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

PRICING

Prices November 11, 2014

One Year NYMEX strip (Nov., 2014 – Oct., 2015)	$3.94
Summer NYMEX strip for 2015 (April-October)	$3.75
Winter NYMEX strip (Dec, 2014 – March, 2015)	$4.28
TCO Index Posting – November, 2014	$3.63
DTI Index Posting – November, 2014	$2.08

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 October 31, 2014 Report

Working Gas in storage was 3,571 bcf as of Friday, November 6, 2014. At 3,571, total working gas is **below** the 5 year historical range.

	Stocks billion cubic feet (Bcf)			Year ago (10/31/13)		5-Year average (2009-2013)	
Region	**10/31/14**	**10/24/14**	**change**	**(Bcf)**	**% change**	**(Bcf)**	**% change**
East	1,956	1,913	43	1,973	-0.9	2,063	-5.2
West	498	490	8	555	-10.3	528	-5.7
Producing	1,117	1,077	40	1,282	-12.9	1,241	-10.0
Salt	314	298	16	324	-3.1	253	24.1
Nonsalt	803	779	25	958	-16.2	988	-18.7
Total	**3,571**	**3,480**	**91**	**3,809**	**-6.2**	**3,499**	**-6.8**

Storage is 83.7% full compared to normal as of this report, with normal total capacity of 4,265 at the start of the withdrawal season. Storage is 238 BCF below last year, and 261 BCF below the five year average.

Note: The shaded area indicates the range between the historical minimum and maximum values for the weekly series from 2009 through 2013.
Source: Form EIA-912, "Weekly Underground Natural Gas Storage Report." The dashed vertical lines indicate current and year-ago weekly periods.

EIA Raises Forecast for natural Gas Prices:

According to the EIA, Natural gas prices will average $4.74 per MMBtu, up 6.8% from its forecast last month, as supplies are likely to stay tight. This short term outlook predicts that the natural gas industry will need to produce more in November and December to catch up and match consumer demand of 72.3 Bcf per day in 2014, up 0.22 Bcf from last month's forecast. The EIA expects prices to finish at an average of $S4.88 per MMBtu, up 27% from the 2013 average price of $4.84. Utilities that must inject into storage for the winter are competing for supplies with power plants and industrial consumers that are using more gas that expected now.

GATHERCO

Retainage for July, 2014 is as follows for the Gatherco systems. Treat was 9.42%, Miley was 8.32%, Meigs was 12.4%, York was 7.0%, Grimes was 11.5%, and Elk was 19.11%.
August, 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:

NEW PIPELINES PROPOSED TO SPUR UTICA SHALE DRILLING IN OHIO

SUNOCO LOGISTICS PARTNERS, L.P.

Sunoco Logistics Partners L.P. announced on 11/6/2014 that it will build a huge pipeline project that will quadruple the Marcellus Shale gas liquids moving through the Philadelphia area called the Mariner East 2 project. It will be at least 16 inches in diameter, and begin in Scio, Ohio and cross West Virginia and Western Pennsylvania to the Philadelphia area. The pipeline will be 350 miles long, and is expected to deliver 275,000 barrels per day of natural gas liquids (NGL) to the Marcus Hook complex, and will begin operations by the end of 2016, subject to regulatory and permit approvals.

COLUMBIA PIPELINE GROUP:

Columbia Pipeline Group (CPG), a unit of NiSource Inc. (NYSE: NI), today announced a total of $1.75 billion in new investment in infrastructure that will enable it to transport up to 1.5 billion cubic feet per day (Bcf/D) of natural gas from Marcellus and Utica production areas to markets served by its Columbia Gas Transmission (Columbia Transmission) and Columbia Gulf Transmission (Columbia Gulf) pipeline systems. The proposed Ohio and West Virginia pipeline, known as Columbia Transmission's Leach XPress project, is supported by long-term firm service agreements with Range Resources - Appalachia, LLC, Noble Energy, Inc., Kaiser Marketing Appalachian, LLC and American Energy Utica - LLC. The project, which involves construction of approximately 160 miles of pipeline, compression and related facilities on Columbia Transmission's system, will provide access to multiple Marcellus and Utica receipt points and establish a substantial new header system serving the heart of the Appalachian supply basin

DUKE ENERGY:

Duke Energy and Piedmont Natural Gas today announced the selection of Dominion to build and operate a 550-mile interstate natural gas pipeline from West Virginia, through Virginia and into eastern North Carolina to meet the region’s rapidly growing demand for natural gas. The pipeline has an estimated cost of between $4.5 billion and $5 billion, an initial capacity of 1.5 billion cubic feet of natural gas per day, and a target in-service date of late 2018. Gas will be carried through a 42-inch-diameter pipe in West Virginia and Virginia, and a 36-inch-diameter pipe in North Carolina. The pipeline’s main customers are six utilities and related companies that collectively will purchase a substantial majority of the pipeline’s capacity to transport natural gas – Duke Energy Carolinas, Duke Energy Progress, Virginia Power Services Energy, Piedmont Natural Gas, Virginia Natural Gas, and PSNC Energy.

SPECTRA ENERGY:

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.

AMERICAN ENERGY/REGENCY ENERGY PARTNERS

American Energy and Regency Energy Partners are planning a $500 million pipeline to move American Energy's Utica shale gas to major pipelines like Rockies Express and Tesas Eastern that service Texas, Colorado, and states along the nation's southeastern rim. The 52 mile system will deliver more than 2 BCF per day of gas supply. It is expected to be completed in the third quarter of 2015.

ENERGY TRANSFER

A second interstate pipeline is being planned to shop natural gas from the Utica and Marcellus Shale regions across Stark County. The planned Rover Pipeline would carry up to 3.25 BCF of natural gas per day from West Virginia, Pennsylvania, and Ohio. In total, the Rover mainline will include 380 miles of 36 inch and 43 inch diameter pipe and five compressor stations, plus 197 miles of supply laterals ranging in diameter from 24 to 47 inches.

DOMINION EAST OHIO:

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.

MIDSTREAM/PROCESSING NEWS:

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.

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, 2014 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

Appalachian Resins announced that it will build a $1 billion facility in Monroe County that will be able to process approximately 18,000 barrels per day of ethane into ethylene and polyethylene, the feedstock for plastic and many other items we use in our daily lives. The facility is expected to begin operating in early 2019 and will produce 600 million pounds of ethylene/polyethylene per a year. This new feedstock has the potential to reinvigorate the manufacturing sector in the region, which will, in turn, increase investment and jobs in the Ohio Valley.

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:

The Utica gas production has been added to the Energy Information Agency's Monthly Drilling Report as of August, 2014. Since January 2012, production has increased from 155 million cubic feet per day (MMcf/d) to approximately 1.667 billion cubic feet per day (Bcf/d). Utica's production per rig has also steadily improved.

Horizontal wells in the Utica shale in the eastern part of the state produced more natural gas the second quarter than all of the Ohio wells combined in 2012, reports the Ohio Department of Natural Resources.

The shale wells in the state produced 2,467,283 barrels of oil and 88.673 billion cubic feet of natural gas during the three months ended July 30, ODNR reported Monday.

ODNR said 562 wells are listed on its latest production report, with 504 of them reporting results. Fifty-eight wells reported no production since they haven't been linked to pipelines.

Average production per well stood at 4,895 barrels of oil and 175.939 million cubic feet of gas, ODNR reported. Average number of days a well was in production stood at 67.

The highest-producing oil well was Antero Resources' Myron well in Noble County at 78,309 barrels over 91 days. The highest producing gas well was Hall Drilling's Hercher North well in Monroe County, which recorded 1.4 billion cubic feet of gas production over 91 days.

AS of November 1, 2014, there have been 1,581 Utica Shale permits issued in 23 counties in Ohio to 29 companies, and 1,148 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 611 Utica Shale wells in production, with 45 rigs running.

MARCELLUS SUPLY UPDATE:

It has been reported by the EIA that the Marcellus Shale gas has hit 15 BCF per day in July, 2014.