

# KVLA

**KILLBUCK VALLEY  
LANDOWNERS ASSOCIATION**  
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March 28, 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 630 members holding approximately 41,800 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**

*The KVLA Board has agreed to hold one meeting per month until further notice. Accordingly, Board meetings will be held on the first Wednesday of each month. 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 they are 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, Ltd. ("CCJ") has received calls from Utica 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 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 UTICA SHALE DEVELOPMENT**

The Utica Shale boom has the oil and gas industry buzzing over its large resource potential and the quantities of lucrative oil and natural gas liquids (“NGLs”) that are prevalent in the formation. As reported in the October 31, 2012 edition of this Newsletter, the U.S. Geological Survey estimates that the Utica Shale could yield more than 45 trillion cubic feet of natural gas and 7.5 billion barrels of oil. Due to sheer size and rural location of the Utica Shale, its development has been slow to materialize. Tens of thousands of acres still remain available for sale by companies such as Chesapeake Energy, Devon Energy and EnerVest. More significantly, the play has been slowed by the lack of infrastructure, such as pipeline, compression stations, processing plants and the like. Until these facilities are in place, the true growth and potential of the Utica Shale play will not be known.

This delay in growth is understandable. The average cost of a single Utica Shale well is between 5 and 7 million dollars. Up to 6 wells may be drilled on a single 640-acre drilling unit. It does not make sense for a shale developer to invest capital in this type of development when there are no pipelines in place to transport oil and gas from the well pad, no processing plants to separate the NGLs into their separate constituents and no means to transport the end product to market. Many of these plants will be completed in 2014 and 2015, so the true growth of the Utica Shale play will not be known until then.

That being said, it is estimated that approximately 500 new horizontal wells will be drilled in Ohio in 2013, which is an increase from approximately 150 wells in 2012. The Ohio Division of Natural Resources will release production records from many of these wells on March 31, 2013, so the public will finally have an opportunity to see actual production records from many of the reportedly lucrative wells drilled in 2012. Many of these wells have been reported to be producing more than 2000 barrels of oil equivalents per day, which is well above average oil production in other shale plays across the country. This newsletter will report on actual production records in next month's edition.

Even though the development of the Utica Shale has been somewhat throttled, companies are investing billions of dollars in this oil boom. For example, Total S.A., a large French oil and gas producer, purchased a 25% interest in 619,000 Utica acres for about 1.3 billion dollars. The average price per acre was nearly \$15,000. In addition, as the shale boom continues to expand, it is estimated that the resulting economic activity related to the boom is expected to add almost 5 billion dollars to Ohio's annual gross product by 2014, according to a study prepared jointly by Cleveland State University, Ohio State University and Marietta College. This same study predicts that by 2014, the Utica Shale development will provide 65,000 new jobs at an average annual income of more than \$50,000 per job, thereby adding an additional 3.3 billion in state labor income.

The bottom line is that the Shale boom is here to stay and will change the economic landscape in Ohio for years to come. What is unknown is how far reaching the Shale boom

actually is and whether it will reach as far west as Wayne, Holmes and Coshocton Counties. Our advice is to remain patient and wait to see what develops in this area. If there is any news, we will report it to you via this newsletter.

### 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:

**Board of Trustees:**

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Sincerely,

*Bob Hunter*  
Bob Hunter