Southeastern Ohio Oil and Gas Association
Gas Committee Report
May, 2014

PRICING

Prices May 12, 2014

One Year NYMEX strip (June, 2014 – May, 2015)	$4.55
Summer NYMEX strip for 2014 (June-October)	$4.52
Winter NYMEX strip (Nov.. 2014 – March, 2015)	$4.67
TCO Index Posting – May, 2014	$4.72
DTI Index Posting – May, 2014	$4.01

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.

GAS STORAGE AS OF THE May 8, 2014 Report

Working Gas in storage was 1,055 Bcf as of Friday, May 8, 2014. At 1,055, total working gas is **below** the 5 year historical range.

	Stocks billion cubic feet (Bcf)			Year ago 05/02/13)		5-Year average (2009-2013)	
Region	**05/12/14**	**04/25/14**	**change**	**(Bcf)**	**% change**	**(Bcf)**	**% change**
East	397	362	35	749	*47.0	870	-54.4
West	203	191	12	343	-40.8	322	-37.0
Producing	455	428	27	761	-40.2	844	-46.1
Salt	113	104	9	210	-46.2	173	-34.7
Nonsalt	342	324	18	551	-37.9	671	-49.0
Total	**1,055**	**981**	**74**	**1,852**	**-43.0**	**2,037**	**-48.2**

Storage is 24.7% full compared to normal as of this report, with normal total capacity of 4,265 at the start of the withdrawal season. Storage is 797 BCF below last year, and 982 BCF below the five year average.

GATHERCO

Retainage for February, 2014 is as follows for the Gatherco systems. Treat was 9.44%, Miley was 5.0%, Meigs was 11.50%, York was 5.0%, Grimes was 9.45%, and Elk was 3.0%. March, 2014 retainage was not available as of the date of this report.

WEST VIRGNIA NEWS:

West Virginia appears to be close to landing a coveted ethane cracker plant to serve the Utica and Marcellus shale plays -- the sort of billion-dollar project coveted by Ohio economic development officials for some time.

West Virginia Gov. Earl Ray Tomblin and officials from Brazilian company Odebrecht stood shoulder to shoulder at a press conference recently, saying the company is looking at developing a cracker near Parkersburg across the Ohio River from Marietta.

The plant, which would separate ethane from natural gas, would be part of a petrochemical complex that would include three polyethylene plants and facilities for water treatment and energy cogeneration.

New Tank Regulations:

West Virginia has adopted some new tank regulations recently. The results and requirements of this new regulation was set out and explained in the latest SOOGA Newsletter, so please read it to familiarize yourself with these regulations if you have production in WV.

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 PIPELINES PROPOSED TO SPUR UTICA SHALE DRILLING IN OHIO

<u>BLUEGRASS PIPELINE CANCELLED:</u> Two pipeline companies from the Southwest, Williams Companies Inc. and Boardwalk Pipeline Partners LP, have cancelled the Bluegrass Pipeline due to insufficient level of customer commitments, referring to potential users saying they will need specified pipeline capacities.

<u>SPECTRA ENERGY</u>:

Spectra Energy, along with two other companies, are proposing a new 250 mile 36" pipeline, Nexus Gas Transmission, for transporting gas from shale drilling in eastern Ohio to Detroit and southern Ontario, subject to FERC approval. The anticipated cost of this new pipeline is $1.5 billion, and could be in service as early as November, 2016. The proposed pipeline will run from Carroll County. Ohio, to Detroit and southern Ontario.

<u>DOMINION EAST OHIO:</u>

Blue Racer Midstream has negotiated a new agreement for liquids uplift for producers on the DEO Guernsey/Cambridge gathering system for conventional production. The new agreement will be an amendment to the original HCA agreement. More details will be available after the agreement is completed.

<u>MIDSTREAM/PROCESSING NEWS:</u>

Blue Racer Midstream's gas processing plant that was hit by an explosion on September 21, 2013, is up and running. the second train was be up and running in April, 2014.

Pinto Energy is looking to build a 2,800 bbl/day gas to liquids pant east of Ashtabula, Ohio. It will produce high quality synthetic liquids as well as lubricants, waxes and solvents from gas being produced by the Utica and Marcellus formations.

Markwest has been processing 60 Mmcf/d since August of 2012 from it 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 l and Seneca ll gas processing plants will be capable of processing 200 Mmcf/d each, and is on pace to begin operations of the Seneca l early in the fourth quarter of this year. The Seneca ll is also scheduled to be installed later this year.

Utica East Ohio (UEO), a joint venture by Access Midstream, M3, and EV Energy Partners, became the first fully integrated gathering, processing, and fractionation complex to be put into operation on July 28th. in Eastern Ohio. This initial phase of the UEO project is capable of processing 220-million cubic feet per day at their cryogenic processing facility near Kensington, and is processing 45,000 barrels per day of natural gas liquids at their fractionation, storage and rail facility new Scio.

The second phase is under construction and scheduled to be completed in December, 2013 with a third phase to follow. When complete, the UEO project will have 800 million cubic feet per day of cryogenic processing, 135,000 barrels per day of natural gas liquids fractionation, 870,000 barrels per day of natural gas liquids fractionation, 870,000 barrels of gas liquids storage and a rail facility capable of loading 90 cars per day.

Hickory Bend Project, the NiSource and Hilcorp natural gas processing project, has announced the construction of a $60 million pipeline to move natural gas liquids from their cryogenic natural gas processing plant in Springfield Township to attractive market destinations. Pennant Midstream will construct the 12 inch 38 mile pipeline. I will have the capacity to deliver up to 90,000 bbls. of NGS per day to a Utica East Ohio pipeline in Columbiana County, and from there be transported to the fractionator in Harrison County. It is expected to be complete by July, 2014

For more information, click on this link; **http://energyindepth.org/ohio/new-natural-gas-plant-up-and-running-in-eastern-ohio/**

Utica Facts and Numbers:

Estimated Natural Gas Production increased 143 percent from 2012 to 2013, while oil production increased 95 percent. Around 203 BCF of natural gas was produced in Ohio last year, up for 83.4 BCF in 2012. About 9.7 million barrels of Oil was produced in 2013, up from 4.9 million barrels in 2012. These estimates could be revised as official results are released later this year from the ODNR.

For the first quarterly reporting Ohio saw some strong production numbers coming from wells online in Eastern Ohio. In total, the 245 wells produced 1.3 million barrels of oil and 33.6 million mcf of natural gas. The average amount of time in production was 55 days.

The next quarterly report must be filed by mid-May for the First-quarter results, and released in June, 2014.

AS of May 3, 2014, there have been 1,248 Utica Shale permits issued in 23 counties in Ohio to 29 companies, and 847 of them have been developed. The counties are listed below.

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

There are currently 396 Utica Shale wells in production, with 35 rigs running.