

SERVING SOUTHEASTERN OHIO & NORTHERN WEST VIRGINIA'S OIL & GAS INDUSTRY

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Senate Bill 315 - Improving Regulatory Framework

Ohio Department of Natural Resources - www.dnr.oh.us

On May 24, the Ohio Legislature approved landmark oil and gas regulatory legislation. Ohio's new law establishes one of the nation's toughest regulatory frameworks for overseeing the new technologies that allow for the exploration of natural gas in deep shale rock forma-

tions. This landmark legislation sends a strong and positive message to those with concerns about Ohio's ability to regulate the shale industry. We have learned from the shortcomings of other states. And we will safeguard our people and environment by providing this expanding

industry with strong and clear rules for conducting business in Ohio. I can assure Ohioans that our regulators will demand strict compliance with all aspects of this tough new law.

² Jim Zehringer

Director, Ohio Department of Natural Resources

15 SB 315 KEY POINTS SUMMARY

Senate Bill 315 establishes one of the nation's toughest regulatory frameworks for overseeing the new technologies that allow for the exploration of natural gas in deep shale rock formations. The new law builds on recently approved well construction standards, which are extremely protective of groundwater and the environment. SB 315 does the following:

★ Creates the nation's first combined well construction and hydraulic fracturing chemical disclosure requirement. The bill requires chemical disclosure during all aspects of the initial drilling process and during hydraulic fracturing, while adhering to existing federal and state trade secret/proprietary laws. However, ODNR can upon request obtain proprietary chemical formulas to conduct an investigation or in response to a spill. Typically, proprietary chemical formulas comprise less than 0.01percent of the total fluid used to hydraulically fracture a well. The public has the ability to view hydraulic fracturing fluid compositions used at specific wells at www.fracfocus.org. ODNR is in the process of developing a searchable database where the public can also view the chemicals used in Ohio wells.

★ Requires the sharing of all chemical information with doctors. Doctors may share even proprietary chemical information with the patient and other medical professionals directly involved in treating a patient. Doctors may also submit any report required by law or professional ethical standards to public health agencies and other appropriate government bodies.

✦ Allows appeals to the Ohio Oil and Gas Commission for mandatory pooling, unitization and establishing of an exception tract permit issuance. Other drilling permits are issued administratively once all statutory requirements are met by applicants and may be challenged in court. This provision does not repeal or eliminate any existing legal authority to appeal permits.

+ Establishes mandatory daily fines for well operators who violate the law. Daily fines will be as high as \$20,000 depending on the type and severity of the violation.

★ Requires well operators take pre-drilling well water samples within 1,500 feet of a proposed horizontal well and disclose the results in permit applications. SB 315 expands testing requirements to 1,500 feet and applies this standard to both urban and rural areas. Previously, water wells were tested within 300 feet of oil and gas wells in urban areas. Water wells in rural areas were not tested.

(Continued on page 27)

THE CROW'S NEST



I hope that all of our members received and read the letter sent by SOOGA to you about the severance tax proposal that governor Kasich would like passed and levied against our industry. I would encourage you to discuss this with your employees, landowners, and your state representative. Passing this tax will not only raise operating costs, but severely deter future investment in the State of Ohio, and they will take their business elsewhere.

Senate Bill 315 passed and will be signed by the Governor this week. One of the issues covered in this bill is the disclosure of more information about the chemicals used to frac shale wells. Companies are still allowed to shield chemicals deemed trade secrets from public scrutiny, but can be released in an emergency.

You association is being proactive in our approach to issues that face our industry, from taxes to "fracking" to drilling on public lands such as our National Forests and State lands. SOOGA board member Christy Chavez wrote a letter to the Editor which was published in the Marietta Times, and I hope all of you had a chance to read it. As we move forward, your association will continue to publish letters, facts, and articles that support our position on issues, and hopefully, in a factual manner, this will help educate the communities in which we work about the issues we face.

Looking forward, our Spring Clay Shoot is coming up on June 29, 2012 at Hilltop Sports, LLC, and registration forms have been sent out. Please get those back in to the Association office as quickly as possible to insure a spot in this event. Lunch and refreshments will be served, and door prizes will be awarded.

Continue to operate safely, be good stewards of the environment, and stay the course.

President Jim Javins



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VOLUME 27, ISSUE 3

2012 CALENDAR OF EVENTS

Friday, August 17, 2012 SOOGA Fall Golf Lakeside Golf Course, 18218 State Route 60 Beverly, OH 45715

Wednesday, September 12th & Thursday 13th

SOOGA 2012 Annual Fall Trade Show Washington County Fairgrounds 922 Front Street Marietta, OH 45750

Friday, October 19, 2012 SOOGA Fall Clay Shoot Hilltop Sports 1530 Offenberger Rd. Whipple, OH 45788

November 1st - November 30th, 2012 SOOGA Annual Gun Giveaway





Oll Gathering Corp. 649 Mitchells Ln

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Southeastern Ohio Oil and Gas Association Gas Committee Report June, 2012

PRICING

Prices lune 11, 2012

One Year NYMEX strip (July, 2012 – June, 2013)	\$2.89
Summer NYMEX strip (July, 2012 – October, 2012)	\$2.33
Winter NYMEX strip (November, 2012 – March, 2013)	\$3.10
TCO Index Posting - June, 2012	\$2.43
DTI Index Posting – June, 2012	\$2.44

The average 2011 Index price for TCO was \$4.14, and the average 2011 price for DTI was \$4.20.

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-May:

EIA released its May, 2012 Short Term Energy Outlook report, and it showed that they expect the price of WTI crude to average \$110 in 2012, and remain relatively flat for 2013. U.S. retail gasoline price is expected to average \$3.79 this summer and average \$3.71 per gallon for 2012 as a whole. Natural Gas at the Henry Hub is expected to average \$2.45 MMBTU in 2012, which is an \$1.55 cent decline from 2011's average spot price. EIA expects Henry Hub spot prices will average \$3.17 per MMBTU in 2012

EIA said March Natural Gas Demand was down 5.4% to 2.1 Tcf. This is the lowest demand since 2004. This sharp drop came as residential natural gas demand fell 32.6% in March from a year ago to 409 Bcf and was the lowest for the month on EIA records beginning in 1973. Total US demand in the 1st. quarter was 2.9% below last year. Natural gas used by the power sector rose by 40.9% in March vs. last year on utility switching from coal. March gas use by the power sector was the most in the month on EIA records beginning in 2002.

Looking forward toward summer, there continues to be a downward pressure and a bearish view on price, as weather demand coupled with storage levels may indicate some sideway trading between a low of \$2.15 and \$2.62 for July. Early weather forecasts are calling for a normal to below normal summer.

GAS RESERVES:

The EIA came out with their Proved Gas Reserve Report. U.S. natural gas proved reserves, estimated as "wet" gas which includes natural gas plant liquids, increased by 11 percent in 2009 to 284 trillion cubic feet (Tcf), the highest since 1971. Last year's increase demonstrates the importance of shale gas exploration and production technologies per the agency. Louisiana led the nation in additions to natural gas proved reserves with a net increase of 9.2 Tcf (77% increase), and Arkansas (Fayetteville Shale) and Pennsylvania (Marcellus Shale) nearly doubled their reserves.

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GAS STORAGE AS OF THE April 5, 2012 Report

Working Gas in storage was 2,877 Bcf as of Friday, June 1, 2012. At 2,877, total working gas is **above** the 5 year historical range.

Stocks in Billion Cubic Feet (bcf)

Historical Comparisons

Region	06/01/12	05/25/12	Change	06/01/11	06/01/11	5 Year Avg.	Change
East	1,363	1,325	38	945	44.1%	1,016	34.2%
West	423	410	13	285	48.4%	332	27.4%
Producing	1,091	1,080	11	933	16.9%	842	29.6%
TOTAL	2,877	2,815	62	2,164	32.9%	2,190	31.4%

Storage is 74.1% full compared to normal as of this report, with normal total capacity of 3,890 at the start of the withdrawal season.

GATHERCO

Retainage for March, 2012, is as follows for the Gatherco systems. Treat was 3.0%, Miley was 3.0%, Meigs was 6.1%, York was 3.0%, Grimes was 9.11%, and Elk was 3.0%.

April retainage was not available as of the date of this report.

DOMINION EAST OHIO GAS

Update on 2011 enhancement surcharges:

Per Dominion East Ohio:

Dominion East Ohio's Heat Content Agreement Fee will be:

HEAT CONTENT AGREEMENT FEE

Apr 12 - Mar 13 - Heat Content Agreement Fee = \$0.16/Mcf OOGA Administration Fee = \$0.01/Mcf

Total	= \$0.17/Mcf

WOODSFIELD/CARLISLE PROCESSING PROPOSAL:

DTI will offer liquids uplift at Carlisle with a negotiated service charge and retained liquids fee structure. Liquids uplift in the \$1.50-\$1.80/DT range is projected.

Producer's gas must have a direct path to Plant.

HCA fee would be eliminated.

DEO will discuss modification of WOA fee with Producers.

DEO will negotiate new Gathering Service Agreement with Producers to replace HCA fee.

DEO/DTI will be contacting impacted Producers to schedule meetings.

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.

For shut in notices on Columbia Gas Transmission, please use the link below.

http://www.ngtsnavigates.com/infopost/index.php?

(Continued from page 6)

COBRA PIPELINE COMPANY, LLC

Effective February 6, 2008, Cobra Pipeline Company LLC purchased The Churchtown, North Trumbull, and Holmesville systems from Columbia Gas Transmission. Cobra took over the ownership and management of those systems on that date.

Cobra Pipeline Company website:

https://www.quicknom.com/cobra/

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<u>EQUITABLE:</u>

Dec. 8, 2011 - EQT Corporation announced that it intends to file a registration statement with the U.S. Securities and Exchange Commission during the first quarter of 2012 for an IPO of common units of a master limited partner-ship (MLP) that would own portions of the assets of Equitrans, L.P., and EQT's interstate pipeline subsidiary.

Under the anticipated structure, EQT expects to sell a limited partner interest in the MLP in the IPO, subject to market conditions. At the close of the IPO, EQT would own the general partner of the MLP, which would own the incentive distributions rights, as well as a substantial portion of the MLP's common units. Proceeds of the IPO would be used to fund the further acceleration of EQT's Marcellus development. The MLP would focus on providing gathering and transmission services to producers in the Marcellus Shale, including EQT Production Company.

EQT Corp. said Friday it will stop drilling natural gas wells indefinitely in the Huron shale in Kentucky because of decade-low prices, a move that might signal a major course correction for shale drillers, experts said.

The Downtown-based gas producer announced the decision in a securities filing, but there was no immediate indication that other Huron gas producers might follow suit. EQT has 5,000 producing wells in Kentucky and 3,500 miles of gathering lines, on about 2.7 million acres of reserves. The company will offer 39 employees new positions in Pennsylvania or West Virginia, spokeswoman

Read more: <u>EQT's shift from Kentucky's Huron shale could have ripple effect - Pittsburgh Tribune-Review</u> <u>http://www.pittsburghlive.com/x/pittsburghtrib/news/s_777737.html?</u> _s_icmp=NetworkHeadlines#ixzz1kNkJm2zg

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:

SOOGA hosted a meeting on April 5th. with WV producers who have concerns about the Appalachian Gateway Project. When the Project was initiated, the price of gas was in the \$10-\$12 range. The currently scheduled startup date for the project is September of this year, and the cost to the producer for the Firm Transport costs to get their gas from DTI to Oakford, which is a liquid trading point, is \$.58/dth, plus any cost of handling that the marketer may add if they purchased the FT on behalf of the producer. Per producer's comments who are in that project, they are facing dire economic consequences with that rate due to the gas price being in the \$2.50/dth range currently. Several options were discussed, one being hedging your gas volumes out 2 to 4 years to get a price that may help cover the cost of the transport, and another was discussing with your marketer if there was a venue whereby you could pay less when the price was low, and then allow the marketer to re-coup the difference when prices rose to a specified level. I will publish new updates as they occur. Http://www.dom.com/about/gas-transmission/index.jsp

MARCELLUS AND UTICA NEWS:

New Pipeline being planned in PA:

• UGI is proposing to build a new 200 mile 30" pipeline with a capacity estimated to be 800,000/day at a cost of one billion dollars that would connect current production facilities in NE Pennsylvania to markets south towards Philadelphia, Baltimore, and Washington.

Shell to build Chemical Plant:

• Shell Oil Co. has selected a site near Monaca where it could build a new multibillion-dollar chemical plant. Shell Chemical LP signed a land-option agreement with Horsehead Corp. to evaluate the 300 acre site in Potter and Center Townships in Beaver County PA. The company's CEO said recently that Shell could be years away from making a final decision on whether or not to build the plant.

Enterprise Products Partners has enough support for new pipeline:

• Enterprise Products Partners has announced that it has enough support from shippers to build an energy pipeline between Pennsylvania and Texas. The 1,230 mile pipeline will link oil and natural gas fields in the Marcellus and Utica shale regions with ethylene plants on the Gulf Coast. The pipeline will handle up to 190,000 bbls./day, and shippers will pay between \$.145 and \$.155 cents per gallon to use the pipeline. Enterprise said shippers have committed to at least 15 years, indicating the long-term potential for energy development in shale formations in the Appalachian Basin. When completed, the pipeline should go into operation in the first quarter of 2014.

Marcellus Update:

- Low natural gas prices are leading to cutbacks in dry gas investment and production at <u>Chesapeake Energy</u> <u>Corp.</u> Latest from The Business Journals <u>Chesapeake to triple Ohio rigs by 2014More details on Chesapeake's shale</u> <u>pullback More details on Chesapeake's gas announcement</u> <u>Follow this company</u>, including in the Marcellus Shale. That means that Chesapeake will halve its dry gas drilling by the second quarter, bringing to 12 the number of Marcellus Shale dry gas rigs that Chesapeake operates in the region, primarily in northeastern Pennsylvania. It wasn't immediately clear how many the company had operating now but a spokesman said Monday that Marcellus production would continue.
- Chesapeake Energy Corp. (NYSE: CHK) also plans to cut production by at least 0.5 billion cubic feet of gas, representing about 8 percent of its daily production across its holdings, especially in the Haynesville and Barnett shale plays. The reduction could be as much as 1 billion cubic feet per day if market conditions warrant, Chesapeake said.
- Capital expenditures related to dry gas drilling will also be cut by nearly \$1 billion, down about 70 percent from the \$3.1 billion in 2011. The money Chesapeake saves from dry-gas drilling cuts will go to liquids rich shale plays including the Utica, which touch southwestern Pennsylvania but are mostly located in Ohio.

A few other companies, such as Consol Energy, PDC, and XTO are reportedly slowing down drilling as the price of natural gas has dropped into the \$2.00 range for the current month, and the one year strip is around \$2.78 as of the date of this report.

Utica News:

Gulfport Energy Corp./Markwest:

On Monday, June 5, Oklahoma-based Gulfport Energy Corp. announced completion of an agreement with MarkWest Utica EMG LLC to build and operate gas-gathering pipelines and processing facilities tied to Gulfport's Utica-shale acreage in eastern Ohio.

MarkWest plans to process the natural gas at a complex in Harrison County and will provide fractionation or processing services for natural-gas liquids in Harrison County.

Initially, MarkWest will bring on line an interim refrigeration gas-processing plant in the third quarter of 2012.

That facility will be followed by a 125 million cubic-feet-per-day permanent cryogenic gas-processing plant that is expected to begin operations by the first quarter of 2013, Gulfport reported.

An additional capacity of 200 million cubic feet per day of cryogenic capacity will be available by early 2014.

MarkWest is expected to have about 60 miles of related pipelines to move Gulfport volumes by the end of 2012.

By 2014, MarkWest should have 140 miles of gas-gathering lines and 20,000 horsepower of compression, Gulfport said.

(Continued from page 8)

Nisource Midstream Pipeline:

Nisource Midstream Services is proposing to build a 90 mile pipeline to send gas and oil to a new processing plant that is capable of handling 200,000 cubic feet /day of gas. It will follow an existing Nisource ROW from Columbiana County south to Monroe County, passing through Carroll, Jefferson, Harrison, and Belmont Counties. The processing plant will be built about mid point in the line in Harrison County. The project will include a network of smaller pipelines that will be built to move gas from wells it expects to be drilled in the Utica Shale. Nisource is still negotiating with potential customers, and has not determined how large the line would be yet.

The 2011 production volumes for the current Utica wells that are in production are available on the ODNR website, and a condensed version is set out below.

Owner Name Well Name/Well Number		Oil (Barrels)	Gas (MCF)	Brine (Barrels)	Days in Production
Chesapeake Appalachia LLC	CALVIN MANGUN 8H	12,334	322,435	23,585	206 **
Chesapeake Appalachia LLC	SHAW 20-14-5 5H	818	0	10,263	11 ***
Chesapeake Appalachia LLC	BURGETT 7-15-6 8H-RS	654	0	2,010	5 ***
Chesapeake Appalachia LLC	BUCEY 3H	2,167	137,192	2,403	53
Chesapeake Appalachia LLC	HARVEY 8H	6,096	183,142	9,102	92
Chesapeake Appalachia LLC	NEIDER 3H	9,444	395,290	9,519	130
Chesapeake Appalachia LLC	KENNETH BUELL 8H	13,472	1,523,4 65	8,937	198
Chesapeake Appalachia LLC	GEATCHES MAH 3H	758	0	8,389	79 ***
Chesapeake Appalachia LLC	HOSEY POR 6H-X	583	0	1,796	20 ***

2011 Utica Shale Production

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/

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.

Disclaimer:

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THE INSIDER



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FIBERSPAR ANNOUNCES NEW LARGE-DIAMETER SPOOLABLE PIPE WITH GREATER REEL CAPACITY

LinePipe LPI further simplifies logistics and lowers costs

(Houston, Texas, May 29, 2012) -- Fiberspar Corporation, the leading producer of spoolable fiberglassreinforced line pipe, today introduced its newest largediameter LinePipe[™] product offering twice the reel capacity of similar spoolable products.

Ideal for large-diameter trunk lines or higher capacity gathering/ injection applications, the new LinePipe LPI is available in a 6.5" configuration that allows twice the continuous amount of pipe on a single spool – reducing installation time, connections and costs.

"LinePipe offers 20% lower total installed costs than welded steel," says Peter Quigley, Fiberspar's CEO. "LPI will help push those costs even lower by further reducing the time and resources required for installation."

The LPI design permits 1,200 ft of pipe per spool while meeting safe load restrictions, allowing for longer runs between connections and thus lower installation costs.

When connections are necessary, they are easily installed in less than a half hour. Made of nickel-coated carbon steel or stainless steel for corrosion protection, Fiberspar-patented connectors use mechanical compression and O-ring seals without needing glue, epoxies or threads cut in the laminate.

LinePipe LPI, which meets or exceeds all industry standards and qualifications, is suitable for sour or sweet gas, oil, or multi-phase gathering applications and highpressure water or CO_2 injection. It is available in oper-



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ating pressures from 750 to 1,500 psi and operating temperatures up to 180° F (82° C).

For more information, contact Peter Quigley, Chief Executive Officer, Fiberspar Corporation,

508-999-5110, or email pquigley@fiberspar.com.

About Fiberspar Corporation

Headquartered in Houston, Texas, Fiberspar Corporation (www.fiberspar.com) designs and manufactures advanced spoolable composite pipeline products, marketed as LinePipeTM. Crude oil and natural gas producers use LinePipe in gathering systems, pipeline remediation, and disposal and injection applications. Fiberspar was the first to introduce spoolable composite pipe to the oilfield market. LinePipe is API 15 HR monogrammed and meets all US and Canadian industry regulatory standards and quality requirements, including ISO 9001.



Alliance workers help mow cemeteries

JUNE 5, 2012 By Sam Shawver - The Marietta Times (<u>sshawver@mariettatimes.com</u>), The Marietta Times

Marietta's cemeteries were in good shape for the Memorial Day holiday last week, thanks largely to the efforts of several workers with Alliance Petroleum Corporation.



"Bobbi Lauer with the local Alliance Petroleum office reached out after

reading a (May 16 Marietta Times) article about our lack of manpower to keep the cemetery grounds maintained," Marietta safetyservice director Jonathan Hupp said Monday.

The article relayed concerns from some area families who had to trim weeds and grass growing around the graves of loved ones buried in Oak Grove Cemetery.

Cemetery department foreman Tom Kunz had explained that, due to budget constraints, the city only had two full-time workers to maintain all three city cemeteries as well as dig graves for burials.

Lauer, office manager at Alliance Petroleum's southern Ohio field office in Marietta, shared the news story with company president Tom Wright and suggested that Alliance employees could help with the cemetery maintenance.

"He was all for it," Lauer said. "I have about 12 workers at the southern office who maintain and pump our well sites in Washington and surrounding counties. They all have grass trimmers, and took a day off from their normal routines. A couple of ladies from our corporate office in Canton came down to help, too."

She said the Alliance workers met Kunz at Oak Grove Cemetery at 8 a.m. and worked until 2:30 p.m. on May 24.

"We just did some good old-fashioned yard work," Lauer said. "The ladies brought brooms and followed the weed-trimmers, sweeping the grass and dust off of the gravestones."

The Alliance crews also helped with some trimming work at the city's Mound and Harmar cemeteries.

"We were going to buy them pizzas for lunch, but they said 'nowe're buying pizzas for the city workers," Hupp said. "And they offered to keep helping on a regular basis."

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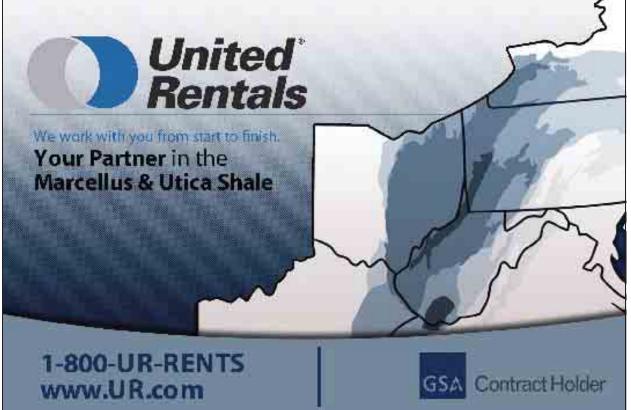
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GAS PRICING

MAY 2012

NYMEX Settlement: \$2.0360 Inside FERC/DTI: \$2.070 (Basis: \$0.034) Inside FERC/TCO: \$2.070 (Basis: \$0.034) NYMEX 3-day Average: \$2.0263

JUNE 2012

NYMEX Settlement: \$2.4290 Inside FERC/DTI: \$2.440 (Basis: \$0.011) Inside FERC/TCO: \$2.430 (Basis: \$0.001) NYMEX 3-day Average: \$2.548

OIL PRICING 2012

ERGON PURCHASING WEST VIRGINIA MONTHLY AVERAGE

April Ohio Tier 1: \$103.9330 April Ohio Tier 2: \$100.9330 April Ohio Tier 3: \$97.9330 April West Virginia Tier 1: \$102.4330 April West Virginia Tier 2: \$99.4330 April West Virginia Tier 3: \$96.4330 April Appalachian Light: \$88.3433 April Marcellus-Medium: \$103.9330 April Marcellus-Light: \$92.5017

May Ohio Tier 1: \$95.2687 May Ohio Tier 2: \$92.2687 May Ohio Tier 3: \$89.2687 May West Virginia Tier 1: \$93.7687 May West Virginia Tier 2: \$90.7687 May West Virginia Tier 3: \$87.7687 May Appalachian Light: \$80.9794 May Marcellus-Medium: \$95.2687 May Marcellus-Light: \$84.7894

- Tier 1 156 + net barrels of crude oil No more than 2% BS&W (if the BS&W is over 2% it will then qualify for Tier 2 pricing)
- Tier 2 60-155.99 net barrels of crude oil Two Stops within 5 miles Tier 3 - 30-59.99 net barrels of crude oil

Tier pricing applies to Appalachian Legacy Crudes (Penn Grade, Corning Grade, Rose Run, etc.) will be purchased based on the monthly average for the following postings: 38.0-47.9 API Gravity—**Marcellus/Utica Medium** crude oil 48.0-59.9 API Gravity—**Marcellus/Utica Light** crude oil 60.0+ API Gravity—**Marcellus/Utica Condensate** (formerly posted as **Appalachian Sweet Light**-ALS). Other parameters will be evaluated on a farm by farm basis.

You can now find EOP WVA Crude oil Price Bulletin on the internet at: www.ergon.com

OIL PRICING 2012

AMERICAN REFINING GROUP AVERAGE

4/21 to 4/30 Group 1 OH: \$104.66 Group 2 OH: \$101.66 Group 3 OH: \$98.66 Appalachian Condensate: \$88.90 5/1 to 5/10 Group 1 OH: \$100.60 Group 2 OH: \$97.60 Group 3 OH: \$94.60 Appalachian Condensate: \$85.42 5/11 to 5/20 Group 1 OH: \$94.50 Group 2 OH: \$91.50 Group 3 OH: \$88.50 Appalachian Condensate: \$80.24 5/21 to 5/31 Group 1 OH: \$91.10 Group 2 OH: \$88.10 Group 3 OH: \$85.10 Appalachian Condensate: \$77.36 6/1 to 6/10 Group 1 OH: \$84.81 Group 2 OH: \$81.81 Group 3 OH: \$78.81 Appalachian Condensate: \$72.02 6/11 to 6/20 Group 1 OH: \$84.17 Group 2 OH: \$81.17 Group 3 OH: \$78.17 Appalachian Condensate: \$71.48

Group 1 (OH/PA/NY) - 152.0 barrels from a single location, with a BS&W of 2% or less, and API gravity of 50 degrees or less.

Group 2 (OH/PA/NY) - 60.0-151.99 net barrels from a single location and API Gravity of 50 degrees or less.

Group 3 (OH/PA/NY) - 30-59.9 net barrels from a single location and API gravity of 50 degrees or less.

Appalachian Condensate (formerly Appalachian Light Liquids)- 152 or net bbls from a single location, with BS&W 1% or less, and API Gravity greater than 50 degrees.

For questions relating to ARG Group Pricing, please contact:

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SOUTHEAST GEOLOGY

By: Carl Heinrich (originally published in early 1980's)

Big Moses– The largest Gas Well In West Virginia (Part II)

V. Spencer #1 up to the point that the well was shut in on November 24, 1894. After achieving that herculean feat, the well was turned into the Philadelphia Gas Company lines. Because of the large volume of the well and the capacity of their lines, the gas company could not take the full flow and the well was "pinched back." With this procedure the well maintained its full rock pressure of 575 psi. However, on February 1, 1895, gas pressure which had built up in the open uncased portion of the hole below the 8-1/4 inch casing began to escape at the surface. These surface eruptions of gas continued until some rather large holes had developed for a distance of 1300 feet around the well. A teamster driving at night happened to fall into one of these. It was big enough to hold his wagon and team.

As problems were getting worse, the gate valves on the well were opened permitting the well to flow open in order to relieve the pressure which was causing the surface eruptions of gas. This was temporary relief and did not solve the basic problem of controlling the monster well.

On April 1, 1895, plans were underway for the second attempt at controlling the well. The well head was removed and crews began to run a string of 6-1/4 inch casing equipped with a packer on the bottom joint. It was planned to set the packer in the Big Lime just above the Big Injun, thus preventing the escape of gas through the shallow uncased portion of the hole.

Bear in mind that this was before the development of the process of cementing casing in wells. In those days, many wells were equipped with casing or tubing strings set on anchor packers. The weight of the pipe set the packer and caused it to expand, thereby creating a seal between the pipe and walls of the hole. Where the weight of the pipe was insufficient or the gas pressure was too great, an additional downward force was supplied by turnbuckles attached to clamps placed on other strings of pipe in the well. Many old gas wells equipped with clamps and turnbuckles can still be seen today.

Last month's article covered the history of the M. While running the 6-1/4 inch casing, the flowing pressure of the gas was so strong that the first twenty-five joints had to be forced down the hole by using a block and tackle with several teams of horses. After the first twenty -five joints had been run, the weight of the pipe hanging in the well was enough that it could be lowered by gravity and the block and tackles was unhooked. However, after 1600 feet had been run, the casing somehow became unscrewed near the surface and the remaining pipe dropped over 150 feet to the bottom of the hole.

> After this disaster, fishing tools were brought in to attempt to retrieve the lost casing. While these operations were underway on June 14th, lightning set the gas on fire. This fire only lasted an hour before the flow of gas and accompanying sand blew it out. However, it lasted long enough to burn the end off the walking beam and one side of the derrick. After rebuilding the damaged parts, fishing operations continued.

On July 27 lightning struck the well again. This time the whole derrick, engine house and other parts were completely destroyed by the fire. So much for the myth of lightning never striking the same place twice. The flames from the burning gas rose to a height of 180 feet until they were put out by shutting off the gas flow using the same well head equipment they had used in November of the preceding year. After this, the derrick and rig were rebuilt. This was a major task in itself. In these days, the standard rig was built on the site with each board of the derrick being cut to measure and then nailed in place.

(Continued on page 17)



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OBITUARIES

THEODORE DEBROSSE

Theodore A. "Ted" DeBrosse, age 81, died May 21, 2012 at Riverside Methodist Hospital. Member of Immaculate Conception Catholic Church. Charter member of the Ohio Geological Society, charter member of the American Institute of Professional Geologists, active member of American Association of Petroleum Geologists, and member of the former Clintonville Conservation Club; Central Ohio Anglers and Hunters; and F.O.E Piqua Aerie 614, Inc. Retired from State of Ohio Division of Oil and Gas where he was Assistant Chief. Survived by wife of 54 years, Betty; children, Richard (Martha) of SC, Myron, Jeffrey (Maryan), and Nanetee DeBrosse, all of Columbus; grandchildren, Abigail and Michael DeBrosse; sisters. Thersea DeBrosse and Sister Martha De-Brosse, CPPS; brother, William (Rita) DeBrosse; many nieces and nephews. Friends may call at SOUTHWICK-GOOD & FORTKAMP FUNERAL CHAPEL, 3100 N. High St., Wednesday 6-8 p.m. Mass of Christian Burial 10:15 a.m. Thursday at Immaculate Comception Church, 414 E. North Broadway St. Msgr. Stephan Moloney, Celebrant. Interment Resurrection Cemetery. Contributors if desired may be made to the Central Ohio Diabetes Assoc., 1100 Dennison Ave., Columbus, OH 43201.



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MEMORIES OF TED DEBROSSE

One of my earliest memories of Ted goes back to the late 1950's when I was a well site geologist and supervisor for one of the first deep wildcat wells in Ashtabula County, Ohio. This well was projected to the zone we Pennsylvanians called the Gatesberg (now known as Beekmantown/Rose Run). Benedum-Trees had drilled a well to the granite the year before in Crawford Co., PA and our well was planned to see what could be found in Ohio across the state Line. Our well was drilled with a Bucyrus-Erie 48 -L spudder using a third leg derrick. This was a great rig for exploratory drilling as good samples were recovered every 7 to 15 feet. Wire line logging was in its infancy in the Appalachian area so good samples were of vital importance. Anyway, Ted was then with the Ohio Geologic Survey and he was tasked with job of driving up from Columbus to pick up samples our company had saved for the state sample repository. With the lack of the interstate highways we now enjoy, it dictated an overnight stay. As some of you old timers may remember, the drinking water in Andover and most of the county was terrible. It had a distinct sulfur taste and odor. This was due to the natural ground water conditions and not from pollution of any sort. The locals had become acclimated to it and any outsiders, such a myself, had to adapt (beer seemed to be a good substitute). I have been told that is why the French drink so much wine as their water is often similarly untasty.

I met with Ted one day and he picked up the samples after we had examined and discussed them As it was late, he said he would stay at the local flea bag motel and meet in the morning for breakfast. Come daylight, we met and he described his nocturnal discomfort as a result of sampling the local water. By breakfast he had recovered and was ready for a hearty meal, sans water, to replace that which he had lost. He made it back to Columbus and even made several return trips for more samples as the well was drilled deeper but had learned not to drink the water.

(Continued to page 17)

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(Continued from page 16)

Ted was a good sport about all of this and was doing his part to help build the Survey's collection of well cutting samples. This was an ambitious scientific project to help with the understanding of Ohio's subsurface geology. Prior to this project, most of the subsurface data was limited to driller's logs.

Ted rose up in the staff of the Ohio Geologic Survey and contributed numerous publications to the Survey's efforts. Later he transferred to the Division of Oil and Gas. While never the chief of that agency, he was most remembered for the annual "De Brosse Report" which became an important part of the annual Ohio Oil and Gas Association spring meetings. His presentation summarized the activities of the previous year as to oil and gas production and significant geological discoveries.

Ted was a pioneer in collecting and disseminating geologic and industry data for the benefit of Ohioans. I remember Ted for his iron constitution and dedication which survived all that Ashtabula county could throw at him (deep mud and bad water).

As a sideline; our well (Devonian Gas and Oil #1 Conrad Mueller) was wet in the Gatesburg and was plugged back for a Clinton completion. Becoming the discovery well of what developed into the Dorset oil field, it was later owned by James I. Scherer Drilling Co. of Blairsville, PA and is still producing under the ownership of Kenoil of Wooster, Ohio. The last time I was in the area, I visited it and the meter was still turning. Pretty good for a Clinton well over 50 years old.

Benedum-Trees Oil Co. #1 Kardosh was also a dry hole drilled to the granite. Thus, the information from these early wildcats pointed the way to later developments in N.E. Ohio and N.W. PA. In many way's, Ted contributed to that effort.



(Continued from page 13)

The rig building crews were specialists who only built rigs. Each board was secured with wrought iron nails which were driven with the steel poll of a rig builder's hatchet. The pole (the end used to drive the nails) was made of hardened steel which could make sparks in striking the nail. Because the well had to flow gas to relieve the underground pressure while the derrick was being rebuilt, rig builders on this particular job were men of extreme courage and guts. Unfortunately, their names have been lost to history. It is also not recorded how many boards were blown to splinters when they accidently fell into the gas flow.

The derrick was rebuilt and the lost casing was fished out. This time another string of 6-1/4 inch casing with a packer was successfully run and set on August 27, 1895. The well was finally tamed and under control after a nine month effort which included fires and blowouts.

(to be continued)

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THE INSIDER

(Continued from page 12)

He said Dora Silvis, executive vice president and chief operating officer at Alliance Petroleum's Canton office, suggested the company could assist at least once every three months with the cemetery maintenance.

"I suggested that they just contact us on the Monday before Memorial Day if they wanted to help next year," Hupp said. "It was great for them to come and they even brought their own equipment so that we could have the cemeteries ready for Memorial Day."

"Alliance looks forward to making this an annual activity," Silvis said in an email Monday afternoon.

"We're thrilled that Mr. Wright is our new president, and in keeping with his request, Alliance Petroleum Corporation will be making an effort to be involved with our community," she added.

Hupp said the city's grounds keeping crews were bolstered Monday with the arrival of newly-hired workers through the Washington County Jobs and Family

Services Summer Youth Employment Program.

Three of those workers were hired for the public facilities department, which maintains the city cemeteries.





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VOLUME 27, ISSUE 3 SAFETY CORNER The effect of...... Drugs and Alcohol

Di uys ai lu Alculiul	
Alcohol:	The outer wall of heavy marijuana smokers is profoundly
• Is the number one drug of abuse in this country.	thickened with deposits of THC-possibly 400 times thicker than
• Affects every organ system in the body.	normal.
Acts as a sedative.	Short Term Effects
Effects on the Body:	Peripheral vision becomes constricted.
Stomach	Attentiveness decreases.
• Anything containing at least 5% of alcohol irritates the stomach's	Loss of recent memory, a major learning tool.
lining.	Loss of ability to interpret complex signals.
The stomach secretes digestive juices, hydrochloric acid, to di-	Cocaine:
lute alcohol.	Dissolves in water.
A mixture of alcohol and acid digests the stomach's lining, re-	Quick high.
sulting in vomiting and ulcers.	Short Term Effects
 The body's toxic waste treatment disposal plant. 	Increased energy
 It removes alcohol from the blood stream before it gets to the 	Decreased need for sleep
heart at approximately one drink per hour.	Increased self confidence
 It can grow new cells after destroyed by alcohol. 	Decreased appetite
 After two drinks per day, the liver can't heal as fast as damage 	Delayed Effects
occurs, resulting in scars, shrinking and hardening.	Complete reverse of good effects
Abuse can cause cirrhosis of the liver.	Deep depression
• You can develop internal varicose veins. They develop along the	Physical exhaustion
stomach and esophagus which can cause internal bleeding and	Deep sleep for up to 36 hours
death.	Worthless, hopeless, guilty feeling
• The liver quits converting fat and cholesterol into sugar-fatty	Increased appetite
liver.	Brain
• The liver is capable of complete recovery if an individual stops	Stimulates the brain and makes it work too fast.
drinking for six months.	When addicts try to stop, the withdrawal affects the brain's
Pancreas	limbic system, or pleasure center. Heart
Produces digestive juices and makes insulin.	When the brain works fast, heart beat increases.
Develops pancreatitis, an irritated and inflamed pancreas due to alcohol abuse.	 Sudden Cocaine Death Syndrome—heart beats so fast that it
 Digestive juice get backed up, which digests pancreas. 	loses rhythm and starts to quiver.
 Produces insulin, making cells die, giving alcoholics 20 times the 	 Heart attacks—arteries feeding blood to the heart clamp down.
chance of diabetes.	Speed
Brain	Ice, crystal, methamphetamines, amphetamines.
• Can develop Acute Alcohol Intoxication Death. Alcohol puts the	Smoked, eaten, and ingested.
brain to sleep.	Same effects as cocaine.
• Can cause seizures, convulsions, DTs, even death.	Lasts longer than cocaine, it dissolves fat.
Marijuana:	<u>Effects</u>
More people abuse marijuana than cocaine.	Puts you to sleep and eliminates pain.
• Active ingredient is tetrahydrocannabinol-THC.	Causes hallucinations.
It acts as a sedative.	Causes incoherence.
Effects on the Body:	Causes physical violence.
Brain	• Disassociates frontal, human part of the brain cortex, from rest
• THC dissolves in fat.	of the brain.
• The outer wall of our brain cells is 99% fat. The blood stream carries THC to the brain where it sticks to fat cells.	Ingested accidentally. Drug and Alcohol Effects.pub © 2001 Safety Resources Company of Ohio, Inc.
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Fracking nothing new; offers opportunity

MAY 31, 2012 The Marietta Times

I am writing in response to the May 15 article "Forest Fracking."

The author and those who are "irked" seem to either chose to ignore, or are unaware of the fact that over 1,300 oil and gas wells have been developed in Wayne National Forest to date. And yes, many of these have used hydraulic fracturing.

What is more "irksome" is the fact that surface impact of horizontal wells is far less than those of vertical wells. This has been studied before, and recently.

In 2009 the Ground Water Protection Council produced a study for the Department of Energy, and concluded that horizontal drilling "has not introduced any new environmental concerns" and stated that in fact, "the reduced number of horizontal wells needed, coupled with the ability to drill multiple wells from a single pad has significantly reduced surface disturbances and associated impacts to wildlife, dust, noise and traffic."

There is nothing new about oil and gas development in Wayne National Forest. There is nothing new about the techniques used to enhance production either - we've been safely hydraulically fracturing wells in Ohio for the last 60 years. What is new is the sensationalist claims of a few uninformed people with an agenda to demonize an industry and a proven technology. This is another unfortunate example of "not telling the whole story," and it could come at the expense of many unemployed Ohioans who stand to gain employment opportunity in the safe and responsible development of Ohio's energy resources.

Christy Chavez Marietta



HY-BON ACQUIRES EDI

Hy-Bon Engineering out of Midland Texas strengthens its Emissions Management and Vapor Recovery stronghold in the Oil and Gas Industry by acquiring Electronic Design for Industry (EDI) in Belpre, Ohio. "We are the missing piece of the Hy-Bon puzzle and we are very excited about being that final piece." says Rich Wynn co-owner/President of EDI.

Hy-Bon has specialized in Vapor Recovery and Emissions Management for 60 years. Hy-Bon has a worldwide market with a strong presence in the shale plays across the U.S.. "EDI's unique controls technology and experience in low horsepower natural gas engines allows us to expand our Vapor Recovery line to cover low volume sites with no electric power. The combination of EDI and Hy-Bon will allow us to leverage our strengths in the core markets we serve and provide for expansion at our Belpre, Ohio facility enabling us to target the needs of the Marcellus and Utica shale plays" said Larry Richards, President and CEO of Hy-Bon. "Our total solutions approach to vent gas management, from emissions surveys to maintenance contracts, have been a great success, and the EDI family adds a critical element to the program. The combined companies will now offer a more comprehensive, high quality solutions to customers throughout the world."

"As state and federal regulations begin to fall in place the timing of this acquisition could not be better. With the experience and support of Hy-Bon, EDI is positioned well in the Appalachian Basin to provide a much needed service" said Rich Wynn. Emissions Management and Vapor Recovery are a way of the future. Hy-Bon/EDI wants to continue to provide quality products with unequaled service. "Combining forces with Hy-Bon will allow us to take full advantage of growth opportunities and provide total solutions to better serve our customer," said EDI co-owner/President Rich Wynn. "The transition will be seamless and ensure that we continue to provide the high level of service that has been our trademark for over 30 years."

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Ron Anderson, Eastern District Manager

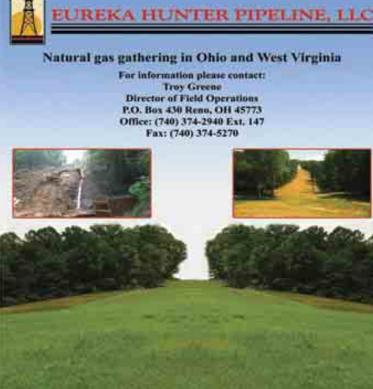
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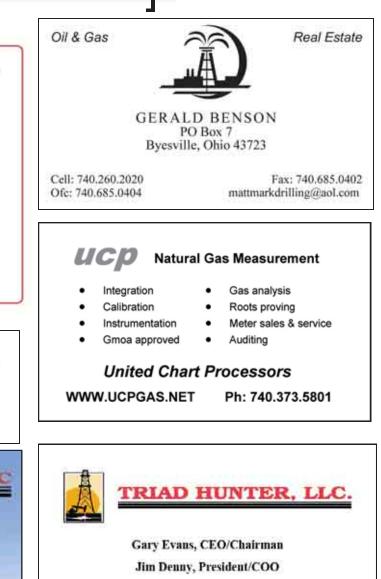
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<u>Fire Training</u> Crews practice battling oil, gas flames.

April 30, 2012 Marietta Times

APPLE CREEK– Flames shooting more than 30 feet into the air at the site of an oil tank. A gas leak ignited at the shutoff valve, spraying several feet of flames. Not exactly the scenario a firefighter wants to be called to, but that was just the case this weekend for 40 firefighters from across Ohio. The catch is, the fires weren't real emergencies. They were controlled.

Representing 28 fire departments from all parts of the state, 40 firefighters took part in a weekend training exercise for oilfield emergencies at the Wayne County Fire & Rescue Regional Training Facility in Apple Creek. With an expected boom in the oil and gas industry due to the exploration of Marcellus and Utica shale, more and more wells are expected to become fixtures of the Mid-Ohio Valley, prompting a strong interest in being prepared for emergencies in the oilfields. "The way the industry is going, we felt there was a need to obtain information on how to fight some of these fires," said Belle Valley Volunteer Fire Department Capt. Dave McKee.

Four volunteer firefighters from Belle Valley, located slightly north of Caldwell in Noble County, were among the firefighters to take part in the training program. The training for the quartet was funded by Eclipse Resources. The two day workshop included class room work on Saturday, before the training was taken to the field where controlled burns were used for roughly six hours on Sunday. "We're going to go away from here with a lot better information on how to fight these fire." said Belle Valley volunteer firefighter Eric Clark

Firefighters spent the early morning hours Sunday fighting small blazes at places like gas lines and small oil tanks. Emergencies such as natural gas blowing but not burning were covered as well as the fires, which included crude oil leaks and spills as well as natural gas fires underneath the rigs. All the training took place on roughly 60 acres of land, with training props ranging from the oil and gas rigs to a mock mall and trench rescue. "they call it (Wayne County Fire & Rescue Regional Training Facility) Disney World for firefighters, said Rhonda Reda, executive director of the Ohio Oil and Gas Energy Education Program. The proposed drilling in the Marcellus and Utica shale regions has prompted many first responders to begin preparing for emergencies in the field, but this weekend's training covered more than just injections wells and fracking, firefighters said. "A lot of the training we just did is stuff you drive past every day," Clark said.

With many oil wells already in the county, Noble County firefighters realize the need to prepare, even though in many respects they're already ahead of the game. "We're fortunate," said Belle Valley Volunteer Fire Department Lt. Mark Wilson Sr. "We've been around gas wells our whole lives. A lot of departments haven't." Sunday afternoon, firefighters were taught how to extinguish a large blaze at an oil tank, where 80 barrels of crude oil was ignited. With flames shooting 30 to 40 feet in the air. Firefighters advanced to the blaze using a fog pattern or a widespread mist, while additional crew supported from the side with streams of water. After advancing to the oil tank and pushing the flames away from the firefighters with the water, the groups would retreat to safety, only to switch firefighters and do it again. "We're gaining a lot of information up here," McKee said. "You're training with the individuals that actually know what this is about."

Use of fog patterns in certain situations was one of the areas firefighters said they saw tremendous benefit. By using the fog pattern as they approached a controlled fire at a gas leak, firefighters were able to push the flames away from them so they could reach the gas shutoff valve, thereby removing the source of the blaze. Other techniques would not allow firefighters to approach the shutoff valve, Wilson noted. "Straight stream ain't going to do it," he said. Learning those types of techniques was a worthwhile endeavor for firefighters, McKee noted.

In 12 years of existence, more than \$1 million has been spent on firefighter training through the Ohio Oil and Gas Energy Education Program's oilfield emergency workshops. More than 800 fire departments have sent firefighters to the workshop from seven different states, including as far away as Texas, Reda said. "I'd advise any department to send guys up here," McKee said.

(Continued to page 27)





(Continued from page 26)

Fact Box

About the training:

40 firefighters from 28 different fire departments participated in oil and gas fire training at the Wayne County Fire & Rescue Regional Training Facility.

Responding to drilling and production site emergencies were covered.

Resources available for responding to gas and oil fires were also covered.

There are currently 4,485 producing wells in Washington County.

There have been 15,075 wells drilled in Washington County historically.

Source: Ohio Oil and Gas Energy Education Program



(Continued from page 1)

+ Requires well operators to disclose the proposed source of water used in the well drilling and hydraulic fracturing process. When applying for a permit, operators are required to include the rate, volume and source of water that will be used for production operations. ODNR's Division of Soil and Water will evaluate these permits to protect against negative impacts to water sources.

★ Encourages well operators to enter into a Road Use Maintenance Agreement (RUMA) with local government. A RUMA is an agreement between local government and well operators placing responsibility for road construction and repairs on those well operators. The agreement also stipulates designated travel routes for heavy equipment haulers to ensure safety and minimize impact. SB 315 requires ODNR and ODOT work with local officials to review and report on the effectiveness of the RUMA process.

✤ Draws upon the expertise of all state agencies. ODNR now has the ability to call upon experts from other state agencies to seek regulatory guidance on issues related to drilling.

✦ Increases liability insurance for horizontal wells. This provision increases well operator liability insurance requirements by five times in rural areas and nearly doubles the requirement in urban areas.

+ Allows ODNR to better track and more closely monitor the activity of brine haulers. This provision provides for detailed tracking of brine.

★ Requires injection well owners to electronically transmit quarterly reports to ODNR with information about each shipment. This provision provides ODNR with detailed brine data.



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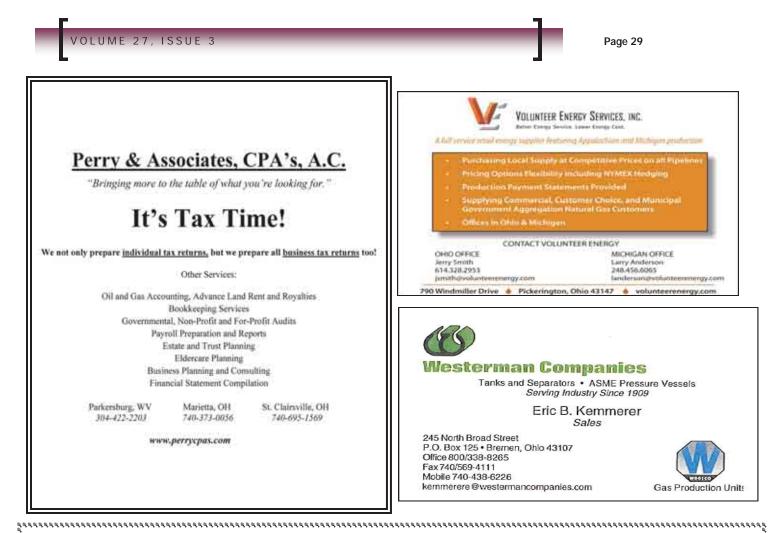
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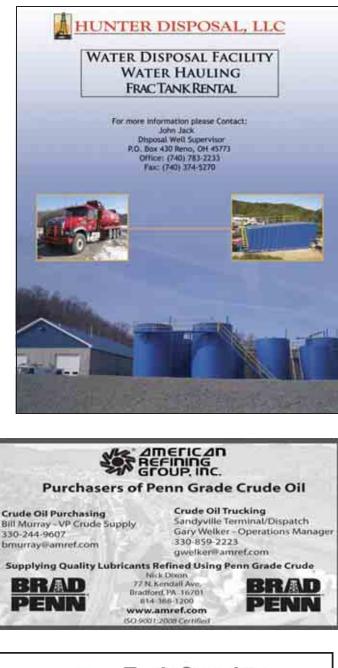




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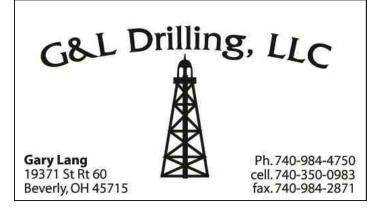
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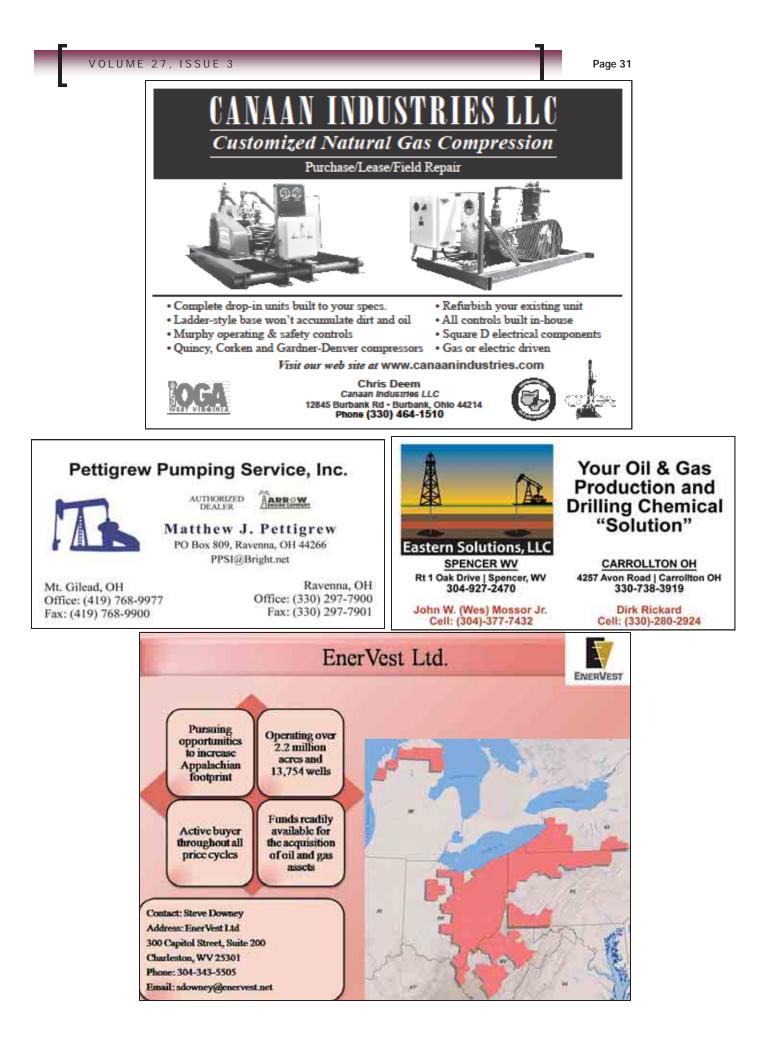
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2012 YES DAY



Marietta College Professors discuss the Oil and Gas Industry with seventh and eighth graders from Washington County during the 2012 YES Day, held at Washington State Community College. SOOGA has been a sponsor for the YES Day Event for over twenty years.





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2012 SOOGA SPRING GOLF OUTING

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Sorry we missed Parkersburg Tool as a Sponsor for the Spring Membership Door Prize Fund in our last issue.

2012 SOOGA SPRING GOLF OUTING



OLUME 27, ISSUE 3































1st Place -Wes Mossor, Ron Nutt, Greg Smith, Tim Hicks 2nd Place-Ryan Carr, Phil Fleming, John Winston 3rd Place- Ryan Thompson, Garrett Fleming, Nathan Eschbaugh

<u>Flight B</u>

1st Place- Jim Jones, Jessica Jones, Josh Whitewkoff. Gary Williams 2nd Place-Larry Blake, Matt Dye, Mark Griffin, Jeff Angeletti 3rd Place- Rick Petty, Bobby Bagley , Jeff Houchin

Men

Longest Drive - Nate Eschbaugh Longest Putt - M. Trout Closest to Pin - Rob Beardmore Closest to Pin 2nd Shot - Ryan Thompson Straightest Drive - Adam Dudley

<u>Women</u> Longest Drive - Wendy Dresal Closest to the Pin - Wendy Dresal













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