

KVLA

**KILLBUCK VALLEY
LANDOWNERS ASSOCIATION**
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January 31, 2013

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 626 members holding approximately 40,603 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 AND NEWSLETTERS

Until further notice, the frequency of the Board meetings has been reduced to one meeting per month, instead of two per month, until further notice. 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.

KVLA plans to continue issuing monthly newsletters because it is a great way to keep everyone updated, even during slow times. KVLA will email newsletters to those members who receive email and will mail hard copies to those who do not. Newsletters are also posted on the KVLA website. If you do not receive a newsletter, please contact a board member.

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 a few 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.

UPDATE ON OHIO'S UTICA SHALE DRILLING

According to a recent article in the *Coshocton Tribune*, there are still many unknowns regarding the development of Ohio's Utica Shale for oil and gas. As represented in earlier newsletters, the rate of development has been slowed by the lack of infrastructure and the inability to move and process the hydrocarbons. Many of the current pipelines and processing facilities are expected to be completed near the end of 2014. Another factor hindering development is low gas prices. Gas prices are still hovering between \$3.00 and \$3.50, which is good for consumers but below what some producers consider profitable. Finally, another unknown is the degree to which Utica Shale wells will decline in production once they are turned on. A steeper decline curve would make Utica Shale wells less profitable and reduce the economic viability of the formation. In late March, production numbers for 2012 are due to be released by the Ohio Division of Natural Resources. It will be interesting to see how Ohio's Utica Shale wells performed in 2012. Rest assured that this newsletter will report on this issue in the April edition.

The bottom line for KVL A is that there is no news to report regarding KVL A acreage. KVL A members should remain patient and continue to stick together. The Utica Shale boom will take years to play out, so it is simply too soon to rule out any acreage in Holmes or Coshocton Counties. The KVL A 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.

DEVON ENERGY TO SELL ITS OHIO ACREAGE

The wells drilled by Devon Energy in Ashland, Medina and Knox Counties are plugged and Devon has cancelled plans to drill a second well in Knox County and also a well near Holmesville, Ohio, according to Chip Minty, a Devon spokesperson. There are no further reports on the status of the Hershberger well outside of Apple Creek, Ohio.

More importantly, Devon Energy is selling all of its Utica Shale/Point Pleasant acreage in Ohio. Its offering consists of about 244,000 acres that are mostly held by production. Most of the acreage is located primarily in the western edge of the Utica Shale play, in Medina, Ashland, Wayne, Holmes, Coshocton, Knox, Licking and Guernsey Counties. See the map attached hereto.

Although it is too early to tell what impact this might have on KVL A, it will be interesting to see who the buyer is and how much is paid for the acreage.

MONTHLY REMINDER

In closing, leasing activity in Holmes and Coshocton Counties has slowed. However, there is still a chance that an oil and gas company could 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 the 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

