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

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SOOGA BOARD FOLLOWS UP ON OPEN FORUM HOLDS QUESTION & ANSWER MEETING WITH ODNR DEC. 12^{TH} , 2012

A follow up meeting to the SOOGA Open Forum in November was held at the December 2012, SOOGA Board of Trustees Meeting. Those in attendance were members of the SOOGA Board of Trustees, David Claus (Ohio Deputy Chief of Oil & Gas Resources Management), Dan Goins (Southwest Ohio DOGRM Regional Supervisor), and Rocky King (Southeast Ohio DOGRM Regional Supervisor DOGRM). Scott Kell, former Deputy Chief of the Ohio Department of Natural Resources and consultant to the DOGRM who worked on well construction rules, also provided comments to the November forum questions via email, which are included in the Q&A summary below.

The goal of this meeting was to improve the lines of communication with our Ohio regulators and to gain clarity on specific questions and concerns voiced by our SOOGA membership at the November Open Forum. The DOGRM supervisors answered these questions to the best of their ability. It is important to remember that with the many modifications and updates to the rules and regulations, the ODNR representatives are still adjusting to the new changes. To get answers to questions and issues not directly resolved with inspectors, contact the DOGRM supervisor for your region. Contact information for David Claus, Dan Goins, and Rocky King can be found at the end of this summary.

SUMMARY Q&A:

- 1) **QUESTION:** In the past when drilling shallow Berea wells that will be shot, not fractured, the wells have been drilled setting drive pipe and cemented surface casing. 7" is set for hole stabilization and mudded to be pulled, 5 ½" is set and mudded through the Injun Sand, high enough above the Berea to avoid damage during the shot.
- a. There is no known fresh water in the area, how much cemented surface casing is acceptable?
- b. Can the cement job on the 5 ½" be limited in order to recover the 7" and allow for annular disposal?
- c. What requirements are there for an annular disposal configuration?

ANSWER(S):

- The State bases their fresh water information on the Geologic Survey maps. If an operator believes there is no fresh water in an area, they need to work with the State to verify this through water samples etc. and proceed with a variance request.
- Annular disposal would be governed by existing State annular disposal rules.
- If plans are not to cover the Injun with cement in order to utilize it for annular disposal, it does not seem possible to do so and still get the mandatory 500 feet of cement coverage above the surface casing shoe unless $5\frac{1}{2}$ casing is set much deeper.

(continued to page 30)

THE CROW'S NEST



As winter sets in, the gas market has re-acted positively toward that event, although not as strongly as producers would like for it to. With the December TCO index posting at \$3.76, we are seeing January trading in the \$3.45 to \$3.60 range at the time of this article, December 11, 2012. This market is soft, waiting on cold weather to start the winter and create some uptick in pricing.

The Association has set its meeting agenda for 2013, and you will find the dates for our events in this current issue of the Insider. We look forward to your attendance and participation, so please mark your calendars so that you won't miss any of them.

The Association had its first Membership Open Forum meeting on November 1, 2012 at the Lafayette Hotel in Marietta from 2:00 p.m. to 4 p.m. The meeting was a success, with 32 members attending. There were many issues, questions, and problems discussed by the audience, and we came away with eight to ten good questions that need addressed by the ODNR, concerning issues of cementation, shooting vs. fracking wells, testing pipe, cementing pipe when there are no fresh water zones in the area, and others. We will have representatives from the ODNR attend our December board meeting to address and answer these questions as well as others that may arise. We will send the results of this ODNR meeting with the board to the membership in mid December. Another Open Forum will be held in the first quarter of 2013, so please watch for the meeting notice and plan to attend the next one as well.

The Association's annual gun raffle was a success again this year, and there were many happy new owners of guns that were given away each day during the month of November. The board and the Association appreciate everyone's support that purchased tickets for this raffle, as it is one of our major fund raisers.

Our membership is growing as the Utica Shale brings more producer and support companies to Ohio and our Southeastern Ohio area. We are currently at 419 members and growing. The board and the Association appreciates the participation of all of our members in our activities, and look forward to your participation in our new Open Forum meetings as well as our Spring membership meeting, clay shoots, trade show, and golf outings throughout 2013.

As the Christmas season draws near, your president and board wishes all of our members and families a Joyous Holiday Season, stay safe, and look forward to a rewarding year in 2013.

President

Jim Javins



VOLUME 27, ISSUE 3

2012 NEW MEMBERS SOOGA would like to welcome the following new members:

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Bruce Allen Pipeline Contractor
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Harrisville, WV
304-643-4643

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

PRICING

Prices December 11, 2012

One Year NYMEX strip (Jan. 2012 – Dec., 2013)	\$3.63
Summer NYMEX strip for 2013 (April-October)	\$3.62
Winter NYMEX strip (January, 2013 – March, 2013)	\$3.47
TCO Index Posting - December, 2012	\$3.76
DTI Index Posting – December, 2012	\$3.77

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-November:

EIA released its November, 2012 Short Term Energy Outlook report, and it showed that they expect the price of WTI crude to average \$89 in the fourth quarter of 2012, and \$88 per barrel in 2013. Natural Gas at the Henry Hub is expected to average \$2.77 MMBTU in 2012. EIA expects Henry Hub spot prices will average \$3.49 per MMBTU in 2013.

U.S. Natural Gas Consumption: EIA expects that natural gas consumption will average 69.7 Bcf per day in 2012, and increase of 3.2 Bcf/d (4.8%) from 2011. Large gains in the electric power use will offset declines in residential and commercial use. Projected consumption of natural gas in the electric power sector averages 25.4 Bcf/d in 2012, 22% higher than in 2011, primarily driven by the improved relative cost advantages of natural gas over coal for power generation in some regions.

Liquefied natural gas (LNG) imports are expected to fall by 0.5 Bcf/d (51 percent) in 2012 from the year before. EIA expects that an average of about 0.5 Bcf/d and 0.6 Bcf/d will arrive in the United States (mainly at the Elba Island terminal in Georgia) in 2012 and 2013 respectively, either to fulfill long-term contract obligations or the take advantage of temporarily high local prices due to cold snaps and disruptions.

Looking forward toward winter 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 \$3.47 and \$3.65 for January.

GAS STORAGE AS OF THE December 6, 2012 Report

Working Gas in storage was 3,804 Bcf as of Friday, November 30, 2012. At 3,804, total working gas is within the 5 year historical range.

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2013 CALENDAR OF EVENTS

Tentative

SOOGA Spring Membership Meeting April 24th, 2013 Marietta Comfort Inn

> SOOGA Spring Golf Outing April 25th, 2013 Marietta Country Club

SOOGA Spring Clay Shoot June 14th, 2013 Hilltop Sports, Whipple OH

SOOGA Fall Golf Outing August 23rd, 2013. Oxbow Golf Course, Belpre OH

> SOOGA Trade Show September 12th 2013

SOOGA Fall Clay Shoot October 18th, 2013 Hilltop Sports, Whipple OH

SOOGA Fall Gun Raffle November 1st - November 30th



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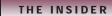
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(Continued from page 6)

Stocks in Billion Cubic Feet (bcf)

Historical Comparisons

Region	11/30/12	11/23/12	Change	11/30/11	11/30//11	5 Year Avg.	Change
East	1,986	2,042	-56	2,063	-3.7%	2,002	-0.8%
West	545	548	-3	517	5.4%	491	11.0%
Producing	1,273	1,287	-14	1,257	1.3%	1,143	11.4%
TOTAL	3,804	3,877	-73	3,837	-0.9%	3,636	46%

Storage is 97.8% 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 August, 2012, is as follows for the Gatherco systems. Treat was 8.33%, Miley was 5.63%, Meigs was 8.93%, York was 5.0%, Grimes was 11.31%, and Elk was 3.0%.

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

DOMINION EAST OHIO GAS

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.

There are also several shut-ins on Columbia in Eastern Kentucky and Southern WV as TCO replaces a large amount of pipe on line KA. This project will last for one year.

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

http://www.ngtsnavigates.com/infopost/index.php?option=com content&task=view&id=28&Itemid=105

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(Continued from page 8)

EQUITABLE:

EQT Midstream raises \$262 million in IPO

EQT Midstream Partners LP, operator of natural-gas pipelines in the Marcellus Shale region, raised \$262.5 million in an initial public offering, pricing the units at the top end of the proposed range. EQT Midstream, being taken public by parent EQT Corp., sold 12.5 million common units at \$21 each, according to a statement Tuesday. EQT Midstream is scheduled to begin trading today on the New York Stock Exchange under the symbol EQM.

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:

On June 13, 2012 DTI responded to requests from IOGA WV and Appalachian Gateway Customers by offering the equivalent of a fixed ten year negotiated rate of \$0.4950. This deferred payment plan would allow customers to reduce its cash outlay by about 15% during the initial 5 year period of the agreement. Any deferred payments would then be paid back over the next 5 years, and the repayment would be accomplished by locking in the Appalachian Gateway rate for the last five years of the term of the agreement. The deferred payments under this plan would incur interest at the rate of 3.25%. Under the deferred payment plan, the rate for the first 5 years will remain \$0.5800 per dth. The cash obligation would be \$.4950 for this same period. For years six through ten, DTI's negotiated rate is \$.3950 plus \$.1000 dth for the previously deferred payments. In addition to this alternative rate plan, IOGA WV asked DTI to look at its POD plan and assist producer in alternative delivery points to help them take advantage of the Gateway firm transportation. This new rate plan is an option. The producer has the choice of this plan, or continue under the original Gateway rate.

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.

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 per day, and shipper 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.

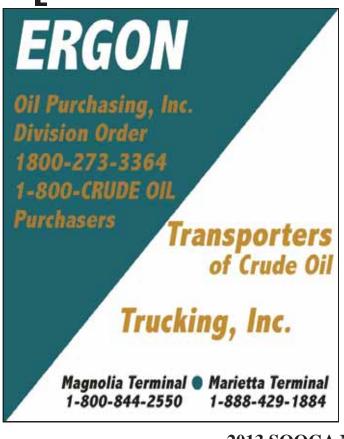


When construction equipment is rumbling around a project, you've got to watch your step. If both construction workers and equipment operators keep their eyes open, no one's going to get hurt. The following are ways to help you maintain a healthy respect for cranes, dozers, excavators and trucks.



- 1. Never take for granted that equipment operators see you.
- 2. Never depend upon hearing a horn or other warning signals; it might sometimes be lost in the general noise around a project.
- 3. Equipment shouldn't be backed without someone to check the blind spots and give signals; nevertheless, keep in the clear whenever equipment is traveling backwards, as that's when most equipment accidents happen.
- 4. Swinging counterweights often create a dangerous pinch-point. Don't ever get into a spot where you could get squeezed in between.
- 5. Never hitch a ride on the running board. It's fatally easy to fall under moving equipment.
- 6. No riding on top of loaded trucks; the load might shift, and you might not have enough over-head clearance in a tight spot.
- 7. If you're riding in a transport vehicle to a job, or between jobs, keep your arms, legs, and all parts of your body inside the unit.
- 8. Never walk alongside moving equipment. Keep in the clear in case the unit suddenly turns your way, slides, or the load shifts.
- 9. Stay out from under loads on cranes or hoists. Use established walkways and beware of shortcuts.
- 10. If the boom of a unit ever hits a power line, keep away from the frame of the unit and the load cables.
- 11. Never lubricate, clean or work on a machine that's in operation. Stop the machine. If you have to remove a guard, replace it as soon as the work is done.

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GAS PRICING

NOVEMBER 2012

NYMEX Settlement: \$3.4710 Inside FERC/DTI: \$3.4600 (Basis: -\$0.011) Inside FERC/TCO: \$3.5000 (Basis: \$0.029) NYMEX 3-day Average: \$3.4350

DECEMBER 2012

NYMEX Settlement: \$3.6960 Inside FERC/DTI: \$3.7700 (Basis: \$0.074) Inside FERC/TCO: \$3.7600 (Basis: \$0.064) NYMEX 3-day Average: \$3.7317

OIL PRICING 2012

ERGON PURCHASING WEST VIRGINIA MONTHLY AVERAGE

October Ohio Tier 1: \$91.4248
October Ohio Tier 2: \$88.4248
October Ohio Tier 3: \$85.4248
October West Virginia Tier 1: \$89.9248
October West Virginia Tier 2: \$86.9248
October West Virginia Tier 3: \$83.9248
October Marcellus/Utica Condensate: \$78.5945
October Marcellus/Utica Medium: \$91.4248
October Marcellus/Utica Light: \$84.1110

November Ohio Tier 1: \$88.5840 November Ohio Tier 2: \$85.5840 November Ohio Tier 3: \$82.5840 November West Virginia Tier 1: \$87.0840 November West Virginia Tier 2: \$84.0840 November West Virginia Tier 3: \$81.0840 November Appalachian Light: \$76.2797 November Marcellus-Medium: \$88.5840 November Marcellus-Light: \$81.4973

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/Lifea Medium, crude oil

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

10/21 to 10/31 Group 1 OH: \$88.58 Group 2 OH: \$85.58

Group 3 OH: \$82.58

Appalachian Condensate: \$76.10

11/1 to 11/10 Group 1 OH: \$87.67

Group 2 OH: \$84.67 Group 3 OH: \$81.67

Appalachian Condensate: \$75.32

11/11 to 11/20 Group 1 OH: \$88.46

Group 2 OH: \$85.46

Group 3 OH: \$82.46

Appalachian Condensate: \$75.96

11/21 to 11/30 Group 1 OH: \$89.70

Group 2 OH: \$86.70

Group 3 OH: \$83.70

Appalachian Condensate: \$77.30

12/1 to 12/10 Group 1 OH: \$89.19

Group 2 OH: \$86.19

Group 3 OH: \$83.19

Appalachian Condensate: \$76.89

12/11 to 12/20 Group 1 OH: \$89.22

Group 2 OH: \$86.22

Group 3 OH: \$83.22

Appalachian Condensate: \$76.94

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:

Gary Welker, Mgr.-Crude Supply & Gathering - 330-859-2223; gwelker@amref.com

Dave Mahan, Crude Buyer—PA/NY-814-368-1320; dmahan@amref.com

(Continued from page 11)

Marcellus Update:

Marathon Oil Corp. looks to exit the Marcellus Shale. Per RigZone, Marathon is putting its natural gas-rich acreage in the Marcellus Shale formation up for sale as it trims non-core assets. Marathon is putting about 80,000 acres in West Virginia and Pennsylvania up for sale because the company doesn't consider them central to their growth plans. A person familiar with the move said it is a part of Marathon's re-evaluation of its portfolio in the wake of last year's spin-off of its refining division.

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 \$3.00 range for the present month, and the one year strip is around \$3.60 at of the date of this report.

UTICA NEWS:

Utica Shale holds massive resources, estimate shows. <u>Columbus Business Journal</u>. The U.S. Geological Survey released its first estimate, showing the shale formation holds about 38 trillion cubic feet of undiscovered, recoverable natural gas, 940 million barrels of oil and 9 million barrels of natural gas liquids such as ethane and propane.

Ohio is ranked 14th in this year's <u>Global Petroleum Survey</u> of 147 states and countries by the Fraser Institute, a free-market think tank in Calgary, Canada. That's down from second in 2011, with the fall apparently driven by concerns about complying with tougher federal and state environmental <u>regulations</u> and a tax increase on oil and gas <u>production</u> proposed by Gov. <u>John Kasich</u>.

Gulfport Energy Corp./Markwest:

On Monday, June 5, Oklahoma-based Gulfport Energy Corp. announced completion of an agreement with Mark-West 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.

Gulfport reports production from Shugert 1-12H Well:

Gulfport Energy has announced results from it's Shugert 1-12H well as the top producing well in the Utica Shale. The well had an initial peak production rate of 28.5 MMCF per day of natural gas which was sustained for 18 hours. The well also produced 300 barrels of condensate per day, and the gas tested at 1,204 BTU's. The gas will be sent to a MarkWest processing plant where an additional 2,907 barrels of natural gas liquids (NGL's) will be extracted per day assuming full ethane recovery and a natural gas shrink of 10%. With all this taken into consideration the Shugert 1-12H had an initial production of 7,482 barrels of oil equivalent (BOE) per day.

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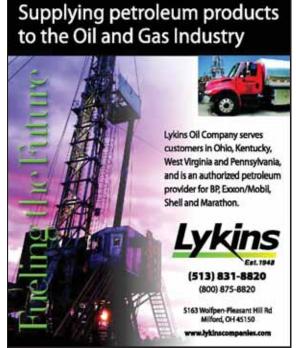
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Should I Feel Insulted? By: Carl Heinrich

"I don't want any foreigners working on well-heads," Governor Kasich said in a speech at the Columbus Metropolitan Club (quoted in Ohio Outdoor News Sept. 7 issue) "Foreigners are people who come from Pennsylvania, Maryland, West Virginia and Kentucky, and those distant foreigners from Texas, "Kasich continued to explain.

While I have been a taxpaying resident of Ohio since 1962, I am truly insulted that our Governor still considers me as a "foreigner" since I am a Pennsylvania native.

When I "broke out" in the deep Oriskany fields of Clearfeld Co., PA back in the late 1950's most of the rotary drilling crews were foreigners from Texas, Oklahoma or Illinois. This was the beginning of air rotary drilling in the Appalachian oil and gas fields. There were no local crews that knew rotary drilling as it had all been cable tool drilling for the 7000 foot wells. There were four drilling contractors active in the field: Delta Drilling Co. (Texas), Lohman-Johnson (Indiana), Sam Jack (Avonmore, PA), and Fairman Drilling Co. (Punxsutawney, PA). The first two were rotary rigs from out of state while Jack and Fairman were locals that made the transition from cable tools to rotary. However, all of these four had "foreign" tool pushers, drillers and roughnecks. In effect, while two of the rigs had Pennsylvania ownership, the crews would have been considered as foreigners by the Ohio governor.

After a few years, local boys learned rotary drilling and gradually had an increasing presence on the crews.

The same situation now exists in horizontal drilling. Our local drillers are learning from "foreigners" and are increasingly taking part. Look at the names on truck doors you pass on the interstate

and you will see many "foreign names."

The Marcellus, Utica-Point Pleasant fields will not be developed to bolster Kasich's dreams of improved economics for Ohio without the work and interaction of "foreigners." Still, I feel insulted by our governor who was elected with Ohio oil and gas support. Does he still want our support?

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Gulfport Energy presented production from its Boy Scout 1-33H well in Harrison County Ohio. The company said the well produced a peak rate of 3,456 barrels of oil equivalents per day, which was composed of 1,560 barrels of condensate, 7.1 Million cubic feet of natural gas and 1,008 barrels of natural gas liquids per day. Gulfport said it expects to put the well in production this month.

Gulfport released production rates from the BK Stephens 1-16H in Harrison County with its 3rd. quarter earnings call. The 1-16H well tested at a peak rate of 1,224 barrels per day of condensate and 6.9 MCF of gas per day, and the gas produced at 1,207 BTU. This is Gulfport's sixth well to come on line this year.

Rex Energy announces results of First Ohio Utica Shale Well:

The Brace#1H well in Carroll county, Ohio, was brought online at a 24 hour sales rate, assuming full ethane recovery, of 1,094 Boe/d (43% NGLs, 31% gas, 26% condensate). The well went to a 5 day sales rate, assuming full ethane recovery, of 1,008 Boe/d (43% NGSs, 30% gas, 27% condensate). The well was drilled to a total depth of 12,332 feet with a lateral length of approximately 4,170 feet and completed in 17 stages. The oil is reported to be 60.1 degree API gravity and the gas is approximately 1,250 BTU.

Utica Facts and Numbers:

There have been 457 Utica Shale permits issued in 21 counties in Ohio to 22 companies, and 187 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, and Wayne.

There are currently 45 Utica Shale wells in production, without a single environmental violation to date.

DTE Energy, Enbridge and Spectra Energy to Develop New Major Pipeline to connect growing shale gas supplies to Premium Markets in the U.S. Midwest and Ontario. <u>December(13)</u>

They have announced the execution of Memorandum of Understanding to jointly develop the NEXUS Transmission (NGT) system, a project that will move growing supplies of Ohio Utica shale gas to markets in the R.S. Midwest, including Ohio and Michigan, and Ontario, Canada.

The proposed project will originate in NE Ohio, and includes 250 miles of large diameter pipe capable of transporting one billion cubic feet per day of natural gas. The line will follow existing utility corridors to an innerconnect in Michigan and utilize the existing Vector Pipeline system to reach the Ontario market. After completion, Spectra will become a 20% owner in Vector Pipeline. It will serve local distribution companies, power generators and industrial users in Ohio, Michigan, and Ontario markets. The pipeline will cost \$1.2 to \$1.5 billion dollars with a tentative start date of November, 2015.

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/

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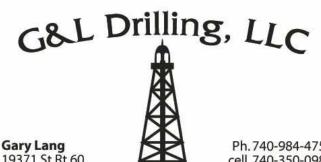
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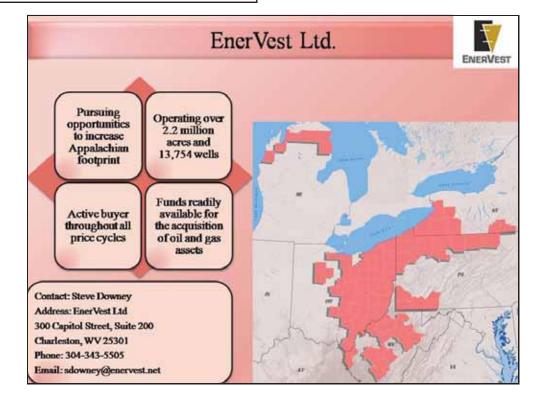
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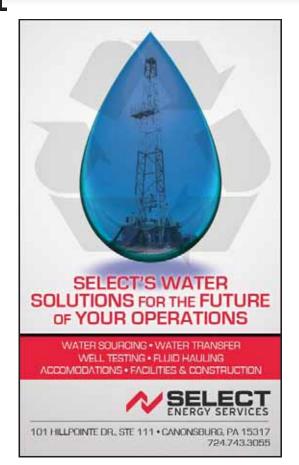


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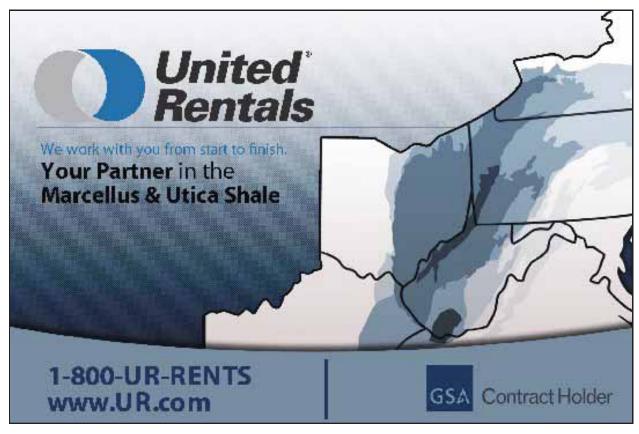
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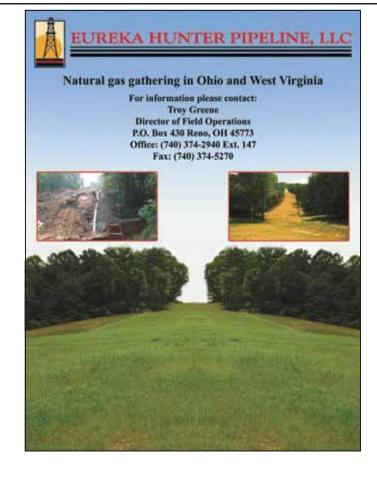
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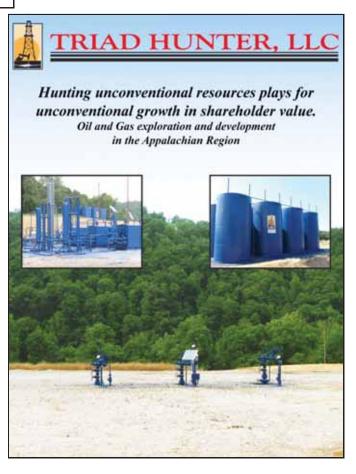
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West Virginia Hosting 2013 Desk and Derrick Convention

The West Virginia Desk and Derrick Club of Region I was selected by the Association of Desk and Derrick Clubs (ADDC) to host the 62nd Annual International Convention to be held in Charleston, West Virginia on September 25-29, 2013.

The members of the West Virginia Desk and Derrick Club, with the assistance of other Region I clubs, intend to make this an outstanding educational opportunity for all attendees.

The Association of Desk and Derrick Clubs is an international educational organization comprised of clubs and members across the United States and Canada. The Association's purpose is "To promote the education and professional development of individuals employed in or affiliated with the petroleum, energy, and allied industries and to educate the general public about these industries." Our motto is "Greater Knowledge - Greater Service."

The Marriott Town Center Hotel, located in downtown Charleston, will be the 2013 Convention site. In addition to our business meetings, the Convention will feature industry speakers, educational field trips, seminars and a round-table symposium covering a variety of energy and management related topics.

The 2013 ADDC Board of Directors and the General Arrangements Committee invite you to consider a unique Convention sponsorship opportunity. Types of sponsorships are listed on the Sponsorship Form. All sponsors will be recognized on the Association Web site, and in the Convention printed program.

Contributions are not deductible for federal income tax purposes as charitable contributions; however they may qualify as a trade or business deduction. Contact your tax advisor to determine whether a contribution may be deducted as a trade or business expense.

Contributions may be sent to the ADDC 2013 Convention Fund, in care of Convention Chairman Melinda Johnson, or Convention Treasurer Maggi Franks. Please enclose the **Sponsorship Form** * indicating your sponsorship preference. For additional information, please contact us at the address listed below or visit our Website (www.addc.org).

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* Go to www.sooga.org for the Sponsorship Form.



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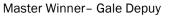
If we missed anyone, please let us know.



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Novice Winner - Clay Hooper



Top Shot Winner- Jacob Bowers
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WV Comments from Bob Matthey

Nisource Kanawha County Line. The explosion of Columbia's 20 inch gas pipeline in Sissonville torched 5 houses and cooked the blacktop on I-77 on December 12, 2012. Miraculously, no one was hurt. The NTSB is investigating as we go to press.

Chesapeake has sold some gathering systems in West Virginia and Pennsylvania: the Alexander-Sugar Run System, Little Volga, PA, Summit, Oakland, MD, OHIO Pyle. They consist of CNR 16, 19 and 22. The new company is Access Midstream Partners. The contact person at the moment should be Ty Peck or Toby Laddy. This will not effect your current contract or any Firm transportation.

At Dominion Transmission (DTI), we are having a changing of the guard. Dale Rexroad, of

Dominion will be retiring December 31, 2012 and moving to Charlotte, North Carolina. We thank Dale for being there to work with us and wish him well in his new adventures. You may see him in Walmart or at McDonalds flipping burgers.

As you all may or may not know, I have been personally laid up for the past four months. I had neck surgery in Columbus, Ohio and then developed complications. I had another surgery at Cleveland Clinic and am on the mend. Thank you for all the cards, phone calls, visits and prayers. I'm doing much better.

Further, I have learned there have been some delays in building the Natrium processing plant and it will probably not be up and running until March 1, 2013.



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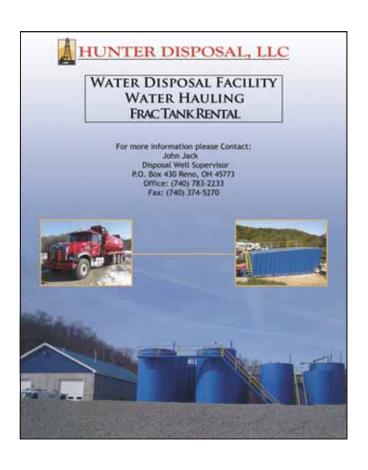
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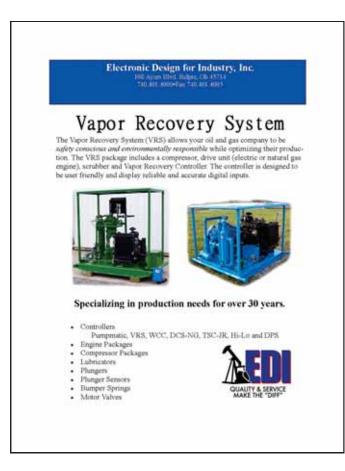
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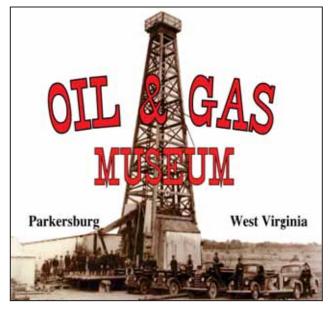
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(continued from page 1)

- Surface casing will have to be run to whatever depth specified on the permit and cemented as required. However, if an intermediate string of pipe is run (i.e. 7 inch) and a surface string is run and cemented as required, the intermediate string can be pulled. Intermediate strings that will be pulled do not have to be tested prior being run in the hole.

- Mine strings are also a consideration in certain areas (i.e. Corning Twp of Morgan County).

SCOTT KELL EMAIL ANSWER:

- ♦ The DOGRM needs more information to answer the first question. Where will the proposed well be drilled? How deep are local springs and water wells? How deep is the proposed surface casing? Is the 5 ½" string intermediate or production casing? What is the proposed annular disposal zone? How deep is the disposal zone relative to the base of the 5 ½"? A simple schematic could be helpful in understanding and evaluating this request.
- The rule making workgroup was composed of OOGA, SOOGA, and DOGRM representatives. The workgroup designed the rules while attempting to consider variable geologic and hydro-geologic conditions that differ regionally and locally. Neither the DOGRM nor the ODNR Division of Soil & Water, Water Resources Section recognize any area of Ohio where there is "no known fresh water". The DOGRM recognizes that there are areas, particularly SE Ohio where bedrock aquifers are not laterally extensive and therefore cannot be mapped. However, this does not mean that there is no ground water worthy of protection, nor does it mean that these resources cannot be contaminated by poor waste water management and poor well construction practices. Groundwater in shallow fractured zones remains a valuable resource that is developed and used for domestic and agricultural purposes throughout all of SE Ohio. This groundwater should and must be protected when constructing oil and gas wells. Protection of such groundwater resources is not new to the rules that became effective in August 2012.
- With regards to southeastern Ohio, the rules were designed to ensure protection of the extremely valuable alluvial aquifers that are developed in the major river valleys. In areas with bedrock aquifers, the rules were designed to provide flexibility while protecting shallow, fracture-controlled aquifers that are generally less than 125 feet deep according to ODNR Water Resource maps. Section 1501:9-1-08(M) (4)(f) provides three alternative approaches to surface casing design when drilling wells in these areas. The first is a conservative 300 foot minimum standard. The second allows surface casing to be based on the elevation of the nearest perennial stream base, which should be a reflection of the local freshwater table. The third allows conductor (essentially) surface casing to be emplaced based on a field survey of local (500 foot radius) springs or water wells, followed by a deeper intermediate casing through zones that may be more saline than USDWs. Furthermore, Section 1501:9-1-08 (M)(5) allows for approval of alternative practices based upon a written request. Alternative methods can be approved on a well or field specific basis, and determinations will be issued by order, providing Operators with due process.

 \Diamond

2) **QUESTION:** When intermediate casing is set for hole stabilization, what are the cementing requirements? In the rules meetings we believed it was "cement designed to cover 500 feet above the shoe". The rules came out as "shall" cover 500 feet above the shoe. What are the criteria for placement, or is this a misprint?

ANSWER(S):

- If the cement job was designed to meet the requirements, you get circulation, and the string tests, there shouldn't be a need to run a bond log, although the inspector could technically request one if they felt it was warranted. If the cement job went on vacuum on the backside, a bond log would likely be requested.
- If a bond log is interpreted by a new inspector to be short of the required cement top depth, but is only +/- 25 feet short, it will likely be a good idea to contact the DOGRM supervisor for your area for a final ruling on the matter.
- **SCOTT KELL EMAIL ANSWER:** The rules do not address temporary "intermediate strings" that are set for wellbore stabilization prior to recovery. The cementing standards apply to intermediate casing strings that are permanently emplaced. In some situations intermediate casing is mandated while in others it is an operational string set and cemented at the discretion of the operator to control well-specific conditions.

(continued to page 33)

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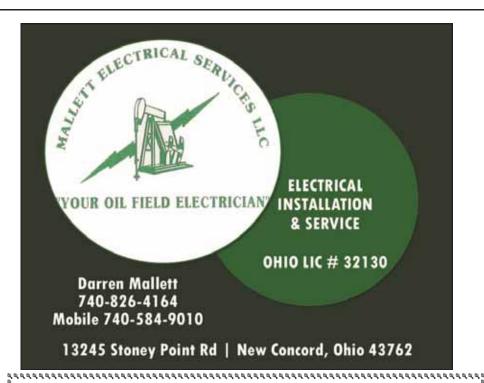
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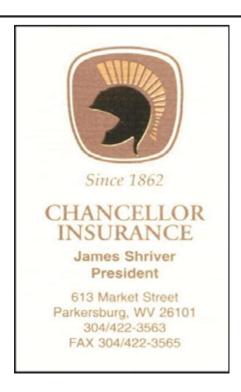
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(continued from page 30)

3) QUESTION: Is there any situation where an inspector can approve untested used pipe, with the performance standard of a test post placement? For example, pipe that was installed new in a well shortly before, and was removed during P&A.

ANSWER(S):

- Answer to this is generally no. Pipe needs to be tested prior to placement.
 - Testing must be to API approved standards.
 - Documentation of testing is required (tested and drifted).
- **4) QUESTION:** To confirm, a "flow zone" is a zone that is actually flowing oil and/or gas, not a zone that may have produced somewhere in the area?

ANSWER(S):

- If the zone was ever historically produced, even if it's not flowing now, it's considered a flow zone.
- SCOTT KELL EMAIL ANSWER: "Flow zone" is a standard industry term as defined by API and the rules. Identification of "flow zones" is not simple and will require diligence. The DOGRM hosted a Stray Gas Forum in Cleveland Ohio in July 2012. Based upon well documented case histories from investigations conducted throughout the United States, it is clear that failure to recognize and isolate gas-bearing flow zones that are above the targeted or permitted production zone is the primary cause of stray gas in aquifers that can actually be linked to oil and gas operations. While drilling through a zone that historically produced gas does not automatically mean that the zone is pressurized and will flow, the Operator should ensure that those zones and others are carefully evaluated. If the zone has potential to flow if it is not isolated with cement, it would be less expensive to seal the zone during primary cementing operations than to conduct remedial cementing operations and run cement evaluation logs (Just ask OVE). This topic will require further discussion and industry input is welcome. Bottom line; Operators are now required to pressure monitor the surface-production casing annulus. If after well completion the annulus becomes over-pressurized because a flow zone was not properly sealed, Operators will be required to notify the DOGRM and take remedial action to prevent gas from migrating into aquifers. The DOGRM has zero tolerance for further stray gas incidents, such as the one at Bainbridge Township.
- 5) QUESTION: Are new inspectors going through a training process? If not, is this going to be forthcoming so that questions and concerns can be answered in a timely manner? Would this be something SOOGA and the industry could assist in?

ANSWER(S):

- **SCOTT KELL EMAIL ANSWER:** Inspectors have gone through basic training to familiarize them with the new rules. The DOGRM is drafting a Standard Operating Procedure for well construction and other topics in an effort to make inspections/enforcement more consistent and predictable. The DOGRM will attempt to address common industry questions as the SOP is drafted. Your written questions and input will be valuable contributions to this process. The DOGRM would welcome meetings with SOOGA as a means to address questions and concerns, and to identify issues that should be addressed through the SOP.
- **6) QUESTION:** Running, setting, and cementing drive pipe with no water zones in the area, permit plan said okay, but the inspector's interpretation was different what are producers supposed to do when this type of situation arises?

ANSWER(S):

- If a situation like this arises, the quickest way to resolve the question or issue is to contact the regional field supervisor for your area.
- **SCOTT KELL EMAIL ANSWER:** The rules do no mandate drive pipe or conductor casing. The rules list four scenarios where conductor casing should be set and cemented. If those conditions do not exist at a specific drill site, surface casing can be the first string.

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This does not mean it is part of every mixture extracted from the earth, but until the hydrocarbons meet the surface, you can never be certain if H2S is present. Your senses are not reliable detectors of hydrogen sulfide gas. Since H2S is colorless, you cannot see it. In low concentrations, you may smell, or even taste the gas. H2S is sweetish on the tongue, but to your nose it is foul-smelling, with an odor similar to rotten eggs. At slightly higher concentrations however, the sense of smell is quickly deadened, so the existence of H2S cannot be confirmed by the odor. H2S is heavier than air and tends to collect in depressions and low lying areas; however a light breeze can still move the H2S to unwanted areas. It is important to remember that H2S is flammable, so you should always be aware of potential ignition sources.

As stated previously, all overexposures to H2S are preventable and can be eliminated if the proper preventive measures are in place prior to the start of the job. All personnel on location should have received formal H2S awareness training before reporting to the job site. Secondly, personal H2S monitors must be issued to all personnel at the job site. The monitor will sound an audible alarm and vibrate when exposed to harmful levels of H2S. It is equally important to put engineering controls such as fans and blowers in place. If necessary, employees may don emergency escape packs or 30 minute self contained breathing apparatus. Lastly, it is imperative to have a trained rescue team on location to monitor the H2S levels and to be ready to take action if rescue of personnel is needed.

SOOGA and OGEEP continue to work diligently to support their members, and have jointly funded and equipped a state-of-the-art trailer designed to safely work in and around H2S environments. This trailer, managed by O'Brien's Safety Services, L.L.C. (OSS), is available to all members working with potential H2S environments. OSS will deliver the trailer to your job site, provide H2S awareness training to all personnel on

location, and supply a fully trained rescue team to your site. For additional information or to schedule the trailer for future operations, contact

Gary O'Brien at 740-336-8407.





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