



EMENS & WOLPER LAW FIRM

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Ohio Utica/Point Pleasant Shale Update September 2013



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More Exploration, More Development!

Dear Clients, Friends and Colleagues:

It is encouraging to see the increased drilling and continuing large lease bonuses being paid to Ohio landowners in eastern Ohio—and recent activity bodes well for Ohio Shale activity. Many Companies are increasing their operations in Ohio and have begun moving from “exploration” to “development” of their acreage holdings. To date, much of the exploration and development of Ohio’s Utica/Point Pleasant has been in southeast and east-central Ohio, and now several companies have announced plans to explore the northeast Ohio counties of Mahoning, Trumbull, Tuscarawas and Stark. This exploration is significant as the four named counties appear in Ohio geology reports to be considered in the “oil window” of Ohio’s Utica/Point Pleasant Shale (See page 4 for more information).

We look forward to hearing your comments and questions. If there is a topic you would like us to discuss in our next newsletter, please email or call us!

Sincerely,

Emens & Wolper Team
Bea, Chris, Craig, Dick, Gail, Kelly, Sean



*****Ohio Landowner Alert*****



Pipeline Easements—As reported here earlier, a major aspect of Ohio’s Utica/Point Pleasant Shale play is creating the infrastructure to move the produced gas and natural gas liquids to processing plants. To create this infrastructure—pipelines and processing plants—companies are asking Ohio landowners to sign pipeline easements and rights-of-way. In representing numerous landowners regarding these easements and rights-of-way, we advise of the importance of understanding that easements usually last forever; and they should be thought of as a sale of land rather than a lease of land and need to contain language that will protect landowners. The “form” easements landowners are handed by companies often lack essential landowner protections and provide insufficient compensation.



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Emens & Wolper Upcoming Presentations and Events

August 20, 2013 - Muskingum Hills Landowners Group Dick Emens and Sean Jacobs also speaking.

August 21, 2013 - Coshocton County Landowners Meeting. 6:00 Coshocton County Career Center 23640 Airport Road Coshocton, OH 43812-9222 - Speaker Shawn Bennett with Energy In Depth. Dick Emens and Sean Jacobs also speaking.

August 28, 2013 - COLA - Central Ohio Landowners Association Meeting - 7:00 p.m. - Shelby Middle School - Little Theater 109 West Smiley Avenue, Shelby, Oh 44875 - Sean Jacobs will be speaking.

September 9, 2013 COLA - Central Ohio Landowners Association Meeting - 7:00 p.m. New London High School - Cafeteria, 1 Wildcat Drive, New London, Oh 44851 Dick Emens or Sean Jacobs will be speaking.

October 18, 2013 - IWF - International Women's Forum. Women's Forum's World Leadership Conference - Beatrice E. Wolper will receive the "Women Who Make a Difference Award" at the International Hall of Fame Awards & Gala held at Vancouver's Convention Center, British Columbia, Canada.

November 1, 2013 - NARO - National Association of Royalty Owners - Hyatt Regency Columbus, 350 North High Street, Columbus, Ohio 43215 - Dick Emens will be presenting.

Natural Gas Liquids (NGLs) of Ohio's Utica/ Point Pleasant Shale Attracting Three Companies

While the "oil window" of Ohio's Utica/Point Pleasant Shale initially drew many companies to Ohio, it has been little explored and developed. Rather, most companies have focused their efforts on the "wet gas" window of Ohio's Utica Shale which has proved to be a source for natural gas liquids as well as dry gas. Three companies report they are excited about the valuable natural gas liquids currently being produced from the shale. Magnum Hunter Resources, Gulfport Energy and Rex Energy have all indicated that they are adding to their acreage holdings in Ohio because of the valuable natural gas liquids currently being produced. Magnum Hunter Resources reports selling its acreage in the Eagle Ford play in Texas so that it could turn its focus to the Utica Shale. Gulfport Energy announced it will be spending 85% of its 2013 capital budget on the Utica Shale. Rex Energy indicates drilling excellent liquid-rich wells and continuing to add to its Ohio acreage position. For more information, please see <http://www.daileyfinance.com/2013/08/14/this-company-likes-the-utica-better-than-the-eagle/>.

Utica Shale Development Update

As of 8/10/13, the Ohio Department of Natural Resource reported that 841 horizontal Utica/ Point Pleasant drilling permits have been issued since record keeping began and 502 wells were drilled. Ohio has 125 horizontal wells producing and there are 34 drilling rigs operating in the state. Below is a chart indicating the total number of Ohio's Utica/Point Pleasant horizontal wells permitted in each Ohio county. For more information, please see <http://oilandgas.ohiodnr.gov/shale>.

Ohio County	Number of Permitted Wells	Ohio County	Number of Permitted Wells
Ashland	1	Mahoning	27
Ashtabula	1	Medina	1
Belmont	45	Monroe	32
Carroll	319	Muskingum	3
Columbiana	82	Noble	57
Coshocton	5	Portage	15
Geauga	1	Stark	13
Guernsey	49	Trumbull	11
Harrison	119	Tuscarawas	13
Holmes	3	Washington	5
Jefferson	36	Wayne	1
Knox	2		



Landowner Groups Assisted by Emens & Wolper

Black River Landowners Association--Comprised of landowners in Lorain County and nearby areas.

Central Ohio Landowners Association--Comprised of landowners in Richland, Ashland counties and nearby areas.

Coshocton County Landowners Group--Comprised of landowners in Coshocton and northern townships of Muskingum counties.

Jefferson County Landowners Group--Leases signed and payments complete!

Mohican Basin Landowners Group--Comprised of landowners in Ashland, Wayne, Holmes counties and nearby areas.

Morgan County Landowners Group--Comprised of landowners in Morgan County. (With John Wells, Esq.)

Perry County Landowners Group--Comprised of landowners in northern Perry County and nearby areas.

Resources Land Group--Comprised of landowners in eastern Licking County and nearby areas.

Smith Goshen Group--Comprised of landowners in Smith and Goshen Townships of Belmont County. Leases signed and many landowners receiving payment.

Utica Shale Development Update (Continued)

Antero Resources recently reported peak production rates for its first eleven (11) Utica Shale wells. Antero has five (5) wells in Monroe County, Ohio and six (6) wells in Noble County, Ohio. Antero currently has three drilling rigs in Ohio and plans to add two more in 2013. Antero has seven (7) wells either in the process of being drilled, completed or waiting for completion. Antero plans to drill a total of 21 horizontal Utica wells in 2013 with an average lateral length of 6,300 feet. Antero currently holds approximately 101,000 net acres of leaseholds in the core Utica Shale play. For more information, please see http://www.anteroresources.com/wp-content/uploads/Q22013-Antero-Earnings_vF.pdf.

Carrizo Oil & Gas, Inc. recently spudded (drilled) its first well in Guernsey County, Ohio. Carrizo said the well has an 8,000 foot lateral and will be completed in 28 stages. Carrizo plans to let the well rest for approximately 60 days before commencing flowback operations. For more information, please see <http://www.ohio.com/blogs/drilling/ohio-utica-shale-1.29120/carriz-starts-first-Utica-well>.

Consol Energy recently indicated it has drilled five wells in Noble County, two in Tuscarawas and three in Mahoning. Consol also indicated it plans to drill wells in Portage County, Ohio. Consol reported that it has partnered with Hess Energy and Consol plans to drill eleven (11) horizontal wells and Hess plans to drill sixteen (16) horizontal wells in 2013 in Ohio. For more information, please see <http://www.farmanddairy.com/news/consol-has-big-plans-for-the-utica/59593.html>.

EnerVest reported it plans to drill 20 new exploratory oil wells in three areas of Stark and Tuscarawas counties. For more information, please see <http://www.ohio.com/blogs/drilling/ohio-utica-shale-1.291290/more-details-on-enervest-sale-stark-tuscarawas-oil-drilling-project-1.419918>.

Recent Ohio Leasing and Acreage Sale

American Energy Partners, an entity of former Chesapeake Energy CEO Aubrey McClendon, reportedly purchased 50,000 acres from Shell in the Ohio State play. Additionally, McClendon is thought to have acquired 22,000 acres of Utica acreage from EnerVest for more than \$250 million. Moreover, many reports indicate that Mr. McClendon may be seeking additional acreage in Ohio. For more information, please see <http://www.forbes.com/sites/christopherhelman/2013/08/16/aubrey-mcclendon-is-back-with-deals-in-the-Utica/>.

Carrizo Oil & Gas, Inc. has reported it plans to focus its acreage acquisitions in the second half of 2013 on the Eagle Ford Shale in Texas and Utica Shale in Ohio. For more information, please see <http://www.ohio.com/blogs/drilling/ohio-utica-shale-1.29120/carriz-starts-first-Utica-well>.

Eclipse Resources I, LP recently acquired The Oxford Oil Company; a large Ohio based E & P company, and through the acquisition added approximately 59,000 net acres of Utica Shale leasehold holdings to its 41,000 net leasehold acres. Eclipse stated it plans to have five rigs in Ohio by the end of 2014 and said it is looking to add leases in the core Utica Shale development areas. For more information, please see <http://online.wsj.com/article/PR-CO-20130626-908988.html>.



Emens & Wolper Law Firm Legal Services

Our law firm provides numerous legal services related to natural resources including the following:

- We review, analyze and negotiate NEW and OLD oil and gas leases and mineral deeds;
- We review, analyze and negotiate pipeline easements;
- We analyze mineral abandonment claims and claims regarding expired leases;
- We represent landowners in ODNR mandatory unitization proceedings who are being forced unitized;
- We review, analyze and negotiate water, sand, gravel and coal rights agreements; and
- We assist with litigation on all these matters.

Our law firm also provides services regarding estate planning, and succession planning for family businesses.



Recent Ohio Leasing and Acreage Sale (Continued)

EnerVest indicated it recently sold off 22,535 acres in Guernsey, Harrison and Noble Counties to an undisclosed buyer for \$284.3 million. That is an average of \$12,900 per acre. EnerVest indicated the prices paid range from \$11,000 to \$15,000 an acre. For more information, please see <http://www.ohio.com/blogs/drilling/ohio-utica-shale-1.291290/more-details-on-enervest-sale-stark-tuscarawas-oil-drilling-project-1.419918>.

Gulfport Energy recently added 8,000 acres to its holding for a total of more than 145,000 acres in Ohio. At this time, we are uncertain as to the exact location of the acreage Gulfport recently acquired. For more information, please see <http://www.timesreporter.com/newsnow/x997486876/Gulfport-adds-acres-in-Ohio-Utica-Shale>.

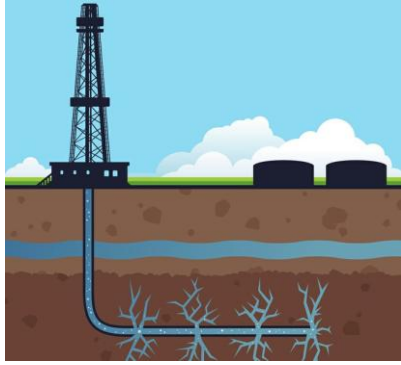
PDC Energy, Inc, a Denver Corporation, with leasehold acreage holdings in Ohio, recently went public and raised approximately \$276 million. PDC reports it plans to use some of the offering proceeds to put a second rig in Ohio and possibly to acquire additional Utica Shale acreage. For more information, please see <http://www.marketwatch.com/story/pdc-energy-closes-common-stock-offering-2013-08-09>.

Vortex Energy, LLC recently leased approximately 23,000 acres in Washington County, Ohio for \$4,000/acre with an 18% royalty.

North-East Ohio Utica Exploration and Development (Oil Window Exploration)

To date, much of the exploration and development of Ohio's Utica/Point Pleasant Shale has been in east-central and southeastern Ohio in counties such as Belmont, Carroll, Guernsey, Harrison, and Noble. However, companies are beginning to express interest in further exploration of northeast Ohio. One major reason for this new exploration is that in Trumbull and Mahoning counties, as in other areas of the Utica Shale play, the Marcellus and Utica shale formations overlap in some areas giving oil and gas producers two targets.

EnerVest has announced plans to drill 20 wells in Stark and Tuscarawas counties and there have been more permits taken out in Mahoning and Trumbull counties this year than in prior years. Moreover, Consol has indicated it plans to drill in Portage County, Ohio and has holdings in Trumbull County, Ohio. This northeastern exploration is extremely important as Ohio geology indicates these counties are thought to be in the "oil window" of Ohio's Utica/Point Pleasant Shale where there has been limited exploration to date. The results of this exploration may have a substantial impact on thousands of Ohio landowners in the "oil window" and especially on those landowners in adjoining counties such as Coshocton, Holmes, and Wayne. We expect over the next few years to see greater exploratory development in northeast Ohio as BP America and Halcon Resources Corp. begin exploring and developing their respective significant leasehold acreage holdings in this area. For more information, please see <http://www.vindy.com/news/2013/aug/17/drilling-prospects-pick-up-in-ne-ohio/> and <http://www.farmanddairy.com/news/consol-has-big-plans-for-the-utica/59593.html>.



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Ohio's Oil and Gas Infrastructure Development and Shale Production Increasing

For the past few years and for the foreseeable future, companies have poured and will pour billions of dollars into Ohio's infrastructure through installing pipelines and developing processing plants. Over the past year, a few processing plants have been completed allowing companies to bring on-line more wells. Recently, Kinder Morgan and MarkWest announced a joint venture to support northern Ohio rich-gas development and NGL takeaway from the Utica and Marcellus Shale resource plays in Ohio, Pennsylvania and West Virginia. This joint venture consists of two projects: (1) a processing complex in Tuscarawas County, Ohio and (2) a pipeline that originates at the planned Tuscarawas processing facilities and transports NGLs to Gulf Coast fractionation facilities. This project is said to be located on 200 acres off Blizzard Ridge Road in Tuscarawas County, Ohio at an estimated cost between \$575 and \$750 million. For more information, please see <http://phx.corporate-ir.net/phoenix.zhtml?c=119776&p=irol-newsArticle&ID=1845755&highlight>.

South-eastern Ohio will receive its third natural gas compression and condensate stabilization facility. Crosstex Energy has already installed two natural gas compression and condensate stabilization facility for Noble and Monroe counties and has indicated it plans to expand its project there to add a third facility. For more information, please see <http://fortmillimes.com/2013/05/08/2677296/crosstex-energy-inc-invests-an.html>.

Additionally, NiSource and Momentum M3 are well on their way to completion of their pipeline and processing plants project. Currently, there is a 20 to 24 inch wet-gas gathering line being run from Columbiana County south through Carroll, Jefferson, Harrison and Belmont counties and ending in Monroe County. This gathering line will transport gas and NGLs to two processing facilities located in Columbiana and Harrison counties. For more information, see <http://tribune-chronicle.com/page/content.detail/id/59159/Fri---9-17am--Hickory-Bend-pi.html>

Potential New Ohio Oil and Gas Regulations

For the past few months, Ohio state legislators have been debating Ohio's budget and it was recently passed and signed into law. The state's budget bill, HB 59, includes numerous provisions impacting the oil and gas industry. Importantly, the budget bill changes Ohio's well production reporting system for horizontal wells to require quarterly reporting rather than annual reporting. The budget bill does not contain a provision increasing Ohio's severance tax. Lastly, the budget bill changes many of the laws related to brine removal, transportation and disposal along with the laws related to the disposal of drill cuttings.

