Southeastern Ohio Oil and Gas Association
Gas Committee Report
May, 2016

PRICING

Prices May 9, 2016

One Year NYMEX strip (June, 2016 – May, 2017)	$2.65
Summer NYMEX strip for 2016 (June-October)	$2.27
Winter NYMEX strip – 2016 (Nov., 2016 – March, 2017)	$2.96
TCO Index Posting –May, 2016	$1.87
DTI Index Posting – May, 2016	$1.31

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 5, 2016 Report

Working Gas in storage was 2,625 bcf as of Friday, April 29, 2016. At 2,625, total working gas is 836 bcf above the 5 year historical range.

	Stocks billion cubic feet (Bcf)			Year ago (04/29/15)		5-Year average (2011-2015)	
Region	**04/29/16**	**04/22/2016**	**change**	**(Bcf)**	**% change**	**(Bcf)**	**% change**
East	454	431	23	305	48.9	351	29.3
Midwest	566	554	12	307	84.4	364	55.5
Mountain	157	155	2	119	31.9	113	38.9
Pacific	284	277	7	285	-0.4	226	25.7
South Central	1,164	1,140	24	747	55.8	735	58.4
Salt	362	352	10	219	65.3	186	94.6
Nonsalt	802	788	14	528	51.9	549	46.1
Total	**2,625**	**2,557**	**68**	**1,794**	**48.8**	**1,789**	**46.7**

Storage is 60.5% full compared to normal as of this report, with normal total capacity of 4,336 at the start of the withdrawal season. Storage is 861 BCF above last year, and 836BCF 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.

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 January, 2016 is as follows for the Gatherco systems. Treat was 13.0%, Miley was 9.0%, Meigs was 15.0%, York was 8.0%, Grimes was 18.0%, and Elk was 8.0%.
February, 2016 retainage was not available as of the date of this report.

EIA FORECAST March 8, 2016:

EIA forecasts that inventories will end the winter heating season (March 31) at 2,288 Bcf, which would be 54% above the level at the same time last year. Forecast Henry Hub spot prices average $2.25/million British thermal units (MMBtu) in 2016 and $3.02/MMBtu in 2017, compared with an average of $2.63/MMBtu in 2015.

US crude oil production averaged an estimated 9.4 million barrels per day (b/d) in 2015, and it is forecast to average 8.7 million b/d in 2016 and 8.5 million b/d in 2017. EIA estimates that crude oil production in December fell 80,000 b/d from the January level.

Forecast West Texas Intermediate (WTI) crude oil prices average $2/b lower than Brent in 2016 and $3/b lower in 2017. However, the current values of futures and options contracts continue to suggest high uncertainty in the price outlook. For example, EIA's forecast for the average WTI price in June, 2016 of $35/b should be considered in the context of recent contract values for April 2016 delivery (Market Prices and Uncertainty Report) suggesting that the market expects WTI prices to range from $24/b to $58/b (at the 95% confidence interval).

WEST VIRGNIA 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.

DOMINION RESOURCES INC.:

Four energy partners formally asked the federal government on Friday for permission to build a 564-mile natural gas pipeline in West Virginia, Virginia and North Carolina.

The 348-page application was submitted to the Federal Energy Regulatory Commission.

The $5 billion Atlantic Coast Pipeline is intended to deliver cleaner burning natural gas to the Southeast as utilities move away from coal-burning power plants amid tighter federal rules on pollution that contributes to climate change.

Richmond, Virginia-based Dominion Resources Inc. and Charlotte, North Carolina-based Duke Energy would have 45 percent and 40 percent ownership stakes in the pipeline, respectively. Charlotte-based Piedmont Natural Gas would have a 10 percent ownership and Atlanta-based AGL Resources, 5 percent.

The pipeline would carry natural gas from Marcellus shale drilling in Pennsylvania, Ohio and West Virginia to the Southeast. It would run from Harrison County, West Virginia, southeast to Greensville County, Virginia, and into North Carolina.

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.

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 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.

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 –
Fourth Quarter 2015 Results:

2015 horizontal well production has already surpassed Ohio's 2014 totals

COLUMBUS, OH - During the fourth quarter of 2015, Ohio's horizontal shale wells produced 6,249,116 barrels of oil and 302.505.428 Mcf (303 billion cubic feet) of natural gas, according to figures released today by the Ohio Department of Natural Resources (ODNR). Quarterly production continues to set new records as horizontal shale well production totals have increased by more than 100 percent from 2014's fourth quarter totals. Additionally, Ohio's horizontal shale wells have produced more oil and gas in the first nine months of this year than all of Ohio's wells produced in 2014.

4th. Quarter YTD Totals

	2014 (SHALE)	2015 (SHALE)	INCREASE
Barrels of oil:	10,999,162	21,983,959	99.9%
Mcf of gas:	452,866,564	953,863,990	110.6%

AS of April 30, 2016, there have been 2,164 Utica Shale permits issued in 23 counties in Ohio to 29 companies, and 1,728 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 1,265 Utica Shale wells in production, with 11 rigs running.