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Ohio Utica/Point Pleasant Shale Update December 2013

Ohio Reaches 1,000 Permitted Wells—Almost!

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Dear Clients, Friends and Colleagues:

Happy Holidays! Ohio is close to having 1,000 permitted Utica/Point Pleasant wells—in fact as you read this issue Ohio will likely have more than 1,000 permitted wells. Eastern Ohio has experienced an incredible influx of activity since 2010 from oil and gas shale exploration and development. This activity is likely to increase as more wells are drilled and companies continue to complete wells with impressive production from the Utica/Point Pleasant Shale. A “sweet spot” has surfaced in Ohio’s Utica Shale in Belmont, Guernsey, Harrison, Monroe, and Noble counties, although Carroll County still boasts the most wells to-date.

We have included in this newsletter issue an exploration and development update, infrastructure and pipeline update, Ohio oil and gas related litigation update, and a table outlining the Utica/ Point Pleasant well count and companies permitting these wells in each county. 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, Erica, Gail,
Justin, Kelly, Sean



Columbia Gas Permanent Subsurface Easement - We are representing a number of landowners in litigation who have received a letter from Columbia Gas Transmission offering to purchase a permanent subsurface easement to store gas. Columbia Gas has again been sending letters to many landowners in Ohio asking to purchase this easement. We recommend you seek an attorney to help with this matter if you receive a letter.

Pipeline Easement Terms and Compensation - 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.



Emens & Wolper Upcoming Presentations and Events

December 14, 2013 -- Ohio Dominican University (ODU) - Commencement -President Peter Cimboric, Ph.D. will bestow upon J. Richard Emens and Beatrice E. Wolper Honorary Doctorates and Dick and Bea will give ODU's Commencement Address. 11:00 a.m. Alumni Hall - 1216 Sunbury Road, Columbus, Ohio 43219

January 2014 -- Columbus Kiwanis Club Ohio's Oil and Gas Shale Activity is REAL, Dick Emens will present

January 14, 2014 -- Ohio Nursery & Landscape Association CENTS Conference
"Cultivate or Prune? Preparing the Next Generation to take over the family business—and what to do when your child is not ready (or able) to lead," Bea Wolper and Kelly Jasin will present.

February 12, 2014 -- Coshocton County Landowners Meeting. 6:00
Coshocton County Career Center
23640 Airport Road Coshocton,
OH 43812-9222

February 20, 2014 -- Conway Center for Family Business
Discussions for Life Changing Events, Kelly Jasin will present

February 25, 2014 – Muskingum Hills Landowner's Meeting 6:00 at Brick House near Philo, Ohio 43771

Exploration and Development Update

"Sweet Spot" of Ohio's Utica Shale: As of November 16, 2013, 988 horizontal Utica/Point Pleasant have been permitted with 606 of those permitted wells drilled or being drilled. There are 39 rigs running in Ohio and companies are beginning to further define the "core" area of Ohio's Utica Shale. Carroll County still leads all Ohio counties in the number of permitted, drilled, producing wells at 347. While companies are still exploring and developing many eastern counties of Ohio, the primary focus over the last several months has been in Harrison, Guernsey, Belmont, Monroe and Noble counties. Combined, these five counties have 165 permitted wells, 175 wells drilled or being drilled, and 56 producing wells. Page 6 of this Newsletter contains a table outlining the Utica/ Point Pleasant well count and companies permitting these wells for each county.

Belmont County Boosts Top 2 Biggest Wells in the State: Currently, Antero has the best producing well in Ohio with the Yountz well located in Belmont County initially is producing 38.9 million cubic feet per day. Recently, Gulfport Energy struck big in its first gas-only well in Belmont County; the Irons 1-H well in Washington Township, Belmont County initially produced more than 30.3 million cubic feet of natural gas per day. This production number makes this well the No. 2 best-producing well in Ohio. Gulfport has recently partnered with Rice Energy in developing Belmont County. Gulfport plans to drill 85 to 95 gross wells in Ohio in 2014 and plans to spend \$250 million in leasing Ohio mineral rights. Read more at <http://www.ohio.com/news/local/gulfport-energy-strikes-it-rich-with-its-first-gas-only-well-in-ohio-s-belmont-county-1.442908>.

New Name but "Old" Player Back in Ohio: American Energy, a new company headed by Aubrey McClendon, former Chesapeake Exploration co-founder, is actively leasing Ohio minerals rights. McClendon recently received \$1.7 billion in shale play financing and he plans to use this money to drill 110,000 net acres in south eastern Ohio. Currently, American Energy has one rig in Ohio and recently acquired 24,000 acres in Guernsey County, Ohio. American Energy also announced a joint venture agreement with Red Hill Development to explore the Utica Shale deposits in Guernsey and Harrison counties. Read more: <http://www.ohio.com/blogs/drilling/ohio-utica-shale-1.291290/mcclendon-acquires-24-000-acres-in-ohio-s-guernsey-county-1.439845>, <http://newsok.com/mcclendons-new-company-lands-1.7b-in-financing/article/3891495>, and <http://www.timesreporter.com/x1803297693/Joint-venture-in-Utica-Shale-a-boost-to-Tusc-economy#ixzz21JB0VBIO>.

Trumbull County Awaits its Future: BP America expects to make an announcement early 2014 about whether it intends to go forward with Utica operations. BP currently has roughly 105,000 acres in northeast Ohio and has drilled and completed four wells in Trumbull County, Ohio. BP plans to drill a total of ten exploratory wells. Halcon Resources recently announced they had a low success rate in northern Trumbull County and were disappointed with the results of their wells. Halcon has decided to shift its focus to southern Trumbull County and northern Mahoning County. Read more at <http://www.ohio.com/blogs/drilling/ohio-utica-shale-1.291290/bp-america-likely-to-decide-utica-shale-future-in-early-2014-1.446040> and <http://the-daily-digger.blogspot.com/2013/11/halcon-resources-chairman-says-companys.html>.



***Landowner Groups and
Other Ohio Counties
Where Emens & Wolper
Assists Landowners:***

Black River Landowners
Association-- Lorain County

Central Ohio Landowners
Association—Richland &
Ashland counties.

Coshocton County Landowners
Group-- Coshocton &
Northeastern Muskingum
counties.

Jefferson County Landowners
Group—Jefferson County.

Mohican Basin Landowners
Group--Ashland, Wayne, &
Holmes counties.

Muskingum Hills Landowners
Southeastern Muskingum
County.

Perry County Landowners
Group-- Perry County.

Resources Land Group--
Licking and Southeastern Knox
County.

Smith Goshen Group--
Belmont County.

Ashland, Ashtabula, Athens,
Carroll, Columbiana,
Delaware, Fayette, Franklin,
Geauga, Guernsey, Hardin,
Harrison, Highland, Hocking,
Holmes, Mahoning, Marion,
Meigs, Monroe, Noble,
Pickaway, Portage, Ross, Stark,
Summit, Trumbull,
Tuscarawas, Union,
Washington, Wayne and
others.

Exploration and Development Update Continued

Companies Selling Leased Minerals: Chesapeake is offering for sale its “non-core” Ohio assets that includes 510,847 gross acres in 19 Ohio counties including Summit, Portage, Stark and Wayne. EnerVest has opted to sell most of its Utica Shale leases and acquire assets in the US Mid-Continent, Uinta, Barnett and San Juan areas. EnerVest won’t be leaving Ohio, however, because the company has 8,700 producing wells around the state, including nearly 1,800 in Stark County. EnerVest plans to continue drilling in other Ohio oil and gas formations, but just not the Utica Shale. Read more: <http://www.cantonrep.com/x409755822/EnerVest-ponders-direction-with-Utica-Shale#ixzz2IJLPtonC>, <http://www.ogfj.com/articles/2013/11/enervest-updates-on-acquisition-activities.html> and <http://www.ohio.com/news/chesapeake-energy-reports-natural-gas-production-is-starting-to-climb-in-ohio-s-utica-shale-1.442907>.

Companies Going Public and Expanding Acreage: Eclipse Resources is considering an IPO early in 2014. Currently, Eclipse has over 90,000 acres in Ohio’s Utica Shale area and another 20,000 acres in Ohio’s Marcellus Shale. In June of 2013, Eclipse announced its purchase of The Oxford Oil Company, a large long time Ohio based producer. Eclipse is planning a drilling program in Harrison, Guernsey, Noble, Belmont and Monroe Counties. Eclipse indicated it is looking to add leases. Rice Energy, a privately-held natural gas exploration and production company, is also planning for an initial public offering. Rice has acquired a large position in eastern Belmont County and said the company could be valued at as much as \$2.5 billion. See more at: <http://www.eclipseresources.com/eclipse-resources-acquires-the-oxford-oil-company-in-the-utica-shale/#sthash.RdUwSNzd.dpuf>, <http://www.reuters.com/article/2013/11/05/us-eclipse-ipo-idUSBRE9A414N20131105> and <http://www.reuters.com/article/2013/10/16/us-rice-energy-idUSBRE99F0W720131016>.

From Coal to Gas?: Consol Energy, a Pittsburgh-based coal and natural gas producer, is planning to shift its focus to gas rather than coal development. Consol has 150-year-old roots in Appalachia coal country, but appears eager to build deeper roots in gas and gas liquids. Consol's geologists have targeted a specific area in Ohio called “The Pickle”; the shape of the area the company is targeting with the richest gas-bearing region in Ohio's Utica Shale formation that includes Ohio's Carroll and Jefferson counties in the north to Washington County in the south. Consol also plans to boost its stake in the Utica shale play through a joint venture that will develop pipelines and processing facilities in southeast Ohio. Read more at <http://www.bizjournals.com/columbus/news/2013/10/16/consol-energy-to-build-pipelines.html> and <http://www.eenews.net/stories/1059989945>.

Quarterly Production Reporting: Effective September 29, 2013, Ohio changed its production reporting rules to quarterly for all horizontal wells. This is a change from the previous law that required only annual production reporting.



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, succession planning for family businesses, and purchases and sale of businesses.



Exploration and Development Update Continued

Continued Strong Well Results: PDC recently announced it is very pleased with the strong production from its first Utica wells. PDC drilled its first horizontal Utica well in Ohio, the Garvin #1H in Washington County, and it is producing at a flow rate of 1,530 Boe/d. Atlas Resources connected its first Utica wells in northern Harrison County in September of 2013. Early results from these wells indicate a higher level of high-grade condensate than Atlas originally expected. Atlas's production has been slowed by the fire at the Blue Racer Midstream's Natrium plant in West Virginia. Chesapeake Exploration is the No. 1 player in Ohio's Utica shale. To date, the Oklahoma energy giant has drilled 377 wells in the Utica shale that covers eastern Ohio and spills over into western Pennsylvania and West Virginia. In the third quarter of 2013, Chesapeake connected 63 wells to pipelines with the average peak daily production for those 63 wells about 6.6 million cubic feet of natural gas equivalents per day. Read more at <http://www.businesswire.com/news/home/20131016006577/en/Atlas-Resource-Partners-L.P.-Operational-Financial-Update>, <http://www.ohio.com/news/chesapeake-energy-reports-natural-gas-production-is-starting-to-climb-in-ohio-s-utica-shale-1.442907>, and <http://www.ohio.com/blogs/drilling/ohio-utica-shale-1.291290/pdc-pleased-with-strong-production-from-first-utica-wells-1.441552> and

Infrastructure & Pipeline Update

\$12 BILLION So Far: As of November 16, 2013, Rick Simmers, Chief of the Ohio Department of Natural Resources' Division of Oil & Gas Resource Management, said that Ohio has seen more than \$12 billion in gas-processing plants and pipeline investments in the Utica shale. To date, there are at least 21 processing plant projects planned for the state. These projects are all in different phases of planning and construction. Companies are also extremely busy expanding the "spider web" of pipelines that will crisscross eastern Ohio. Read more at <http://www.ohio.com/blogs/drilling/ohio-utica-shale-1.291290/ohio-gets-12-billion-in-pipeline-processing-plant-investments-1.445369>.

Processing Plants Opening: Three new processing plants came online in Ohio. The NiSource Midstream and Pennant Midstream project called Hickory Bend Processing Plant in New Middletown south of Youngstown is now online. The M3 Midstream, Access Midstream Partners and EV Energy Partners opened its Utica East Ohio Buckeye Harrison Hub facility in Scio, Harrison County. MarkWest Utica EMG has started up its first cryogenic gas processing plant at its Seneca complex in Noble County. These processing plants are absolutely critical for development in the state. Read more at <http://www.ogj.com/articles/2013/11/markwest-starts-marcellus-utica-cryo-plants.html> and <http://www.bizjournals.com/columbus/news/2013/10/25/kasich-heading-to-utica-shale-play-to.html>.

Housing Demand: Corporex Cos. said it plans to build five hotels in eastern Ohio to meet the housing demand generated by the activity in the Utica Shale play. The company has broken ground on two of the five hotels in south Canton and Carrollton. The next three hotels are planned for Canton, St. Clairsville and third site is undetermined at this time. Read more at <http://cincinnati.com/blogs/developingnow/2013/11/12/nky-developer-planning-5-hotels-near-utica-shale-plays/>.



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Educational Articles*

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Infrastructure & Pipeline Update Continued

Athens County Injection Well: As we previously reported, there is an oil and gas waste injection well, the K&H Partners #2 well, proposed for eastern Athens County. If approved, this permit would make the injection well complex the largest in the state. On November 20, 2013, Athens County Commissioners heard landowner concerns with over 160 people in attendance. At this writing, the permit has not been approved. Read more at <http://www.ohio.com/blogs/drilling/ohio-utica-shale-1.291290/160-people-attend-athens-meeting-on-ohio-s-injection-wells-1.446223>.

Oil and Gas Related Litigation Update

Termination of Lease for Broad Secondary Term: Belmont County, Judge Frank Fregiato ruled that an oil and gas lease was void from the beginning because the lease stated it would extend past the primary term if there was production or the capacity to be productive in the lessee's opinion. The Judge indicated that "Essentially it [the lease] could go on forever," and Oxford can "keep these individuals bound up with really no production or no benefit to the landowner."

Termination of Lease for Option to Renew: U.S. District Judge Algenon Marbley in federal court held that a lease executed in 2007 on property in Jefferson County, Ohio had lapsed because the Lessee (Hess Corp.) failed to drill within the primary term even though Hess paid landowners an option fee. "The court found that the Cameron lease and order of payment are ambiguous as a matter of law." As such, the court held that even though an option payment was made by Hess to the landowners, at most [the company has] six years to commence drilling." This decision could have an impact of terminating 300 plus other leases executed from 2006-2008 in Jefferson, Harrison and Belmont counties signed primarily with Mason Dixon. Hess indicated it plans to appeal this decision.

Suit Against Attorneys: Beck Energy recently filed a lawsuit against two Akron attorneys and two Akron law firms. Beck argues that the lawyers encouraged landowners in Monroe County, Ohio to retain them in order to terminate what Beck describes as a binding legal agreement with Beck. Beck alleges the attorneys interfered with its existing contracts with the landowners.

Class Action Royalty Underpayment Lawsuit: A class action lawsuit was filed against Chesapeake Exploration on July 17, 2013 in the District Court, Northern District of Ohio, Eastern Division. The landowner filing suit alleges that Chesapeake improperly deducted costs from the landowners royalty. Similarly, another suit on this same issue was reversed by the Sixth Circuit Court of Appeals thereby allowing a class action lawsuit to proceed against Chesapeake for claimed underpayment of royalties in 1993 and 2000.

Home Run Rule Lawsuit: The Ohio Supreme Court has decided to hear an appeal of Munroe Falls v. Beck Energy case where Beck Energy is fighting with the city of Munroe Falls over its effort to regulate Beck's drilling activities. The Ohio Supreme Court will be asked to determine whether or not Munroe Falls can regulate Beck's activity. The 9th District Court of Appeals reversed some of the trial courts decision that Munroe Falls could regulate Beck's activities.



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According to the Ohio Department of Natural Resources 11/16/2013 report, a total of 988 horizontal wells in Ohio have been permitted and 606 horizontal wells drilled. Please note that there is often considerable time between when a well is drilled and when it is fraced, and then usually ninety to one-hundred twenty days after fracing before completion of the well. Below is the ODNR's summary by County:

County	Permitted	Drilling	Drilled	Producing	Companies
Ashland	0	0	1	0	Devon (1)
Ashtabula	1	0	0	0	BEUSA Energy (1)
Belmont	36	11	5	6	XTO (3), Gulfport (38), Hess (13), Rice (4)
Carroll	96	5	143	103	Chesapeake (323), EnerVest (5), R E Gas Development (18), Sierra Resources (1)
Columbiana	36	1	47	8	Chesapeake (83), Hilcorp (3), Atlas (3), Sierra Resources (1), SWEPI LP (1)
Coshocton	4	0		1	Anadarko (3), Devon (2)
Geauga	1	0	0	0	Chesapeake (1)
Guernsey	31	8	12	10	Anadarko (3), Carrizo (4), Chesapeake (9), Devon (3), EnerVest (5), EQT (7), Gulfport (11), Hess (4), PDC (9), R E Gas (5), Rice (1)
Harrison	53	26	45	25	Atlas (5), Chesapeake (65), Chevron (7), Gulfport (42), Hess (20), Eclipse (10)
Holmes	3	0	0	0	Devon (3)
Jefferson	11	0	19	6	Chesapeake (30), CNX Gas (1), EnerVest (1), Hess (4)
Knox	1	0	1	0	Devon (2)
Mahoning	21	1	7	0	CNX Gas (3), Chesapeake (11), Hilcorp (12), Halcon (3)
Medina	0	0	1	0	Devon (1)
Monroe	24	12	15	4	Antero (12), Eclipse (9), Hall Drilling (4), HG Energy (22), XTO (2), Triad Hunter (4)
Morgan	3	0	0	0	PDC (3)
Muskingum	2	0	0	1	Anadarko (2), EnerVest (1)
Noble	21	18	23	11	R E Gas (3), EnerVest (1), CNX Gas (24), Antero (41), Anadarko (4)
Portage	6	1	6	2	Chesapeake (6), CNX Gas (1), Mountaineer Keystone (7)
Stark	6	0	5	2	Chesapeake (10), EnerVest (3)
Trumbull	7	1	5	2	CNX Gas (1), Halcon Operating (8), BP (4), Brammer (1)
Tuscarawas	12	0	1	2	Chesapeake (6), CNX Gas (7), Sierra (1), EnerVest (1)
Washington	7	0	2	0	Triad Hunter (3), PDC (5), Em Energy (1)
Wayne	0	0	0	1	Devon (1)
TOTAL	382	84	338	184	

Based on ODNR records. See <http://www.ohiodnr.com/oil/shale/tabid/23174/Default.aspx> for more information.