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MARK YOUR CALENDARS: APRIL 21, 2020

The North American Coalbed Methane Forum will hold its 59th forum on Tuesday April 21, 2020 at the Hilton Garden Inn, Cannonsburg PA. At its regular board meetings, the forum board began arranging for the following possible presentations: natural gas vs. coal; legal and regulatory updates; carbon credits and carbon sequestration; coalbed methane industry presentation and climate presentation; as well as speakers from US Department of Energy and NIOSH. The keynote speaker will be a representative from the West Virginia Coal Association. For final spring session agenda and registration information, please contact Dr. Kashi Aminian at 304-293-3964 or at e-mail kaminian@wvu.edu.

Bill Raney's January 17, 2020 Notes to WV Coal Association Members Governor Justice and China Coal Deal:

In talking with WV Governor Justice this morning about the China trade/coal deal he referenced to the press yesterday, he remains excited about it since President Trump asked him, in a direct phone call, to “head up” the coal aspect of this agreement. The Governor described the phone call as very direct with President Trump having the Chinese delegation in the room with him and the President telling them they needed to buy the finest, metallurgical (Jim said he was having trouble saying metallurgical, but finally got it done) coal in the world and that coal was in West Virginia. Of course, the Governor agreed to head it up and said he was going to call the President today in order to gather more specifics about the agreement and, particularly, the coal part of that agreement. It continues to be an amazing benefit and opportunity, for West Virginia and our industry, that our friend and our Governor is on a first name basis with President Trump, particularly when it has anything to do with the coal industry. As I mentioned, Jim remains as excited as we do and he wants to find out as much as he can, as quick as he can, about the specifics of this deal and how it can benefit our folks. He asked that all of us be patient as he does everything he can to verify specifics about the agreement and insures it's going to be real for addressing/overcoming current impediments to shipping coal to China. He said he would let us know and keep us informed as to what he learns about the agreement. I told him we would be ready to do whatever it takes to help him make it successful. He indicated he would want to get with our Board and members as soon as he verifies more specific information. It is hopeful and we will keep you informed as we learn more about the agreement and what it means for our members.

A news article and a National Mining Association (NMA) note regarding general information about the agreement are included below.

China Pledges to Buy More US Met Coal in Phase-1 Trade Deal

NMA Singapore — A Phase-1 trade agreement signed between the United States and China on Wednesday saw Beijing pledge to buy more metallurgical coal in the next two years from the US. China plans to boost its imports of US energy sources, including liquefied natural gas, crude oil, refined products and coal -- including metallurgical coal -- by \$18.5 billion in 2020 and \$33.9 billion in 2021. This is part of the interim trade deal where China has agreed to purchase \$200 billion worth of US goods and services over the next two years. Market participants said details on the trade pact were preliminary, and did not immediately address the removal of existing tariffs. It could be challenging to discuss how both sellers and buyers will fulfill the pact to import more US metallurgical coal, until further confirmation on the removal of tariffs came, sources said. "It's a good gesture, but a very ambitious one," a sell side source said. "I doubt any negotiations will take place between Chinese buyers and US sellers until the tariffs have been officially removed." He further added that tariff talks may only take place in Phase-2 of the trade deal. Currently, US metallurgical coal products to China is subject to 3% import tax, and 25% of tariffs which was imposed in 2018 as the trade war between the two nations escalated.

Even if the 25% tariffs were to be removed entirely, a buy side source said the removal of tariffs should have little impact on Chinese users' procurement. "Ultimately for Chinese buyers, other origins of coals need to have a competitive edge in prices," she said. "Besides, China's import of US metallurgical coal is so little to have any considerable impact." For the trade deal to be effective, it would require the Chinese government's support as well, another source said. The Chinese government has to introduce some mechanism, perhaps the import quota system or subsidies to help or entice Chinese buyers who are, after all very practical buyers seeking the cheapest price," he said. According to China customs statistics, the country imported 64.2 million mt of coking coal in 2018, of which only 3% of the imported volume was from the US. In 2019, total Chinese imports of the US coking coal between January and November stood at 1.1 million mt, down 43% from the same period recorded for 2018, the customs data showed. US met coal exports and Atlantic spot demand weakened in 2019 as regional steel mills cut output due to lower steel margins and prices, while US coking coal exports were running around 11% lower in 2019 than in 2018, with October trade volume marking a new low. US met coal prices followed Australian benchmark prices down in the second half of 2019, with higher-cost US mines closing due to low prices and demand. US high-vol A hit a peak at over \$200/mt FOB East Coast in H1 and saw pressure to follow wider seaborne price falls as spot demand weakened. US coal pricing has generally followed US index-linked pricing terms, with fixed prices on offer for some high-vol B and prompt loading cargoes from time to time.

Plant to convert Coal to Liquid in West Virginia by Promod Thakur

Domestic Synthetic Fuels of WV is planning to open a plant in Mason County, WV to convert 2,500 tons of coal mixed with 23 MMCF of natural gas to produce 10,750 bbls of liquid fuel per day, such as, gasoline, diesel or aviation fuel. The \$1.2 Billion plant will generate a revenue of \$330 million/year and create 100 coal mining jobs. The plant will also employ 130 additional people to run it. The process is different from the old FT process. It uses hydrogen (from natural gas) and some special catalysts in a confined space under high pressures and temperatures to make coal a liquid fuel. A plant working on this principle is operational in China since 2008. The

diesel fuel thus produced is low in sulfur and has a higher Cetane number. This makes the engine run smoothly and produce less pollutants. “The facility will serve a vital role”, said Chris Hamilton, the Sr., VP of the WV Coal Association. “For decades, we have been looking for ways to expand the coal usage, coal development and how we can expand the overall fossil fuel portfolio”, he added. Rebecca McPhail of WV Manufacturer’s Association and, the WV Oil and Natural Gas Association also fully endorsed the project. The land for the plant (200 acres) has been purchased. It will be operational in early 2023. (Adapted from Connor Griffith in WV State Journal July 2019)

January Meeting Notes by Ihor Havyluk

The NACBM had a good meeting on Friday January 10, 2020 at the Ali Baba restaurant (American & Middle Eastern cuisine) at the Morgantown Municipal Airport (Hart Field). It was confirmed that the spring session will be held on Tuesday April 21, 2020 at the Hilton Garden Inn. The next regular board meeting is scheduled for Friday March 6, 2020 at 11:30 am at Franco's trattoria. Minutes and agenda will be sent out by end of this month.

US Natural Gas Production Growth Slows in Latest DPR (Kallanish Energy, January 22, 2020.)

Natural gas production growth in the U.S.’s seven most productive basins/plays won’t break 100 million cubic feet per day from January to February, according to the January Drilling Productivity Report, produced by the Energy Information Administration. The just-released DPR forecasts natural gas production will rise just 65 million cubic feet per day (Mmcf/d) from January to February, with four of the seven basins/plays actually expected to see production fall. The production numbers are the latest examples of the general slowdown in the U.S. oil and gas industry as a whole. And nowhere is that more apparent than in Appalachia, which includes the Marcellus and Utica Shale plays. The DPR projects natural gas projection in the most prolific natural gas play in the U.S., if not the world, will actually fall from January to February, by 56 Mmcf/d. Total gas production will slip to 33.35 billion cubic feet per day (Bcf/d).

Pa. Supreme Court Preserves ‘rule of capture’ for Fracking (Pittsburgh Post-Gazette, January 23, 2020.)

A century-old legal principle that allows drillers to drain oil and gas from neighboring properties without paying for it still applies in the modern era of fracking, the Pennsylvania Supreme Court ruled on Wednesday. The high court overturned a 2018 decision by the lower Superior Court that had said the “rule of capture” does not cover companies when they use fracking to free gas from surrounding rocks underground. Under the rule of capture, oil and gas in deep reservoirs belongs to whoever pulls it from a well on his own property first – even if some of it flowed out from under a neighbor’s land. It has been applied since at least 1889 in Pennsylvania and throughout the United States. The decision to overturn the lower court’s order is a relief to the oil and gas industry, which said in court briefs that without the rule of capture it would be subject to a wltter of trespass lawsuits that could cripple shale gas development in Pennsylvania.