

**Southeastern Ohio Oil and Gas Association
Gas Committee Report
July, 2015**

PRICING

Prices July 7, 2015

One Year NYMEX strip (Aug., 2015 – July, 2016)	\$3.00
Summer NYMEX strip for 2015 (Aug.-October)	\$2.77
Winter NYMEX strip (Nov., 2015 – March, 2016)	\$3.11
TCO Index Posting – July, 2015	\$2.68
DTI Index Posting – July, 2015	\$1.28

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 July 2, 2015 Report

Working Gas in storage was 2,577 bcf as of Friday, June 26, 2015. At 2,577, total working gas is within the 5 year historical range.

Region	Stocks billion cubic feet (Bcf)			Year ago (06/26/14)		5-Year average (2010-2014)	
	06/26/15	06/19/15	change	(Bcf)	% change	(Bcf)	% change
East	1,109	1,053	56	914	21.3	1,207	-8.1
West	441	437	4	329	34.0	405	8.9
Producing	1,027	1,018	9	672	52.8	937	9.6
Salt	292	295	-3	188	55.3	211	38.4
Nonsalt	735	722	13	484	51.9	725	1.4
Total	2,577	2,508	69	1,915	34.6	2,548	1.1

Storage is 59.4% full compared to normal as of this report, with normal total capacity of 4,336 at the start of the withdrawal season. Storage is 662 BCF above last year, and 29 BCF above the five year average.

Source: Form EIA-912, "Weekly Underground Natural Gas Storage Report." The dashed vertical lines indicate current and year-ago weekly periods.

February 10, 2015 EIA Forecast for natural Gas Prices:

According to the EIA, natural gas consumption will average of 74.3 Bcf per day in 2015, and 75.2 Bcf/d in 2016. The projected Henry Hub natural gas price averages \$3.05/MMBtu in 2015 and \$3.57/MMBtu in 2016.

GATHERCO

Chesapeake Utilities Corporation announced a Definitive Merger Agreement to acquire Gatherco, Inc.

On January 30, 2015, Chesapeake Utilities announced a merger agreement to acquire Gatherco, merging it into Aspire Energy of Ohio, LLC. A wholly-owned subsidiary of Chesapeake Utilities. It is expected to be completed in the second quarter of 2015.

The transaction has an aggregate value of approximately \$59.2 million, inclusive of the following:

\$49.8 million in exchange for all outstanding shares of Gatherco common stock, paid as follows:

593,005 shares of Chesapeake Utilities common stock, valued at \$29.9 million, and

\$19.9 million in cash (before payment of certain transaction expenses and escrow deposits);

\$7.7 million in cash in consideration for cancellation of all outstanding Gatherco stock options; and

Assumption of Gatherco's debt at closing, estimated to be \$1.7 million.

GATHERCO RETAINAGE

Retainage for April, 2015 is as follows for the Gatherco systems. Treat was 4.0%, Miley was 4.0%, Meigs was 6.0%, York was 4.0%, Grimes was 6.0%, and Elk was 6.0%.

May, 2015 retainage was not available as of the date of this report.

WEST VIRGINIA NEWS:

West Virginia legislators are currently considering forced pooling, and the producers and oil and gas associations are working with the House and Senate to develop rules. The last attempt did not pass, and they are working to come up with some acceptable legislation in 2015.

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:

NiSource, Columbia Pipeline Group complete separation

MERRILLVILLE, Ind. and HOUSTON, July 2, 2015 /PRNewswire/ -- NiSource Inc. (NYSE: NI) and Columbia Pipeline Group (NYSE: CPGX) ("CPG") announced today that the separation of the two companies was completed successfully through a distribution of all the common stock of CPG held by NiSource to NiSource shareholders.

CPG, based in Houston, includes Columbia Gas Transmission, Columbia Gulf Transmission, Columbia Midstream Group, its ownership interest in Columbia Pipeline Partners LP (NYSE: CPPL), and other natural gas pipeline, storage and midstream holdings previously owned by NiSource. In total CPG operates more than 15,000 miles of natural gas transmission pipelines, nearly 300 billion cubic feet of underground natural gas storage working capacity, and a growing portfolio of midstream and related facilities. Additional information about CPG can be found at www.cpg.com.

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 Texas 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 ship 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 finalized 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 later.

MIDSTREAM/PROCESSING NEWS:

Pinto Energy is looking to build a 2,800 bbl/day gas to liquids plant 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 near 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 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. It will have the capacity to deliver up to 90,000 bbls. of NGL 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 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 – First Quarter 2015 Results:

Numbers released by the Ohio Department of Natural Resources show production from wells in Belmont, Jefferson, Monroe, and Harrison counties helped total natural gas output statewide to reach 183.5 BCF from Jan. 1 – March 31, which is nearly three times the 67.3 BCF produced during the same period last year.

AS of June 27, 2015, there have been 1,943 Utica Shale permits issued in 23 counties in Ohio to 29 companies, and 1,520 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 902 Utica Shale wells in production, with 20 rigs running.

MARCELLUS SUPPLY UPDATE:

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

Use of Data:

The information contained in this document is compiled and furnished without responsibility for accuracy and is provided to the recipients on the condition that errors or omissions shall not be made the basis for a claim, demand or cause of action. The information contained in this document is obtained from recognized statistical services and other sources believed to be reliable, however we have not verified such information and we do not make any representations as to its accuracy or completeness.

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