief, there are a number of existing old leases in WV, signed before shale drilling began, that prevent E&Ps from drilling a horizontal well across an individual property boundary line—until a new lease is signed. Joint development says if the driller already owns the leases on all adjoining properties that they want to combine into a single drilling unit, they can do so without signing a new lease. The proposed joint development law seemed to us to be a way for drillers to avoid negotiating and paying more for new leases, which they should be willing to do! However, Crowder and Wentz v EQT puts joint development in a new light for us. The case appears to us to be an abuse of power by surface owners against both drillers and mineral rights owners, by (ab)using the current prohibition against joint development. They use a technicality to block shale drilling in cases where all of the adjoining properties are leased. We certainly understand why surface rights owners would resist having a drill pad on their property. However, that’s life. They bought land (or inherited it) that doesn’t have mineral rights attached. Under existing WV law, a well pad can be drilled, taking 10-15 acres of the surface land (against the surface landowner’s wishes, but with compensation), in order to access the minerals under that specific piece of property. However, the court ruled in the Crowder and Wentz v EQT case that a driller cannot then use that same already-constructed well pad to further drill wells that

access minerals under other, adjacent properties. In our book, Crowder and Wentz v EQT makes a strong case for a joint development law in WV, to avoid this kind of abuse by surface landowners.

Rumor: Holdup in PTT OH Cracker Final Decision Due to Labor Rate ([full post](#))

Every now and again we traffic in rumors here on MDN, but we do so rarely and only when we trust the source of the rumor. We such a rumor to share, from a source we trust implicitly. We've been carping for over a year that PTT Global Chemical has repeatedly violated our deep well of patience by hinting that a "final investment decision" (FID) is "coming soon" for their \$7-\$10 billion ethane cracker complex in Belmont County, OH. We now know why the FID is tardy. Brief History: In September 2015, PTT announced it was spending \$100 million with two companies on potential designs for their multi-billion dollar project. The two engineering companies selected to provide "front-end engineering design work and cost estimates" were Bechtel and Fluor Corporation. Essentially it was a "bake off" contest to see which set of plans would win. Somewhat related and also of interest is that Bechtel is the company contracted to build the Shell ethane cracker in Monaca, PA. One year ago PTT took on a joint venture partner, South Korea's Daelim Chemical, a subsidiary of Daelim Industrial. This has a bearing on our rumor. Last June, PTT awarded the engineering contract to Bechtel, which also has a bearing on our rumor. Fast Forward to Today: Our impeccable source tells us that multiple reliable sources told him/her that while the engineering contract was awarded to Bechtel last year, and while Bechtel was also tapped to actually perform construction of the plant (along with Bechtel's joint venture partner, Great Arrow Builders), Bechtel's involvement with the project is now "up in the air." Our source says depending on who you talk to, the Bechtel contract is not just "up in the air," but that Bechtel is out, plain and simple. Several of our source's sources said the same thing: Bechtel is history and will not be used on the project. Why? The reason for the rift is (we are told) because of labor rates. Bechtel allegedly is committed to using the same labor rates they are using in Beaver County, PA for the Shell cracker project. Depending on which route you take, the Shell project is about 80 miles (a 1.5 hour drive) away from the proposed PTT project. Both PTT and Daelim, according to sources, want the lower Belmont County, OH labor rates for their project. However, Bechtel being tossed from the project is hard to believe. Daelim subleases a floor from Bechtel in Houston and reportedly has a "strong relationship" with the company. Bechtel was previously awarded the contract, Daelim likes Bechtel and Daelim is a JV partner in the project...it doesn't quite add up that Bechtel would be cast aside. The disagreement over which labor rate to use has supposedly pushed the contract back to Fluor Corporation, which has no labor rate obligation. However, Fluor has a "recent poor track record in mega projects" according to our source's sources, confirmed by other outside sources. Questions about Fluor kind of tips the scale back in Bechtel's favor—maybe Bechtel isn't out after all?! With all that said, the labor rate dispute is certainly **a** reason, perhaps **the** reason why an FID is delayed. One source noted that PTT/Daelim financing for the project is so complex and has so many contingencies, that any material change, like labor rates, puts the financing deal in jeopardy. We'll keep an ear to the ground for more developments.

Industry Consultant Predicts M-U Output Ceiling is 31 Bcf/d ([full post](#))

BTU Analytics, according to their website, "provides independent fundamentals-based consulting and analytical subscription reports to the North American oil, NGL, and natural gas markets. Our focus is giving clients answers to complex questions supported by data and backed by analysis of the market from wellhead to burner tip." BTU recently made a bold prediction. The company predicts Marcellus/Utica natural gas production will (already has) plateau at around 31 billion cubic feet per day (Bcf/d). Must be BTU shared a recent subscription report with the reporters at Argus Media. We track Marcellus/Utica production each month via the EIA's Drilling Productivity Report. The February report predicts that M-U production will hit 31.6 Bcf/d this month, in March—another all-time record high. BTU is a sharp outfit. They read and research and talk to folks throughout the industry. Could they be right? We know the numbers can't go up forever—but we delight in telling you, our valued readers, when they go up month after month after month to new heights. BTU's prediction got us wondering, could they be right? Are we now on the cusp of hitting a ceiling in M-U production? We explored M-U volumes with custom MDN graphs in the rest of this post.

EIA: Texas (Even with Prolific Permian) Needs Marcellus/Utica Gas ([full post](#))

In contrast to a prediction by BTU Analytics that the Marcellus/Utica region has plateaued and likely won't produce more than 31 billion cubic feet per day (Bcf/d) of natural gas, the number crunchers at the U.S. Energy Information Administration (our favorite government agency) have a different view. In a post appearing yesterday on EIA's Today in Energy blog site, EIA says M-U production will continue to expand because places like the Texas Gulf Coast and Midwest need it. But wait! What about all that "associated gas" coming out of the Permian, driving prices toward zero for natgas (see Permian Gas at Waha Hub Briefly Trades at \$0, Implications for M-U)? EIA says, "While the South Central region itself contains shale plays that produce natural gas, such as the Wolfcamp in the Permian Basin and the Haynesville, natural gas consumption in the region outpaces production in the Reference case, requiring additional supplies of natural gas from other regions to meet growing demand both within the region and for liquefaction facilities that would export natural gas to other countries." Huh. Isn't that interesting? **Texas needs our gas!**

Antis Ask DC Court to Rethink Decision re Water Permit Timing ([full post](#))

Big Green groups are asking the DC Circuit Court of Appeals to reconsider a case it recently decided that says when the federal Clean Water Act gives states one year to review requests for 401 water crossing permits, they have one year (365 days)—not two or three years by gaming the system. The DC Circuit Court issued a decision on Jan. 25 that technically has nothing to do with projects like Williams' Constitution Pipeline or National Fuel Gas Company's Northern Access Pipeline (both projects are being blocked by New York State). The Hoopa Valley Tribe v. FERC case deals with the recommissioning and decommissioning of a series of hydroelectric dams in Oregon and California. The court decided that Oregon and Cali, by using the technique of pressuring applicants seeking a "401" certificate (authority delegated to states under the federal Clean Water Act) to withdraw and resubmit their 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. This is complicated stuff. In essence, the court ruled if a state takes more than one year to review a "stream/river crossing" permit, which is the time the federal statute gives them, they automatically waive their right to block a project. In the Hoopa case, it was a hydroelectric dam project. However, the same principle applies to pipeline projects. Specifically to pipelines like the Constitution where New York State did precisely what happened out West—the state asked Williams to withdraw and resubmit the application. And then, just before the end of the second year, the state Dept. of Environment Conservation, under orders from Gov. Andrew Cuomo, rejected the project. Williams now has legal precedent to ask the court to overrule NY and allow the project to proceed. Williams had taken FERC to court over the whole matter because FERC had refused to reconsider overruling NY to allow the Constitution. Following the Hoopa decision, FERC asked the DC Circuit to toss the case back to them, signaling they are ready to reconsider and overrule NY. The Hoopa Valley case has caused panic among Big Green groups (both here and out West). Trout Unlimited, American Rivers and California Trout, all three radical Big Green groups, have filed a petition with the DC Circuit claiming the Hoopa decision prevents states from "imposing mandatory conditions on a project." That is, states will lose the ability to make changes to project plans. Energy projects like pipelines take time. The state wants something changed, so they ask the applicant to withdraw the application, make the changes, and resubmit—which has the effect of restarting the one-year clock. The legal argument against Hoopa is that the court has taken away from the states a powerful and necessary tool to ensure such projects conform to their wishes. The problem is, of course, that some states (like NY) use the loophole of withdraw/resubmit to delay projects they never intend to allow. They play dirty, like NY. The court senses it and has fixed it with the Hoopa decision. Perhaps the states shouldn't have abused their power in the first place? Then they would not be in this "untenable" situation.

NY, New England Blocking Pipes Causes Environmental Destruction ([full post](#))

The leftists who run states like New York and Massachusetts are arrogant snobs. And pretty stupid to boot. They pretend (maybe even believe) they're saving the planet by blocking natural gas pipelines into and through their respective states. Like most faulty leftist thinking, they actually make the problem worse—they are harming the planet—with their policies and actions. How? A guest post by attorney Dan Markind (Flaster Greenberg PC) explains. In short, by blocking new natural gas pipelines in New York and Massachusetts, the Bay State itself is forced to import LNG from Russia. Russia is one of the worst polluters on the planet—with no regard for how they extract resources. Dan gives us some great examples of Russia's environmental transgressions. When Massachusetts buys LNG from Russia, they are aiding and abetting damage done to the environment by Russia. They are making the planet more unlivable. Yet this simple truth (and their own hypocrisy) somehow evades them.

Study Says O&G Should Seek 3rd Party "Green" Certification ([full post](#))

Would you feel better if a driller building a shale well pad near your home was "green certified"? Meaning the company has been reviewed and certified by an independent agency for evidence that company adheres to strict environmental standards as it drills. Researchers at Indiana University's School of Public and Environmental Affairs set out to answer that question—and they

found public opinion of shale drilling would greatly improve if such a "green certification" were in place. We have to confess that yes, we probably would feel better if a company were certified by an independent agency. Most of the companies in our space are good eggs—but there are a few bad actors. Perhaps such a standard (much as we hate using the "green" label) might go a long way toward regaining public trust that's been lost to liars like Josh Fox of Gasland fame. Yet, would such a certification really make a difference? It has been tried before. The Center for Responsible Shale Development (CRSD) was founded back in 2013 as the Center for Sustainable Shale Development. In the end, four drillers sought and received certification: Chevron, Shell, CNX Resources, and EQT. We reported last September the organization has essentially folded its tent, although we got our knuckles rapped for saying so and amended our post with a statement from the CRSD board saying the organization is still alive. If the public is clamoring for green certification, why did the CRSD bomb?

THURSDAY - Mar. 14, 2019

OH Judge Tosses AG's Lawsuit Against Rover Pipe Enviro Violations ([full post](#))

In Nov. 2017 the Ohio Attorney General's office under then-AG Mike Dewine (RINO swamp dweller, now governor) sued Energy Transfer at the prompting of the Ohio EPA claiming the company's Rover Pipeline project was guilty of "polluting state waters while constructing a natural gas pipeline across Ohio". A Stark County judge on Monday threw out the case. Energy Transfer, in responding to the original lawsuit, said 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 said ET had violated not only federal regulations, like the Clean Water Act, but also state environmental regulations issued by the Ohio EPA. (Ohio EPA's director, Craig "Captain Ahab" Butler, rises up again to kill the great white pipeline.) The judge, in her ruling on Monday, said Ohio EPA had waived its right to regulate Rover pipeline construction under the Clean Water Act because it had failed to act within one year on ET's "401" water certificate application. If there's no legitimate jurisdiction, there's no basis for a lawsuit. Which also means Ohio EPA's \$2.3 million fine levied in September 2017 is now down the toilet. ET is, understandably, elated.

Water Pipeline for NEPA Marcellus Drillers Begins Construction ([full post](#))

A relatively short pipeline project to flow water from the Susquehanna River in Tunkhannock (Wyoming County), PA to a water impoundment about seven miles away is, as of February, under construction. The water will be used in drilling and fracking Marcellus wells in the region—we suspect not only for drilling in Wyoming County, which has produced the seventh highest amount of shale gas in the state, but also in neighboring Susquehanna County, which is the #1 shale gas producing county in the state. We have to confess that although this project has been in the planning stages for at least two, likely three years, this is the first we've heard or read about it. The company building and operating the pipeline is Northeast Marcellus Aqua Midstream I, LLC. We're taking a wild guess that it's a subsidiary of Aqua Midstream, a midstream company based in Texas focused on supply water and wastewater services to drillers. But we don't know that for sure. NE Marcellus Aqua Midstream was

formed in August 2017 as a Delaware corporation—showing this project was conceived in at least 2017, perhaps back in 2016. What we do know is that construction began on Feb. 4 and will take about six months to build. The project, once done and flowing water, will reduce truck traffic passing through downtown Tunkhannock. It'll also provide Marcellus drillers in the region with a cheaper source of water. After reading about the project, we thought to ourselves, “This must have been approved by the Susquehanna River Basin Commission at some point. We wonder how much water it will flow?” So we went looking and sure enough, in June 2018 the SRBC approved the project (approval below). Reading through the paperwork we learn the project has permission to flow up to 5 million gallons of water per day from the Susquehanna River. We also learn that during the “summer” months of July through October, when the river runs less water, there are tighter restrictions on how much/how fast the pipeline is allowed to flow.

PA DEP to Push Onerous New Air Regs at Upcoming Meeting ([full post](#))

In December, the Pennsylvania Dept. of Environmental Protection (DEP) released a draft of onerous new regulations that focus on reducing volatile organic compound (VOC) emissions and so-called fugitive methane. The new regs will force drillers and pipeline companies to spend big bucks to produce a teeny tiny improvement in emissions. The DEP is back, once again pushing its bad plan. Here's the thing that really rankles us: Most of PA's conventional wells (80% or more) will be exempt from these new rules. And PA's conventional wells reportedly account for more than 50% of supposed methane emissions. There are approximately 80,000 active conventional oil and gas wells in PA, and about 10,600 active shale gas wells in PA. So how are these rules in any sense “fair” to the shale industry? The DEP has, for some time, considered requiring new regulations to further reduce volatile organic compound (VOC) emissions at existing oil and gas sites. The question is, since the federal EPA is “relaxing” the regulations on which these onerous new PA regulations are based, will PA, by adopting these new regulations, make itself uncompetitive against other shale drilling states? PA DEP Sec. Pat McDonnell seems to think so. McDonnell opposed the EPA's move to change the extreme overregulation of the Obama era, because it means other states (like Texas, Louisiana, Oklahoma) won't adopt crazy new regulations like those PA is about to adopt, disadvantaging PA against those other states. Libs always want to see misery distributed equally, which they prefer to do via federal regulation. The Marcellus Shale Coalition said last December, “Rather than creating more regulatory uncertainty [with these new regs at this time], it would be prudent for DEP to delay any regulatory proposals until federal rules are finalized,” pointing out the fact that federal rules are not yet finalized. Wolf's DEP is jumping the gun. Makes no difference. The DEP is hellbent for leather to get this done, even if it hurts the shale industry and is unnecessary. The DEP's Oil and Gas Technical Advisory Board (TAB) is meeting a week from today to “discuss” (i.e. try to ram through) these new regs.

PA Landowners Beg US Supreme Court to Hear Atlantic Sunrise Case ([full post](#))

A group of Pennsylvania landowners from Lancaster County are begging the U.S. Supreme Court to hear a case in which they say they've been screwed over by Atlantic Sunrise Pipeline. The landowners say all of the courts hearing their case (all of which ruled against them) were wrong—that Atlantic Sunrise, part of Transco Pipeline, should not have been able to use eminent

domain to build the pipeline before settling in court how much money the landowners would get for having their land “taken” for the project. Of course, the landowners' land wasn't actually taken. The landowners can still do pretty much whatever they want on the land under which the pipeline sits. The only two things they can't do is build a structure directly over top of the pipeline, or plant trees over it. They can, if they want, plant a garden, crops, graze farm animals—or anything else not restricted (no buildings, no trees). What happens in these cases is that landowners who don't want the pipeline refuse to negotiate with the company building it (Williams in this case). So Williams was forced to seek “eminent domain” condemnation of the property, which is allowed under federal law. Determining a fair price for the land, which will always be lower than if the landowner had negotiated in the first place, takes time. And lawyers. And surveyors. And researchers. And and and. In order to actually get the pipeline built in this century, the courts allowed the pipeline to commence construction while a new/separate case about how much the landowners will be compensated works its way through the court system—which can take years. The landowners know all this and use it as a tactic to try and stop the pipeline from getting built. Drag out the case over issues of compensation, and maybe they can block the pipeline from ever getting built. Which didn't happen. Appeals court after appeals court upheld the law—that Williams had the right to proceed, rapidly, with building Atlantic Sunrise. The landowners, in a last-ditch effort, are asking the U.S. Supremes to hear the case claiming they've been denied timely compensation, perhaps holding out hope the court will tell Williams to shut down Atlantic Sunrise in the meantime, until it pays up. The good news is that the Supremes get about 8,000 requests a year to hear cases, and accept maybe 80 of them (1%). We seriously doubt the High and Mighty Supremes will accept this case. The odds are not in favor of it.

PA Residents Saving \$1K+ per Year Thx to Shale-Fired Electric ([full post](#))

According to new data released this week by our favorite government agency, the U.S. Energy Information Administration, Pennsylvania accounted for 25% of new clean-burning natural gas electric power generation added last year. According to analysis of state data done by the Marcellus Shale Coalition, PA residents today realize between \$1,100 – \$2,200 on average, each and every year, in home energy savings, thanks to Marcellus Shale gas. The good news on more natgas electric in PA leading to lower costs and less pollution, from our friends at the MSC...

New Way for Marcellus Frackers to Quickly ID Best Places to Drill ([full post](#))

The National Energy Technology Laboratory (NETL) with sites in Morgantown, WV and Pittsburgh, PA performs valuable research in shale energy. We've highlighted a number of their projects over the years. Here's another one we just noticed: Using laser-induced breakdown spectroscopy (LIBS) technology, researchers have found a way to rapidly target shale layers with greater accuracy. Using samples taken from a Marcellus gas well some 7,500 feet below the surface, NETL researchers were able to use spectroscopy—charting the characteristics of the rock by bouncing light off it— to produce a graph telling the researchers whether or not the rock would be good to drill in. At least that's our understanding—we have simple minds, we're not scientists. [As an aside, several years ago we toured a Cabot Oil & Gas well being drilled in Susquehanna County, PA. The tour was given by Buddy Wylie, Cabot's master driller, in charge of their drilling program in PA. We distinctly recall Buddy waxing eloquent on

the wonders of “mud logging.” As you drill, the bit chews up the rock and dirt in the ground. Drilling mud flushes it out of the borehole back to the surface. As the “mud” comes back out, laden with rock chips, a worker grabs a sample every 15 minutes or so and carries it to a mud logging trailer. There they wash the sample to reveal just the rock chips. They then put the chips under a microscope to examine them, to determine the type of rock found at that given depth and location. They keep a running log of their findings. Hence, mud logging. Putting rock chips under a microscope isn’t the same as using an expensive spectroscopy machine for analysis, but it is a similar concept, meant to tell the driller the character of the rock layer at a specific depth.] Although they didn’t try it, the NETL researchers say drillers don’t have to haul samples up the borehole to use their newfangled method of analyzing rocks. You can, so they theorize, stick a probe down the borehole and do it remotely. Meaning it’s fast, and accurate and (we suppose) you don’t have to rely on mud logging. Spectroscopy reveals much more information about the characteristics of the rock—how much hydrocarbons it holds. Better than simply looking at rocks under a standard microscope.

Ignorant Kids Exploited by Adults for Climate Change Lawsuits ([full post](#))

Those who do not learn history are doomed to repeat it.’ – George Santayana. Here’s a bit of history you may not know: In 1212 thousands of Catholic kids from France and Germany took off to “liberate” Jerusalem from Muslims, part of the Crusades. None made it. They either died along the way or were sold into slavery. Is history repeating itself? A group of kids are today “battling” so-called “climate change” (modern day Crusade), and they’re being used by adults to do so. No we’re not saying today’s kids fighting “climate change” are in danger of dying or being sold into slavery. What we are saying is that like 1212, children are being used by adults to do their bidding. Manipulated. Today’s kids are ignorant brats and don’t even realize they’re being used. We’ve written plenty about disgusting lawsuits launched supposedly by and on behalf of children. One of them, *Juliana v. U.S.*, is currently playing out. The reason we revisit the topic today is because of a knock-your-socks-off opinion column appearing in the Wall Street Journal earlier this week tacking this issue. It’s a column we wish we had written!

FRIDAY - Mar. 15, 2019

Equitrans Buys 2 Pipeline Systems in Marcellus/Utica for \$1B ([full post](#))

Equitrans Midstream, which used to be called EQT Midstream, yesterday announced they have cut their first big deal since separating from EQT last year. Equitrans is buying a 60% stake in Eureka Midstream, a 190-mile pipeline system in Ohio and West Virginia serving both the Marcellus and Utica, and a 100% stake in the tiny 15-mile Hornet Midstream, a gathering system in WV that connects to Eureka. Total purchase price for the two systems is \$1.03 billion, broken down as \$860 million in cash and approximately \$170 million of assumed debt. The deal adds approximately 200,000 acres of service area contiguous to Equitrans’ existing service area in the “core” of the M-U. We’d never heard of Hornet Midstream until the name popped up in this sale, but we know plenty about Eureka, once a subsidiary of Magnum Hunter Resources. Magnum Hunter spun Eureka out into a standalone company prior to Magnum going through bankruptcy in 2016. In October 2017, Eureka acknowledged the former Magnum Hunter no longer owned any of it. Morgan

Stanley is (or was) the major shareholder. Eureka issued a press release last October to say, “Hey, we’re still here and we’re bigger than ever.” The company said it flows over 1.5 billion cubic feet per day (Bcf/d) of Marcellus/Utica natural gas through its gathering system. Equitrans is buying Eureka and Hornet from Morgan Stanley.

WV Pipeline Co. Clipped for \$3.7M for Overtime Violations ([full post](#))

Witch hunts take a loooong time when it’s the U.S. government doing the hunting. We told you back in 2015 that the U.S. Dept. of Labor was unfairly targeting the Marcellus industry, looking at every time slip, to see if they could bag companies violating federal overtime regulations—not paying their workers overtime. One of the companies we mentioned as being under the microscope is Team Environmental, a West Virginia safety inspection company. The DOL finally bagged their witch. On Wednesday a federal judge signed off on a judgment requiring Team to pay a whopping \$3.7 million to 300 of its safety inspectors—half for back overtime pay, the other half just to make it hurt bad (i.e. “damages”). That works out to be an average \$12,333 per worker. Lots of partying this weekend! The specific charge is that the company paid a flat “day rate” to its employees, no matter how many hours they worked. They often worked 50-70 hours a week, but only got paid for 40. We’re not unsympathetic to Team’s employees, but we’ve never been hourly workers ourselves. We’ve always been salaried, or (in later years) self-employed. The work is the work and it must get done, no matter how many hours are required. That’s always been our view. Overtime? Heh heh. We’ve never gotten paid a dime’s worth of overtime. Again, we’re not excusing bad practices. If a company’s contract with employees is hourly (not salaried) and those employees work over 40 hours, the company owes them overtime. Our beef is that the DOL seems to pick on the shale industry and ignores the same “bad practices” in other sectors, like the so-called renewables industry. Why is that?

PA Floats Bill to Allow Shale Drilling to Span Multiple Units ([full post](#))

Some Pennsylvania landowners have recently been approached by the companies they’re leased with, asking landowners to sign amended leases to allow cross-unit drilling. We personally know of one case in which a driller requested such an amendment in northeast PA. So it is with great interest we notice a new bill has been introduced in the PA House, specifically to allow cross-unit shale drilling. What is cross-unit drilling? When Marcellus Shale drilling began to really take off about 10 years ago, a typical “unit” of land targeted by a well was 640 acres—one square mile. Over the years the horizontal length of wells (called the lateral) has grown, from a max of maybe one mile long to twice, even three times that distance! Today’s wells can easily drain more than 1,200 acres. Leases that were signed and units formed years ago are now restricting new development. In the case we know about, wells had already been drilled under the landowner’s property, but the driller wants to drill new wells from a different location under portions of the same property, potentially targeting a different rock layer. Thing is, those new wells are in a different, adjacent unit. The driller wants to drill across the units, essentially forming a new “virtual” unit by combining portions of two existing units. To do so requires an amended lease. The driller offered the landowner what appears to be a standard and acceptable lease. The landowner has had excellent relations with the driller over the years. However, following best practices, the landowner asked an attorney with experience in cross-unit leases to review the proposed amendment. The attorney tweaked the

agreement, and the driller signed—a process that took several months. The landowner got some important new concessions to the existing lease as part of the negotiation process. That's how it's supposed to work—reasonable people offering and accepting a reasonable compromise. Enter a proposed new bill, co-sponsored by PA Rep. Donna Oberlander and Rep. Jonathan Fritz. House Bill (HB) 247 would allow drillers to drill across unit lines without having to renegotiate leases provided they own all of the leases on the adjacent properties. The reason the bill is on our radar is because there will be a meeting of the House Environmental Resources and Energy Committee on March 19 to discuss it. MDN's concerns: We've met Jon Fritz. He's a great guy. We trust him. But we have a concern with this legislation. It's intent appears to be good—we're not questioning its intent. The state has an interest in greasing the skids to make more drilling easier, with less paperwork. We're sure drillers would love to avoid the months-long process of offering a lease amendment to hundreds or thousands of landowners, just to have them bounce back and forth between lawyers before a final agreement is reached. We believe this bill would eliminate that cumbersome process. BUT, by eliminating the need to get the landowner's signature, this bill takes away any chance the landowner has of winning new concessions, as happened in the case we know about. We don't like that. Money, at least up-front money, is not the concern with cross-unit drilling. Cross-unit drilling won't pay new signing bonuses. Landowners will receive extra royalties if and when they get included in a new virtual cross-unit drilling unit and the well is drilled. But there's no up-front money involved. We think landowners can (and should) have the opportunity to review their leases as a part of this process, to ensure their leases are strong. Drillers want something—to extend units. Fine. Let them negotiate what they want in a fair transaction. They'll get what they want (ability to cross unit lines), and landowners can get something in return too (better lease terms). We have a concern that HB 247 will short circuit that process of give and take. It's possible we've misunderstood this legislation. We expect we'll hear in pretty short order if that's the case and will come back to update this post. In the meantime, we'll be watching this issue closely.

Moratorium on New Gas Hookups in Westchester County Begins Today ([full post](#))

Today is the last day for customers who want to apply to be added to Consolidated Edison's natural gas delivery system in Westchester County, NY to apply. There's no guarantee if they do apply they'll be accepted, but after today new applications to get gas service will automatically go on a waiting list. That is, the moratorium on new customers in Westchester essentially begins NOW, today—thanks to Gov. Andrew Cuomo's policies in prohibiting new natural gas pipelines. The fact is Con Ed doesn't have enough gas supply to meet growing demand. Westchester County is a northern suburb of New York City, the county where all the cool kids live, like Bill and Hillary Clinton, and Andy Cuomo and his shack-up honey Sandra Lee. There are a number of BIG apartment complexes and other large projects planned for Westchester that are now in doubt. This moratorium is an economic atom bomb going off for Westchester—and they know it. In an effort to put a Band Aid on the problem, Cuomo has directed the state to cough up \$250 million of taxpayer money that can be used to reduce the insanely high price of gas alternatives, like “high efficiency appliances” and “electric heat pumps” and “low energy cost building materials.” It's an absolute boondoggle. Cuomo is trying to bribe his neighbors, using our tax money to do it. Hoping they won't be mad at him when those big, multi-million dollar projects leave for a different county—in New Jersey. The County Executive says, in so many words, “We're

screwed.” Well Mr. County Executive, welcome to the world we in Upstate have been living in for the past nine years under Lord Cuomo. Let's see how you like it.

Analyzing the Court Decision that May Allow Constitution Pipeline ([full post](#))

In February MDN told you about an important decision by the DC Circuit Court of Appeals that has the potential to override New York State and allow both the Constitution Pipeline and Northern Access Pipeline projects to get built. The Hoopa Valley Tribe v. FERC decision is still causing shock waves—especially among Big Green groups. We have some analysis below of that decision and how states like NY may now behave in light of the decision. The Hoopa Valley Tribe v. FERC case deals with the recommissioning and decommissioning of a series of hydroelectric dams in Oregon and California. The court decided that Oregon and Cali, by using the technique of pressuring those seeking a “401” application (authority delegated to states under the federal Clean Water Act) to withdraw and resubmit the application, lengthening the time to consider the application to more than one year, is a waiver of the state's rights to review the application and rule based on the merits of the application. In essence, the court ruled if a state takes more than one year to review a “stream/river crossing” permit, which is the time the federal statute gives them, they have automatically waived their right to block a project. One year means one year—365 days. In the Hoopa case, it was about a hydroelectric dam project. However, lawyers reviewing the case say the same principle applies to pipelines as well. What happened with the Constitution Pipeline in applying for a 401 certificate in NY is exactly what happened out West in the Hoopa case. With Constitution, the state asked Williams to withdraw and resubmit the application. And then, just before the end of the second year, the state Dept. of Environment Conservation, under orders from Gov. Andrew Cuomo, rejected the project. Williams now has legal precedent to ask the court to overrule NY and allow the project to proceed. So what might NY and other states do now? States argue that sometimes big, important projects just take longer than one year to review and “get right.” The technique they use to ensure the project is done right is to ask the applicant to withdraw the application, make necessary changes, and then resubmit. If that avenue is no longer available, one lawyer analyzing the case (below) says states may just refuse 401 applications right away. Shut them down. Nuclear option. Our question is, can they do that? And could not FERC simply override them anyway? The problem here is that states like NY are gaming the system—using it in bad faith, with no intention of ever approving a project. And they delay it for years in the meantime, to prevent early lawsuits challenging their decisions to block projects. So the states have brought this on themselves. A lawyer with Davis Wright Tremaine LLP analyzes the Hoopa decision and muses on what may happen next, how states may respond in the future to new 401 requests.

Shell Plans to be World's Biggest Electric Producer, Using NatGas ([full post](#))

Here's a mind-blower: Royal Dutch Shell is the world's second largest oil producer (by market value). Yet a Shell official recently said his company wants to be “the largest electricity power company in the world in the early 2030s.” Within 15 years Shell wants to be THE world's #1 electricity producer! And they plan to do it by using natural gas as the fuel to create all that electricity. This is hard for us to wrap our brains around! We've known for years that Shell loves natural gas. In February 2017, Shell completed a merger with/purchase of BG Group—the largest such

megamerger since Exxon bought Mobil in the 1990s. Shell's purchase of BG was all about LNG—liquefied natural gas. So yes, Shell loves natgas. And now they want to put all of that natgas to good use making sparks. Shell's declaration that they want to dominate electricity production raises lots of questions for us. How many natural gas-fired electric plants does the company own now? Do they own/operate any? Will the plants they decide to buy or build be regulated or unregulated? Will they target the Marcellus/Utica region for many of those plants? Will most of Shell's electric plants be located in other countries, not the U.S.? We're just reeling thinking about it all. Stay tuned as the Shell shell logo turns into a lightning bolt logo.

Where Will New NatGas Demand Come From?

Hint: Not Residential ([full post](#))

A recent Bloomberg article got it wrong, as they typically do, with this headline: "Biggest Threat to Once-Prized Gas Is Getting Kicked Out of Homes." Residential natural gas use has been relatively flat, for years. Yet natural gas demand has rocked upward, which begs the question—so who are the new customers using all that gas? MDN friend Jude Clemente has the answer...Jude noticed the idiotic Bloomberg article and uses it in his own response (below) to talk about where new gas demand has will and will come from. It sure ain't residential customers!