



Issue 8, 2018

● [Dominion to Start Cove Point LNG Exports Early March](#)

"Dominion Energy said it expects to start exporting liquefied natural gas from its Cove Point terminal in Maryland, the second U.S. facility to produce LNG from shale gas, in early March."

Why this is important: The commissioning of the Cove Point Export LNG terminal in Maryland is a hopeful step toward increasing the demand and price for Appalachian shale gas. On the domestic front, opposition by elected officials and NGOs to the increased safety and efficiency of new pipeline distribution systems continues to disconnect the supply of Appalachian shale gas from delivery to U.S. markets in the population centers of Mid-Atlantic and New England states. That leads to anomalies such as the importation of Russian gas by the City of Boston at a much higher price than natural gas could be purchased on the domestic market. The spot price for gas delivered to Enbridge's Algonquin pipeline into Boston and other New England city gates jumped 28 percent on Wednesday to \$15.17/MMBtu after tripling the previous day, according to the Bloomberg assessed price. By contrast, the Dominion South Point spot price, a proxy for the shale gas producing region in Appalachia, was at \$2.79. The price at Henry Hub in Louisiana, the U.S. benchmark, was \$3.54. So until our internal distribution bottlenecks are solved, sending LNG exports from Cove Point to Europe is a promising use of this abundant resource for the benefit of our industry. In addition, the commissioning of this facility clearly shows the continued resistance of elected officials and environmental NGOs to undercut the use of natural gas only harms the American consumer while benefiting our foreign competitors. --- [William M. Herlihy](#)

● [The Duplicity of California's Oil Collapse](#)

"The facts remain: while California positions itself a leader in 'clean energy,' that hardly means that the state doesn't use oil, still easily our most vital fuel. In fact, California uses a ton of oil."

Why this is important: California is positioning itself as a renewable energy leader, but continues to burn a lot of oil. When evaluating current and future energy use in California and elsewhere, it's better to follow the money than to follow the rhetoric. -- [David L. Yaussy](#)

● [Energy Department to Invest \\$6.5M in Projects Aiming to Improve the Performance of Coal](#)

"The investment by DOE and the National Energy Technology Laboratory will go towards helping the nine companies and research institutes implement the first pilot stages of their projects, meant to focus on improving 'coal-powered systems' performance, efficiency, emission reduction, and cost of electricity."

Why this is important: The Trump administration has made good on its promise to increase coal use in the U.S. energy sector. The \$6.5 million will fund first-stage development and pilot projects with a goal of determining feasibility and finalizing budgets, and it is part of a broader \$50 million initiative announced by DOE in August 2017. General Electric and Echogen Power Systems received some of the grant money, with Southwest Research Institute receiving the largest grant to design and implement a large

scale coal combustion plant, which could reduce electricity use cost while also capturing carbon dioxide emissions. --- [John C. \(Max\) Wilkinson](#)

● [PTT Decision on Ohio Valley Cracker Plant Pushed to First Quarter 2018](#)

"PTT Global won't be making any decisions on building a multi-billion dollar ethane cracker in the Upper Ohio Valley until sometime in the first quarter of 2018, the company said."

Why this is important: Since governmental officials announced in 2015 the potential PTT Global Chemical project, the Upper Ohio Valley has been anticipating the possible construction of a cracker plant in Dilles Bottom, Ohio, which sits across the Ohio River from Moundsville, West Virginia. In addition to the construction and plant jobs the cracker would provide, the presence of an ethane cracker in Dilles Bottom would result in many petrochemical and manufacturing companies setting up operations in the area to take advantage of the raw materials produced at the cracker. --- [Christina S. Terek](#)

● [FERC Allows Energy Storage to Play in Nationwide Wholesale Markets](#)

"The Federal Energy Regulatory Commission has passed a rule that will open U.S. wholesale energy markets to energy storage on an equal footing with generators and other grid resources. But it hasn't yet figured out how to address the same challenge for distributed energy resources."

Why this is important: The holy grail for intermittent renewables, such as solar and wind, has been effectively storing excess energy when demand is low. The FERC now is requiring electric grid operators to come up with plans for integrating electric storage into the wholesale market, setting the ground rules for how that energy will be deployed. It's an important step in making renewables an effective part of the generation mix. --- [David L. Yaussy](#)

● [West Virginia Groups Push for Drilling Royalties Bill to Move Forward](#)

"The Supreme Court ruled last May that state law allows natural gas production companies to subtract 'reasonable post-production expenses' from royalties it pays to people with royalties rights on drilling projects."

Why this is important: In 2017, the Supreme Court of Appeals of West Virginia implored the legislature to resolve the tension created in its decisions in *Leggett v. EQT*, *Tawney v. Columbia Natural Resources, LLC* and *Wellman v. Energy Resources, Inc.* In short, the *Leggett* Court allowed the deduction of reasonable post-production expenses from flat rate royalty payments while the *Tawney* and *Wellman* Courts prohibited the deductions from non-flat rate royalty payments. The West Virginia legislature now is attempting to resolve the tension through bills that effectively would reverse the *Leggett* decision and prohibit deductions from flat rate royalties. Understandably, oil and gas property and royalty owners support the bills while developers and producers oppose them. The bills are in committee in both legislative chambers. However, it remains to be seen if the legislature can eliminate the royalty discord during the current session. --- [Matthew P. Heiskell](#)

● [New Jersey AG'S Motion Anticipates Possible Legal Challenge Over PennEast Pipeline](#)

"New Jersey is opening the way for a possible legal challenge to federal approval of the controversial PennEast natural gas pipeline that would take almost 150 parcels of private land in the Garden State."

Why this is important: This motion for reconsideration of FERC's Certificate of Public Convenience and Necessity by the Attorney General of New Jersey reveals two realities about the routing of natural gas pipelines, which are necessary for the comprehensive and efficient delivery of shale gas to the markets where it is needed. First, some clarification of the respective duties of state and federal regulatory agencies is necessary to give the developers of these pipeline projects more certainty in their planning. Second, it is further evidence elected officials and NGOs often seek to insert themselves in regulatory matters involving pipeline development where they do not have legal standing and are simply attempting to slow the development of the natural gas industry. --- [William M. Herlihy](#)

● [Ending Coal India's Monopoly, Government Opens Coal Mining to Private Sector Firms](#)

"The Cabinet Committee on Economic Affairs approved the methodology for auction of coal mines for sale of coal, the most ambitious coal sector reform since its nationalisation in 1973."

Why this is important: Sweeping privatization coal sector reform promises to bring efficiency by implementing competition and ending government monopolization. India is estimated to have up to 300 billion tons of coal reserves. The move also aims to improve India's energy security, which derives 70 percent of its electricity from thermal coal. Previously, mines were auctioned for government captive power generation, but now will be open at auction to both Indian and foreign private mining concerns. Coal and Railways Minister Piyush Goyal said the move will help increase domestic coal production and reduce dependence on imports, improving India's balance of trade. --- [John C. \(Max\) Wilkinson](#)

● [Oil Discoveries Hit Lowest Point in 70 Years](#)

"Major oil discoveries have fallen to their lowest levels in more than seven decades, as drillers across the world wrestle with stubbornly low prices and the tantalizing draw of quick returns in U.S. shale fields."

Why this is important: Abundant shale oil in the U.S. lower 48, and recent low prices, have caused oil companies to reduce their exploration for new sources of crude. Discoveries are not sufficient to keep up with the current pace of production. As prices rise, and the long-term expectation is for a future constriction in oil supplies, will companies seek out more proved reserves? --- [David L. Yaussy](#)

● [EIA Energy Statistics](#)

Here is a round-up of the latest statistics concerning the energy industry.

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