

KVLA

KILLBUCK VALLEY
LANDOWNERS ASSOCIATION
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May 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 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.

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 take your name off the KVLA membership list.

NOTICE REGARDING BOARD MEETINGS

At the Board meeting held on May 1, 2013, the Board voted to hold quarterly meetings starting August 1, 2013, due to a lack of activity in the KVLA area. If activity picks up, the Board will schedule additional Board meetings as needed. However, given the delays in Utica infrastructure and the focus on development of areas in eastern Ohio, there is very little activity affecting KVLA's acreage and so the Board felt that there was no need to meet on a monthly basis. Therefore, there will be no Board meetings in June or July.

UPDATE ON THE ERVIN BEACHY WELL

As reported in prior newsletters, one of the most important wells potentially affecting KVLA acreage was drilled by CNX Gas Company ("CNX") in Bucks Township, Tuscarawas County, and is known as the Ervin Beachy well. According to ODNR records, the lateral for the Beachy Well extends into Clark Township, Holmes County. **This well has been drilled and fracked and currently is fitted with a pump jack to recover water and drilling fluids. This is a normal process and it is still too soon to know whether this well is productive. CNX is focused on acquiring easements from local landowners for its transmission lines.**

ODNR'S REPORTING OF THE 2012 SHALE PRODUCTION DATA ON MAY 16, 2013

Representatives of ODNR held a news conference on May 16, 2013, in which they reported on the 2012 Shale production data. According to ODNR, Utica oil production from the 67 producing wells reported to ODNR was about 635,000 barrels, a 93% increase from 2011. Likewise, gas production was nearly 13 million mcf, an 80% increase from 2011. Production from Ohio's Utica wells in 2012 represented 12% of all oil produced in the state and 16% of all gas. Another way of looking at it, according to ODNR, is that one Utica well produced the oil equivalent of 312 conventional wells and the gas equivalent of 448 conventional wells.

By the end of 2012, a total of 215 Utica wells were drilled, and 67 were reporting production numbers to ODNR. There are currently 100 Utica wells in production. ODNR projects that Utica production could exceed conventional production as soon as 2014. Specifically, ODNR estimates that Utica oil production will be approximately 4,355,000 barrels in 2014 and 7,259,000 barrels in 2015. Similarly, Utica gas production is estimated to be about 88 million mcf in 2014 and a whopping 146 million mcf in 2015.

As you can see, it is very early in the Utica Shale play, and this oil and gas boom is just getting started and should last for decades. Thus, it is too soon to project if and when this shale boom will expand into western Holmes and Coshocton counties. In the meantime, however, KVLA urges its members to not sign lease options with brokers (or flippers) and to have any oil and gas related document reviewed by an attorney before it is signed.

KVLA also urges that landowners be patient. We continue to believe that there is strength in numbers and that, if the area is developed, our time will come. Remember that the lease you sign may last for generations and it deserves thoughtful and careful consideration. When in doubt, contact one of the Board members.

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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