



Issue 6, 2018

● [Oil World Turns Upside Down as U.S. Sells Oil in Middle East](#)

"Yet, in a trade that illustrates how the rise of the American shale industry is upending energy markets across the globe, the U.A.E. bought oil directly from the U.S. in December, according to data from the federal government. A tanker sailed from Houston and arrived in the Persian Gulf last month."

Why this is important: Being a kid in the 1970s, it was a foregone conclusion America bought oil from the Middle East. Everybody knew that, and it seemed America would always buy oil from the Persian Gulf states. But, thanks to the innovations brought forth by American shale producers, in the words of Bob Dylan, "The Times They Are A-Changin'." In December, the U.S. exported 700,000 barrels of very light crude oil, called condensate, to the United Arab Emirates for use in its processing unit, called a splitter. Although skeptics can write this off as an isolated transaction, the trends show America is well on its way to being a net petroleum exporter. In 2013, the U.S. exported only 100,000 barrels per day, while in November 2017, that number increased to 1.53 million barrels per day. This increase in exports is coupled with the lowest net imports in 45 years, 3 million barrels per day, drastically reduced from 12 million barrels per day imported in 2006. According to the U.S. Energy Information Administration, America could become a net exporter of crude by 2029. And that is something that seemed unbelievable just a few years ago. --- [Gerald E. \(Gee\) Loftsead III](#)

● [Tillerson Raises Specter of U.S. Sanctions on Venezuelan Oil](#)

"The United States is considering restricting imports of Venezuelan crude oil and exports of U.S. refined products to Venezuela, U.S. Secretary of State Rex Tillerson said, to put pressure on socialist President Nicolas Maduro to 'return to the constitution.'"

Why this is important: Imposition of U.S. sanctions by restricting Venezuelan imports, which last year were the lowest since 1991, would pressure the Maduro regime to end its autocratic socialist rule, either voluntarily or by competing interests within Venezuela. Secretary Tillerson hinted a military coup might remove Maduro from power. Other regional governments indicate they are unwilling to impose economic sanctions for fear of exacerbating the already significant humanitarian suffering of Venezuela's populace. But Tillerson counters that not acting to force Maduro out only extends the misery of Venezuela's citizens, which after nearly two decades of socialist autocracy, has reached crisis levels. --- [John C. \(Max\) Wilkinson](#)

● [Debunking the Most Fact-Challenged Anti-Fracking Claims Made at DRBC Hearings](#)

"These weren't the most over the top testimonies or even the most outlandish statements made throughout the four hearings - and believe me there were some doozies - but they were statements that have absolutely no basis in fact, made on behalf of organizations that individuals probably consider more 'credible' sources for talking points. And that made what they said stand out all the more."

Why this is important: Most attacks on fracking largely depend on allegations that are not supported by well researched facts,

but rely instead upon isolated accidents. To date, no credible evidence shows any chronic impact of fracking operations on the environment or human health. But recent public comment hearings about fracking held by the Delaware River Basin Commission ("DRBC"), took attacks by the anti-fracking movement to a whole new level. Speakers at the DRBC hearings held in Waymart and Philadelphia, Pennsylvania, made claims that fracking negatively affects agriculture, tourism, manufacturing and economic development in oil and gas producing areas. Plain facts clearly refute these off-the-cuff allegations, and actually point to the opposite conclusions. --- [William M. Herlihy](#)

● [Chinese Steelmaking Sparks Mini-Revival for Ailing Coal Industry](#)

"Consol Energy saw a record year at its coal export terminal in Baltimore in 2017, serving ships bound for Asia and Europe."

Why this is important: Since coal is the second most important component in making steel next to iron ore, an increase in steel production automatically means an increase in metallurgical coal demand. While this news is specific to the metallurgical coal market, it portends good things for the industry as a whole. An increase in steelmaking signifies an increase in construction, which is an important component of an improving economy. An improving economy buttressed by increased construction not only increases met coal demand, it also increases the demand for electricity, which is a positive for the steam coal market. --- [Nicholas S. Preservati](#)

● [Attorneys General Sue Trump Administration Over Water Rule](#)

"Eleven Democratic state attorneys general sued President Donald Trump's administration over its decision to delay implementation of an Obama-era rule that would have expanded the number of wetlands and small waterways protected by the Clean Water Act."

Why this is important: How far does the Clean Water Act reach? In theory, the federal government can only regulate navigable and interstate waters, but in practice its reach extends to many small in-state streams and wetlands. The debate over how far upstream the EPA and the Corps of Engineers can extend their grasp has been the subject of numerous rulemakings, court decisions (including landmark Supreme Court decisions) and heated public debate. The Obama administration attempted to cast as wide a net as possible, and the Trump administration is trying to pull back on the reach of the Obama rule by delaying its application, pending possible withdrawal. Attorneys General in 11 states are challenging that delay. The final rule, whatever it is, will have important implications for homeowners, farmers, home builders, loggers, construction workers, and everyone who works around small streams and wetlands. --- [David L. Yaussy](#)

● [Wheeling City Council Approves \\$2M Oil, Gas Lease](#)

"Mayor Glenn Elliott then said council would schedule a public work session to discuss how to use the \$2 million. After this, members voted unanimously for the lease agreement."

Why this is important: The Wheeling City Council authorized the City Manager to enter into a lease agreement with American Petroleum Partners to develop 336 acres of city-owned property. The leased mineral interests sit below 14 separate city parcels, with much of the acreage consisting of former city landfills. No surface rights will be included in the lease. Terms of the lease include about \$2 million in up-front bonus payments and an 18.5 percent production royalty rate. Natural gas development is happening all around Wheeling, and it is important that Wheeling take advantage of this economic opportunity when it can. Wheeling's decision to lease some of its mineral interests demonstrates another way the public can directly benefit from natural gas development. --- [Matthew P. Heiskell](#)

● [China's Soaring Natural Gas Output Unable to Meet Demand Set Loose in Pollution Fight](#)

"China's natural gas production is rising at the fastest pace in four years but that will not be enough to meet the demand for the fuel that has been unleashed through a government program to raise gas usage in order to clean the country's polluted air."

Why this is important: China's war against smog has skyrocketed its demand for natural gas despite increasing domestic output. Analysts predict the country will suffer a 114 billion cubic meter (bcm) shortfall in 2018. This gas will have to be shipped

through pipelines or liquid natural gas tankers. This upward trend of imports is expected to continue through 2020. The increased imports are occurring despite the fact China holds the world's largest reserves of shale gas, based on U.S. Energy Information Administration estimates. However, geography, lack of water, and high amounts of sulfur in respective gas basins present challenges for increasing China's domestic output. --- [Gerald E. \(Gee\) Lofstead III](#)

● [Chinese State-Owned Energy Companies to Form Coal, Power Trading JV](#)

"Six Chinese state-owned energy companies will form a joint venture to trade coal and electricity and invest in an electric transmission system to better connect Shanxi and Jiangsu provinces."

Why this is important: The six state owned coal producers (China Coal Pingshuo Coal Co Ltd, Datong Coal Mine Group, Datang International Power Generation Co Ltd, Jinneng Group Co, Jiangsu Guoxin Investment Group Ltd and Shanxi Shentou Power Corp) will invest 6 billion yuan in the joint venture (Sujin Energy Holding) in the operation of the Shanxi-Jiangsu ultra-high voltage electricity transmission project and trade in electricity, coal and natural gas. The joint venture furthers China's promotion of cross-region power transmission and power trade with the goal of improving transmission capacity from northwestern and southwestern China to crowded eastern regions, and with the hope of easing electricity pressure during peak periods. --- [John C. \(Max\) Wilkinson](#)

● [EPA Paves Way for WV DEP to Enforce State Water Quality Standards](#)

"House Bill 2506 passed in last year's legislative session and requires the state to use an average flow, known as the 'harmonic mean flow' to calculate water quality, as opposed to a more conservative low-flow system that the state used for years. The bill authorized the DEP to enforce those standards."

Why this is important: States set water quality standards, but they have to be approved by EPA before they can go into effect. EPA recently approved two changes to West Virginia's water quality standards that were made by the West Virginia legislature last year. One allows use of the harmonic mean flow for setting limits in NPDES permits. The other change allows overlapping mixing zones. Both offer the DEP and industrial dischargers more flexibility in writing permits, without sacrificing environmental protections. --- [David L. Yaussy](#)

● [White House Withdraws Controversial Nominee to Head Council on Environmental Quality](#)

"The White House has withdrawn its controversial nominee to head the Council on Environmental Quality, Kathleen Hartnett White, whose selection failed to gather momentum with some Senate Republicans raising questions about her expertise."

Why this is important: The withdrawal of Ms. White as the nominee to head the Council on Environmental Quality is important for two reasons: one good and one bad. The fact several Senate Republicans raised questions about her expertise and did not rubber-stamp her nomination by the Republican President is a positive and hopefully a departure from the trend of nominations being approved or rejected along party lines. The fact her nomination was strenuously opposed because she expressed uncertainty as to the extent humans contribute to global warming is a negative. It is a negative because Ms. White did not deny humans contribute to warming, she only expressed uncertainty as to the extent of that contribution. --- [Nicholas S. Preservati](#)

● [Mon Power, Potomac Edison Back Out of Pleasants Power Deal](#)

"It could be mid-year before FirstEnergy is ready to say what will happen with Pleasants Power now that Monongahela Power Co. and Potomac Edison have decided not to buy the coal-fired plant."

Why this is important: FirstEnergy has withdrawn its request for approval of the transfer of the Pleasants Power Station from its unregulated affiliate AE Supply to its regulated affiliate Monongahela Power. FirstEnergy has concluded it is unwilling to accept conditions on the transaction the West Virginia Public Service Commission had imposed and it was not going to seek rehearing of a Federal Energy Regulatory Commission decision rejecting the transaction. FirstEnergy needed the approval of both the PSC and FERC to move forward with the transaction. It is unclear what FirstEnergy will do with the Pleasants plant at this juncture, but AE Supply can continue to operate the plant or it may be sold at wholesale or retired. To the extent Mon Power (and its in-state

affiliate Potomac Edison) may have a capacity shortfall, they will be able to meet their needs through the PJM power market. --- [Derrick Price Williamson](#)

● [DEP Proposes to Double Drilling Fees to Pay for Pennsylvania's Oil and Gas Regulators](#)

"The number of well permits submitted to DEP does not generate sufficient revenue to cover the costs of administering DEP's oil and gas program," the agency wrote.

Why this is important: The PA DEP proposes to raise the well permit fee from \$5,000 to \$12,500 in order to fund the Commonwealth's oil and gas oversight program. Well permit revenue is the primary source of funding for the program, and according to the DEP, the number of well permits currently requested does not generate sufficient revenue to keep the program from running a deficit. The DEP has cut staff and reduced operating costs to address its funding issues. However, the reductions have increased the delays in processing well permits. While the industry does not oppose a measured increase, it views the 250 percent increase as excessive. The last time the DEP proposed to increase permit fees, it took 14 months before the increased fee regulation was effective. --- [Matthew P. Heiskell](#)

● [EIA Energy Statistics](#)

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

[PETROLEUM](#)

[This Week in Petroleum](#)

[Weekly Petroleum Status Report](#)

[NATURAL GAS](#)

[Short-Term Energy Outlook - Natural Gas](#)

[Natural Gas Spot & Futures Prices](#)

[Natural Gas Inventories](#)

[COAL](#)

[Short-Term Energy Outlook - Coal](#)

[Weekly Coal Production](#)

[RENEWABLES](#)

[Short-Term Energy Outlook - Renewables](#)

If you would like to subscribe to this weekly e-blast or know someone who would, please [email us](#) and we will add you or your acquaintance to the email list.

If you have any energy questions, please feel free to [contact us](#).

Spilman Thomas & Battle, PLLC or any attorney associated with the firm. This e-mail publication is distributed with the understanding that the author, publisher and distributor are not rendering legal or other professional advice on specific facts or matters and, accordingly, assume no liability whatsoever in connection with its use.

Responsible Attorney: Michael J. Basile, 800-967-8251