Southeastern Ohio Oil and Gas Association
Gas Committee Report
January, 2012

PRICING

Prices January 9, 2012

One Year NYMEX strip (February, 2012 – January, 2013)	$3.34
Summer NYMEX strip (April, 2012 – October, 2012)	$3.24
Winter NYMEX strip (February, 2012 – March, 2012)	$3.76
TCO Index Posting - January, 2012	$3.11
DTI Index Posting – January, 2012	$3.16

The average 2012 Index price for TCO is $4.14, and the average 2012 price for DTI is $4.20.

It appears that high storage levels combined with enhanced production capabilities and slow usage growth could keep gas prices from rising dramatically over the next couple of years.

EIA UPDATE:

Per the latest EIA report and forecast for natural gas production, the EIA expects demand for gas to be stronger than previously expected, but the benefits will be largely offset by increased supplies. The new EIA forecast is that Supply will grow 2.8% in 2012 to 67.71 Bcf per day. **The current EIA forecast is that the average Henry Hub price average for 2012 will be $3.70 per MMBtu,**

EIA also expects natural gas consumption will grow 1.7% in 2012.

Looking forward toward winter, their continues to be a downward pressure and a bearish view on price, as weather demand coupled with storage levels may indicate some sideway trading between a low of $2.90 and $3.12 for February. A shift in temperatures could provide a rebound to the $3.24 area.

GAS RESERVES:

The EIA came out with their Proved Gas Reserve Report. U.S. natural gas proved reserves, estimated as "wet" gas which includes natural gas plant liquids, increased by 11 percent in 2009 to 284 trillion cubic feet (Tcf), the highest since 1971. Last year's increase demonstrates the importance of shale gas exploration and production technologies per the agency. Louisiana led the nation in additions to natural gas proved reserves with a net increase of 9.2 Tcf (77% increase), and Arkansas (Fayetteville Shale) and Pennsylvania (Marcellus Shale) nearly doubled their reserves.

GAS STORAGE AS OF THE November 3, 2011 Report

Working Gas in storage was 3,472 Bcf as of Friday, December 30, 2011. At 3,472 total working gas is **above** the 5 year historical range.

Stocks in Billion Cubic Feet (bcf)				Historical Comparisons			
Region	**12/30/11**	**12/23/11**	**Change**	**12/30/10**	**12/30/10**	**5 Year Avg.**	**Change**
East	**1,830**	**1,892**	**-62**	**1,602**	**14.2%**	**1,637**	**11.8%**
West	**447**	**451**	**-4**	**430**	**4.0%**	**408**	**9.6%**
Producing	**1,195**	**1,205**	**-10**	**1,084**	**10.2%**	**696**	**64.5%**
TOTAL	**3,472**	**3,548**	**-76**	**3,116**	**11.4%**	**3,014**	**15.2%**

Storage is 89.36% full compared to normal as of this report, with normal total capacity of 3,890 at the start of the withdrawal season.

GATHERCO

Retainage for October, 2011 is as follows for the Gatherco systems. Treat was 3.0%, Miley was 5.17%, Meigs was 3.0%, York was 4.16%, Grimes was 7.77%, and Elk was 4.0%.
November retainage was not available as of the date of this report.

DOMINION EAST OHIO GAS

Update on 2011 enhancement surcharges:

Per Dominion East Ohio:

Dominion East Ohio Calendar Month Implementation

- Effective December 1, 2011
- Applies to all non-MOA electronically-measured master meters with no paper stations.
- Transition will add 12 to 16 days of production to the November period.
- New meters coming online after October 1, 2011 will be designated as Calendar Month meters.
- DEO will hold information meeting in Marietta on September 23, 2011.

The $.06 enhancement fee surcharge of $.06 has been paid off, and the new enhancement fee rate is now $.26/mcf.

Below is the website for Dominion East Ohio, where you can find notices about interruptions, shut-ins, contacts, maps, and information about current enhancements projects being worked on and considered by the enhancement committee.

http://www.dom.com/about/gp-services/index.jsp

CNR/COLUMBIA GAS TRANSMISSION

There are some shut-ins on Columbia is Ohio, due to the extra Marcellus gas causing some constraints on their systems, and they are allowing only Firm Transport to flow. The Smithfield to Adeline MA 35 constraint has some Ohio, PA, and WV producers shut in as of the date of this report.

For shut in notices on Columbia Gas Transmission, please use the link below.

http://www.ngtsnavigates.com/infopost/index.php?option=com_content&task=view&id=28&Itemid=105

COBRA PIPELINE COMPANY, LLC

Effective February 6, 2008, Cobra Pipeline Company LLC purchased The Churchtown, North Trumbull, and Holmesville systems from Columbia Gas Transmission. Cobra took over the ownership and management of those systems on that date.

Cobra Pipeline Company website: **https://www.quicknom.com/cobra/**

EQUITABLE:

Dec. 8, 2011 - EQT Corporation announced that it intends to file a registration statement with the U.S. Securities and Exchange Commission during the first quarter of 2012 for an IPO of common units of a master limited partnership (MLP) that would own portions of the assets of Equitrans, L.P., and EQT's interstate pipeline subsidiary.

Under the anticipated structure, EQT expects to sell a limited partner interest in the MLP in the IPO, subject to market conditions. At the close of the IPO, EQT would own the general partner of the MLP, which would own the incentive distributions rights, as well as a substantial portion of the MLP's common units. Proceeds of the IPO would be used to fund the further acceleration of EQT's Marcellus development. The MLP would focus on providing gathering and transmission services to producers in the Marcellus Shale, including EQT Production Company.

DOMINION TRANSMISSION

Dominion has been experiencing some line pressure issues on parts of their system, as well as maintenance. This has resulted in some intermittent shut-ins for producers.

Dominion Reaches lease Deal to Move Marcellus natural Gas to New York:

Dominion Transmission and Tennessee Gas Pipeline have reached a ten-year lease agreement to move Marcellus shale natural gas from northern Pennsylvania to upstate New York. Dominion Transmission's parent Dominion, announced the agreement with Houston-based Tennessee Monday. Richmond-based Dominion say the Ellisburg-to-Craigs Project includes construction of additional compression facilities and new regulating facilities. If federal regulators approve the project, construction would begin in March 2012 and operations would begin November 1, 2012. Dominion says it plans to file in December for a certificate from the FERC.

Http//www.dom.com/about/gas-transmission/index.jsp

MARCELLUS AND UTICA NEWS:

Miscellaneous Utica and Marcellus News:

Shell to build Chemical Plant:

Shell Oil Co. said it will announce a site for a huge new chemical plant early this year but won't say in which state it will be built. Pennsylvania, Ohio, and West Virginia are waiting to hear which state it will be built in. The main product for the new plant will be ethylene, which is used to produce chemicals that go into everything from plastics to tires to antifreeze. The American Chemical Council estimated the new chemical complex could attract up to $16 billion in private investment and create more than 17,000 jobs and billions of dollars in tax revenue for the region.

Enterprise Products Partners has enough support for new pipeline:

Enterprise Products Partners has announced that it has enough support from shippers to build and energy pipeline between Pennsylvania and Texas. The 1,230 mile pipeline will link oil and natural gas fields in the Marcellus and Utica shale regions with ethylene plants on the Gulf Coast. The pipeline will handle up to 190,000 bbls./day, and shipper will pay between $.145 and $.155 cents per gallon to use the pipeline. Enterprise said shippers have committed to at least 15 years, indicating the long-term potential for energy development in shale formations in the Appalachian Basin. When completed, the pipeline should go into operation in the first quarter of 2014.

Marcellus Update:

The Department of Environmental Protection's latest report on Marcellus production shows that during the first 6 months of 2011, production rose 22% to 1.87 bcf/day.

Consol Energy is selling half of their Marcellus Development rights to Noble Energy for $3.4 billion. Noble will pay $1.07 billion for a 50% stake in Consol's 663,350 undeveloped acres and fund $2.13 billion of consol's drilling costs over an eight year period. Noble will also buy a 50% stake in consol's 70 million cubic feet per day of existing Marcellus production for $219 million. The spending will be capped at $400 million per year, and drops off when gas prices are below $4.

Utica News:

Companies and analysts can only speculate on what the future of the Utica Shale play will bring because of its early stage of development. Here is what some of the experts are saying:

- The Ohio Geological Survey calculates the Utica/Point Pleasant reserve potential estimate for Ohio of 1.96 billion to 8.2 billion barrels of oil equivalent.
- Audrey McClendon, CEO of Chesapeake, projects there to be 25 billion barrels of oil, natural gas, gas liquids, calling it “one of the biggest discoveries in U.S. history”. Chesapeake has already acquired 1.25 million acres above the Utica formation in eastern Ohio, and McClendon believes this land is worth $15 billion to $20 billion in increased value to the company.
- Deputy Chief of the Ohio Division of Mineral Resources Management, Tom Tugend, believes the Utica in Ohio is on a similar track to the Marcellus in Pennsylvania.
- In a recent report, Morgan Stanley analysts project the play has the potential to be on par with leading North American liquids-rich targets.
- John Walker, CEO of EV Energy partners, told investors at IPAA’s OGIS symposium that the Utica “has the promise to be America’s next big shale play”. He emphasized the “thousands of jobs” that it will directly and indirectly create in Ohio.

Utica Production News:

On September 28, 2011, Chesapeake Energy Corporation released the following data on their initial horizontal well drilling results in both the wet and dry phases of the Utica Shale in Eastern Ohio and Western Pennsylvania. They have drilled 12 wells in the discovery phase of the Utica shale with the following results on first four od those wells.

- The Buell 10-11-5 8H in Harrison County, Ohio was drilled to a lateral length of 6,418 feet and achieved a peak rate of 9.5 million cubic feet (mmcf) per day of natural gas and 1,425 barrels (bbls) per day of natural gas liquids and oil (liquids), or 3,010 barrels of oil equivalent (boe) per day;
- The Mangun 22-15-5 8H in Carroll County, Ohio was drilled to a lateral length of 6,231 feet and achieved a peak rate of 3.1 mmcf per day of natural gas and 1,015 bbls per day of liquids, or 1,530 boe per day;
- The Neider 10-14-5 3H in Carroll County, Ohio was drilled to a lateral length of 4,152 feet and achieved a peak rate of 3.8 mmcf per day of natural gas and 980 bbls per day of liquids, or 1,615 boe per day; and
- The Thompson 3H in Beaver County, Pennsylvania was drilled to a lateral length of 4,322 feet and achieved a peak rate of 6.4 mmcf per day of dry natural gas.

The production listed above assumes maximum ethane recovery.

Latest Utica Joint Ventures:

- Total SA - Chesapeake Energy announced on Tuesday, December 3, 2012, that it will sell part of its Ohio oil and gas business to French energy company Total SA. Total will pay Chesapeake and Enervest a total of $2.32 billion for access to Chesapeake's and Enervest's 619,000 acres in Ohio with a a 25% ownership interest. Chesapeake will receive $2.03 billion and Enervest Ltd. Will receive $290 million. Total's president of exploration and production, Yves-Louis Darricarrere, said in a statement the deal is "consistent with our strategy to develop positions in unconventional plays with large potential and, in this case, with value predominantly linked to oil price."

The link below is a good one to keep up with the events and concerns surrounding the Marcellus and Utica Play's in the North East.

http://www.energyindepth.org/