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Commodity Prices (USD)

COMMODITY	PRICE	% +/-
WTI Crude Oil	$68.73	+0.38%
Brent Crude Oil	$73.76	+0.38%
Natural Gas	$2.77	+0.14%
Heating Oil	$2.10	+0.35%
Gasoline	$2.08	+0.38%

FX Rates - Apr 19 2018

CURRENCY	RATE	+/-
USD/MXN	18.068250	+0.0294
USD/EUR	0.807873	-0.0001
USD/GBP	0.704274	+0.005
USD/CNY	6.267475	-0.0193
USD/AED	3.673014	0.0

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Saudi Arabia seeks oil as high as $100: sources

April 19th, 2018 | ***Read online***

Top oil exporter Saudi Arabia would like to see crude oil rise to $80 or even $100 a barrel, three industry sources told *Reuters.*

Wanting a higher price for crude is taken as a sign Riyadh will seek no changes to an OPEC-led supply-cutting deal even though the agreement's original target is drawing closer.

The Organization of the Petroleum Exporting Countries, Russia and several other producers began to reduce supply by an agreed-upon 1.8 million barrels per day (MMBPD) in January 2017 in an attempt to erase a glut. They have extended the pact until December 2018, and meet in June to review policy.

Over the past year, Saudi Arabia has emerged as OPEC's leading supporter of measures to boost prices, a change from its more moderate stance in earlier years, **Kallanish Energy** learns.

Iran, once a keen OPEC price hawk, now wants lower prices than Saudi Arabia, *Reuters* reported.

Industry sources have linked this shift in Saudi Arabia's stance to its desire to support the valuation of state oil company Aramco ahead of the kingdom's planned sale of a minority stake via an initial public offering.

The supply cut has helped boost oil prices this year to $73/Bbl, the highest since November 2014. Oil began a slide from roughly $114/Bbl -- a price Saudi Arabia endorsed in 2012 -- in mid-2014, when growing supply from rival sources such as U.S. shale began to flood the market.

But the kingdom wants the rally to go further. Two industry sources told *Reuters* a desired crude price of $80/Bbl or even $100/Bbl was circulated by senior Saudi officials in closed-door briefings in recent weeks.

"We have come full circle," a separate high-level industry source said of the change in Saudi thinking. "I would not be surprised if Saudi Arabia wanted oil at $100 until this IPO is out of the way."

Once the Aramco share sale is done, Riyadh would still want higher prices to help fund initiatives such as Vision 2030, an economic reform plan championed by Crown Prince Mohammed bin Salman.

"Saudi Arabia wants higher oil prices and yes, probably for the IPO, but it isn't just that," an OPEC source told *Reuters*.

"Look at the economic reforms and projects they want to do, and the war in Yemen. How are they going to pay for all that? They need higher prices."

By OPEC's parameters, the deal has worked. Oil stocks in developed economies in February were just 43 MMBbl above the latest five-year average, down from 340 MMBbl above in January 2017.

The cuts have been even bigger than those specified in the deal, thanks in part to a slide in Venezuelan production due to a severe economic crisis in the South American country.

Compliance has reached 150%, according to OPEC, meaning the organization's members have cut production by about 1.8 MMBPD, 600,000 BPD more than pledged.

Russia and the other non-OPED producers pledged to cut an additional 600,000 BPD.

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LNG-related activity means $1.66T to U.S. economy from 2013-2050

April 18th, 2018 | ***Read online***

The cumulative direct, indirect, and induced value-added from U.S. liquefied natural gas exports, including increased natural gas production and actual LNG export terminal construction, would total $1.66 trillion between 2013 and 2050 under a base case scenario, an ICF study projects.

Just the addition of more LNG facilities will total roughly $716 billion in value during the 37-year period, according to the ICF study, commissioned by the LNG trade group LNG Allies.

The projections are based data from the Energy Information Administration's 2018 *Annual Energy Outlook*, **Kallanish Energy** finds.

EIA's Reference Case for the *Annual Energy Outlook* generally assumes current laws and regulations affecting the energy sector are unchanged throughout the projection period.

"This updated report shows LNG exports also provide important economic benefits to the U.S. by stimulating job creation, increased economic activity, and tax revenue," LNG Allies president Fred L. Hutchison said Tuesday when the study was released.

The study measured U.S. LNG contributions in two ways: during construction and operation of a terminal; and value-added from U.S.-produced gas, said ICF vice president Harry Vidas.

When the two components are combined, the cumulative contribution to the U.S. economy is roughly $50 billion a year, Vidas said.

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North American proppant demand expected to grow 4.2%/yr. through 2021

April 19th, 2018 | ***Read online***

Proppant demand in North America is expected to grow 4.2% annually through 2021 – reaching roughly 103 billion pounds, according to a new study by industry research firm The Freedonia Group.

Said growth will be driven by an increase in the number of completions and the amount of proppant required per well, for both conventional (vertical) and unconventional (horizontal) wells, **Kallanish Energy** learns.

As one would expect, the majority of proppant demand in North America comes from the U.S., with Canada controlling just 13% of the market in 2016.

"Canada's market share has decreased since 2006, when it provided over 30% of North American demand for proppants," The Freedonia Group reported.

Particularly in the U.S., the onset of widespread unconventional drilling practices resulted in a boom in demand for proppants. While a sizable amount of unconventional drilling has taken place in Alberta and Saskatchewan, Canada's unconventional plays have not seen a strong rebound like the Permian Basin in West Texas/southeast New Mexico and the Oklahoma plays in the U.S., and remained much less active in 2016.

While raw frac sand has always been the dominant product type, its market position has increased even further since 2011, according to The Freedonia Group.

Raw frac sand accounted for over 95% of all proppant volume in North America in 2016, with resin-coated sand (RCS) and ceramic proppants being used only as a supplement to raw sand or in especially deep, high-pressure, high-temperature wells (e.g., in the Gulf of Mexico).

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NOCs to drive 11.5% growth in 2018 CAPEX

April 19th, 2018 | ***Read online***

National oil companies (NOCs), particularly in Asia, are driving 11.5% year-over-year growth in oil and gas capital expenditures (CAPEX) this year, most likely boosting project sanctions, BMI Research said Tuesday.

The London-based research company said the CAPEX of the world's largest oil and gas companies are expected at just under $500 billion in 2018. That's a nearly $44 billion upward revision in its September 2017 outlook, **Kallanish Energy** learns.

Chinese firms will lead the spending growth. CNOOC, PetroChina and Sinopec together are increasing CAPEX by $18 billion year-over-year, while other Asian firms such as ONGC, PTTEP and Petronas are also contributing.

Oil companies in the Middle East, such as ADNOC and Qatar Petroleum, and in Latin America will also spend more this year. Meanwhile, ExxonMobil is the only oil supermajor looking to significantly increase CAPEX, as most public companies remain pressured by shareholders demanding returns over spending growth.

BMI analysts noted new projects are bound to be sanctioned as a result of higher spending. However, these are likely to be smaller and natural gas-focused.

More confidence in the "health" of the oil and gas markets and higher prices are supporting the growth, but firms remain cost-disciplined. BMI's project tracker indicates companies are targeting a breakeven price of $40 per barrel or less in new projects.

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TransCanada seeks FERC approval for Buckeye Xpress project

April 19th, 2018 | ***Read online***

TransCanada is seeking Federal Energy Regulatory Commission approval to build a new pipeline in southern Ohio and northern West Virginia, **Kallanish Energy** reports.

Its Columbia Pipeline subsidiary is seeking to build the Buckeye Xpress pipeline project. The plan calls for construction of 66 miles of new pipeline in Ohio's Vinton, Jackson, Gallia and Lawrence counties, and West Virginia's Wayne County.

There will be Columbia Gas Transmission pipeline system connections to the Gulf of Mexico at Leach, Ky.

The project will replace 60.8 miles of aging 20-inch and 24-inch pipeline with 66.2 miles of new 36-inch line. That will boost capacity by 275 million cubic feet per day (MMcf/d) and improve safety and reliability, the company said.

It will modernize the company’s R-system pipeline that Columbia uses to move natural gas into Ohio storage fields and from those fields to Eastern markets.

The company filed its 117-page FERC application on March 26. It is asking for FERC approval by Jan. 31, 2019. It has a projected in-service date of Nov. 1, 2020. An open season was conducted in early 2017 for the Buckeye Xpress.

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Oil soars to 3-year high, as U.S. crude stockpiles drop

April 19th, 2018 | ***Read online***

Crude oil prices rose to their highest level since late 2014 after government data showed U.S. crude oil inventories fell last week, and as the market continued to worry about supply disruptions in major fossil fuel-producing nations.

U.S. West Texas Intermediate crude futures ended Wednesday's session up $1.95 a barrel, or 2.9%, at $68.47/Bbl, the best settlement since Dec. 1, 2014, **Kallanish Energy** reports.

Brent crude oil futures also hit a new intraday high going back to November 2014. The contract rose $1.90/Bbl, or 2.7%, to end the session at $73.48/Bbl.

Brent's settlement marked its best close since Nov. 26, 2014, the day before OPEC refused to move to stop a decline in oil prices, sparking a sharp sell-off that ultimately sent oil prices to 12-year lows, CNBC reported.

OPEC has since reversed course, reaching a deal with Russia and other oil producers to cut output by 1.8 million barrels a day (MMBPD) starting in January 2017.

The deal, which runs through the end of this year, has nearly shrunk global oil stockpiles to their five-year average. A committee that monitors adherence to the cuts meets in Saudi Arabia on Friday, and the wider group will gather in June to determine whether the agreement should be adjusted.

U.S. commercial crude inventories dropped by 1.1 MMBbl during the week ended April 13, the U.S. Energy Information Administration reported.

"It's a bullish report with the across-the-board drawdowns in everything," John Kilduff, founding partner at energy hedge fund Again Capital, told CNBC.

A rally in recent weeks has been fueled by concerns over geopolitical tension in the Middle East and potential disruptions to oil supply.

An air strike on Syria by the U.S., France and the UK stoked fears of conflict with Syrian government allies Russia and Iran, two of the world's biggest oil producers. Rocket attacks by rebels in Yemen on top oil exporter Saudi Arabia have also contributed to oil's geopolitical risk premium.

The market is also waiting to see whether President Trump will reimpose sanctions on Iran as a May 12 deadline approaches.

Meanwhile, production continues to decline in Venezuela, where economic crisis has paralyzed the nation's lifeblood oil industry.

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Shale oil has refining problem, and investors can profit: Morgan Stanley

April 19th, 2018 | ***Read online***

Surging U.S. crude oil supplies may soon find a scarcity of buyers, and Morgan Stanley thinks the situation could create investor-winners in the stock and commodity markets.

Output from American shale oil fields has pushed U.S. crude production to all-time highs. But the investment bank cautions U.S. shale wells are mostly yielding a type of light oil for which domestic refiners have little use, CNBC reports.

Most American refineries are configured to process heavier crude grades, creating a mismatch with the growing supply of light shale oil being produced domestically, **Kallanish Energy** finds.

“Our thesis is that the U.S. refining system is close to being maxed-out on the amount of shale oil it can process," wrote Morgan Stanley equity analysts, led by Martijn Rats, the head of the bank's European Oil and Gas Research team.

Refiners have compensated by blending the super light shale oil with heavier grades, but those crudes are in short supply, according to Morgan Stanley. Output is falling from heavy crude producers Venezuela and Mexico, and pipeline bottlenecks are keeping it from being shipped from Canada.

That means more shale barrels will have to be exported, but Morgan Stanley sees trouble there, too, CNBC reported. The bank estimates U.S. shale could at best handle 15,000 barrels a day (BPD) of overseas demand. If shale oil output jumps by 1 million barrels per day (MMBPD), it would have to grab 7% of this overseas market.

The overseas market for super light U.S. shale oil is even lower, likely capped at roughly 6 MMBPD, Morgan Stanley believes. That same 1 MMBPD increase would mean shale would have to capture 15% of this market.

Since the end of the ban on U.S. crude exports 2015, most shipments have gone to Europe, a market where the long-term forecast for oil demand is "modest at best," says Morgan Stanley.

While U.S. crude is making inroads in China, it faces stiff competition from entrenched exporters from the Middle East, CNBC reported.

Compounding the situation, Morgan Stanley expects middle distillates like diesel and jet fuel to account for most of the growth in oil demand, and light crudes aren't ideal for making these products.

Considering all of the above, Morgan Stanley believes in order to gain market share worldwide, traders will have to offer a discount on U.S. light oil.

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Eni to invest $8.6B in Italy, focus on green activities

April 19th, 2018 | ***Read online***

Italian oil major Eni said Wednesday it will invest €7 billion ($8.6 billion) in Italy in the next four years, with €1 billion ($1.2 billion) to be allocated towards green activities and decarbonization, **Kallanish Energy** learns.

Presenting its 2018-2021 strategic plan to the Italian financial community, Eni said its home country will receive most of its planned investment for the period. Details of expenditures for upstream and downstream weren't disclosed in a press statement.

CEO Claudio Descalzi said the company has made "significant progress" towards reaching its target to reduce emissions intensity from upstream activities by 43% by 2025, compared to 2014 levels. Last year emissions were down 15% compared to 2014.

Eni will concentrate its renewables research in solar and wind power, energy storage, advanced biofuels, biomass and nuclear fusion. In the downstream sector, it will focus on the research of products and processes with a low environmental impact, also through the use of technologies linked to the circular economy.

The firm was the first company to convert a traditional oil refinery into a bio-refinery, in Venice and by year-end will complete the conversion of a plant in Gela. These plants will produce 1 million tons of green diesel per year by 2021.

Other plans include the so-called Progetto Italia – an industrial requalification initiative to create renewables facilities on some of Eni's reclaimed industrial sites. With 25 projects identified, the potential 220 megawatts (MW) produced will supply Eni's industrial assets beginning in 2021.

In addition to the company's Ecofining technology for the production of green diesel, Eni is also working on the conversion of natural gas into methanol. The fuel aimed at road transport would reduce CO2 emissions significantly.

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Total to acquire French utility for $1.75 billion

April 19th, 2018 | ***Read online***

French oil major Total announced Wednesday a deal to buy a 74.33% controlling stake in French utility Direct Energy for €1.4 billion ($1.75 billion), in a bid to accelerate its control ambitions in natural gas and electricity in France and Belgium.

The "friendly takeover" is based on a price of €42 ($52) per share, which is a 30% premium above Direct Energie's closing share price on April 17. The transaction has been unanimously approved by the utility's board of directors, but remains subject to regulatory approval.

After the acquisition is completed, Total will file a tender offer with the French Financial Market Authority for the remaining shares of Direct Energie at the same price of €42, **Kallanish Energy** learns.

"Through this transaction, Total is actively pursuing its development in electricity and gas generation and distribution in France and Belgium," said Total CEO Patrick Pouyanné. The firm seeks "to expand along the entire gas-electricity value chain and to develop low-carbon energies, in line with our ambition to become the responsible energy major."

The combination will give Total a portfolio of six million customers in France and over one million in Belgium by 2022, and add 1,350 megawatts (MW) to its power generation capacity. Direct's installed capacity corresponds to 800 MW of gas-fired generation and 550 MW of renewables.

Within five years, Total projects reaching 10,000 MW in power generation capacity through its subsidiaries home and abroad, fueled by gas or renewable energy.

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UK's NBP gas prices to strengthen through H1

April 19th, 2018 | ***Read online***

UK natural gas prices traded in the National Balancing Point (NBP) hub are expected to strengthen through the middle of the year, as "extremely low stocks" in Europe will boost demand and buoy prices, **Kallanish Energy** learns.

Analysts at BMI Research, a unit of Fitch Group, believe the need to recover critically low gas stocks across Europe will drive increased demand. They have updated their outlook for NBP gas prices this year to 0.47 pence per therm, compared to a spot average price of 0.49p/th.

Gas inventories fell significantly due to freezing temperatures in Q1, with storage levels in the UK and Europe continuing to remain significantly below five-year averages. Stocks within storage facilities in the UK and Europe currently stand at roughly 20% of capacity, around 12% lower than their seasonal averages, BMI Research said.

The closure of the UK's Rough storage site poses a risk of heightened price volatility due to the lack of flexible storage. It accounted for over two-thirds of the UK's storage capacity and played an important role in smoothing out fluctuations in seasonal demand peaks.

The French nuclear outages which started last year and are now fading, also had an impact on gas demand and prices, BMI analysts noted. But in the long-term, the European market will remain well-supplied, suppressing hub price growth.

Abundant pipeline supply from Russia and Norway will remain robust and flexible, as well as the growing availability of global liquefied natural gas (LNG) volumes. In fact, with Europe holding significant excess LNG import capacity and a "much looser" global LNG market, there may be an increase in cargoes flowing into Europe.

Supplies from the U.S. East Coast and the Yamal peninsula are likely to ramp up through the summer, BMI said, noting also a narrowing of premiums for Asian LNG are expected to disincentivize west-to-east trade flows, leaving more LNG in Europe.

In terms of demand, the consulting firm doesn't see "a major uptick," with gas use in heating and by industry likely to remain relatively stable in the region, and gas-powered generation economically unfavorable due to low wholesale electricity prices.

The only exception is in the UK, where thanks to a carbon price floor, gas generation margins are more attractive than coal.

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CNOOC sells 90,000 t of LNG in first Shanghai exchange auction

April 19th, 2018 | ***Read online***

China's third largest oil company, CNOOC, successfully completed its first liquefied natural gas (LNG) auction at the Shanghai Petroleum and Natural Gas Exchange (SHPGX) on Wednesday, **Kallanish Energy** learns.

The state firm is said to have sold 90,000 tonnes of LNG within 30 minutes, with 18 companies bidding for the lots. Some 60,000 t of the fuel are for July delivery, while the remaining is for November delivery.

An official at the exchange told *Reuters* prices were "relatively low" compared with market expectations, without disclosing the selling price. He said CNOOC is likely to hold another auction next month.

The SHPGX was launched in Lujiazui, part of the Shanghai free trade zone, in November 2016. It serves as a national trading platform for natural gas and oil.

CNOOC didn't immediately respond to Kallanish Energy's request for comment.

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Indonesia OKs Eni's development plan for gas discovery

April 19th, 2018 | ***Read online***

Indonesia's energy ministry on Wednesday approved the development plan Italian oil major Eni submitted three months ago for the offshore Merakes field, **Kallanish Enery** reports.

The approval is seen by CEO Claudio Descalzi as a "milestone" for the development of Eni's most recent discovery in the Kutei Basin.

"It's a fundamental step to progress towards the final investment decision of the project," he added.

The Merakes field is estimated to hold 2 trillion cubic feet (Tcf) of lean gas in 1,500 meters of water. It's located near Eni's Jangkrik Floating Production Unit (FPU), which will enable infrastructure synergies.

If the project's final investment decision is positive, the project will include drilling and completion of six subsea wells, construction of subsea systems and pipelines to be connected to the Jangkrik FPU. The gas will then be shipped through existing pipelines from the FPU to the Bontang LNG processing facility.

The liquefied natural gas (LNG) plant, operated by PT Badak, in the East Kalimantan, supplies both domestic and export markets.

The Merakes field is located in the East Sepinggan production sharing contract (PSC), operated by Eni with an 85% stake, in partnership with Pertamina Hulu Energy.

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Wind power supplies more than 10% of power in 14 states: study

April 19th, 2018 | ***Read online***

Wind power now supplies more than 30% of electricity in four states, and more than 10% in 14 states, according to the American Wind Energy Association's (AWEA) just-released *U.S. Wind Industry Annual Market Report 2017.*

AWEA released its report this week in in Santa Fe, N.M., the state called a "rising star" for wind power. New Mexico added wind capacity at a faster rate than any other state in 2017, according to AWEA.

"You can see the future of American energy here in New Mexico, where our industry grew at a faster rate than any other state last year," said Tom Kiernan, CEO of AWEA.

"States are where the action is happening for wind with our federal tax credit on an orderly path to phse out by 2019. Individual states' policy choices and the strength of their infrastructure will play a big role in determining where wind power's future growth is channeled," Kiernan added.

According to AWEA, wind power generated a record 6.3% of all U.S. electricity in 2017, but in the states of Iowa, Kansas, Oklahoma and South Dakota, wind generated over 30% of their electricity using wind.

The AWEA annual report reports operating wind power capacity grew 9% last year, **Kallanish Energy** reports. The installation of 7,017 megawatts of wind in 2017 brings total U.S. installed wind power capacity to 88,973 MW, just under 54,000 wind turbines operating in 41 states, Guam and Puerto Rico – enough installed capacity to power a record 27 million American homes.

New Mexico added 570 MW of wind power in 2017, a 51% increase over the 1,112 MW installed at the end of 2016. New Mexico is now ranked 15th in the nation, with 1,682 MW of installed capacity.

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Top Trump energy adviser resigns

April 19th, 2018 | ***Read online***

Michael Catanzaro, President Trump's top adviser for energy and environmental policy, is stepping down.

Catanzaro, who has headed domestic energy and environment issues at the White House's National Economic Council (NEC), plans to leave next week and return to CGCN Group, the law and lobbying firm where he previously worked, *The Hill* reported.

The White House confirmed the move Tuesday, which was first reported by *Greenwire*. Catanzaro has worked at the White House for 15 months, **Kallanish Energy** learns.

“In just a short time on the job, I realized Mike was an integral member of the NEC team and played an important role in crafting domestic energy and environmental policy,” NEC director and top Trump economic adviser Larry Kudlow, who started in the job earlier this month, said, in a statement.

Catanzaro was rarely the public face of the Trump administration’s policies, but he was a leading figure in the administration for carrying out Trump’s deregulatory and pro-fossil fuel agenda, *The Hill* reported.

He played a significant role in the ongoing rollback of the Obama administration’s Clean Power Plan and its Clean Water Rule.

Myron Ebell, director of the Competitive Enterprise Institute's (CEI) Center for Energy and Environment, said Catanzaro left under "continuing chaos" at the White House, *The Hill* reported.

"Mike has done an outstanding job helping to implement the president’s ambitious environmental reform agenda. And he’s done it under difficult circumstances, amid continuing chaos in the White House and with many key political appointments in the agencies unfilled. It will be hard to find someone as good as Mike and as committed as he is to the Trump agenda," Ebell said, in a statement.

The White House said Francis Brooke, currently a policy adviser to Vice President Pence, will take over Catanzaro’s job when he leaves.

Brooke was part of the Trump administration’s delegation in November to the United Nations’ climate talks in Bonn, Germany, where he and others defended Trump’s decision to exit the Paris climate agreement.

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DOE announces $105M in new funding for solar R&D

April 19th, 2018 | ***Read online***

The U.S. Department of Energy announced $105.5 million in new funding this week to support solar research in four core areas.

The latest funding, offered under the DOE's Solar Energy Technologies Office (SETO), reflects a priority shift from later-stage commercialization to early-stage research, *Greentech Media* reported.

It also represents a shift from focusing on driving down the cost of solar, to improving the affordability, flexibility and performance of solar on the grid — with the largest portion of funding aimed at solar systems integration, **Kallanish Energy** finds.

With the new funding opportunity, SETO plans to select roughly 70 projects in these four subject areas:

* Advanced solar systems integration technologies (as much as $46 million, roughly 14 projects)
* Concentrating solar power research and development (up to $24 million, roughly 21 projects)
* Photovoltaics research and development (as much as $27 million, approximately 28 projects)
* Improving and expanding the solar industry through workforce Initiatives (up to $8.5 million, roughly four projects)

“American ingenuity is the engine of our energy economy,” said Energy Secretary Rick Perry, in a statement. “Investing in all of our abundant energy sources, including solar technologies, will help to drive down costs and ensure that the nation leads the world in energy production and innovation.”

Charlie Gay, director of SETO, said reducing solar costs remains a priority for the DOE, but noted the methods of cutting costs have changed as the market has matured.

“We’re not taking our eyes off the road in working on cost reduction for CSP and PV,” said Gay, in an interview with *Greentech Media*. “But in order to help scale the growth — with so much of cost reduction being related to scale — helping integrate more solar into the grid and taking advantage of microgrid opportunities, that I think would go a long way towards reinforcing the resiliency of the grid and grid security, are elements that will help expand the market.”

"The success of getting costs down means that we have to work together with a whole lot of other stakeholders to get the momentum we want to continue (bringing costs down),” said Gay.

If interested in applying, mandatory letters of intent for all topics are due on May 4, and mandatory concept papers are due by May 9.

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Trump administration won't lower offshore royalty rates

April 19th, 2018 | **Read online**

The Trump administration has announced it will not lower royalty rates for future offshore oil and gas lease sales in federal waters, **Kallanish Energy** reports

The announcement that the royalty rate will remain at 18.75% in 200 meters (656 feet) of water and deeper was announced by Interior Secretary Ryan Zinke. Royalty rates will be kept at 12.5% for leases in less than 200 meters of water depth.

Those rates went into effect with the August 2017 federal lease sale.

An improving economy, federal tax reform, higher energy prices and greater regulatory certainty have resulted in positive market conditions, and that led to the decision not to lower the royalty rates in deeper waters, Interior said.

“Right now, we can maintain higher royalties for our offshore waters without compromising the record production and record exports our nation is experiencing,” Zinke said, in statement.

Such a move would have lowered costs for producers and resulted in smaller payments to the federal government and states.

On Feb. 28, the agency’s Royalty Policy Committee, including industry representatives, had recommended the royalty rate be lowered to 12.5% on all Outer Continental Shelf lease sales at all water depths through 2024, to boost offshore drilling.

The Outer Continental Shelf Lands Act grants Zinke the authority to conduct lease sales on the OCS that “assure receipt of fair market value for the lands leased and the rights conveyed by the federal government.”

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Jones Energy ousts founder/CE0, president

April 19th, 2018 | **Read online**

Texas-based Jones Energy has ousted its founder and chief executive officer Jonny Jones and president Mike McConnell, **Kallanish Energy** reports.

The changes were announced on Tuesday in a filing with the U.S. Securities and Exchange Commission.

Both were removed, effective immediately.

Jones will remain as chairman of the board of directors and McConnell will remain a board member.

Jeff Tanner was named chief operating officer and interim CEO, said the company with offices in Austin.

He joined the company in 2014 and had been the executive vice president, Geosciences and Business Development.

The 55-year-old Tanner previously worked for Southwestern, Laredo Petroleum, Cabot Oil & Gas, Noble Energy and Royal Dutch Shell.

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Pa. sets up fund for $12.6M Mariner East II fine

April 19th, 2018 | **Read online**

Pennsylvania has created a special environmental fund to benefit the 85 communities along the route of the Mariner East II liquids pipelines, **Kallanish Energy** reports.

The fund, with $12.6 million paid by Sunoco Pipeline, will be used for projects that reduce or minimize pollution and protect clean water, said Pennsylvania Gov. Tom Wolf, in announcing the arrangement.

“It is important that we utilize this funding in an impactful way that will support long-term water quality improvement projects in these communities,” Wolf said, in a statement.

The penalty is one of the largest ever collected in a single settlement, the state said.

On Jan. 3, the Pennsylvania Department of Environmental Protection had halted work on the Mariner East 2 pipelines. On Feb. 8, the company was allowed to resume work after being fined $12.6 million by DEP for drilling problems.

The $2.5 billion Mariner East 2 projects calls for two liquids pipelines that will stretch 350 miles across southern Pennsylvania.

They would move natural gas liquids from the Utica and Marcellus shales from southwest Pennsylvania and nearby states to Marcus Hook near Philadelphia, where the liquids, mostly butane and propane, would be exported.

Construction began a year ago, although the project has run into strong opposition in some areas.

Mariner East 2 is designed to handle an additional 345,000 barrels per day.

The company's Mariner East 1 Pipeline is transporting roughly 70,000 BPD of ethane and propane to Marcus Hook.

The two new pipelines and the one existing pipeline will largely follow the same route that will traverse 17 counties.

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EIA: Summer residential electricity bills projected to jump 3%

April 19th, 2018 | ***Read online***

U.S. electricity customers are expected to pay 3% more on this summer's bills from June to August, according to the Energy Information Administration.

The expected increase in electricity bills is due to forecast higher retail prices and slightly higher projected electricity usage to meet increasing cooling demand and warmer temperatures than last year, the federal agency reported.

The increases will be countrywide, it said.

Summer temperatures in the eastern half of the U.S. are expected to be warmer this summer, while western states are projected to experience milder summer weather than last year, EIA said.

The typical household will spend an average of $426 for electricity for the three-month summer season, it said.

In most parts of the country, residential electricity usage peaks during the summer months when households use air conditioning to cool their homes, resulting in more electricity usage.

Based on projections from the National Oceanic and Atmospheric Administration, EIA expects cooling degree days this summer to total roughly 2% more than during the mild summer of 2017. Cooling degree days are an indicator of cooling demand, EIA said.

NOAA expects cooling degree days in summer 2018 to be about 1% fewer than the average of the previous 10 summers.

EIA said U.S. residential retail electricity prices will average 13.5 cents per kilowatt-hour (kWh) between June and August, roughly 2% higher than last summer. That is primarily due to higher generation fuel costs, especially for natural gas, it said.

EIA said natural gas will likely be the No. 1 fuel for summer electricity generation, providing 37% of total U.S. electricity generation. That compares to 35% last year. Coal is expected to produce 29% of electricity, down from 31% last summer, it said.

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Painted Pony pleased with first Montney well in Beg block

April 19th, 2018 | ***Read online***

Calgary-based Painted Pony Energy announced what the company called promising results from its first horizontal Montney Shale well drilled in the Beg block in northeast British Columbia, **Kallanish Energy** reports.

The production test "provided early flow data and liquids yields and increases Painted Pony's confidence in the potential of this block," the company said Tuesday in a statement.

The upper Montney well was drilled to a vertical depth of 5,900 feet with a lateral of nearly 7,440 feet.

The initial 24-hour rate averaged more than 1,900 barrels oil-equivalent per day (BOE/d), including 9.5 million cubic feet (MMcf) of natural gas, and an estimated 340 barrels per day (BPD) of liquids (60% condensate and 40% NGLs), the company said.

The estimated liquids-to-gas ratio is about 35 to 40 barrels per million cubic feet, the company said.

The well is not yet pipeline connected, but could be connected to AltaGas' Townsend facility in the future, it said. Additional development in the Beg block is being reviewed.

Painted Pony said its Beg block consists of 36 net sections of Montney rights and all 36 sections appear to be "prospective for Montney development."

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WildHorse launching $200M offering of 6.875% senior notes

April 19th, 2018 | ***Read online***

Independent oil and gas company WildHorse Resource Development (WRD) said Wednesday that, subject to market conditions, it intends to offer $200 million of its 6.875% senior notes due in 2025.

The debt is expected to rank equally with, and be treated under the indenture as a single class of debt securities with, the $500 million of currently outstanding 6.875% senior notes due in 2025, previously issued on Feb. 1, and Sept. 19, 2017, **Kallanish Energy** reports.

Houston-based WRD intends to use the net proceeds from the proposed offering to repay borrowings outstanding under its revolving credit facility and for general corporate purposes.

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