

Current climate of Ohio's gas and oil industry

By David J. Wigham | Attorney Published: February 5, 2016 8:15 AM



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The oil and gas industry, both in Ohio and throughout the world, is currently experiencing a very difficult economic environment. As of January 18, 2016, oil prices are trading around \$30 per barrel and natural gas prices are similarly depressed. Because of these low prices, Ohio Utica producers are idling rigs, shutting-in wells, laying off employees, and delaying drilling new wells. Despite this grim news, however, there are very positive indicators for the Ohio oil and gas industry once prices rebound. As we wait for the Ohio Supreme Court to rule on a number of Ohio Dormant Mineral Act cases, this article will provide an update of the news coming out of the Ohio oil and gas play and industry and underscore some opportunities available to landowners.

Utica Shale in Ohio

The Utica Shale play is the most profitable and most efficient shale play in the United States. The rock is very high pressure, which means natural gas is easier and less expensive to produce. Ohio has the capability to produce oil, dry natural gas, used for heating, and natural gas liquids, such as propane and ethane. Most of the current Ohio production is focused on dry natural gas because it is more cost effective to produce. In fact, as of August 2015, five out of ten of the most productive dry gas wells ever drilled in the Utica Shale formation (which includes Pennsylvania and West Virginia) were drilled in Belmont County and Monroe County, Ohio. Further, production efforts in Ohio are behind other Utica Shale states, such as Pennsylvania, which means when prices rebound, there are still many

areas in Ohio ripe for exploration. According to the U.S. Geological Survey, Utica producers must drill more than 30,000 wells in order to fully develop known Utica Shale reserves in Ohio, using current technology. To date, only 2,117 Utica Shale wells have been permitted and 1,670 wells have been drilled in Ohio, meaning that we are still in the very early stages of the Utica Shale play.

Pipeline Construction in Ohio

Despite the slowdown on the drilling side, the midstream services aspect of the Utica play is still booming, because Ohio currently lacks the pipeline infrastructure and capacity to support the transportation and processing of its vast shale gas reserves. There are many pipeline projects currently underway in Ohio, such as the Rover Pipeline, Nexus Pipeline, and Utopia Pipeline, just to name a few. The construction of these pipelines will not only create jobs in the areas of the state where they are being built, but they will also allow drillers to sell the natural gas they produce at higher prices. Further, these pipeline operations will generate millions of dollars in new annual tax revenue for the municipalities where the pipelines are located. This tax revenue can be spent on schools, police, fire departments, hospitals, etc. Landowners stand to benefit from the new pipelines through higher royalty payments from producers who will receive higher prices from the natural gas they produce and from increased tax revenues to support their local communities. However, landowners affected by any pipeline project must be careful when negotiating right of way terms and adequate compensation. It is highly recommended that any landowner involved in a pipeline project seek the assistance of an experienced oil and gas attorney and not attempt to do it alone.

[\[See also - *Negotiating extending undrilled shale leases*\]](#)

Proposed Ethane Cracker Plant in Belmont County, Ohio

PTT Global Chemical has proposed building a \$5.7 billion ethane cracker plant in Belmont County, Ohio. An ethane cracker takes ethane, a component of natural gas, and heats it up to create ethylene. Ethylene is a chemical used to produce plastics, resins, adhesives and other synthetic products.

While the announcement of whether the plant will actually be constructed will not come until late this year or next year, PTT has said it will invest \$100 million for the initial design work, a promising sign. If this plant is built, it will create thousands of construction jobs and, once construction is complete, high-tech jobs in the area. The ethane cracker plant could have a hugely positive impact on the economy of Belmont County and other southeastern Ohio counties.

[\[See also - *The Utopia East Pipeline Project: A horse of a different color*\]](#)

What Does this Mean for Ohio Landowners?

Unquestionably, we are in the middle of a major downturn in the oil and gas industry. However, for Ohio landowners, this may be the best time to address any issues affecting title to the minerals of your land, such as prior mineral reservations or old oil and gas leases that are not held by wells that are producing in paying quantities. The Ohio Supreme Court is poised to rule on several pending Ohio Dormant Mineral Act (“ODMA”) cases, and once they do, the “winners” and “losers” under the ODMA will be settled law. Therefore, now may be the time to bring your ODMA quiet title action, especially if your claim to the minerals is unclear. In addition, many landowners have shallow wells on their property drilled under old oil and gas leases which produce little to no oil and gas and generate very low royalty payments. Shallow wells must be “producing in paying quantities” to hold an oil and gas lease (which usually covers the valuable Utica Formation). Lower prices make it more difficult for operators to produce a well in paying quantities. This should make it easier for landowners to terminate an old oil and gas lease for non-production. By addressing these issues now, you will be in the best possible position to take advantage of any rebound in the oil and gas industry.

David J. Wigham is a second-generation Ohio oil and gas attorney with nearly 25 years of experience in the industry. Effective January 1, 2016, Mr. Wigham joined the law firm of Roetzel & Andress, and maintains offices in Akron and Wooster, Ohio.