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

PRICING

Prices March 12, 2012

One Year NYMEX strip (April, 2012 – March, 2013)	$2.78
Summer NYMEX strip (April, 2012 – October, 2012)	$2.49
Winter NYMEX strip (November, 2012 – March, 2013)	$3.20
TCO Index Posting - March, 2012	$2.45
DTI Index Posting – March, 2012	$2.47

The average 2011 Index price for TCO is $4.14, and the average 2011 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:

EIA released its March, 2012 Short Term Energy Outlook report, and it showed that they expect the price of WTI crude to average $106 in 2012. U.S. retail gasoline price is expected to average $3.92 this summer and average $3.79 per gallon for 2012 as a whole. Natural Gas at the Henry Hub is expected to average $3.17 MMBTU in 2012, which is an 83 cent decline from last year's average spot price. On the global front, EIA said oil demand out of China would grow 4.5% this year and 4.6% in 2013, which is down from its last forecast of 5.4% and 6.3% respectively.

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

Looking forward toward spring, 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 $2.20 and $2.45 for April. A warm spring is in the forecast, and prices likely will not recover for a while.

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 March 8, 2012 Report

Working Gas in storage was 2,966 Bcf as of Friday, March 2, 2012. At 2,433 total working gas is **above** the 5 year historical range.

Stocks in Billion Cubic Feet (bcf)				Historical Comparisons			
Region	**03/02/12**	**02/24/12**	**Change**	**03/02/11**	**03/02/11**	**5 Year Avg.**	**Change**
East	**1,114**	**1,174**	**-60**	**765**	**45.6%**	**781**	**42.6%**
West	**352**	**365**	**-13**	**228**	**54.4%**	**244**	**44.3%**
Producing	**967**	**974**	**-7**	**701**	**37.9%**	**615**	**57.2%**
TOTAL	**2,433**	**2,513**	**-80**	**2,380**	**43.6%**	**1,641**	**48.3%**

Storage is 62.5% 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 December, 2011 is as follows for the Gatherco systems. Treat was 3.91%, Miley was 4.0%, Meigs was 8.44%, York was 3.5%, Grimes was 8.22%, and Elk was 3.0%.
January 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's Heat Content Agreement Fee will be:

HEAT CONTENT AGREEMENT FEE

Apr 12 - Mar 13 - Heat Content Agreement Fee = $0.16/Mcf
OOGA Administration Fee = $0.01/Mcf

Total = $0.17/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.

EQT Corp. said Friday it will stop drilling natural gas wells indefinitely in the Huron shale in Kentucky because of decade-low prices, a move that might signal a major course correction for shale drillers, experts said.

The Downtown-based gas producer announced the decision in a securities filing, but there was no immediate indication that other Huron gas producers might follow suit. EQT has 5,000 producing wells in Kentucky and 3,500 miles of gathering lines, on about 2.7 million acres of reserves. The company will offer 39 employees new positions in Pennsylvania or West Virginia, spokeswoman

Read more: [EQT's shift from Kentucky's Huron shale could have ripple effect - Pittsburgh Tribune-Review](http://www.pittsburghlive.com/x/pittsburghtrib/news/s_777737.html?_s_icmp=NetworkHeadlines#ixzz1kNkJm2zg)
http://www.pittsburghlive.com/x/pittsburghtrib/news/s_777737.html?_s_icmp=NetworkHeadlines#ixzz1kNkJm2zg

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:

New Pipeline being planned in PA:

- UGI is proposing to build a new 200 mile 30" pipeline with a capacity estimated to be 800,000/day at a cost of one billion dollars that would connect current production facilities in NE Pennsylvania to markets south towards Philadelphia, Baltimore, and Washington.

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:

- Range Resources reported 4th. quarter volumes of 625 Mmcfe/day, a record high for Range. Range reported an average of 554 Mmcfe /day for calendar year 2011, a 12% increase over 2010.

- Low natural gas prices are leading to cutbacks in dry gas investment and production at Chesapeake Energy Corp. , including in the Marcellus Shale. That means that Chesapeake will halve its dry gas drilling by the second quarter, bringing to 12 the number of Marcellus Shale dry gas rigs that Chesapeake operates in the region, primarily in northeastern Pennsylvania. It wasn't immediately clear how many the company had operating now but a spokesman said Monday that Marcellus production would continue.
- Chesapeake Energy Corp. (NYSE: CHK) also plans to cut production by at least 0.5 billion cubic feet of gas, representing about 8 percent of its daily production across its holdings, especially in the Haynesville and Barnett shale plays. The reduction could be as much as 1 billion cubic feet per day if market conditions warrant, Chesapeake said.
- Capital expenditures related to dry gas drilling will also be cut by nearly $1 billion, down about 70 percent from the $3.1 billion in 2011. The money Chesapeake saves from dry-gas drilling cuts will go to liquids rich shale plays including the Utica, which touch southwestern Pennsylvania but are mostly located in Ohio.

A few other companies, such as Consol Energy, PDC, and XTO are reportedly slowing down drilling as the price of natural gas has dropped into the $2.50 range for the prompt month, and the one year strip is around $3.00 at of the date of this report.

Utica News:

- Nisource Midstream Services is proposing to build a 90 mile pipeline to send gas and oil to a new processing plant this is capable of handling 200,000/day of gas. It will follow an existing Nisource ROW from Columbiana County south to Monroe County, passing through Carroll, Jefferson, Harrison, and Belmont Counties. The processing plant will be built about mid point in the line in Harrison County. The project will include a network of smaller pipelines that will be built to move gas from wells it expects to be drilled in the Utica Shale. Nisource is still negotiating with potential customers, and have not determined how large the line would be yet.

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.

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/