

KVLA

KILLBUCK VALLEY
LANDOWNERS ASSOCIATION
12061 T.R. 252
Glenmont, OH 44628

Website: www.kvla.org

E-mail: kvla.info@gmail.com

Board of Trustees

Bob Hunter, President	Bill Grassbaugh
Larry Coldwell, Vice President	Curt Mathie
Marcella Hawkins, Secretary	David Noble
Casey Wagner, Treasurer	Matt Rohr
	Wes Starker
	Rick Weatherwax
	Andy Weaver

May 18, 2012

Dear Killbuck Valley Landowners Association Member:

INTRODUCTION

This newsletter will update Association members of recent developments in the Utica Shale in Ohio and efforts on behalf of the Association to market your acreage. We plan to use monthly newsletters to keep everyone informed, and to also help dispel rumors that are spreading across Holmes and Coshocton Counties.

UPDATE ON KVLA MEMBERSHIP AND ACREAGE

The Association currently consists of about 592 members holding approximately 38,401 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 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

As you are probably aware, Endeavor tendered a lease offer to the East Holmes Landowners Group, the Farmerstown Landowners Group and KVLA members who own mineral rights in Salt Creek, Paint, Berlin, Walnut Creek and/or Clark Townships (the "Affected KVLA Members"). The deadline to accept Endeavor's lease offer was extended to April 15, 2012.

Our legal counsel, Critchfield, Critchfield & Johnston, Ltd. ("CCJ"), held meetings during the weeks of April 16th and April 23, 2012, at the former Dutch Harvest Restaurant. Approximately 1,100 leases were signed, covering more than 16,000 acres. *If you are an Affected KVLA Member who signed an Acceptance Agreement but did not sign a lease, CCJ urges you to contact the Millersburg office at 330.674.3055 to make arrangements to sign.*

TAX CONSEQUENCES OF BONUS PAYMENTS

In general, bonus payments paid to landowners by shale producers are classified by the Internal Revenue Service (IRS) as ordinary income and are thus subject to income tax. Every taxpayer's tax situation is different, so the tax rate and the amount of tax paid by each landowner will vary. CCJ strongly advises landowners to consult their tax professional for advice on the tax consequences of bonus payments. Some taxpayers may need to pay estimated taxes for the calendar quarter in which bonus payments are received, so do not wait until your income taxes are due to consult your tax professional.

Some companies are recommending structured settlement programs in order to reduce the tax obligation to certain landowners. In general, these programs are niche products, designed for a very small taxpayer group. Structured settlements may or may not make sense, given the fees charged, the interest rate, the risk and the level of sophistication of the program. CCJ's advice to landowners, again, is to consult a tax professional to assist in dealing with the tax consequences of a bonus payment from shale producers.

ODNR'S NEW MAP

The Ohio Department of Natural Resources, Division of Oil and Gas Resources Management, has issued a new map compiled by state geologists that is causing a stir across the area. A color copy of this map is attached to this newsletter. As you can see, this map contains revised estimates of potential oil and gas yields from the Utica Shale in various portions of eastern Ohio. The map was compiled from a review of the core samples from all wells drilled through the Utica Shale formation over the years, and will likely continue to be revised as additional wells are drilling and the play is further developed.

What is significant about this map to KVLA is that it shows much of Coshocton County as having excellent potential for Utica Shale development. This map has changed the landscape in Coshocton County. Bonus payments are increasing, and shale producers are showing increased interest. While KVLA has viewed the progression of Utica shale as primarily from the east, it is now apparent that development could approach from the southeast as well. As leasing activity continues in Coshocton County, we will continue to update the KVLA membership.

UPDATE ON CNX WELL IN RAGERSVILLE & DEVON'S BAILEY LAKES WELL

These two wells are the closest wells to KVLA acreage and their success will have an impact on the shale development in our area. It appears that after pumping oil and drilling fluids out with a pump jack that the well is beginning to produce based upon its own gas pressure. The production from this well will not have to be reported until March 2013. Leasing activity around this particular well has increased dramatically in recent weeks.

The Devon well in Bailey Lakes, Ashland County has been fracked and drilling fluids have been removed. Early reports are that the well is productive. As with the Ragersville Well, production will not have to be reported until March of 2013. However, since this Utica well is more shallow than much of the KVLA acreage, its success will have a direct bearing on the viability of the shale development in our area.

Devon expressed some interest in looking at the maps for the KVLA acreage. A standard confidentiality agreement was provided to Devon and Devon indicated it would not sign such an agreement at this time. It has been reported that Devon is considering potential well locations in Mill Creek Township, Coshocton County, and Knox Township, Holmes County. Eclipse has also expressed interest in KVLA's map and has recently been provided with the same confidentiality agreement.

MONTHLY REMINDER

In closing, leasing activity in Holmes and Coshocton Counties 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 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. Everyone has heard stories of incredible lease bonuses and royalty payments from the lease activity and early wells drilled to the east of Holmes and Coshocton Counties. 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, Dave Wigham or Garrett Roach.

Thank you for your continued participation in the Association.

If you have questions, please call:

Board of Trustees:

Bob Hunter, President

Larry Coldwell, Vice President

Marcella Hawkins, Secretary

Casey Wagner, Treasurer

Phone:

330.763.3992

330.276.4151

330.465.6987

330.763.1172

Bill Grassbaugh

330.377.4176

Curt Mathie

330.377.4223

Dave Noble

330.264.8066

Matt Rohr

330.763.4010

Wes Starker

330.231.0272

Rick Weatherwax

330.377.4412

Andy Weaver

740.824.5577

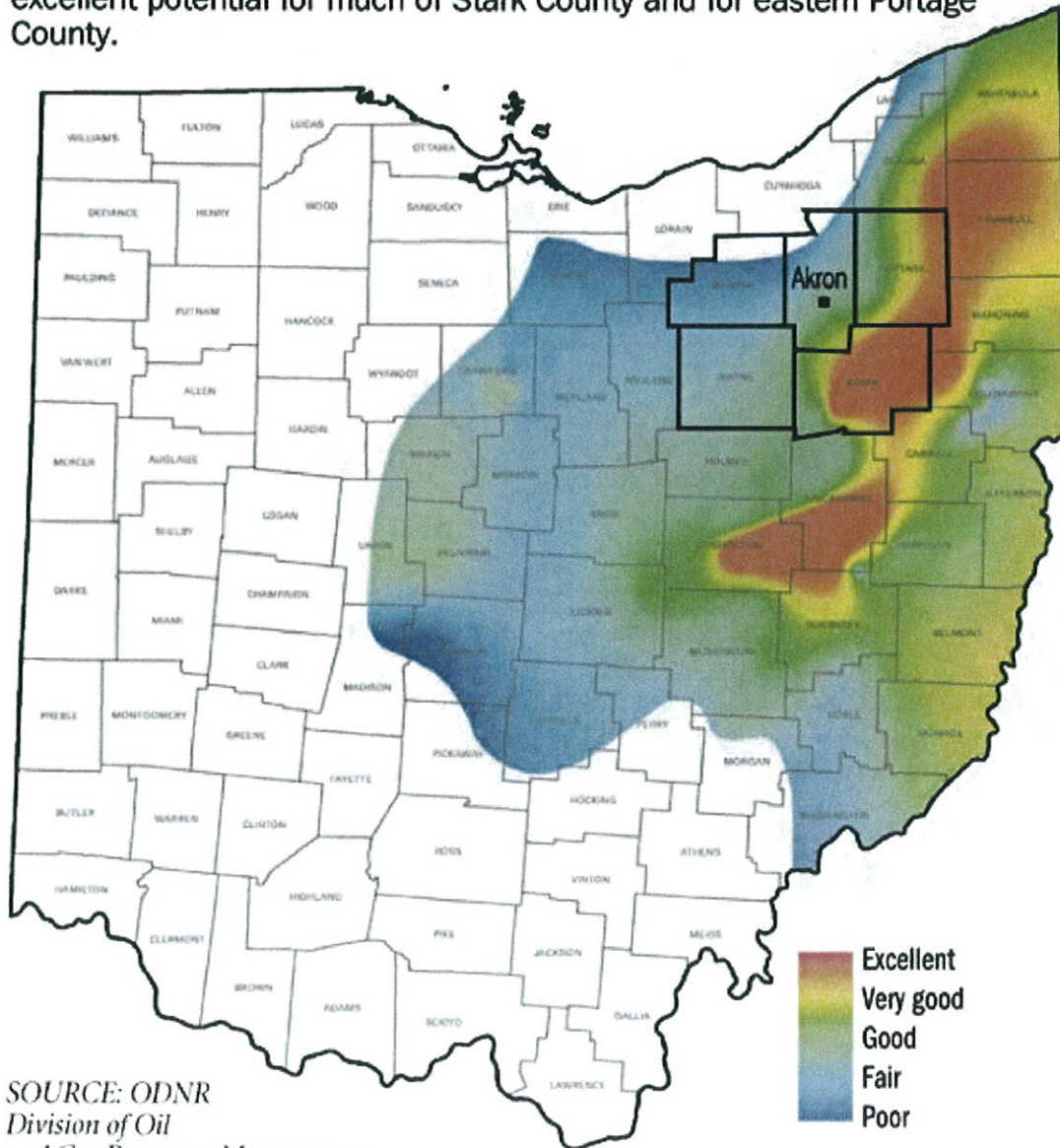
Sincerely,

Bob Hunter

Bob Hunter

Stark, Portage prospects improve

A map from state geologists of estimated gas/oil drilling yields shows excellent potential for much of Stark County and for eastern Portage County.



SOURCE: ODNR
Division of Oil
and Gas Resources Management

Akron Beacon Journal