

# **KVLA**

**KILLBUCK VALLEY  
LANDOWNERS ASSOCIATION**

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February 3, 2012

Dear Killbuck Valley Landowners Association Member:

## **INTRODUCTION**

The purpose of this newsletter is to keep everyone in the Association informed of developments in the "Shale Play" in Ohio and the efforts on behalf of the Association to develop your acreage. We plan to use periodic newsletters to keep you informed of developments, to communicate our efforts on your behalf and to introduce key lease terms for your consideration. As we obtain lease offers, we will communicate them to you through a newsletter and, when appropriate, schedule Association meetings to discuss them and receive your input.

## **NEWS**

The Association currently consists of about 470 members holding approximately 32,100 acres. The volunteer board members have worked very hard to meet with new members, answer questions and collect information.

Leasing and drilling activities continue to progress westward through Holmes County. There have been no Utica Shale wells permitted in Holmes County; however, Utica Shale wells have been permitted in the adjoining counties of Tuscarawas (CNX Energy), Coshocton (Anadarko), Stark (Chesapeake) and Ashland (Devon Energy). Anadarko and Endeavor Energy have been actively soliciting leases from landowners in eastern Holmes County. Both companies have extended offers to the East Holmes Landowners Association and to KVLA members who own property in Salt Creek, Paint, Berlin, Walnut Creek, Mechanic, and/or Clark Townships (the "Affected KVLA Members") and have expressed an intent to drill wells in the East Holmes area in the first six months of 2012.

## **OFFERS**

Endeavor Energy has offered the East Holmes Landowners Association and the Affected KVLA Members the sum of \$2,875 per acre with a 17.5% gross royalty (no landowner expense deductions). Endeavor's lease would be for a five-year initial term with an option to renew for an additional two years. Endeavor's written lease has many "landowner friendly" provisions and our

legal counsel, Critchfield, Critchfield & Johnston, Ltd. (“CCJ”) is seeking inclusion of several others. Anadarko has offered Affected KVLA Members \$2,625 per acre with a 17.5% net royalty (with landowner deductions for certain production expenses). Anadarko’s lease would be for a five-year initial term with an option to renew for an additional five years. Anadarko’s lease is not very “landowner friendly” and would require more substantial changes to the lease terms. A counter-proposal has been submitted to Endeavor and we hope to hear back from them very soon. **CCJ is continuing to negotiate with these two companies and will be sending newsletters and will perhaps schedule a public meeting in the near future to discuss these offers in greater detail with you.**

CCJ has also had discussions with other companies who have also expressed interest in some or all the Association’s acreage. We may have additional offers from one or more of them to relay in newsletters or at the public meetings. You also may be receiving newsletters directly from CCJ as things progress.

## PROCESS

Many members of the Association have not been able to attend one of our public meetings and have questions about the process. The following is a summary of the process that we will continue to use in an effort to negotiate an acceptable oil and gas lease on your behalf and the status of those efforts to date:

- STEP 1      Formation of the Association. CCJ has formed a non-profit corporation through which the Association has operated, and a volunteer board has been elected. We have signed a formal engagement letter with CCJ. You have submitted a questionnaire regarding your oil and gas rights to us when you joined the Association. This questionnaire needs to be updated, and we have enclosed a new questionnaire with this newsletter. **Please fill this out and return it to CCJ at the address provided as soon as possible.**
- STEP 2      Compile a complete list of all landowners in the Association and prepare maps depicting all the Association’s acreage. CCJ hired, at its own cost, Diversified Engineering of Dover, Ohio to prepare a map of the Association’s land and other lands that it represents. The map is finished and is being continually updated as members are added. It will be used as the primary marketing tool to solicit offers for a lease of your oil and gas rights.
- STEP 3      Solicit oil and gas companies to submit bids for the Association’s land. As discussed above two different companies have made offers to lease the Association’s land. Others have expressed interest in leasing the Association’s land. Those companies have had the opportunity to review a map of the Association’s land. As indicated in our earlier group meetings

CCJ has combined the Association's acreage with that of other landowner groups and producers that CCJ represents in the hope that the total acreage will be more attractive to potential bidders. Currently the combined groups total more than 140,000 acres in Wayne, Holmes, Knox and Coshocton counties.

- STEP 4      Prepare an acceptable oil and gas lease for the Association's land. CCJ is in the process of reviewing leases which have been submitted by Endeavor and Anadarko and drafting changes for your consideration. We believe that the lease should provide adequate protection of your land and oil and gas rights and still be attractive to potential bidders. A copy of the proposed leases will be included in a future newsletter.
- STEP 5      Schedule meeting of all Association members to consider offers that have been received. We will notify you in the near future of the public meetings to be held to discuss the lease offers.
- STEP 6      Schedule meetings of all Association members to sign leases with the oil and gas company selected by the Association (the "Successful Bidder"). After lease is signed there will be a 90 to 120 day period where the Successful Bidder performs title work on the Association's land.
- STEP 7      Curative Work. The curative work CCJ will perform on your behalf will take place during the above 90 to 120 day period. All questionnaires that indicated the existence of a well or payment of royalties will be addressed.
- STEP 8      Payment of Lease Bonus. The Successful Bidder pays the Bonus Rent to all Association members whose title to their oil and gas rights cleared without objection.
- STEP 9      Receive Title Objections from Successful Bidder. We will review all title objections received from the Successful Bidder and discuss with each Association member whose title did not clear what steps we recommend to resolve the title objections.

## **NAPE**

CCJ has reserved a booth on February 23 - 24, 2012 at the NAPE Conference in Houston, Texas. NAPE (North American Petroleum Exposition) is the world's largest oil and gas prospect and property exposition, and presents an excellent opportunity to market the Association's acreage. At least two CCJ attorneys plan to attend this conference and will promote the Association's property to potential buyers of Utica Shale acreage. The thought is that it is better to actively solicit offers for this acreage from the entire oil and gas industry, rather than be limited to the competing offers submitted by the companies who have happened to contact us.

We will report back with the results of this meeting in future newsletters.

### **CLOSING THOUGHTS**

In closing, leasing activity in Holmes County continues to build. Each day the chances are greater that you will be approached individually by an oil and gas company 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 correct.** CCJ will not approve any offer or lease without first communicating with the Association and without that offer and lease having been accepted by 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.** Everyone has heard stories of incredible lease bonuses and royalty payments from the lease activity and early wells drilled to the east of Holmes County. These stories have made everyone anxious to get on board. 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. The companies that may approach you are not interested in getting the best deal for you; they are interested in getting the best deal for themselves. Do not be misled. When in doubt, contact one of us or one of the CCJ attorneys.

Thank you for your continued participation in the Association.

Sincerely,

*Bob Hunter*

Bob Hunter

**KILLBUCK VALLEY LANDOWNERS ASSOCIATION  
PROPERTY QUESTIONNAIRE**

**General Information**

Name: \_\_\_\_\_

Address: \_\_\_\_\_

\_\_\_\_\_

Phone #: \_\_\_\_\_

Email Address: \_\_\_\_\_

Number of Tax Parcels: \_\_\_\_\_ Total Number of Acres: \_\_\_\_\_

Tax Parcel Numbers: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

**Oil & Gas Information**

Are there any storage leases covering your property? If so, please attach a copy. Yes \_\_\_ No \_\_\_

Have you signed an oil and gas lease within the last 5 years? Yes \_\_\_ No \_\_\_

Are there any non-domestic oil and gas or disposal wells located on your property? Yes \_\_\_ No \_\_\_

If yes, who is the owner of the Well? \_\_\_\_\_

Are you receiving royalty, delay rental or shut-in payments? Yes \_\_\_ No \_\_\_

If yes, how much per year and from whom? \$\_\_\_\_\_ \_\_\_\_\_

If yes, when did you receive your last payment? \_\_\_\_\_

Are you receiving free gas from a well that you do not own? Yes \_\_\_ No \_\_\_

Within the last 2 years, have you received any correspondence from a producer claiming to have lease rights to your property? If so, please attach a copy.

***Please return this completed Questionnaire to:***  
Critchfield, Critchfield & Johnston, Ltd.  
Attn: Sarah Ison, Paralegal  
225 N. Market St., PO Box 599  
Wooster, OH 44691