

KVLA

KILLBUCK VALLEY
LANDOWNERS ASSOCIATION
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August 30, 2013

Dear Killbuck Valley Landowners Association Member:

INTRODUCTION

This 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 597 members holding approximately 41,950 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 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.

If you are a KVLA member who has signed a letter of intent or an oil and gas lease with a producer or broker, or have joined another landowner group, please contact us so that we may remove your name off the KVLA membership list.

NOTICE REGARDING BOARD MEETINGS

The KVLA Board met on August 1, 2013. Most of the discussions were focused on the Utica activity in eastern Ohio and the lack of activity in the KVLA area. If activity picks up in KVLA's area, the Board will schedule additional meetings as needed. There will be no Board meetings in September or October. **The next KVLA Board meeting will be held on November 6, 2013 at 7:00 p.m. at the old Glenmont Elementary School.**

ENERVEST'S UTICA ACREAGE

Enervest has been attempting to market approximately 104,000 Utica acres for nearly one year. Enervest recently agreed to sell about 22,500 Utica acres for \$284 million or about \$12,900 per acre. The acreage is located across Guernsey, Harrison and Noble Counties.

This acreage is primarily located in close proximity to an axis that has produced several recent Utica gushers. However, it is also far to the east of KVLA's acreage and really does not impact KVLA's acres.

UPDATE ON UTICA WELLS SURROUNDING KVLA ACREAGE

An important well nearby KVLA acreage has been drilled and fracked by CNX Gas Company (“CNX”) in Bucks Township, Tuscarawas County. It is known as the Ervin Beachy well. This well has been fitted with a pump jack to recover water and drilling fluids. Early reports are that this well has been disappointing.

All other Utica wells drilled nearby KVLA acreage, including the Eichelberger 1H well in the Bailey Lakes region of Ashland County, the Sensibaugh 1H well located in southern Knox County have been reportedly plugged. The Hershberger 1H well near Apple Creek, Ohio, has been reported to be poor. All of these wells were drilled by Devon Energy.

UPDATE ON BROKERS THAT RECENTLY ENTERED HOLMES COUNTY

As reported in KVLA’s April 2013 newsletter, several brokers or flippers have descended on Holmes and Coshocton Counties, attempting to acquire “options” to lease property from unsuspecting landowners. These brokers were able to lure a few landowners, including even some KVLA members, to enter into these “options” by promising to pay \$3,100 per acre within six months after lease signing. Several landowners who signed “options” with these flippers report that no payments have been made, therefore, the “options” have expired and any leases associated with the “options” should be null and void.

If you signed with a broker and were not paid on a timely basis, you may want to check to see whether a lease was recorded against your acreage. Also, be aware of the fact that brokers may nevertheless try to market expired leases and may also seek to negotiate lease extensions. KVLA would encourage its members to seek legal counsel in the event a broker attempts to negotiate a lease option, lease or lease extension.

UPDATE ON THE UTICA SWEET SPOT IN EASTERN OHIO

Included with this newsletter is a map showing Utica wells and their status through June 1, 2013. As you can see, the development of the Utica Shale play is heavily concentrated to the east. Many lucrative wells have been drilled in the area of eastern Guernsey, northern Noble and western Monroe Counties. Most of the drilling activity has been in Carroll County. Pipelines and the associated infrastructure necessary to transport oil and gas from Utica wells to market are in the process of being complete. It is expected that the drilling activity in 2014 will dramatically increase.

UPDATE ON KVLA ACREAGE

There has been radio silence with respect to KVLA acreage. The consensus in the industry is that Wayne, Holmes and Coshocton Counties are too far west of the current Utica sweet spot, and the oil and gas trapped in the shale formation beneath these counties is not yet economically recoverable using current technology. EnerVest is reportedly joint venturing with other companies on a research and development project in western Tuscarawas County. The goal of this R & D project is to try to unlock the key to the heavy oil in the western areas of the Utica play with newer technology. If this project proves successful, Wayne, Holmes and Coshocton Counties could open up.

CONCLUSION

It is too soon to tell if and when the Utica Shale boom will expand closer to KVL A acreage. The KVL A Board cautions members to be careful when negotiating new leases, or ratifications, amendments and extensions to their current leases. The KVL A also urges its members not to sign lease options with brokers.

The KVL A Board also wants to remind members to be patient. There is still strength in numbers, and if the KVL A area is to be developed, the members need to be ready. Remember that the oil and gas beneath your property has been there for a long time, and is not going anywhere. Any lease you may sign now could encumber your property for generations to come. Therefore, any oil and gas related document should not be taken lightly and should only be signed after a thorough review by legal counsel and thoughtful and careful consideration.

As always, thank you for your continued participation in the Association. If you have questions, please call:

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Sincerely,

Bob Hunter
Bob Hunter

Ohio Map of Utica Shale Activity

Provided By: MacKenzie Land & Exploration Ltd.

UTICA HORIZONTAL WELL STATUS THROUGH 6/1/2013

- ★ PRODUCING (102)
- ◀ DRILLING; DRILLED (237)
- PERMITTED OR NOT DRILLED (354)

OPERATOR	LBL	PROD	PMT	DRLG	DRLD	TOT
ANADARKO E & P ONSHORE LLC	APC	7	4	1	0	12
ANTERO RES APPALACHIAN CORP	ARC	3	14	0	8	25
ATLAS NOBLE LLC	ATL	0	5	0	0	5
BP AMERICA PRODUCTION COMPANY	BP	0	2	0	0	2
BRAMMER ENGINEERING INC	BMR	0	1	0	0	1
CHEASPEAKE EXPLORATION LLC	CHK	64	189	0	181	434
CNX GAS COMPANY LLC	CNX	2	18	2	8	30
CARRIZO (UTICA) LLC	CRZO	0	3	0	0	3
CHEVRON APPALACHIA LLC	CVX	0	2	0	2	4
DEVON ENERGY PRODUCTION CO	DEV	2	8	0	3	13
ECLIPSE RESOURCES I LP	ECL	0	1	0	0	1
ENERVEST OPERATING LLC	EOS	3	12	0	1	16
EQT PRODUCTION COMPANY	EQT	1	2	0	0	3
MOUNTAINEER KEYSTONE LLC	FRC	0	4	0	4	8
GULFPORT ENERGY CORPORATION	GPOR	8	41	5	3	57
HALL DRILLING LLC (OIL & GAS)	HAL	0	0	1	0	1
HILCORP ENERGY	HCP	0	4	0	1	5
HESS OHIO RESOURCES LLC	HES	6	12	1	1	20
HG ENERGY	HGE	1	8	0	6	15
HALCON OPERATING COMPANY	HKE	0	4	0	0	4
TRIAD HUNTER LLC	MHR	0	3	0	0	3
PETROLEUM DEVELOPMENT CORP	PDC	1	3	1	1	6
R E GAS DEVELOPMENT LLC	REG	4	8	0	4	16
SIERRA RESOURCES LLC	SIE	0	3	0	0	3
SWEPI LP	SWE	0	1	0	0	1
XTO ENERGY INC.	XTO	0	2	1	2	5
TOTALS		102	354	12	225	693



KEY	DESCRIPTION
★	PROD PRODUCING
◀	PMT PERMITTED
○	DRLG DRILLING
○	DRLD DRILLED

