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INSIDE THIS ISSUE

THE CROW'S NEST	2
NEW MEMBERS	3
BOARD OF TRUSTEES	3
GAS REPORT	6
CALENDAR OF EVENTS	7
AMERICA'S "SHALE CRESCENT"	9
LETTER TO THE EDITOR	11
SAFETY CORNER: AIR QUALITY- BREATHIER EASIER	12
FE ANNOUNCES NEW HEAD OF OIL AND NATURAL GAS OFFICE	13
GAS AND OIL PRICING	14
WEST VIRGINIA UPDATES	17
MARGINAL WELL CREDIT FOR 2017	21
2018 SOOGA SPRING GOLF	24
AMERICAN REFINING GROUP PRESS RELEASE	27

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The SOOGA office has moved to a new location



The SOOGA office has moved to 2167 State Route 821 Ste A, Marietta, OH 45750.

Please feel free to stop in and check out our new space.

Please update your records and send all payments and correspondences to this new mailing address.

Thank you and hope to see you soon!

Industry Open Forum

Presented by SOOGA and OOGA

July 18th 9:00-12:00

Lafayette Hotel, Marietta Ohio

There will be a panel discussion on each of the topics below to provide members updated information and opportunities to ask questions.

Topics

- Wayne National Forest/BLM leasing.
 - Forest Plan update
- Update on HB430 Tax Bill
 - What is exempt from sales tax
- Update on HB225 Orphan Well Bill
- Gas Quality Update
 - Oxygen levels issues and shut-ins
- Q & A, open discussions

To help with accommodations please RSVP by 7/13/18 to mail@sooga.org or 740-374-3203.

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THE CROW'S NEST

SOOGA has been busy since turning 40 this year! We have a new logo and now we have a new office location. I encourage everyone to stop by SOOGA's new office located in the Broughton's Complex on State Route 821 in Marietta, Ohio. This is a great move for our organization, which provides us with newer, more modern office space located near several of our industry members. I especially want to thank Don Huck, Gene Huck, Dustin Hale and John Diehl from Artex Oil Company for all their help with the office move! Additionally, our monthly rent for this office space will be donated to the Shale Crescent USA organization by Broughton Commercial Properties. Thank you George Broughton for your continued partnership and support for our Industry!



Our board members have been keeping up to date on several issues and topics that concern all of us in the industry. SOOGA is partnering with OOGA to host an Industry Open Forum, July 18th. We will have several panel discussions on topics including the Wayne National Forest/BLM, the HB430 Tax Bill, HB225 Orphan Well Bill and Gas Quality update. We hope many of you can attend to participate in the discussions and ask questions.

The update to the Wayne National Forest Plan is just starting. Even if you do not have wells in the WNF, this is something that all members need to be aware of as changes to the forest plan could potentially impact our area and future development. If you are not aware of the activity, here is a general overview:

The Wayne National Forest has decided to update its 2006 Forest Plan, which will include details on how the Wayne plans to allow oil and natural gas development on the surface and subsurface of the forest. The updated Forest Plan was expected, and it will review all activities in the Wayne, such as timber and coal development, and even recreational uses. In other words, the focus is not solely on oil and natural gas. That said, Wayne officials know that “fracking” will be a controversial issue and, as such, they are preparing for that. Recall that in 2012, the Wayne updated their 2006 Forest Plan to allow horizontal drilling and hydraulic fracturing.

The Forest Plan review process has kicked off and is in the early stages of review. Staff from the Wayne have hosted several informational meetings across the state and are in the process of collecting information to draft a new Forest Plan. As part of this early assessment, a broad collaborative effort from industry groups is underway to help provide forest supervisor Tony Scardina with pertinent data and education materials to help him and his staff better understand our issues. In addition, the forest supervisor and his team also recently toured a well site and zipper frac with an unconventional operator in Monroe County. In addition to industry input, the forest supervisor and his team are also meeting with other stakeholder groups, including environmental groups. This is a major change from the way this process has been done in the past. In the past, a draft Forest Plan was issued by the agency without early input by stakeholders. So it should be interesting to see how this new approach plays out. The draft Forest Plan will come out later this year and will be subject to a more formal comment process. In addition, the draft Forest Plan will enter into a full Environmental Impact Study, which will include a thorough public scoping. This process will take place over the course of the next few years, concluding with a final decision by the forest supervisor in the summer or fall of 2020.

As this process unfolds, rest assured that you will be informed along the way and will be provided opportunity to engage. Your voice is vital to this process and we need to make sure you are heard!

I wish everyone a very safe and happy summer!
Christy Chavez
SOOGA President



2018 NEW MEMBERS
 SOOGA would like to welcome the following new members:

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(Continued to page 4)

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**2018 SOOGA
 Calendar of Events**

Save the Date
 Ohio Valley Desk and Derrick
 Boat Ride on Valley Gem
 July 27, 2018

2018 Fall Golf Outing
 August 17th, 2018
 Oxbow Golf Course

2018 Fall Trade Show
 September 20th, 2018
 Washington County Fairgrounds

2018 Fall Clay Shoot
 October 19th, 2018
 Hilltop Sports

Fall Gun Giveaway
 November, 2018



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Southeastern Ohio Oil and Gas Association Gas Committee Report June, 2018

PRICING

Prices June 12, 2018

NYMEX Settle – June -2018	\$2.87
One Year NYMEX strip (June, 2018 – May, 2019)	\$2.91
Summer NYMEX strip for 2018 (July-October)	\$2.93
Winter NYMEX strip – 2018 (Nov., 2018 – Mar. 2019)	\$3.08
TCO Index Posting – <u>June, 2018</u>	\$2.65
DTI Index Posting – June, 2018	\$2.22

Working gas in underground storage, Lower 48 states

Region	Stocks billion cubic feet (Bcf)				Historical Comparisons			
	06/01/18	05/25/18	net change	implied flow	Year ago (06/01/17)		5-year average (2013-17)	
					Bcf	% change	Bcf	% change
East	351	328	23	23	452	-22.3	460	-23.7
Midwest	341	315	26	26	610	-44.1	505	-32.5
Mountain	121	113	8	8	171	-29.2	145	-16.6
Pacific	231	221	10	10	267	-13.5	279	-17.2
South Central	773	748	25	25	1,116	-30.7	940	-17.8
Salt	245	235	10	10	345	-29.0	284	-13.7
Nonsalt	528	514	14	14	771	-31.5	656	-19.5
Total	1,817	1,725	92	92	2,616	-30.5	2,329	-22.0

SUMMARY

GAS STORAGE AS OF THE June 7, 2018 Report

Working gas in storage was 1,817 Bcf as of Friday, June 1, 2018, according to EIA estimates. This represents a net increase of 92 Bcf from the previous week. Stocks were 799 Bcf less than last year at this time and 512 Bcf below the five-year average of 2,329 Bcf. At 1,817 Bcf, total working gas is within the five-year historical range.

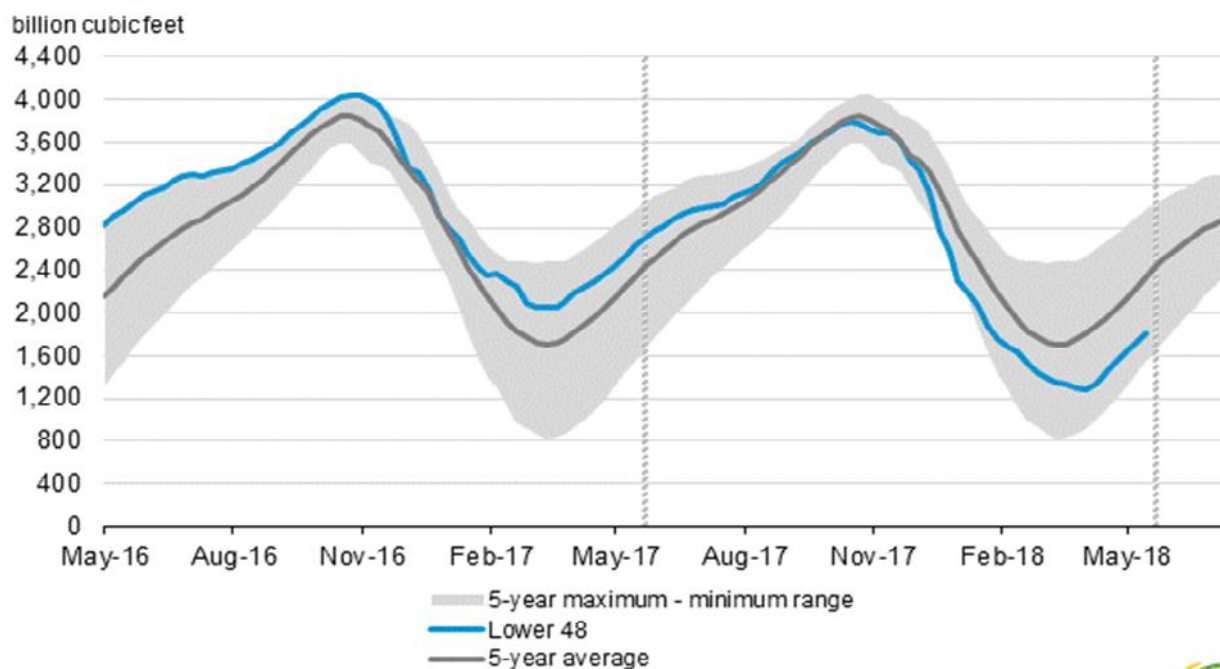
For information on sampling error in this report, see [Estimated Measures of Sampling Variability](#) table below.



(Continued to page 7)

(Continued from page 6)

Working gas in underground storage compared with the 5-year maximum and minimum



Source: U.S. Energy Information Administration



Note: The shaded area indicates the range between the historical minimum and maximum values for the weekly series from 2013 through 2017. The dashed vertical lines indicate current and year-ago weekly periods.

EIA WEEKLY REPORT APRIL 28, 2018:**Natural Gas**

Several Marcellus region prices, by contrast, rose sharply. Tennessee Zone 4 Marcellus spot prices increased by \$1.02 to \$2.09/MMBtu yesterday, and the price for the Transco-Leidy Line saw a similar movement. Prices at Dominion South in northwest Pennsylvania fell 4¢ from \$2.40/MMBtu last Wednesday to \$2.36/MMBtu yesterday. Discounted prices in the region were eased by additional takeaway capacity placed into service on both Rover Mainline B on May 31 and on Transco as additional portions of the Atlantic Sunrise Project came online June 1.

July contract increases slightly. At the Nymex, the price of the July 2018 contract increased 1¢, from \$2.885/MMBtu last Wednesday to \$2.896/MMBtu yesterday. The price of the 12-month strip averaging July 2018 through June 2019 futures contracts climbed 1¢ to \$2.891/MMBtu.

Supply falls slightly. According to data from PointLogic Energy, the average total supply of natural gas fell by 1% compared with the previous report week. Dry natural gas production decreased by 1% compared with the previous report week. Average net imports from Canada decreased by 11% from last week as Rover began deliveries into the Vector pipeline, driving an increase in U.S. exports into Canada over the report week.

Demand ticks up. Total U.S. consumption of natural gas rose by 2% compared with the previous report week, according to data from PointLogic Energy. Natural gas consumed for power generation declined by 1% week over week. Industrial sector consumption increased by 1% week over week. In the residential and commercial sectors, consumption increased by 19%, driven by cool temperatures in New England late this report week. Natural gas exports to Mexico decreased 1%.

U.S. LNG exports increase week over week. Six LNG vessels (combined LNG-carrying capacity 21.8 Bcf) departed the United States from May 31 through June 6—four tankers from Sabine Pass liquefaction terminal (combined LNG-carrying capacity 14.9 Bcf) and two tankers from Cove Point terminal (combined LNG-carrying capacity 6.9 Bcf). One tanker (LNG-carrying capacity 3.8 Bcf) was loading at the Sabine Pass terminal on Wednesday.

(Continued from page 7)

UTICA WELL LPRODUCTION

During the fourth quarter of 2017, Ohio’s horizontal shale wells produced 4,193,562 barrels of oil and 503,066,907Mcf (503 billion cubic feet) of natural gas, according to the figures released by the Ohio Department of Natural Resources (ODNR).

Horizontal shale well operators are required to submit production data by the 45th day following the close of each calendar quarter. Operators submit the amount of oil, natural gas and brine that each well produces, as well as the number of days that the well was in production.

Fourth Quarter – 2017 – Utica Production Volumes:

	2017 QUARTER 3	2017 QUARTER 4	PERCENTAGE CHANGE
Barrels of Oil	4,165,729	4,193,562	1.01%
MCF Nat. Gas	460,558,077	503,066,758	1.09%

The ODNR quarterly report lists 1,897 horizontal shale wells, 1,869 of which reported oil and natural gas production during the quarter. Of the 1,869 reporting oil and natural gas results:

The average amount of oil produced was 2,367 barrels.

The average amount of gas produced was 261,681 Mcf.

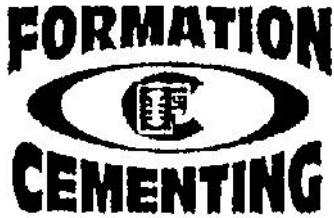
The average number of first quarter days in production was 88.

As of June 9, 2018, there have been 2,837 shale permits issues in Ohio, and 2,358 of them have been developed.

There are currently 1,869 Utica shale wells in production, with 23 rigs running.

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America's "Shale Crescent" Is Enjoying A Permian-Like Energy Boom Of Its Own

David Blackmon Jun 28, 2018 @ 09:41 AM



VANPORT, PENNSYLVANIA - OCTOBER 27: A view of Shell Chemical's new multi billion-dollar ethane cracker plant processing plant across the Allegheny River can be seen under construction October 27, 2017 in Monaca, Pennsylvania. Shell Chemical said constructing the plant would employ 6-8,000 workers, giving way to 500-600 permanent positions as the plant converts ethylene from Marcellus Shale natural gas into polyethylene pellets for the plastics industry. (Photo by Robert Nickelsberg/Getty Images)

The energy segment of the U.S. news media has dedicated a lot of time in recent months to discussing the current boom in oil and natural gas production, exports and consumption, and the benefits the country derives from these crucial natural energy resources. All too often, though, we completely miss the third leg of this petroleum-based stool, which is our equally amazing abundance of natural gas liquids (NGLs) and the similar boom taking place in that segment of the industry.

A new report published yesterday by the U.S. Department of Energy (DOE) puts the scale of this boom in somewhat amazing detail. But before we get into those details, let's review what NGLs - the component petroleum liquids that are separated out of most natural gas production streams - actually are.

Put simply, there are five such liquid components contained in any typical "wet" natural gas stream:

- Ethane
- Propane
- Normal Butane
- Iso-Butane
- Natural Gasoline

These NGLs are separated out at natural gas processing plants and then moved to various markets centers where they are applied to a broad variety of energy and manufacturing uses, including:

- Plastics
- Synthetic Rubber
- Home heating
- Cooking
- Petrochemical feedstock
- Refinery feedstock
- Motor fuels blending
- Fertilizers

This list could go on and on. Once the liquids are removed from a gas stream, what remains is a pure Methane stream, and that is the "natural gas" that is commonly used for power generation and home heating in communities that have local pipeline distribution infrastructure.

As the DOE report unsurprisingly details, the major driver behind the current boom in natural gas and NGLs is the mammoth Marcellus Shale resource located across much of Pennsylvania, West Virginia and Ohio. (The Marcellus also lies underneath a broad swath of Southwestern New York, but the Cuomo Administration continues to prevent its citizens from sharing the massive economic wealth and lower utility bills this resource is bringing to these other states.)



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Air Quality – Breathing Easier in the Oil Industry

There are many hazards inherent in the oil industry, and one of the most important to keep in mind is air quality. When petroleum is collected and refined, a variety of byproduct gases can be released that can pose serious environmental or health hazards. In this article, we will cover some of the most prominent of these gases, and the hazards that they pose to workers.

One of the most dangerous byproduct gases that you may encounter is H₂S, or Hydrogen Sulfide. H₂S is extremely hazardous, capable of causing permanent lung, eye, and throat damage in concentrations as small as 10 parts per million for just 10 to 15 minutes. As concentrations rise, so do the dangers, quickly resulting in permanent brain damage or outright death.

Another prevalent set of gases are Carbon Monoxide and Carbon Dioxide. Though similar in name, these gases have very different effects. Carbon Dioxide is an extremely common gas, being a byproduct of chemical reactions, the burning of fuels, and even breathing. While generally found at around 400 ppm, CO₂ doesn't become hazardous until levels rise above 5,000 ppm. By contrast, Carbon Monoxide, or CO is hazardous at just 50 ppm. Symptoms of Carbon Monoxide poisoning range from headaches and dizziness, all the way up to loss of consciousness and death.

Flammable and Combustible gases and vapors are also a significant and obvious safety hazard. With flammables and combustibles, what you are looking for is the LEL, or Lower Explosive Limit, and UEL, or Upper Explosive Limit. When the total concentration of flammable and combustible gases fall between these two limits, then they will be able to ignite, and in large enough volumes, this can lead to an explosion. Compounding this danger is the fact that flammable and combustible gases and vapors are often times hazardous on their own anyway, such as by displacing Oxygen, irritating tissues, or causing other damage.

Lastly, depending on where you are, you may have to deal with VOCs, short for Volatile Organic Compounds. There are many different VOCs, and all have different degrees of reactivity and danger, more than we can cover here. For this reason, being aware of the hazards of your space, including the potential for VOCs to be generated by materials present is extremely important.

In addition to these hazards, even relatively benign gases can still be extremely harmful by simply displacing Oxygen and asphyxiating the victim in minutes. It is for these reasons that practices such as air monitoring and forced ventilation are performed. Doing so ensures the safety of everyone who works in areas where these hazards could develop.

Provided by Curtis Speck, President
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 Inside FERC/TCO: \$2.610 (Basis: -\$0.211)
 NYMEX 3-day Average:

JUNE 2018

NYMEX Settlement: \$2.875
 Inside FERC/DTI: \$2.220 (Basis: -\$0.655)
 Inside FERC/TCO: \$2.650 (Basis: -\$0.225)
 NYMEX 3-day Average: \$2.918

OIL PRICING 2018**ERGON OIL****February PURCHASING WEST VIRGINIA MONTHLY AVERAGE**

April Ohio Tier 1: \$65.321
 April Ohio Tier 2: \$62.321
 April Ohio Tier 3: \$60.321
 April West Virginia Tier 1: \$65.321
 April West Virginia Tier 2: \$62.321
 April West Virginia Tier 3: \$60.321
 April Marcellus/Utica Condensate: \$52.321
 April Marcellus/Utica Medium: \$65.321
 April Marcellus/Utica Light: \$60.321

May Ohio Tier 1: \$68.8926
 May Ohio Tier 2: \$65.8926
 May Ohio Tier 3: \$56.63.8926
 May West Virginia Tier 1: \$68.8926
 May West Virginia Tier 2: \$65.8926
 March West Virginia Tier 3: \$63.8926
 May Marcellus/Utica Condensate: \$55.8926
 May Marcellus/Utica Medium: \$68.8926
 May Marcellus/Utica Light: \$63.8926

Tier 1 - 150 + net barrels of crude oil
 No more than 2% BS&W (if the BS&W is over 2% it will then qualify for Tier 2 pricing)

Tier 2 - 60-149.99 net barrels of crude oil
 Two Stops within 5 miles

Tier 3 - 30-59.99 net barrels of crude oil

Please contact Ergon at 1-800-278-3364 for clarification on split load pricing.

The prices as posted are based upon computation of volume by using tank tables, or as measured by a deduction for all BS&W and correction for temperature deductions or allowances shall be made on the oil purchased shall be free of contamination and/or alteration by foreign substances or chemicals not associated with virgin crude oil. These include but are not restricted to, oxygenated and/or chlorinated compounds.

The Marcellus/Utica Shale produced crude oil will be purchased based on the monthly average for the following postings:
 38.0-49.9 API Gravity—**Marcellus/Utica Medium** crude oil
 50.0-59.9 API Gravity—**Marcellus/Utica Light** crude oil
 60.0+ API Gravity—**Marcellus/Utica Condensate** (formerly posted as Appalachian Sweet Light-ALS).
 Other parameters will be evaluated on a farm by farm basis.

You can now find EOP WVA Crude oil Price Bulletin on the internet at:
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OIL PRICING 2018**AMERICAN REFINING GROUP AVERAGE**

4/21 to 4/30 Group 1 OH: \$67.22
 Group 2 OH: \$64.22
 Group 3 OH: \$62.22
 5/1 to 5/10 Group 1 OH: \$68.51
 Group 2 OH: \$65.51
 Group 3 OH: \$63.51
 5/11 to 5/20 Group 1 OH: \$70.12
 Group 2 OH: \$67.12
 Group 3 OH: \$65.12
 5/21 to 5/31 Group 1 OH: \$68.13
 Group 2 OH: \$65.13
 Group 3 OH: \$63.13
 6/1 to 6/10 Group 1 OH: \$64.56
 Group 2 OH: \$61.56
 Group 3 OH: \$59.56
 6/11 to 6/20 Group 1 OH: \$64.83
 Group 2 OH: \$61.83
 Group 3 OH: \$59.83

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Group 1 (OH/PA/NY) - 150.0 barrels from a single location, with a BS&W of 2% or less,

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Group 3 (OH/PA/NY) - 30-59.9 net barrels from a single location

For questions relating to ARG Group Pricing or Utica / Marcellus Shale pricing, please contact:

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West Virginia Updates

By: Bob Matthey

Doddridge County Explosion Kills 1, Injures 3

On the morning of Friday, May 25th, the citizens of Doddridge County were awakened by a terrible sight and sound. Around 10 a.m., while Hydrocarbon Well Service and Waste Management worked to clean three 100 bbl tanks on 145 Whitehair Lane, West Union, they caught fire and exploded. Four men were taken to the hospital in helicopters, but only three survived.

State DEP Communications Director Jake Glance said, “The tanks had apparently been moved to this location and were being cleaned and cut up for scrap, using some sort of torch. It appears that the tanks were not completely empty of their contents, and whatever was in the tanks ignited.” The tanks were owned by Hydrocarbon Well Services. One was part of an active oil and gas well while the others had been decommissioned for years.

The man killed was Barry Lattea, 51. He worked for Hydrocarbon Well Services while the other three worked for Waste Management. Blake McEnany, assistant area director for the OSHA’s Charleston office, said Lattea died in Mercy Hospital in Pittsburgh of thermal and inhalation injuries. The other three are still hospitalized, but no status is given.

Some oil entered Cabin Run, a nearby stream, but it is unknown how much. Hydrocarbon Well Services has hired Enviro-clean to see to environmental remediation.

EQT Lawsuit

EQT is trying to sue West Virginia seeking damages and coercive relief against the State. This lawsuit challenges West Virginia’s flat-rate statute and a bill that amended it that passed this year. The motion was filed the same evening the bill became law.

This lawsuit was filed against Austin Caperton, secretary of the West Virginia Department of Environmental Protection, in his official capacity, not him personally. This brings up the 11th Amendment, which makes EQT unable to sue the State in federal court for monetary damages. This is what Caperton’s lawyers argue.

This dispute started with the flat-rate statute of 1982. The flat-rate statute of 1982 required drillers to pay one-eighth royalty of natural gas’s sale price. During 2012, residents of Doddridge County sued EQT when they violated the flat-rate when they calculated royalties incorrectly. In 2016 the state Supreme Court heard the case and ruled in favor of the land-owners. But in 2017 they reheard the case and ruled in favor of EQT. Because of the Senate Bill 360 that was passed this year that ruling was also overturned. Caperton’s lawyers also argue if this gets reformed it will affect thousands.

It is yet to be determined if the state’s motion to dismiss the Lawsuit will succeed or not.


TransCanada Gas Line Explosion

Early on Thursday, June 7th, TransCanada’s Midstream Pipeline exploded in Marshall County. The explosion and burning torched about 10 acres of forest from 4:20 a.m. to 8:30 a.m. No one was hurt or evacuated.

The fire glowed hundreds of feet in the air and the explosion was heard for miles. There were calls to emergency services from Wetzel county, Ohio county, Belmont and Monroe counties, Ohio, and Washington and Greene counties in Pennsylvania.

The 36-inch line was fairly new with some parts still under construction. TransCanada was able to remotely shut the line off and let the fire die out. Firefighters secured the location but let it run its course as it was a rural location with few population surrounding.

No injuries were reported. The cause is still under investigation.



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Continued from page 9

The Report projects that, driven mainly by the NGLs-rich Marcellus - and to a lesser extent, the Utica Shale - natural gas production in the Northeastern U.S. will expand by 200 percent for the 10-year period from 2013 through 2023. That expansion will, combined with massive new investments in processing and manufacturing infrastructure, drive a whopping 700 percent expansion in the region's natural gas plant liquids production over that same time period.

Now, that's a boom.

While the raw numbers are huge, none of this is really surprising given the findings of a study released in March by the folks at IHS Market, titled "Benefits, Risks, and Estimated Project Cash Flows: Ethylene Project Located in the Shale Crescent USA Versus the US Gulf Coast." Although much of the energy media's focus this year has remained on the similarly amazing production boom going on in the Permian Basin, the LNG exports boom centered along the Gulf Coast, and the rapid expansion of crude oil exports being facilitated mostly by the Port of Corpus Christi, this IHS Market report details some several strong market advantages related to NGLs that the "Shale Crescent" of the Northeast currently enjoys:

- Because of lower natural gas feedstock costs, ethylene, commonly produced from ethane, cash costs in the Shale Crescent USA are 23% lower than on the Gulf Coast.
- Polyethylene (plastic pellets) cash costs are 16% lower in the Shale Crescent USA than on the Gulf Coast, and delivered costs are 23% lower, since the supply is closer to end users.
- An ethylene project in the Shale Crescent USA region will produce a net present value (NPV) EBITDA of \$930 million over the life of the project, compared to a NPV of \$217 million for a similar project on the U.S. Gulf Coast.
- This represents an NPV cash flow advantage of \$713 million for an investment in the Shale Crescent USA project versus a project on the U.S. Gulf Coast.
- The NPV cash flow is over four times higher in the Shale Crescent USA project than in the U.S. Gulf Coast project.
- Availability of natural gas and natural gas liquids (NGLs) has led the Shale Crescent USA to surpass the Gulf Coast as the most profitable region to build a petrochemical plant. Companies including Royal Dutch Shell are already taking advantage of this.

The IHS Market report also projects that, if the Marcellus region were a country, it would currently rank third globally in natural gas production, behind only the rest of the U.S. and Russia. Because of this amazing abundance, China recently executed a Memorandum of Understanding with West Virginia to invest up to \$84 billion over 20 years in chemical manufacturing and shale-related projects.

So yes, there is indeed a big oil boom taking place in the Permian Basin, but it is far from the only petroleum-based energy boom driving the U.S. economy today. The Shale Crescent of the Northeast is enjoying a big boom of its own, and it's only going to get bigger in the years to come.

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Marginal Well Credit for 2017 Natural Gas Production Announced

Oil & Gas Industry Services
Arnett Carbis Toothman LLP

May 2018

The Internal Revenue Service announced May 26, 2018, in Notice 2018-52 that the Marginal Well Production Credit (MWC) for natural gas production from qualifying wells in calendar year 2017 is \$.51 per mcf for the first 18 mcf of daily production. Arnett Carbis Toothman is committed to staying up to date on issues that will benefit the oil and natural gas industry and those who serve its members. The following is a summary of this credit and its source and application.

Marginal well working interest owners have not experienced much in their favor in the past several years with lower production, lower natural gas sales prices, and increased operating, transportation, and regulatory costs. Surprisingly, a very positive current item for marginal well working interest owners may be found in the federal income tax area with a federal income tax credit for 2017 natural gas production. Internal Revenue Code Section 45I was passed by Congress as part of the American Jobs Creation Act of 2004. This MWC was based on production from qualified marginal wells. Qualified marginal oil wells are those with an average production of not more than 15 barrels per day, those wells producing heavy oil, or wells producing not less than 95% water with average production of not more than 25 barrels per day of oil. Qualified marginal natural gas wells are those producing not more than 90 mcf per day. The first step in determining wells that qualify for this credit is making certain they qualify as marginal wells, combining oil and natural gas equivalent units to determine marginal well status.

This tax provision allows a \$3 per barrel tax credit for the first three barrels of daily oil production from an existing marginal well and a \$.50 per mcf tax credit for the first 18 mcf of daily natural gas production from a marginal well. The second step is determining the actual average daily production from the qualified wells and limiting that production to a daily combined three barrels of oil and 18 mcf of natural gas in equivalent units of production. If oil produced from qualifying wells is not allowed in a year due to oil's reference price being too high, which was the case for 2017 production, it should be appropriate to include only natural gas in your 18 mcf of qualifying production calculation. The qualified average daily production under this limitation would then be applied to the number of days that the working interest owner actually owned that well interest.

The third step in determining the dollar amount of federal tax credit available is to apply the qualifying production in a year to the approved dollar amount per unit of production. For oil production, the original \$3 credit per barrel was to be proportionately eliminated as the inflation adjusted average price of oil increased from \$15 to \$18 per barrel. For 2017 oil production, the inflation adjusted maximum credit of \$3.76 per barrel was eliminated as the average allowable sales price of oil in 2016 increased from \$18.00 to \$22.53 per barrel and the 2016 reference price for oil was above \$38.29 per barrel.

For 2017 natural gas production, there is a MWC for the first 18 mcf of daily production from qualifying wells of \$.51 per mcf. The original maximum MWC of \$.50 per mcf has now increased due to inflation to a maximum of \$.6259 per mcf. The original \$.50 per mcf credit was reduced as the average price of natural gas in the year prior to the production year increased from \$1.67 to \$2.00. With inflation, the 2017 natural gas maximum credit of \$.6259 per mcf is reduced as the reference price of natural gas in 2016 increases from \$2.09 to \$2.50 per mcf. In other words, if the reference price for natural gas production is less than \$2.50 per mcf in 2016, there will be a MWC for 2017 natural gas production.

The Internal Revenue Service is the agency that is to calculate and publish the 2016 natural gas reference price. This average natural gas price will determine the amount of credit per mcf of qualifying production no matter what producers actually sell their natural gas for in 2017. The Internal Revenue Service issued Notice 2018-52 listing the 2017 inflation adjustment factor of 1.2518 and the 2016 applicable reference price of \$2.17 per mcf. Based on these factors, the MWC for 2017 natural gas production from "stripper wells" is \$.51 per mcf.

(Continued to page 22)

(Continued from page 21)

This natural gas federal income tax credit for 2017 qualifying production is definitely good news. One additional limitation on use of this credit is that it may only offset regular income tax in excess of Alternative Minimum Tax (AMT). An offsetting benefit to this AMT limit is that any MWC not used in a year due to total tax or AMT limits may be carried back 5 years and over up to 20 years. This extended number of years to utilize this credit hopefully ensures a significant amount of Section 45I credit for 2017 natural gas production will be realized by those with qualifying marginal well production.

We will continue to monitor and update information about this credit as its specific application becomes better defined. If you have any questions concerning the above information or how this credit may be applied to benefit you, please contact the following Arnett Carbis Toothman LLP associates at 800-924-0729 or email at: don.nestor@actcpas.com; marlin.witt@actcpas.com, bill.phillips@actcpas.com; ryan.nestor@actcpas.com; or wanda.bailey@actcpas.com. You may also contact any of our Arnett Carbis Toothman LLP offices and we will respond to your requests concerning this valuable credit or other planning needs you may have.

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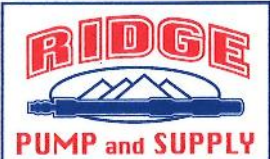
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- #18 Men-Longest Putt Made–Josh Hill
- #14 Ladies-Longest Drive–Kathy Hill
- #7 Closest to Pin–Glenn Wiser
- #16 Closest to Pin– Lanny Gardner
- #9 Straightest Drive– Kate Hornbrook

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AMERICAN REFINING GROUP, INC

June 19, 2018

Welker retires from Ohio terminal, Teichmer to succeed



MINERAL CITY, Ohio – American Refining Group Inc. (ARG) announced Gary Welker has retired as supervisor of its Ohio crude-gathering terminal after 44 years with the company and its predecessor Witco Corp.

Mr. Welker started his career June 3, 1974, as a summer laborer and just more than three months later was named oil truck driver fieldman I. He advanced to fieldman II in the fall of 1975 and then to fieldman III in 1980. He worked in this role until 1999 when he was promoted to crude-oil coordinator.

Finding success as coordinator Mr. Welker earned a promotion to crude-oil supervisor in 2005 and then to crude-supply manager in 2008, serving a full decade in this role until his retirement in early June.

ARG Vice President, Crude Supply and Logistics Bill Murray said, “Gary has served ARG and the Ohio crude suppliers extremely well throughout his career and should be very proud of the footprints he leaves in growing ARG’s Sandyville Operations to what it is today.

“Gary’s ability to connect with crude producers and the positive relationships he has developed continue to benefit the company and leaves big shoes to fill. His retirement had been on our minds for some time; we knew that replacing Gary would be a tough task and would require the right mix of supervisory and relationship-building skills to serve our crude suppliers.

Solidifying its vision and strategy for the future, Murray said, ARG selected Matthew Teichmer in May to succeed Mr. Welker upon his retirement.

Mr. Teichmer, with more than 18 years of industry experience, came to ARG from Columbus Equipment of Massillon where he worked as a product support representative serving more than 200 customers in sales of parts and services across a six-county region. Prior to Columbus Equipment, he also served in manager positions with Allied Gas and Universal Well Services.

Murray said, “The oil business is in Matt’s blood dating back to his teenage years working for his dad at Armstrong Drilling. Matt’s supervisory and customer service experience in the industry will enable him to be very successful taking the helm as supervisor at our Sandyville terminal.

In this role, Mr. Teichmer is responsible for leading, training and mentoring ARG’s team of crude-truck drivers, dispatcher, administrative personnel and railcar loaders to deliver exceptional customer service to its crude suppliers. He will monitor key performance indicators (KPIs) and identify opportunities for continuous improvement in safety and operational efficiency. Further, he will plan all terminal maintenance and cultivate relationships with suppliers, partners and stakeholders.

Mr. Teichmer earned an associate degree in general business from the University of Akron Wayne College. He resides in Apple Creek with his wife Deb and sons Justin and Brandon.

ARG is a major purchaser of crude oil in the Appalachian Basin. We strive for service that is second to none in providing our customers, suppliers and partners with consistent, quality products and flexibility in working together to succeed. For more information about ARG, visit www.amref.com or follow us on Facebook and LinkedIn.

Sara Furlong,
Executive Communications Coordinator



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