

# **KVLA**

**KILLBUCK VALLEY  
LANDOWNERS ASSOCIATION**

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August 29, 2012

Dear Killbuck Valley Landowners Association Member:

## **INTRODUCTION**

This monthly newsletter will update Association members on recent developments in the Utica Shale in Ohio and the efforts on behalf of the Association to market your acreage.

## **UPDATE ON KVLA MEMBERSHIP AND ACREAGE**

The Association currently consists of about 619 members holding approximately 40,288 acres in western Holmes and Coshocton Counties. One of the guiding principles of this Association is that landowners do not commit their acreage until a lease is signed, and the decision to sign a lease is the individual landowner's decision alone. Our volunteer board holds two meetings per month, and continues to meet with members, to answer questions, to collect information, to promote KVLA's acreage, and to seek professional advice on development issues facing the membership. Board meetings are held on the first and third Wednesday of each month, starting at 7:00 PM, at the old Glenmont Elementary School. Please check the KVLA website for further updates and information.

## **UPDATE ON EAST HOLMES/ENDEAVOR**

Endeavor is continuing to work on its title examinations of the acreage it leased earlier this year and is issuing title responses. Upon receipt of a valid rejection letter, KVLA's legal counsel, Critchfield, Critchfield & Johnston, Ltd. ("CCJ"), will attempt to cure legitimate title defects identified by Endeavor. Affected members will receive separate correspondence from CCJ regarding their individual parcels.

No payments have been received from Endeavor. CCJ will continue to follow through with appropriate default notices, and is advising landowners of their rights in the event Endeavor defaults on its obligations and refuses to pay. More detailed correspondence will be sent directly to affected members of the KVLA, East Holmes, and Farmerstown groups.

## **UPDATE ON MARKETING OF KVLA ACREAGE**

Last month, this newsletter reported on a series of meetings between the KVLA Board and a broker who claimed to be interested in acquiring a large acreage position in Holmes and Coshocton Counties from KVLA. The broker was offering a non-refundable advance toward the signing bonus, payable at lease signing. After several meetings with this broker, it has become clear that the offer that was originally presented was not legitimate. Accordingly, the KVLA Board and CCJ will continue to market the group's acreage to other interested producers. One of the Board's key concerns is to avoid dealing with middlemen who are only interested in immediately attempting to re-sell (or flipping) the acreage before the payment obligation becomes due, for a profit. The Board strongly prefers to deal directly with the producer who will be developing the group's acreage.

The good news is that the Board was able to spend considerable time developing a favorable oil and gas lease form that could be used as a model for future development. The Board is still working on this lease with CCJ, and it will be made available on the KVLA website when it is completed.

## **UPDATE ON DEVON ENERGY'S BAILEY LAKES AND LODI WELLS**

Prior editions of this newsletter have spent considerable time updating the membership on the progress of Devon's wells drilled on the far western edge of the Utica Shale play; specifically, the Eichelberger 1H well in Bailey Lakes and the Richmond Farms 1H well in Lodi. The results from these two wells were "not encouraging," according to David A. Hager, Devon Energy's executive vice-president of exploration and production. Hager went on to say that the production from these two wells was disappointing, which likely means that there was inadequate reservoir pressure to force hydrocarbons out of the wells using current technologies. Both wells were horizontal wells drilled to approximately 3,400 feet vertically and extending 4,000 feet horizontally.

During the same interview, Devon indicated that its well being drilled in southern Knox County, known as the Sensibaugh 1H, may be showing more favorable results according to core samples. Devon has not decided whether to plug the Eichelberger or Richmond Farms wells, but has indicated that it does not expect any production from the Eichelberger 1H well.

## **RECENT DRILLING ACTIVITY IN THE AREA**

Devon is currently drilling three horizontal wells in the following areas: Apple Creek (East Union Township, Wayne County), Holmesville (Holmes County) and Clark, Ohio (Mill Creek Township, Coshocton County). Anadarko is also completing a well in the Mill Creek Township area. The well in Apple Creek is known as the Hershberger 1H, the Holmesville well is referred to as the Crilow Farms 1H. These wells will attempt to test the western edge of the Utica Shale play in Ohio, and are probably the most significant wells to KVLA thus far. If successful, the wells could prove the commercial viability of the Utica Shale formation in Wayne and Holmes counties and could open up this acreage for further development. If unsuccessful, it is likely that there will

be a lesser chance of future development in this area with existing technology.

### MONTHLY REMINDER

In closing, leasing activity in Holmes and Coshocton Counties has slowed. However, chances are still good that an oil and gas company will approach you individually about leasing your property. We have heard that companies may be trying to influence you to sign their leases by telling you that CCJ has already approved the lease and offer they are presenting. **These statements, if made, are not true.** CCJ will not approve any offer or lease without first obtaining KVLA Board approval and then communicating with the Association. When the time comes for you to sign a lease, CCJ will be present when you sign in order to answer any questions or concerns you may have.

**Our primary advice to you is to be patient.** Things here are continuing to progress and we want each of you to receive the best possible lease terms. There is strength in numbers, and it is important for the Association's members to stick together. Do not be misled and do not sign anything without the assistance of counsel. When in doubt, contact one of us or one of the CCJ attorneys, Dave Wigham or Garrett Roach.

Thank you for your continued participation in the Association.

If you have questions, please call:

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Sincerely,

*Bob Hunter*  
Bob Hunter