

KVLA

KILLBUCK VALLEY
LANDOWNERS ASSOCIATION
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December 31, 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 624 members holding approximately 40,559 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 meets at least monthly, 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.

IMPORTANT UPDATE ON KVLA MEETINGS

The frequency of the Board meetings has been reduced to one meeting per month, instead of two per month, over this year's holiday season. Accordingly, Board meetings will be held on the first Wednesday of each month only. Meetings will still start at 7:00 PM, and will be held at the old Glenmont Elementary School. If leasing activity increases, the Board will hold two meetings per month. Please check the KVLA website for further updates and information.

UPDATE ON MARKETING OF KVLA ACREAGE

Since July 2012, there has been little activity with regard to the marketing of KVLA's acreage. KVLA's legal counsel, Critchfield, Critchfield & Johnston ("CCJ") has received numerous calls from shale producers and brokers, but there have been no serious discussions. The KVLA Board and CCJ will continue to market the group's acreage to 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.

MESSAGE FROM THE PRESIDENT

Leasing activity has been very slow in the western Holmes and Coshocton County areas in recent months. Nevertheless, many rumors are swirling about the economic viability (or the lack thereof) of the acreage in this area. In response, I want to caution members against acting on rumors and to preach patience. The resources that lay beneath the lands owned by KVLA's members have been there for millions of years and will still be there if and when the time comes to lease. KVLA's mission is to ensure that this development happens in a manner that is organized and responsible and one that is fair to both landowners and producers alike.

Recent newsletters have taught us that this Shale boom is just beginning to blossom and will take years to fully develop. Thousands of wells are needed to tap into the recoverable resources in the Utica Shale formation in Ohio and less than 200 wells have been drilled to date. In 2013, at least 500 more horizontal wells are predicted to be drilled in Ohio. Thus, it may take years for this Shale boom to reach KVLA's acreage, and it may never get here; it is simply too early to know. This time next year, we will know a lot more than we do now, just like how we know more now than we did this time last year when only five horizontal wells had been drilled in Ohio.

There are rumors about the viability of the Hershberger well #1H well outside of Apple Creek. We have no information about the performance of that well, other than gas is being flared from the well.

There are rumors about the Crilow well outside of Holmesville. It is true that the well pad is being recovered and the well will not be drilled. We are not sure why it was cancelled, and there are many possible reasons. Again, we will know more in 2013 as more wells are drilled in the area.

We also know that there is some leasing activity in eastern Holmes County, and there is a good chance that horizontal wells could be drilled in this area in 2013.

The bottom line is that KVLA members should remain patient and continue to stick together. The KVLA board will keep you informed of any activity that may affect your acreage through its monthly newsletters. If there is any news to report, we will communicate it to you.

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
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