



## SERCNote #2

### Ohio Shale Development: Responding to Landowner's Issues and Needs

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“Oil has been struck in Monroe County. Farmers will be beset on every hand by speculating fakirs as well as by genuine producers to lease their lands for the purpose of drilling for oil and gas. To these farmers we offer a word of advice: Don't sign your name to a lease until you have submitted it to an attorney in whom you have confidence. There is no occasion for haste. Strangers may assert that your leasing immediately will expedite the development of the field and your failure to lease will retard operations. This ought not to influence any one. There will be many opportunities for leasing advantageously. Look before you leap.”

In line with much of the advice circulating today in eastern Ohio, the preceding statement appeared well over 100 years ago, on April 16, 1891 in the Woodsfield, Ohio *Spirit of Democracy* newspaper. In those days, the state's timber, clay, and iron were in demand. So were its energy resources, especially coal but also oil and gas. More than a few landowners approached to sell or lease their resources were swayed by the prospect of easy wealth, and they sometimes signed contracts with developers without understanding all the risks and consequences.



Eastern Ohio is undergoing another energy boom, and landowners are facing choices similar to what their predecessors dealt with before the turn of the 20th century. Since 2005, when the leasing of resources for shale development began to spread into Ohio from Pennsylvania and West Virginia, Ohio State University Extension has filled the resulting demand for reliable information. For years, up-front bonuses received in return for leasing subsurface rights were little more than \$10 per acre. These payments began to rise, however, after 2009 and currently exceed \$5,000 per acre. OSU Extension has presented “Basic Lease Considerations” multiple times, and also offers a complementary presentation, “Process and Implications of Horizontal Drilling,” in recognition of the major technological advances that have made shale energy development possible and the important consequences of these advances for landowners who have signed leases.

The “Process and Implications of Horizontal Drilling” presentation focuses on hydraulic fracturing as well as horizontal drilling, and explains the well pad size and the sequence of development, starting with exploration. Additionally, updates on the energy industry are provided, from shale drilling in Ohio through trends in global markets. Stakeholders who decide to lease resources after viewing this presentation are then provided the complementary presentation on basic lease considerations.



In combination, these presentations developed by OSU Extension better positions landowners to assess the potentially life-changing impact of horizontal drilling on their properties. More than a few have or will become wealthy, which may not be a benefit if poor financial management causes bonus payments and royalty income to be squandered or if conflicts arise with relatives and neighbors. Jobs have been created, within the energy industry as well as in other sectors of the economy, which helps communities and entire counties that for have lagged the rest of the state in employment and average earnings. Communities can also change for the worse, however, as traffic increases and strains are placed on infrastructure. Air, water, and noise pollution can increase as well.

By design, the two Extension presentations leave audiences pondering a fundamental question: How much change in your property and community will you accept in return for a more secure financial future made possible by bonuses and royalties?

The basic leasing and horizontal drilling presentation has been offered in most Ohio counties with potential for shale energy development. Evaluations have been distributed at 16 sessions, out of more than 50 that have taken place to date, with 1,874 voluntary responses received. Individuals who have completed the evaluations were asked how many acres they control that might be leased. Their combined response exceeded 200,000 acres, which is comparable to 5 percent of the 4 million acres currently leased for shale development. Ninety-nine percent of the people who completed evaluations indicated they had gained new information from the OSU Extension presentations. Of the same group, 98 percent indicated that the knowledge shared by OSU Extension will help them make a more informed decision about leasing.

As drilling into shale deposits has progressed, new presentations have been developed to update landowners and other stakeholders on midstream investment (e.g., new facilities to process natural gas liquids), pipeline construction, statewide trends in drilling, and wealth management.

Fulfilling its mission as a land-grant institution to serve the state, and working closely with OSU Extension, Ohio State's Subsurface Energy Resource Center website provides more detailed information on shale energy resources development, environmental issues, leasing, pipeline routes, wealth management, and other topics. Click on the OSU Extension Shale Library link to view all the informational fact sheets and links.

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**Subsurface Energy Resource Center:** <http://serc.osu.edu>

**Basic Lease Considerations:** <http://serc.osu.edu/extension/leasing-your-mineral-rights>

**Process and Implications of Horizontal Drilling:** <http://serc.osu.edu/extension/shale-development-and-exploration>