

**Southeastern Ohio Oil and Gas Association
Gas Committee Report
June, 2013**

PRICING

Prices June 10, 2013

One Year NYMEX strip (July, 2012 – June, 2013)	\$3.99
Summer NYMEX strip for 2013 (July-October)	\$3.85
Winter NYMEX strip (Nov. 2013 – March, 2014)	\$4.10
TCO Index Posting - June, 2013	\$4.19
DTI Index Posting – June, 2013	\$4.10

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-April, 2013:

EIA released its April, 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 \$3.52 MMBTU in 2013. EIA expects Henry Hub spot prices will average \$3.60 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 70.1 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 22.9 Bcf per day in 2013, and 22.8 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 June 6, 2013 Report

Working Gas in storage was 2,252 Bcf as of Friday, May 31, 2013. At 2,252, total working gas is **within** the 5 year historical range.

Region	Stocks billion cubic feet (Bcf)			Year ago (05/31/12)		5-Year average (2008-2012)	
	05/31/13	05/24/13	change	(Bcf)	% change	(Bcf)	% change
East	968	910	58	1,358	-28.7	1,074	-9.9
West	396	380	16	421	-5.9	349	13.5
Producing	888	851	37	1,089	-18.5	898	-1.1
Salt	254	243	11	260	-2.3	169	50.3
Nonsalt	634	608	26	829	-23.5	729	-13.0
Total	2,252	2,141	111	2,868	-21.5	2,321	-3.0

Storage is 54.4% 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 March, 2013, is as follows for the Gatherco systems. Treat was 3.0%, Miley was 3.0%, Meigs was 5.7%, York was 3.0%, Grimes was 6.3%, and Elk was 3.0%.

April, 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 should be completed soon and the producers should be able to turn their production back in the line.

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.

PROCESSING NEWS:

Markwest has been processing 60 Mmcf/d since August of 2012 from its gas processing facilities in Cadiz. They have now completed their Cadiz 1 facility and commence operations of their 125 Mmcf/d cryogenic processing plant. With the completion of Cadiz 1, MarkWest will now be able to process more of the liquids rich gas coming from customers like Gulfport, Antero, PDC and Rex Energy.

Further South in Noble County, MarkWest is at work building an additional complex: the Seneca Complex. The Seneca I and Seneca II gas processing plants will be capable of processing 200 Mmcf/d each, and is on pace to begin operations of the Seneca I early in the fourth quarter of this year. The Seneca II is also scheduled to be installed later this year.

Gulfport reports production from their First Quarter 2013:

- Gulfport currently plans to increase its Utica Shale operated horizontal rig count from three rigs at the end of the first quarter of 2013 to seven rigs by the end of June 2013.
- Gulfport recently tested its Lyon 1-27H well in the Utica Shale. The Lyon 1-27H tested at a peak rate of 1,087 barrels of condensate per day, 2.5 million cubic feet ("MMCF") per day of natural gas and 343 barrels of NGLs per day assuming full ethane recovery and a natural gas shrink of 21%, or 1,759 BOEPD.

- Gulfport recently tested its Lyon 2-27H well in the Utica Shale. The Lyon 2-27H tested at a peak rate of 1,373 barrels of condensate per day, 1.8 MMCF per day of natural gas and 279 barrels of NGLs per day assuming full ethane recovery and a natural gas shrink of 23%, or 1,883 BOEPD.
- Gulfport's Stout 1-28H well was recently placed on production in the Utica Shale. The Stout 1-28H produced at an average 24-hour sales rate of 443 barrels of condensate per day, 4.2 MMCF per day of natural gas and 517 barrels of NGLs per day assuming full ethane recovery and a natural gas shrink of 19%, or 1,527 BOEPD.
- Gulfport's Stout 2-28H well was recently placed on production in the Utica Shale. The Stout 1-28H produced at an average 24-hour sales rate of 413 barrels of condensate per day, 3.3 MMCF per day of natural gas and 446 barrels of NGLs per day assuming full ethane recovery and a natural gas shrink of 20%, or 1,299 BOEPD

**GULFPORT ENERGY CORPORATION
24 - HOUR GROSS PRODUCTION RATES**

	Gas (MMcf)	Oil (Bbls)
Wagner 1-28H	10.1	108
Boy Scout 1-33H	1.5	449
Boy Scout 5-33H	1.3	205
Ryser 1-25H	2.7	312
Shugert 1-1H	14.9	83
Shugert 1-12H	16.3	109
BK Stephens 1-16H	3.6	390
Stout 1-28H	4.2	443
Stout 2-28H	3.3	413

Magnum Hunter Resources Corporation:

It has been reported that Magnum Hunter spudded the first Utica Well in Washington county April 15, 2013. Stay tuned for results as they become available.

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 – Calendar Year 2012:

Owner Name	Oil (BBLs)	GAS (MCF)	BRINE (BBLs)	Days	Wells
ANADARKO E & P ONSHORE LLC	118,726	443,297	107,313	1,335	7
ANTERO RES APPALACHIAN CORP	21,522	37,693	4,499	27	3
CHESAPEAKE EXPLORATION LLC	372,212	10,092,701	401,816	4,811	53
CNX GAS COMPANY LLC	10,015	9,986	1,284	50	1
DEVON ENERGY PRODUCTION	2,149	0	69,792	294	5
ENERVEST OPERATING LLC	32,546	160,209	23,010	304	3
GULFPORT ENERGY CORP	63,167	767,129	46,912	185	8
HESS OHIO RESOURCES LLC	560	922,979	2,285	296	2
HG ENERGY LLC	0	232,847	4,334	247	1
PDC ENERGY INC	2,120	10,608	8,427	311	3
REX ENERGY	12,879	159,213	18,786	119	1
TOTALS	635,896	12,836,662	688,458	7,979	87

AS of May 29, 2013, there have been 686 Utica Shale permits issued in 22 counties in Ohio to 27 companies, and 335 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 100 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/>

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