Southeastern Ohio Oil and Gas Association
Gas Committee Report
April, 2013

PRICING

Prices April 8, 2013

One Year NYMEX strip (May, 2012 – April, 2013)	$4.24
Summer NYMEX strip for 2013 (May-October)	$4.18
Winter NYMEX strip (Nov. 2013 – March, 2014)	$4.40
TCO Index Posting - April, 2013	$4.03
DTI Index Posting – April, 2013	$4.03

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-February, 2013:

EIA released its February, 2013 Short Term Energy Outlook report, and it showed that they expect the price of WTI crude to average $89 in the fourth quarter of 2012, and $88 per barrel in 2013. Natural Gas at the Henry Hub is expected to average $3.53 MMBTU in 2013. EIA expects Henry Hub spot prices will average $3.84 per MMBTU in 2014.

U.S. Natural Gas Consumption: EIA expects that natural gas consumption will average 70.3 Bcf per day in 2013, and 70.0 Bcf per day in 2014. The increase in the price of natural gas contributes to the decline in natural gas use for power generation from 25.0 Bcf per day in 2012 to 23.1 Bcf per day in 2013, and 22/6 Bcf per day in 2014.

The projected WTI price of crude oil is expected to average $83 per barrel in 2013 and $92 per barrel in 2014. By 2014, several pipeline projects from the midcontinent to the Gulf Coast refining centers are expected to come on line, reducing the cost of transporting crude oil to refiners, which is reflected in a drop in the price discount of WTI to Brent from an average $18 per barrel in 2012 to $9 per barrel in 2014.

GAS STORAGE AS OF THE April 4, 2013 Report

Working Gas in storage was 1,781 Bcf as of Friday, March 29, 2013. At 1,781, total working gas is **within** the 5 year historical range.

	Stocks billion cubic feet (Bcf)			Year ago (03/29/12)		5-Year average (2008-2012)	
Region	**03/29/13**	**03/22/13**	**change**	**(Bcf)**	**% change**	**(Bcf)**	**% change**
East	662	710	-48	1,082	-38.8	738	-10.3
West	330	334	-4	348	-5.2	263	25.5
Producing	695	737	-42	1,035	-32.9	724	-4.0
Salt	166	178	-12	258	-35.7	131	26.7
Nonsalt	529	558	-29	772	-32.0	593	-10.8
Total	**1,687**	**1,781**	**-94**	**2,466**	**-31.6**	**1,724**	**-2.1**

Storage is 42.8% full compared to normal as of this report, with normal total capacity of 3,939 at the start of the withdrawal season.

GATHERCO

Retainage for January, 2013, is as follows for the Gatherco systems. Treat was 4.87%, Miley was 4.73%, Meigs was 9.54%, York was 5.0%, Grimes was 9.19%, and Elk was 3.0%. February, 2013 retainage was not available as of the date of this report.

DOMINION EAST OHIO GAS

Effective April 1, 2013, East Ohio's new BTU adjustment for Ohio production supplies will be as follows:

1.134 (0.001 decrease) and 1.348 for meters in the Ludlow territory (0.010 increase).

These factors will remain in effect through March 31, 2014.

System wide BTU goes from 1.023 BTU to 1.029 BTU.

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 in 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.

There are also several shut-ins on Columbia in Eastern Kentucky and Southern WV as TCO replaces a large amount of pipe on line KA. This project will last for one year.

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

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

UTICA NEWS:

Utica Shale holds massive resources, estimate shows. Columbus Business Journal. The U.S. Geological Survey released its first estimate, showing the shale formation holds about 38 trillion cubic feet of undiscovered, recoverable natural gas, 940 million barrels of oil and 9 million barrels of natural gas liquids such as ethane and propane.

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.

NEW PIPELINE PROPOSED TO SPUR UTICA SHALE DRILLING IN OHIO

Two pipeline companies from the Southwest, Williams Companies Inc. and Boardwalk Pipeline Partners LP, have formed a joint venture to build a transportation system to move natural gas liquids from shale plays in Ohio, West Virginia, and Pennsylvania to processing and storage facilities in Louisiana.

The Blueline Pipeline would allow oil and natural gas producers to move 200,000 barrels/day of natural gas liquids, such as ethane, to processing facilities on the Gulf Coast. The pipeline will be built from the Ohio and West Virginia Utica and Marcellus plays to a transmission system in Hardinsburg, KY. From there, the natural gas liquids would be transported via a converted portion of a pipeline to Eunice, LA.

The companies expect to approve the project later this year and put the pipeline into service in the second half of 2015. Cost of the project is still to be determined.

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 Shugert 1-12H Well:

Gulfport Energy has announced results from it Shugert 1-12H well as the top producing well in the Utica Shale. The well had an initial peak production rate of 28.5 MMCF per day of natural gas which was sustained for 18 hours. The well also produced 300 barrels of condensate per day, and the gas tested at 1,204 BTU's. The gas will be sent to a Markwest processing plant where an additional 2,907 barrels of natural gas liquids (NGL's) will be extracted per day assuming full ethane recovery and a natural gas shrink of 10%. With all this taken into consideration the Shugert 1-12H had an initial production of 7,482 barrels of oil equivalent (BOE) per day.

Gulfport Energy presented 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.

Gulfport released production rates from the BK Stephens 1-16H in Harrison County with its 3rd. quarter earnings call. The 1-16H well tested at a prak rate of 1,224 barrels per day of condensate and 6.9 MCF of gas per day, and the gas produced at 1,207 BTU. This is Gulfport's sixth well to come on line this year.

Rex Energy announces results of First Ohio Utica Shale Well:

The Brace#1H well in Carroll county, Ohio, was brought online at a 24 hour sales rate, assuming full ethane recovery, of 1,094 Boe/d (43% NGLs, 31% gas, 26% condensate). The well went to a 5 day sales rate, assuming full ethane recovery, of 1,008 Boe/d (43% NGSs, 30% gas, 27% condensate). The well was drilled to a total depth of 12,332 feet with a lateral length of approximately 4,170 feet and completed in 17 stages. The oil is reported to be 60.1 degree API gravity and the gas is approximately 1,250 BTU.

Magnum Hunter Resources Corporation:

Magnum Hunter Resources Corp. announced January 2, 2013 a new Joint Operating Agreement with Eclipse Resources I, LP. The deal covers existing mineral leaseholds owned by both entities in the Marcellus and Utica Shale in Monroe County, OH. The agreement covers 1,950 acres with the drilling of 12 horizontal wells in the Marcellus Shale and 12 horizontal wells in the Utica Shale over the next three years. Triad Hunter, LLC will operate the contract area and each company will own 47% working interest in the agreement.

On November 2, 2012, Magnum Hunter closed on the previously announced agreement to acquire all of the stock of privately held Viking International Resources company, Inc. (VIRCO) for $106.7 million. VIRCO's mineral interest acquired was 52,600 gross acres, with approximately 27,000 acres in the Marcellus Shale, and 28,000 acres in the Utica

Shale. The acquisition gives the company's midstream division, Eureka Hunter, some additional expansion opportunities in West Virginia and Ohio.

Utica Facts and Numbers – March, 2013:

There have been 581 Utica Shale permits issued in 22 counties in Ohio to 26 companies, and 281 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, Washington, and Wayne.

There are currently 77 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/