**Southeastern Ohio Oil and Gas Association**
**Gas Committee Report**
**September, 2012**

## PRICING

**Prices September 10, 2012**

| | |
|---|---|
| One Year NYMEX strip (Oct. 2012 – Nov., 2013) | $3.18 |
| Summer NYMEX strip for 2013 (April-October) | $3.34 |
| Winter NYMEX strip (November, 2012 – March, 2013) | $3.00 |
| TCO Index Posting - September, 2012 | $2.58 |
| DTI Index Posting – September, 2012 | $2.52 |

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.

## Energy Information Administration (EIA) UPDATE-August:

**EIA released its August, 2012 Short Term Energy Outlook report, and it showed that they expect the price of WTI crude to average $103 in the second half of 2012, and $100 per barrel in 2013. Natural Gas at the Henry Hub is expected to average $2.67 MMBTU in 2012. EIA expects Henry Hub spot prices will average $3.34 per MMBTU in 2013.**

**U.S. Natural Gas Consumption: Eia expects that natural gas consumption will average 69.8 Bcf per day in 2012, and increase of 3.2 Bcf/d (4.8%) from 2011. Large gains in the electric power use will offset declines in residential and commercial use. Projected consumption of natural gas in the electric power sector averages 25.4 Bcf/d in 2012, 22% higher than in 2011, primarily driven by the improved relative cost advantages of natural gas over coal for power generation in some regions.**

**Liquified natural gas (LNG) imports are expected to fall by 0.5 Bcf/d (51 percent) in 2012 from the year before. Eia expect that an average of abour 0.5 Bcf/d and 0.6 Bcf/d will arrive int e United States (mainly at the Elba Island terminal in Georgia) in 2012 and 2013 respectively, either to fulfill long-term contract obligations or the take advantage of temporarily high local prices due to cold snaps and disruptions.**

**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 $2.50 and $2.85 for October. Storm premiums may come into play as we go into the fall.**

**GAS STORAGE AS OF THE September 6, 2012 Report**

Working Gas in storage was 3,402 Bcf as of Friday, August 31, 2012. At 3,402, total working gas is **above** the 5 year historical range.

| Stocks in Billion Cubic Feet (bcf) | | | | Historical Comparisons | | | |
|---|---|---|---|---|---|---|---|
| **Region** | **08/31/12** | **08/24/12** | **Change** | **08/31/11** | **08/31//11** | **5 Year Avg.** | **Change** |
| **East** | **1,793** | **1,759** | **34** | **1,619** | **10.7%** | **1,700** | **5.5%** |
| **West** | **492** | **491** | **1** | **429** | **14.7%** | **431** | **14.2%** |
| **Producing** | **1,117** | **1,124** | **-7** | **958** | **16.6%** | **943** | **18.5%** |
| **TOTAL** | **3,402** | **3,374** | **28** | **3,007** | **13.1%** | **3,073** | **10.7%** |

**Storage is 87.5% 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 June 2012, is as follows for the Gatherco systems. Treat was 3.0%, Miley was 3.0%, Meigs was 4.3%, York was 3.0%, Grimes was 935%, and Elk was 3.0%.
July retainage was not available as of the date of this report.

**DOMINION EAST OHIO GAS**

**WOODSFIELD/CARLISLE PROCESSING PROPOSAL:**

- DTI will offer liquids uplift at Carlisle with a negotiated service charge and retained liquids fee structure.
- Liquids uplift in the $1.50-$1.80/DT range is projected.
- Producer's gas must have a direct path to Plant.
- HCA fee would be eliminated.
- DEO will discuss modification of WOA fee with Producers.
- DEO will negotiate new Gathering Service Agreement with Producers to replace HCA fee.
- DEO/DTI will be contacting impacted Producers to schedule meetings.

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**

## EQUITABLE:

### EQT Midstream raises $262 million in IPO

EQT Midstream Partners LP, operator of natural-gas pipelines in the Marcellus Shale region, raised $262.5 million in an initial public offering, pricing the units at the top end of the proposed range. EQT Midstream, being taken public by parent EQT Corp., sold 12.5 million common units at $21 each, according to a statement Tuesday. EQT Midstream is scheduled to begin trading today on the New York Stock Exchange under the symbol EQM.

## 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.

### Appalachian Gateway Project:

On June 13, 2012 DTI responded to requests from IOGA WV and Appalachian Gateway Customers by offering the equivalent of a fixed ten year negotiated rate of $0.4950. this deferred payment plan would allow customers to reduce its cash outlay by about 15% during the initial 5 year period of the agreement. Any deferred payments would then be paid back over the next 5 years, and the repayment would be accomplished by locking in the Appalachian Gateway rate for the last five years of the term of the agreement. The deferred payments under this plan would incur interest at the rate of 3.25%. Under the deferred payment plan, the rate for the first 5 years will remain $0.5800 per dth. The cash obligation would be $.4950 for this same period. For years six through ten, DTI's negotiated rate is $.3950 plus $.1000 dth for the previously deferred payments. In addition to this alternative rate plan, IOGA WV asked DTI to look at its POD plan and assist producer in alternative delivery points to help them take advantage of the Gateway firm transportation. This new rate plan is an option. The producer has the choice of this plan, or continue under the original Gateway rate.

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.

### 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 per 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:

- 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 $2.00 range for the prompt month, and the one year strip is around $2.78 at of the date of this report.

**UTICA NEWS:**

Ohio is ranked 14th in this year's Global Petroleum Survey of 147 states and countries by the Fraser Institute, a free-market think tank in Calgary, Canada. That's down from second in 2011, with the fall apparently driven by concerns about complying with tougher federal and state environmental regulations and a tax increase on oil and gas production proposed by Gov. John Kasich.

**Gulfport Energy Corp./Markwest:**

On Monday, June 5, Oklahoma-based Gulfport Energy Corp. announced completion of an agreement with MarkWest Utica EMG LLC to build and operate gas-gathering pipelines and processing facilities tied to Gulfport's Utica-shale acreage in eastern Ohio.

MarkWest plans to process the natural gas at a complex in Harrison County and will provide fractionation or processing servces for natural-gas liquids in Harrison County.

Initially, MarkWest will bring on line in interim refrigeration gas-processing plant in the third quarter of 2012.

That facility will be followed by a 125 million cubic-feet-per-day permanent cryogenic gas-processing plant that is expected to begin operations by the first quarter of 2013, Gulfport reported.

An additional capacity of 200 million cubic feet per day of cryogenic capacity will be available by early 2014.

MarkWest is expected to have about 60 miles of related pipelines to move Gulfport volumes by the end of 2012.

**Gulfport reports production from Harrison county Well:**

Gulfport Energy presorted production from its Boy Scout 1-33H well in Harrison County Ohio. The company said the well produced a peak rate of 3,456 barrels of oil equivalents per day, which was composed of 1,560 barrels of condensate, 7.1 Million cubic feet of natural gas and 1,008 barrels of natural gas liquids per day. Gulfport said it expects to put the well in production this month.

## Utica Facts and Numbers:

There have been 350 Utica Shale permits issued in 21 counties in Ohio to 18 companies, and 129 of them have been developed. The counties are listed below.

Ashland, Belmont, Carroll, Columbiana, Coshocton, Geauga, Gurnsey, Harrison, Holmes Jefferson, Knox, Mahoning, Medina, Monroe, Muskingum, Noble, Portage, Stark, Trumbull, Tuscarawas, and Wayne.

There are currently 11 Utica Shale wells in production, without a single environmental violation to date.

### DTE Energy, Enbridge and Spectra Energy to Develop New Major Pipeline to connect growing shale gas supplies to Premium Markets in the U.S. Midwest and Ontario.

They have announced the execution of Memorandum of Understanding to jointly develop the NEXUS Transmission (NGT) system, a project that will move growing supplies of Ohio Utica shale gas to markets in the R.S. Midwest, including Ohio and Michigan, and Ontario, Canada.

The proposed project will originate in NE Ohio, and includes 250 miles of large diameter pipe capable of transporting one billion cubic feet per day of natural gas. The line will follow existing utility corridors to an inner-connect in Michigan and utilize the existing Vector Pipeline system to reach the Ontario market. After completion, Spectra will become a 20% owner in Vector Pipeline. It will serve local distribution companies, power generators and industrial users in Ohio, Michigan, and Ontario markets. The pipeline will cost $1.2 to $1.5 billion dollars with a tentative start date of November, 2015.

**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/**