On December 4th, State Representative Matt Huffman (R-Lima) introduced House Bill 375, a comprehensive oil and gas tax reform package. The package, as currently proposed in the “As Introduced” version of the bill, involves reducing taxation for Ohio’s conventional producers, the creation of tax offsets for specific taxes paid by the industry, more dedicated funding to the state’s Orphan Well Program, and a modernization of the state’s severance tax rate on horizontal well production.

The bill itself revolves around four core points. First, the bill reduces severance taxes paid on all conventional wells in the state of Ohio by 50%. This is done by first eliminating Ohio Revised Code Section 1509.50 – the “regulatory cost recovery fee” enacted into law during the Senate Bill 165 debate. This fee – which acts for all intents and purposes as a severance tax per law – would reduce the rates currently paid on conventional production by $0.10 per barrel and $0.005 per mcf amount. Additionally, the minimum severance tax associated with the regulatory cost recovery fee would also be eliminated. Severance taxes on natural gas produced from conventional wells is lowered an additional $0.01 due to its intrinsic heating value and the current state of natural gas production.

As it pertains to severance taxes levied on horizontal production (wells that are producing from the Utica, Marcellus, and Point Pleasant formation and have been hydraulically fractured) are modified from its current state. Instead of allocating the tax on a per unit basis, the horizontal severance tax is based upon gross receipts. For the first five years of production, oil and gas severed from a horizontal well will pay 1% of the owner’s net proceeds. For the following years of production, the well will pay 2% of the owner’s net proceeds. The severance tax paid on crude oil or natural gas will revert back to the 1% level when the well produces less than 100 mcf of natural gas or 17 barrels of oil based upon a daily average during a calendar quarter.

The revenues created by the horizontal well severance tax will go towards funding the state’s oil and gas regulatory program first. In keeping with the tradition of the state’s current severance tax, the revenue collected from horizontal well severance tax will be split 90% to the Division of Oil and Gas Resources Management and 10% to the Ohio Geological Survey.

Once the regulatory program is properly funded, additional revenues will be applied to the Idle and Orphan Well Fund. The bill calls for up to 50% of the remaining funds to be used for the plugging of idle and orphaned oil and gas wells across Ohio for the next fiscal year. Additional funding for this program has been discussed recently in an effort to address this authentic environmental issue.

Finally, any additional revenues from the horizontal well severance tax fund will be attributed to the state’s personal income tax reduction fund to reduce the state’s current personal income tax.

Finally, the bill calls for two new offsets to be created for those paying the horizontal well severance tax. Taxpayers who pay horizontal well severance tax will be provided an offset against their personal income tax and/or their commercial activities tax liabilities. This offset may be carried forward for up to seven succeeding years if the taxpayer’s severance amount is larger than their other paid rates.

“House Bill 375 moves Ohio in the right direction as we responsibly explore our energy options right here in our state,” noted Rep. Huffman in a statement released upon the bill’s introduction. “It encourages job creation, benefits Ohio’s taxpayers, and prioritizes environmental issues, which puts us in the best possible position to take a fair and balanced approach to domestic energy exploration. This is a pragmatic, rational approach that will benefit all Ohioans.”

Continued on page 6
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I am sure that every incoming Ohio Oil and Gas Association President desires to leave their own “small fingerprint” during their tenure in this position. My desire is to convince each and every one of you to become Ambassadors for the domestic oil and gas industry.

Many of the issues this Association faces are ongoing and inevitable. The issues of taxation, over-regulation, access to the resource base, cyclical pricing and cyclical economies will always be challenges.

In addition to all the obvious challenges facing our industry today, we now find ourselves in a mortal battle with a new, well-funded enemy. This enemy gets up every day and plots to shut down your domestic oil and gas industry. They desire to deny you your ability to do your job and provide for your family. This new enemy is the anti-development crowd, the “well haters”, as Tom Stewart refers to them.

If you are one of the 3,200 members of the Ohio Oil and Gas Association, we need your unwavering support today. Standing on the sideline of this battlefield is no longer an option. We cannot allow the staff of OOGA, the Ohio Oil & Gas Energy Education Program (OOGEEP) and Energy In Depth - Ohio to tell our story and fight our battle alone. This job is too big and the stakes are simply too high.

Each and every one of us has our own unique set of communication skills. You probably have more people that respect your opinion and are interested in what you do than you realize.

There are at least two things that you can do immediately to have a positive impact in this battle:

First, practice explaining the various processes that we use to drill and complete our wells to your friends and family. Practice explaining in layman’s terms just what really happens when we hydraulically fracture a well. Learn to explain how we run multiple layers of casing and multiple sheaths of cement in the well to protect the ground water. Learn how to explain that Ohio’s regulatory structure is one of the most modern and rigorous in the United States.

To help you in this effort, OOGA engaged a dynamic speaker for the 2014 Winter Meeting to give you the advice and tools you need to become an effective communicator. Be sure to attend Alex Epstein’s presentation on Thursday, March 6 titled “How to Be an Oil Champion” and learn how to reframe the debate. Learn the keys to winning the hearts and minds of the general public. As energy providers, we should take a backseat to no one. It’s time to go on offense.

Second, we need for you become engaged in the political process. As Jerry Jordan has stressed to us for literally decades now, you need to know your state representative and state senator on a first name basis.
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Ohio Oil & Gas Association Bulletin – www.ooga.org  
January 2014
ODNR released the production reported for the third quarter of 2013 on New Year’s Eve. And it’s significant. By way of production history, let’s look at where we’ve been. In 1985, Ohio produced 12.3 million barrels of oil and 125 billion cubic feet natural gas (231 BCFE - billion cubic feet equivalent). The Clinton sandstone accounted for the majority of production that year, 210 BCFE (91% of the total). A steady decline was arrested in the early 1990’s by the development of the Cambro-Ordovician Knox Trempealeau, Rose Run, and Beekmantown, but pricing woes in 1998 and 1999 pushed Ohio production back into a decline that was tempered by the Knox but not enough to hit a period bottom of 99 BCFE produced in 2009. Urban drilling provided a modest boost to the Clinton reserves of the state, though it was only about as much as older wells coming back on line in 2012.

In 2011, Ohio produced 4.4 million barrels of oil and 80 billion cubic feet of gas, or 106 BCFE. A new formation recorded production in 2011. Nine lonely wells in the Utica/Point Pleasant recorded 46,327 barrels of oil and 2.6 billion cubic feet of gas, 2.8 BCFE, or 2.6% of the total production for the year.

Continued on page 6
In 2012, Ohio produced 4.4 million barrels of oil and 78 billion cubic feet of gas, or 104 BCFE. Of that, the Clinton, at its lowest level in recorded history (since 1984) accounted for 64 BCFE (~61% of the total). The 81 wells in the Utica/Point Pleasant produced 635,876 barrels of oil and 12.8 billion cubic feet of natural gas (16.7 BCFE), about 16% of the total production for the year.

On comes 2013. Midstream build-out and continuous drilling in the Utica/Point Pleasant play is making for a really impressive turnaround for production in the State of Ohio.

The New Year’s Eve release of the Utica/Point Pleasant production numbers for the third quarter of 2013 should cause everyone to gasp. In short, they are impressive. 240 wells reported 1,332,447 barrels of oil and 33,606,075 thousand cubic feet of gas, or 41.6 BCFE.

Impressive growth for Utica/Point Pleasant production; 2.8 BCFE (2011), 16.7 BCFE (2012), and 41.6 BCFE for the third quarter of 2013.

What might 2013 look like once all the production reports are in and tabulated? Here is one estimate for total projected production for 2013; 8.5 million barrels of oil, 185 billion cubic feet of gas, or 236 BCFE. This represents a 227% increase in production from the prior year. Included in this projection are production estimates for 293 Utica/Point Pleasant wells, 4.7 million barrels of oil and 120 billion cubic feet of natural gas, or 148 BCFE, 62% of the total production for 2013.

The bill has received strong support from the Republican leaders of the Ohio House. As previously stated, the bill was sponsored by Rep. Huffman, who is also the Speaker Pro Tempore, and is co-sponsored by Speaker of the House William G. Batchelder. It should be noted that Speaker Batchelder rarely co-sponsors legislation. Other co-sponsors of note include State Representatives Ron Amstutz (Chair of the House Finance and Appropriations Committee), Dave Hall (Chair of the House Agriculture and Natural Resources Committee), Peter Beck (Chair of the House Ways and Means Committee), Majority Floor Leader Barbara Sears, Majority Whip Cheryl Grossman, and Assistant Majority Whip Jim Buchy. The bill had a total of 18 co-sponsors.

Speaker Batchelder released a statement on the proposal, noting the bill’s balance between the need for clarity to develop Ohio’s shale resources and protecting the environment:

“This tax reform proposal is a comprehensive, carefully constructed piece of legislation that incorporates many important aspects of oil and gas exploration in Ohio. As Ohio moves toward a significant energy-based economy, House Bill 375 will not only provide much-needed clarity about severance taxes and regulations, but also takes significant steps to protect the environment and ensure that energy exploration in Ohio is safe and responsible. While I did not support previous proposals to institute a severance tax on the oil and gas industry, I believe that this legislation accomplishes many of the goals that needed to be addressed and can give Ohioans confidence in the process.”

The bill was referred to the Ways and Means Committee, where it received a first hearing for sponsor testimony on December 10th. Rep. Huffman endured two hours of questions from the Committee. Those questions generally involved the explanation of the bill’s key elements, along with suggestions for where the additional funding from horizontal well severance taxes should be applied. Suggestions included local government funding to the statewide funding of Ohio’s school systems, amongst others.

When the legislature reconvenes in January, it is expected that the House will quickly work on the bill. Initial reports have stated that the House would like to pass the bill by the end of January. Once passed, the bill will move on to the Ohio Senate for their consideration.

More importantly, they need to know you on a first name basis. I simply cannot stress enough that they need to hear from you about your issues and your industry. I can assure you the “well haters” are right there trying to misinform and distort the good works of your industry. Strive to become one of your legislators “go to” people on oil and gas issues.

Never underestimate the importance of your role in protecting our vibrant domestic oil and gas industry. You are helping to provide clean, abundant, inexpensive, domestic energy to a nation that is starving for more.

Regards,

David R. Hill
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Business Sessions
Trade Show
PAC Fundraising

Presidents Reception
Membership Awards
Hall of Fame 8th Honors Dinner

Register online at www.ooga.org
Schedule of Events

Wednesday, March 5, 2014

12:00 – 7:00 p.m.
Registration Desk Open (Coat Check)

10:00 a.m. – 12:00 p.m.
Government Affairs / PAC Committee Meeting (Easton C & D)

11:30 a.m. – 1:30 p.m.
Past President’s Council Luncheon (New Albany Boardroom)

12:00 p.m. – 1:30 p.m.
Commerce Midstream Committee (Easton E)

12:00 p.m. – 4:00 p.m.
Exhibitor Set Up

1:30 p.m. – 2:00 p.m.
Board/Committee Chairs Photograph (Regent 1)

2:00 p.m. – 4:00 p.m.
Board of Trustees Meeting (Easton C & D)

5:00 p.m. – 7:00 p.m.
Explorer Foundation Corporate Member Reception
(Invitation Only - Easton B & E)

6:30 p.m. – 9:00 p.m.
Hall of Fame 8th Honors Dinner

Thursday, March 6, 2014

7:30 a.m. – 7:00 p.m.
Registration Desk Open (Coat Check)

8:00 a.m. – 5:30 p.m.
Trade Show Open

7:30 a.m. – 9:00 a.m.
OGPUPS Annual Meeting (Columbus Boardroom)

9:00 a.m. – 11:30 a.m.
Business Session (Easton Ballroom)

11:30 a.m. – 1:00 p.m.
Society of Petroleum Engineers (SPE) Scholarship Luncheon
(Separate Registration Required - Regent 1, 2 & 3)

Thursday, March 6, 2014 (cont.)

1:00 p.m. – 4:30 p.m.
Business Session (Easton Ballroom)

4:30 p.m. – 5:30 p.m.
PAC Reception (Regent)

4:30 p.m. – 5:30 p.m.
Trade Show Reception (Hilton Halls and Trade Show Rooms)

5:30 p.m. – 7:30 p.m.
President’s Reception (Easton Ballroom)

Friday, March 7, 2014

7:30 a.m. – 12:30 p.m.
Registration Desk Open (Coat Check)

7:30 a.m. – 9:00 a.m.
Membership Breakfast (Regent)

7:30 a.m. – 12:00 p.m.
Trade Show Open

9:00 a.m. – 11:40 a.m.
Business Session (Easton Ballroom)

12:00 p.m. – 2:00 p.m.
Membership Luncheon and Awards (Easton Ballroom)
For the 67th year, OOGA brings together the top industry leaders from Ohio and the nation to provide the most current state of the oil and gas industry in business sessions and the trade show.

**Business Sessions**

* Note: Schedule is not final

**Thursday Morning Session 9:00 a.m. – 11:30 a.m.**

**Welcome, Challenges Past and Present**
Tom Stewart, Ohio Oil & Gas Association

**How to be an Oil Champion**
Alex Epstein, Center for Industrial Progress

**Crisis Management in the 21st Century**
Melissa Agnes, Melissa Agnes Crisis Management

**Thursday Afternoon Session 1:00 p.m. – 4:30 p.m.**

**DeBrosse Report** (tentative)

**Legal Developments and Implications 2013**
Jonathan Airey, Vorys Sater Seymour & Pease

**CEO/Executive Panel**
Moderator: OOGA President David R. Hill

**Legislative Update**

**Friday Morning Session 9:00 a.m. – 11:40 a.m.**

**Exploration Update and Activity**
Larry Wickstrom, Wickstrom Geoscience

**Midstream Update**
Frank D. Tsuru, M3 Midstream LLC

**Energy Markets**
Dr. Ronald Ripple, The University of Tulsa

**OOGEEP Update**
Rhonda Reda, OOGEEP

Visit www.ooga.org for additional event details including online registration, special events, sponsorship opportunities and exhibitor information.

**Register online at www.ooga.org**
Ohio Shale Counties See Drop in Unemployment

By: Anne Carto, Communications Coordinator

There is no denying the fact that Utica Shale development in Ohio has created wealth for landowners and produced incredible revenue for local governments. Now, we have more proof that the uptick in oil and gas development is helping families throughout eastern Ohio.

Unemployment rates are significantly dropping in five Ohio counties that are seeing Utica Shale drilling. From November 2010 to last month, the following decreases in unemployment have occurred:

- Carroll County: 12.7% to 7.6%
- Guernsey County: 12% to 8%
- Belmont County: 9.7% to 7.8%
- Harrison County: 12% to 7.7%
- Jefferson County: 13.4% to 9.7%

In just three years, counties saw as much as a 5.1% decrease in their jobless rate, putting a lot of families to work. OOGA's own Mike Chadsey commented on the figures to the Akron Beacon Journal last month:

“Exploration and production today within the Utica shale play by Ohio's oil and gas industry has lowered and continues to lower unemployment. More families in eastern Ohio are better off and more moms and dads have work thanks in large part to shale production either directly or indirectly.” (Unemployment is dropping in Ohio's Utica shale counties, 12/30/13)

As more midstream development occurs and more processing facilities come online, more oil and gas production can occur in these counties and throughout the eastern part of the state. More construction and production should mean more jobs for Ohioans. OOGA will keep you updated as the oil and gas industry brings more benefits to Ohio's communities.
ODNR Issues Revised Guidelines for Waste Substance Facilities

By: Brian Hickman, Director of Government Affairs

On December 18th, the Ohio Department of Natural Resources (ODNR) Division of Oil and Gas Resources Management (DOGRM) issued revised guidelines for facilities that recycle, treat, temporarily store, or dispose of brine or other waste substances related to oil and gas development. The guidelines are to address recent legislative changes included in House Bill 59 (state budget bill) before formal rules are established.

This June, language included in the final version of House Bill 59 clarified the authority of the ODNR-DOGRM to specifically state that recycling and temporary storage of brine and other waste substances were under their authority. Beginning on January 1, 2014, Ohio facilities that desire to recycle, treat, or temporarily store brine will be required to obtain a permit to do so. Since rules will not be in place before the January 1, 2014 deadline, the ODNR-DOGRM has established a procedure for approving and operating these facilities.

According to the ODNR-DOGRM website, any current or proposed facility may submit an application to the Chief in order to operate on and after January 1, 2014. The application must include five requirements, which include:

1. A completed application form signed by the person applying for the permit.
2. A map or aerial photograph of the proposed site.
3. A detailed explanation of the proposed process to store, recycle, treat, process, or dispose of brine and other waste substances from production operations. This explanation includes a general process flow schematic, overall and individual unit design flows and storage capacities, disclosure of chemical reagents (including MSDS and a description of their function), and any additional information required by the Chief.
4. Estimated volume of materials to be managed by the facility (daily, monthly, and annually).
5. Methods of documenting the type and volume of materials received, reused, and the disposition of materials from the facility.

Once this information is provided to the Chief, the application will be reviewed and a temporary authorization through a Chief’s Order may be approved (per the Chief’s discretion).

Once the rules package has been accepted and formally adopted by the Joint Committee on Agency Rule Review (JCARR), all facilities operating under a Chief’s Order will be required to obtain a permit pursuant to these newly instituted rules.

For more information on these guidelines, please visit the following link: http://oilandgas.ohiodnr.gov/industry/guidelines-for-waste-substance-facilities
The Association’s annual Oilfield Expo confirmed the Utica Shale is the real deal. Over 1,600 attendees made their way to Cleveland’s I-X Center for the premiere oil and gas industry event. Last year, OOGA was impressed with 124 vendors registering to exhibit and support the event. This year, the number grew to 212, clearly showing the confidence companies have in the play and Ohio’s growing industry. The event also drew over 14 reporters from various television, print outlets and trade publications looking for information about development, which shows that we are truly the voice of the industry in Ohio.

While vendors were able to make new business contacts, they and attendees could also get an update on the industry through our Fall Technical Conference and Oil and Gas Symposium. With the Ohio Department of Natural Resources recently approving the 1,000th Utica Shale permit, there is a lot to be discussed. To highlight a few, our own Vice President of Operations, Peter MacKenzie, gave an update on permits, locations, and the state of the play; Brent Breon of Blue Racer Midstream and OOGA Board of Trustees gave an update on midstream operations; and James Halloran, an energy analyst and OOGA Board of Trustee member provided insight on the anticipated future of the state’s oil and gas industry.

There was also a social aspect to the Expo that included the popular local band The Reaganomics at the I-X Center and a visit to Cleveland’s own Rock and Roll Hall of Fame. These two networking opportunities allowed both members and non-members to socialize and talk about their businesses in a casual setting.

Next year, we hope to further grow the Oilfield Expo. Registration is already open on the OOGA website for interested exhibitors to choose a prime booth location. If you have not been to the Expo within the last three years, plan on stopping by in 2014 for the must-see event. It is events like the Expo that help not only those involved in the industry, but also our political leaders and the general public, get an inside view of what’s happening in Ohio’s oil and gas industry.

Thank you to all of our sponsors, corporate members, board members, and staff for their continued support and help in hosting another successful, industry-wide event.
Thank You
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The Ohio Oil and Gas Association would like to thank the sponsors of our 2013 Oilfield Expo and Safety Congress. Your support ensured another successful event in promoting Ohio's growing oil and gas industry!

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Brian Chavez, Condevco, Inc.

How did you get into the oil and gas business?

This is my second career. I grew up in Farmington, New Mexico which is in the San Juan Basin gas field. I earned my degree in chemical engineering from the University of New Mexico and began a career at Intel Corporation making computer chips. I worked at Intel for about 14 years and I was fortunate to have met my wife Christy there who is an industrial engineer from Purdue. We had very successful careers there; she was the safety manager and quality manager and I was a process engineer and a process engineering manager. The story I tell everyone is that I went from working in a clean room ten thousand times cleaner than an operating room, to working in the oilfield where I'm up to my knees in mud and to my elbows in oil.

This brings me to this career. My wife's parents, Carl and Judy Heinrich, started and grew this company over the past 35 years. They asked us to move and join them in the company and effectively pass it on to the next generation. It was a big decision to leave our “Fortune 500” company careers, and after significant consideration, we felt there would be many challenges but potential opportunities and we wanted to take control of our own destiny. This was before the Utica or Marcellus excitement and the industry was fairly stable. This was also an opportunity to raise our two boys in a smaller town, so we moved to Marietta, Ohio seven years ago and started from there. Our boys (ages 7 and 10) love being able to go out to well sites and are solidly on track to become the 3rd generation in the business based on their interest in the industry as well as a fascination with rocks and dinosaurs.

It has been a lot of learning since then. I am fortunate to learn from my father-in-law Carl Heinrich who has been in the industry for more than 50 years as a petroleum engineer and a geologist from Marietta College. He is a good teacher, historian, and prominent figure in the industry. I’ve learned everything from him from theory, to practical applications, to the detailed history of the industry in southeastern Ohio. It’s like drinking from a fire hose—there’s only so much information that you can absorb at once. It has been a wonderful learning experience. Being a chemical engineer, it was not a difficult transition as a lot of the premises are based on the same principles that I learned as part of my degree.

What does Condevco do?

We are a family business which own and operate our own wells in Washington and Monroe counties. It is a company that my in-laws started with a few wells and has grown through drilling and acquisitions. It has provided a pretty good living from producing old “stripper” wells, for a lack of a better term, in addition to drilling a few new wells each year. You could take all the production we have from these wells and it wouldn’t amount to one of the new big deep ones. However, I believe the conventional wells are the backbone of the industry and they have value with the economy of scale and you don’t have a huge capital expense or steep decline curves to deal with.

You have a lease with four or five old wells on it and each one produces a little bit which adds up. We already have a pumper in the area and it doesn’t take much to run them. Conventional wells create a lot of jobs and provide value to the company, landowners, and local economies. The thing that is becoming somewhat of a challenge now is the new regulations and taxes. When you’re running a production-marginal well, every little bit will add up and can hurt the entire operation.

We have several service rigs, we have swab rigs, we have our own trucks and water hauling. We are pretty self-sufficient. We currently don’t do very much outside work. We generally do our own in-house work because we didn’t want to get caught in the situation where the “shoe-maker’s kid goes barefoot” because you’re always working on someone else’s stuff. We do work on some other wells when requested, but we don’t really advertise for it right now. We are always looking for future opportunities as the industry is evolving and we strive to be flexible and adapt to grow with it.

What are some successes or challenges you’ve faced with your company that you’d like to share?

There are a couple challenges. First, working in a family business, I read one of the previous Member Spotlights with Doug and Frank Gonzalez and it was a great story, but a little bit different because they are roughly the same age. When you have parents and children, it’s hard to balance family and business, but we have successfully learned from each other. My wife and I came in, had experience with Intel working with factories all over the world in addition to a billion-dollar flagship factory in which we were significantly a part of, so we felt we brought additional value. Coming in as business partners versus parent and child is a difficult transition, but we’ve made it through the hard part. We think we are stronger because of it and together we continue to operate and grow a strong business.

Embracing the industry as a part of the whole system and not a short term revenue source is important. You don’t want to chase off the industry. In addition to all of the visible industry economic impacts, you also get the benefits of the hotels, the housing, and the restaurants, etc. The industry shouldn’t
be burdened with additional taxes for creating an economic stimulus. The geology is good here, but there is good geology elsewhere in the country too. Additionally, regulations cannot be “one size fits all”. Well bore construction is extremely important no matter what kind of well is being discussed; however, well pads, roads, monitoring equipment, etc. are examples of items that may have different requirements for horizontal wells but would be unnecessary and cost prohibitive for conventional wells.

As far as successes, learning the business, making that transition, and transforming it into the next generation small business stands out. We have progressed to the next level where we now have iPads for all of our well tenders and they input the data at the wellsite and have the capability of real-time charting and historical information. They can effectively identify trends and the office has access to up to date information and meter readings. This has eliminated most of the paperwork for the welltenders. Change isn't always embraced, but it's really made their life a lot easier just being able to have access to a clearer picture on the old wells, do some research, and see how to improve production. That’s an example of the oil and gas industry changing. Horizontal wells have changed the future of this industry and we need to be able to embrace and benefit from the new technologies that it brings to the extent possible.

**How has your involvement with OOGA helped your company?**

I think just having insight into the process has been very beneficial. OOGA represents anyone from a landowner getting royalties, to a farmer with a couple wells on his property, to a company like ours, and to a very large independent company. In order to encompass that, it is almost like a sports agent trying to represent a player straight out of high school all the way to a player in the major league. They have different needs, abilities, and concerns. The breadth of what OOGA tries to represent and encompass is interesting. We’re a part of the conversation and understand that there is a lot of thought that goes into the issues knowing that you’re not going to make everyone happy balancing the needs of the industry. Helping others understand the process behind issue resolution has helped me look at the issues more in depth and from several viewpoints.

Another beneficial area from OOGA is the training and information. For example, if there is a regional or state wide issue, they inform the membership through regional producers’ meetings what the Association knows, what they’re going to do, and how members can comply. Along with weekly informational emails, tax seminars, winter/summer meetings, and trade shows, they have some things on the horizon that will be pretty beneficial too.

**Did the emergence of the Utica Shale positively affect you?**

Yes, it did. Ohio is very lucky to have the geology that it does. For our company specifically, through the efforts of my in-laws, they were able to keep a lot of these old wells going, which maintained leases and now we have a pretty respectable acreage position that we’re able to have conversations with large capital investors about. We have been very selective in talking with them to make sure we partner with someone who has the kind of the “wildcatter” spirit that we do. We didn't want to go with a company with which we weren't part of the process because we feel we have unique insight into this region's geology. We want the efforts and capital brought into the area to have the best chance of being successful so it would bring in future investments as well. We want partners that understand the industry, that have some risk tolerance, and will look at the play for the long run. We are in the unproven area of the state, but we think it is coming our way. We’re really excited about it and think there really is opportunity there. We think it is going to help our company grow and expand and I believe it will economically help the area tremendously.

**Do you have any advice for those trying to break into the oil and gas industry?**

Probably my biggest piece of advice is to value your integrity—be honest. You shouldn't try to get every last nickel out of someone or chase the quick dollar. Developing relationships is important. Let them grow and it will be very beneficial down the road. This industry booms and busts and a person needs to be able to weather the bust to benefit from the next boom. Not everyone needs to go to college; there are a ton of jobs out there. If you don't have a job in our industry, it is because you don't want one. You can start a career in this industry by being a well tender or a roustabout, and grow into a field supervisor and so on. You can have upper mobility if you want it. You don't have to be a welder or a truck driver—although there is a big demand for those jobs in the industry. Anything that takes on-the-job training like a rig operator that they can’t teach in a classroom, will help you have a career for life. All the old wells we have throughout Ohio constantly need attention and servicing. Office personal, accountants, attorneys, men, women, young, old—there’s a job for nearly every skill set.

**Is there anything else you’d like the readers to know?**

I'd say our story is fairly representative of the people and companies in Ohio’s oil and gas industry. I was a moderator for a session in last year’s Winter Meeting and I introduced myself by saying ’I’m ‘Big Oil’. Have you guys ever met ‘Big Oil’? It’s actually me, my wife, and my family that are ‘Big Oil’.” The vast majority of the producers are small businesses like us, it is not only the major companies you hear about through the press that are affected by polices, regulations or taxes. There is a place for both the conventional producers and the larger companies drilling the horizontal wells in Ohio. We can exist together as an industry, partner, and even learn from the past to make Ohio successful for many, many years to come.

*Want more? Check out our blog each month at www.ooga.org for video profiles on highlighted members!*
Sales Tax Revenue Continues to Climb in Ohio’s Shale Country

By: Shawn Bennett, Energy In Depth

Since Utica Shale development took off in 2011, companies have been investing a tremendous amount of capital in eastern Ohio. Billions of dollars are being spent to create much-needed infrastructure, developing well sites, and constructing regional headquarters for service companies. In addition, landowners have benefited from lease payments, businesses have seen an uptick in sales activity, and counties are having their roads improved on behalf of the companies operating in their communities.

This kind of investment translates to another often-unappreciated benefit: a significant increase in sales tax revenues. Going through the Ohio Department of Taxation’s sales tax distribution website, the true impact of that increased revenue is revealed: Over the past two years, counties with Utica Shale activity have all experienced remarkable increases in sales tax apportionment.

Consider: In 2011, the total sales tax apportionment for just five counties — Carroll, Harrison, Noble, Guernsey and Belmont — was more than $15.5 million. But by 2013, revenue jumped nearly 50 percent to $22.9 million.

Let’s take a closer look at how oil and gas development is rejuvenating eastern Ohio’s economy, county by county.

**Carroll County**

In 2011, Utica Shale development was just beginning to take off in Carroll County. Since that time, Carroll County has continued to be the top permitted county in the state with 360 Utica permits. In 2011, Carroll County’s sales tax apportionment was $1,933,378.81. As development continued to increase in the county, so did tax revenue: activity in 2012 brought in $2,551,864.99, representing a 32% increase in apportioned funds for the county.

At the end of 2013, Carroll County’s growth continues – and doesn’t look to be slowing down anytime soon. In 2013, Carroll County brought in $3,279,914.92 in sales tax apportionment. The growth from 2012 to 2013 was a solid 28 percent. To put the total growth into perspective, sales tax apportionment in Carroll County grew by a total of 70 percent over just a two year span.

**Harrison County**

In 2011, Harrison County’s apportionment was $979,510.94. As development continued to increase in the county, 2012 brought in $1,211,773.78 – a 24 percent increase. In 2013, Harrison County received an amazing $3,131,912.21 in sales tax apportionment, which is an incredible 158 percent increase in just one year. Of course, if we look at a combined two year comparison, that number grows to a monstrous 220 percent growth.

**Noble County**

Representing the southern portion of current Utica Shale development, Noble County is currently experiencing growth it has not seen in years. The home of the first oil well ever developed, the reemergence of expanded oil and gas development is a welcomed boost to the local economy. Noble County is now home to a MarkWest natural gas processing complex and some very successful wells by Rex Energy, Antero Resources and CONSOL Energy.

Noble County received $726,578.72 in sales tax apportionment in 2011 prior to shale development. As we moved into 2012, the tax receipts grew to $858,006.59, representing an 18 percent increase in apportioned funds for the county due to responsible development.

In 2013, development increased as companies saw strong results from their wells, and MarkWest began constructing its natural gas processing complex. This new development boosted the county’s sales tax apportionment to $1,300,085.89, representing a 51 percent over 2012. All told, thanks to Utica Shale development Noble County’s sales tax apportionment grew 79 percent over the past two years.

**Guernsey County**

On the western edge of current Utica Shale development, Guernsey County is encountering remarkable sales tax apportionment growth due to increased shale development in the region. Being at the crossroads of I-70 and I-77, Guernsey County is not only benefiting from development in the county, but also the development in neighboring counties where goods and services may be less attainable.

In 2011 Guernsey County received $4,072,011.88 in sales tax apportionment prior to shale development. Moving into 2012, Guernsey County experienced a sales tax growth of 13 percent by bringing in $4,591,357.14 in revenues. Fast forward to 2013 and Guernsey County is continuing to grow, bringing in $5,427,179.59, which is an 18 percent increase from 2012 and a noteworthy 33 percent improvement since 2011.
Belmont County

Belmont County is home to some of Ohio's most productive wells by Gulfport Energy. The continued exploration and development in this county bodes well for the area's economic future, too. In 2011, Belmont County's apportionment was $7,825,276.73. As development continued to increase in the county, tax revenues grew by 12 percent to $8,738,465.46.

At the end of 2013, Belmont County continues to grow at a steady pace, bringing in $9,794,803.51 in sales tax apportionment, representing another 12 percent growth year over year.

These revenues are going back to counties to help them run their local governments and pay for needed projects, many of which may not have had available funding prior to shale development. When discussing oil and gas development, the conversation is usually focused on the jobs created by the industry (a recent ODJFS report showed shale jobs are up 30% over the past two years), or the low natural gas prices resulting from increased development. Rarely do folks begin to correlate the impact of having a thriving economy and improving public budgets, which is exactly what's happening in the counties where development is taking place.

Utica Shale development has brought immense growth to our counties' sales tax apportionments over the past two years. As we continue to develop the Utica Shale and invest into our communities, this number will continue to rise, giving our entire state a stronger and more sustainable economic future.

ODNR Releases 2012 Oil & Gas Summary

By: Peter MacKenzie, Vice President of Operations

Last month, the Ohio Department of Natural Resources (ODNR) Division of Oil & Gas Resources Management released the 2012 Oil and Gas Summary. At the 2012 Winter Meeting in March, we attempted to provide an accurate preview of the summary based upon then available public data. This is a brief overview of the official Summary.

There are 64,570 active wells in Ohio, with 5,836 registered well owners, 4,368 being domestic owners and 1,468 commercial owners. ODNR estimates that 553 wells were drilled in half of Ohio's counties (forty-four), by 119 owners.

There were 1,825 permits issued, a 19% increase over 2011. Drilling permits totaled 903, a 31% increase over 2011, of which 756 were new permits and 147 reissued permits. Utica/Point Pleasant permits increased by a factor of nearly seven, from sixty-six in 2011 to 459 in 2012. Clinton sandstone permits declined 22% to 198. Deep well permits dropped 65% with eighty-seven.

Total footage drilled for oil and gas nearly doubled in 2012 compared to 2011, from just over two million feet to nearly four million feet.

The Utica/Point Pleasant was the most common target, accounting for over a third (36%) of the activity in 19 counties. Carroll (86), Columbiana (29), Harrison (22), Jefferson (16), Noble (12) were the top five active counties for the Utica. The average depth per well is 13,355 feet.

Clinton sandstone targets accounted for 30% of the activity (74% of the 2011 total). Licking (31), Knox (30), and Stark (27) led the counties. The average Clinton well depth is 3,680.

The Devonian Ohio Shale (including 3 Marcellus wells) experienced a notable increase with eighty wells drilled, 29 more than 2011. These were in five counties with Noble (36) and Monroe (24) leading the pack with an average depth of 3,551 feet.

Fewer Berea Sandstone wells were drilled (41, down 12) in twelve counties, with Meigs (14) leading the way with an average depth of 1,368 feet.

Cambro-Ordovician targets dropped significantly. Only 59 wells were drilled (down 45 from 2011) in eighteen counties. Morrow (19), Huron (9), Knox and Licking (7) were the most active.

Activity targeting the Utica/Point Pleasant in eastern Ohio resulted in three new drilling depth records. Chesapeake Energy drilled 10,260 feet in Jefferson County (620 feet deeper than prior record), Statoil drilled to the Trenton at 10,980 feet in Monroe County (1,670 feet deeper than prior record), and Flat Rock Development drilled to the Trenton in Washington County twenty feet deeper than the prior record from 1989.

A new all-time longest well drilling record was also set in Jefferson County in the Utica/Point Pleasant extending 16,664 feet.

The 2012 Oil and Gas Summary report (as well as 2004-2011 reports) can be found at http://oilandgas.ohiodnr.gov/resources/resource-materials. Click on the “ODNR Oil and Gas Summaries” tab under “Publications and Fact Sheets.”
2-HOUR SAFETY TRAINING REQUIREMENTS FOR GROUP & GROUP RETRO RATED EMPLOYERS

In an effort to keep a focus on the importance of safety in the workplace, the Bureau of Workers’ Compensation (BWC) requires all group rating & group retrospective rating participants that have had a claim in the past year to attend two (2) hours of safety training annually. CompManagement’s wide variety of Safety Academy courses help to fulfill this requirement during the appropriate policy period.

REGISTRATION

The Occupational Safety and Health Administration (OSHA) Core Classes and the Emergency Action Plan (EAP) course will be offered monthly in CompManagement’s Dublin office as well as through a webinar session. All other courses will be webinar based only. Visit our website at www.compmgmt.com/riskservices/academy to register online. For the two (2) hour classes, registration is $50 per person/per class for CompManagement clients and $75 per person/per class for non-clients. For the one (1) hour classes, registration is $25 per person/per class for CompManagement clients and $50 per person/per class for non-clients. If you have any questions regarding registration, please contact Bryan Carpenter at (888) 264-2635 x. 65495.

COURSES AVAILABLE

PERRP Injury and Illness Recordkeeping - **FREE SESSION FOR CMI CLIENTS** (2 Hours)

Public employers are required to maintain injury and illness recordkeeping forms, post their summary and also submit their summary information to PERRP every year by February 1st. This course will familiarize you with PERRP Recordkeeping documents and the requirements for reporting.

Who should attend: Public personnel who are responsible for employee injury and illness recordkeeping, reporting forms, deadlines, etc.

Date: January 9, 2014 – Webinar class only

Class Time: The webinar will begin at 10:00 a.m. (EST)

Speaker: Janet Strausbaugh, Sr. Safety Consultant, CompManagement, Inc.

Safety Committee 101 (1 Hour)

Employee involvement is an essential building block of any workplace safety and health program. All employees need to understand their responsibility for their own and their co-workers’ safety. An effective way to involve employees in promoting safety is through a safety committee. Safety committees not only create awareness, but involve employees in the decision-making process, earning their respect and increasing commitment to your company’s safety and health goals. This one-hour webinar discusses organizing your committee, identifying members’ roles and assigning responsibilities and safety projects to your committee to help achieve your company’s safety and health goals.

Who should attend: Employees who are responsible for designing and promoting safety programs/guidelines within their company.

Date: January 16, 2014 – Webinar class only

Class Time: The webinar will begin at 10:00 a.m. (EST)

Speaker: Janet Strausbaugh, Sr. Safety Consultant, CompManagement, Inc.

OSHA Recordkeeping (2 Hours)

Employers are required to maintain injury and illness recordkeeping forms and are required to submit them annually. Failure to post and submit the annual summary will result in an issuance of a citation. This course will familiarize you with OSHA Recordkeeping requirements for reporting.

Who should attend: Personnel who are responsible for employee injury and illness recordkeeping and reporting forms, deadlines, etc.

Date: January 23, 2014 – Webinar class and on-site at CompManagement’s Dublin office

Class Time: Both the webinar class and the onsite training will begin at 10:00 a.m. (EST)

Speaker: Doug Newman, Sr. Safety Consultant, CompManagement, Inc.

OVER-
Imagine you are talking to the VP of Communications for a tobacco company, who claims that he has a new strategy for winning the hearts and minds of the public:

• “We will explain to the public that we contribute to economic growth.”
• “We will explain to the public that we create a lot of jobs.”
• “We will link our industry to our national identity.”
• “We will stress to the public that we are addressing our attackers’ concerns—by lowering the emissions of our product.”
• “We will spend millions on a state-of-the-art media campaign.”

Would you be convinced? I doubt it, because none of these strategies does anything to address the industry’s fundamental problem—that the industry’s core product, tobacco, is viewed as a self-destructive addiction. So long as that is true, the industry will be viewed as an inherently immoral industry. And so long as that is true, no matter what the industry does, its critics will always have the moral high ground.

Sound familiar? Substitute “fossil fuels” for “tobacco” and you have the fundamental communications problem the fossil fuel industry faces.

The Moral Case Against Fossil Fuels

You might say that it’s offensive to compare the fossil fuel industry to the tobacco industry—and you’d be right. But in the battle for hearts and minds, you are widely viewed as worse than the tobacco industry.

Your attackers have successfully portrayed your core product, fossil fuel energy, as a self-destructive addiction that is destroying our planet, and your industry as a fundamentally immoral industry. In a better world, the kind of world we should aspire to, they argue, the fossil fuel industry would not exist.

US President Barack Obama has described the oil industry as a “tyranny.” Allegedly “pro-oil” ex-President Bush coined the expression “America’s addiction to oil.” There is far more public hostility to the fossil fuel industry than to the tobacco industry. And it is accused of being far more damaging. As Keystone pipeline opposition leader Bill McKibben put it to widespread acclaim, the fossil fuel industry is “Public Enemy Number One to the survival of our planetary civilization.”

Why is the industry viewed as immoral? Because for decades, environmentalist leaders have made a false but unanswered moral case against the fossil fuel industry—by arguing successfully that it inherently destroys our planet and should be replaced with environmentally beneficial solar, wind, and biofuels.

According to this argument, it destroys our planet in two basic ways: by increasing environmental dangers (most notably through catastrophic global warming) and depleting environmental resources (through using fossil fuels and other resources at a rapid, “unsustainable” pace).

Like any immorality or addiction, the argument goes, we may not pay for it at the beginning but we will pay for it in the end. Thus, the only moral option is to use “clean, renewable energy” like solar, wind, and biofuels to live in harmony with the planet instead of exploiting and destroying it. And we need to do it as soon as is humanly possible.

The Fossil Fuel Industry’s Moral Surrender

There is only one way to defeat the environmentalists’ moral case against fossil fuels—refute its central idea that fossil fuels destroy the planet. Because if we don’t refute that idea, we accept it, and if we accept that fossil fuels are destroying the planet, the only logical conclusion is to cease new development and slow down existing development as much as possible.

Unfortunately, the fossil fuel industry has not refuted the moral case against fossil fuels. In fact, the vast majority of its communications reinforce the moral case against fossil fuels.

For example, take the common practice of publicly endorsing “renewables” as the ideal. Fossil fuel companies, particularly oil and gas companies, proudly feature windmills on webpages and annual reports, even though these are trivial to their bottom line and wildly uneconomic. This obviously

Alex Epstein will be a featured speaker at the Winter Meeting on March 5. For more information on Alex and the Center for Industrial Progress, visit alexepstein.com.
implying that “rene wables” are the goal—with oil and gas as just a temporarily necessary evil.

Don’t think it’s just the BP s, Shells, and Chevrons of the world who do this. Here’s a concession of “rene wables” moral superiority by the most overtly pro-fossil-fuel trade organization I know of, the Western Energy Alliance (WEA):

Natural gas doesn’t compete with renewable energy; in fact, it helps make the vision a reality. Greater electricity production from intermittent sources of power such as wind and solar is possible because natural gas electric generation is available to fill in during the large gaps of time when the wind isn’t blowing and the sun isn’t shining.

Translation: solar and wind are superior, “sustainable,” “rene wable” forms of energy—a “vision” we should make “a reality.” And natural gas is justified, not as a great source of power that deserves to exist because it is great, but as a necessary means to a “rene wable” future. It’s clear that ideally we wouldn’t want natural gas, but unfortunately we need it now.

Another way in which the fossil fuel industry reinforces the moral case against itself is by bragging that it is less destructive of the planet than it used to be.

For example, this last September, practically every oil and gas association enthusiastically printed news that the oil and gas industry “invested” between $80 billion and $160 billion in “GHG mitigation technologies” from 2000 to 2012, which contributed to a minor decline in US CO2 emissions during that period.

By endorsing greenhouse gas emissions as a fundamental benchmark of environmental health, the industry is conceding that it is causing catastrophic global warming—and that reducing greenhouse gas emissions is a moral imperative. But if you support that goal, you have to know that the “official” targets for emissions reductions are over 85% worldwide—which would mean the demolition of your industry. If greenhouse gas reductions are obligatory, then it is obligatory to get away from fossil fuels as soon as possible.

Still another way in which the fossil fuel industry reinforces the moral case against itself is by trying to sidestep the issue with talk of jobs or economics or patriotism. While these are important issues, it makes no sense to pursue them via fossil fuels if they are destroying our planet. Which is why environmentalists compellingly respond with arguments such as: Do we want economic growth tied to poison? Do we want more jobs where the workers are causing harm? Do we want our national identity to continue to be associated with something we now know is destructive?

There are many, many more forms of conceding the environmentalists’ moral case and giving them the high

ground. Here are half a dozen more just to give you a sense of the scope of the problem. (When I work with companies, one of the first objectives is to ferret out and eliminate all forms of conceding the moral case against fossil fuels.)

- Not mentioning the word “oil” on homepages (this has at times been true of ExxonMobil, Shell, and Chevron). This implies that you’re ashamed of what you do, and that your critics are right that oil is a self-destructive addiction.
- Focusing attention on everything but your core product—community service initiatives, charitable contributions, etc. This implies that you’re ashamed of your core product.
- Praising your attackers as “idealistic.” This implies that those who want your destruction are pursuing a legitimate ideal.
- Apologizing for your “environmental footprint.” This implies that there’s something wrong with the industrial development that is inherent in energy production.
- Spending most of your time on the defensive. This implies that you don’t have something positive to champion.
- Criticizing your opponents primarily for getting their facts wrong without refuting their basic moral argument. This implies that the argument is right, your opponents just need to identify your evils more precisely.

The industry’s position amounts to: “our product isn’t moral, but it’s something that we will need for some time as we transition to the ideal fossil-free future.” What you’re telling the world is that you are a necessary evil. And since the environmentalists also agree that it will take some time to transition to the ideal fossil-free future, the argument amounts to a debate over an expiration date.

Environmentalists will argue that fossil fuels are necessary for a shorter time and you’ll argue that they’re necessary for a longer time, and they’ll always sound optimistic and idealistic and you’ll always sound cynical and pessimistic and self-serving.

So long as you concede that your product is a self-destructive addiction, you will not win hearts and minds—and you will not deserve to.

But your industry is not a necessary evil. It is a superior good. In the following sections I will explain the moral case for fossil fuels and the principles of communicating it to win hearts and minds.

Continued on the following page
The Moral Case for Fossil Fuels: The Key to Winning Hearts and Minds (cont. from page 25)

The Moral Case for the Fossil Fuel Industry

What does it mean to be moral?

This is an involved philosophical question, but for our purposes I will say: an activity is moral if it is fundamentally beneficial to human life.

By that standard, is the fossil fuel industry moral? The answer to that question is a resounding yes. By producing the most abundant, affordable, reliable energy in the world, the fossil fuel industry makes every other industry more productive—and it makes every individual more productive and thus more prosperous, giving him a level of opportunity to pursue happiness that previous generations couldn’t even dream of. Energy, the fuel of technology, is opportunity—the opportunity to use technology to improve every aspect of life.

Including our environment.

Any animal’s environment can be broken down into two categories: threats and resources. (For human beings, “resources” includes a broad spectrum of things, including natural beauty.)

To assess the fossil fuel industry’s impact on our environment, we simply need to ask: What is its impact on threats? What is its impact on resources?

The moral case against fossil fuels argues that the industry makes our environment more threatening and our resources more scarce.

But if we look at the big-picture facts, the exact opposite is true. The fossil fuel industry makes our environment far safer and generates new resources out of once-useless raw materials.

Let’s start with threats. Schoolchildren for the last several generations have been taught to think of our natural environment as a friendly, stable place—and our main environmental contribution is to mess it up and endanger ourselves in the process. Not so. Nature does not give us a healthy environment to live in—it gives us an environment full of organisms eager to kill us and natural forces that can easily overwhelm us.

It is only thanks to cheap, plentiful, reliable energy that we live in an environment where the air we breathe and the water we drink and the food we eat will not make us sick, and where we can cope with the often hostile climate of Mother Nature. Energy is what we need to build sturdy homes, to purify water, to produce huge amounts of fresh food, to generate heat and air-conditioning, to irrigate deserts, to dry malaria-infested swamps, to build hospitals, and to manufacture pharmaceuticals, among many other things. And those of us who enjoy exploring the rest of nature should never forget that oil is what enables us to explore to our heart's content, which pre-industrial people didn’t have the time, wealth, energy, or technology to do.

Nowhere is the necessity of energy, and thus fossil fuel energy, more evident than in protecting us from the climate. The climate is inherently dangerous (and it is always changing, whether we influence the change or not). Energy and technology have made us far safer from it.

The data here are unambiguous. In the last 80 years, as CO2 emissions have risen from an atmospheric concentration of .03% to .04%, climate-related deaths have declined 98%. Take drought-related deaths, which have declined by 99.98%. This has nothing to do with a friendly or unfriendly climate, it has to do with the oil and gas industry, which fuels high-energy agriculture as well as natural gas-produced fertilizer, and which fuels drought relief convoys.

Fossil fuels make the planet dramatically safer. And dramatically richer in resources.

Environmentalists treat “natural resources” as a fixed pile that nature gives us and which we dare not consume too quickly. In fact, nature gives us very little in the way of useful resources. From clean water to plentiful food to useful medicines, we need to create them using ingenuity.

This is certainly true of energy. Until the Industrial Revolution, there were almost no “energy resources” to speak of. Coal, oil, and natural gas aren’t naturally resources—they are naturally useless. (Or even nuisances.) Those who first discovered how to convert them into energy weren’t depleting a resource, they were creating a resource. The world was a better place for it.

It is obscene to call today’s new resource creators in the shale energy industry and the oil sands energy industry “exploiters” when they have turned stone and sludge into life-giving energy—a feat that may ultimately extend to trillions of barrels of once inaccessible oil (in all of human history we’ve used just over a trillion barrels). The fact that oil is a “finite” material is not a problem, any more than the “finite” supply of rare-earth metals is a black mark against windmills. Every material is finite.

Life is all about taking the theoretically finite but practically limitless materials in nature and creatively turning them into useful resources. The fossil fuel industry does it, the “renewable”—actually, the “unreliable”—energy industry doesn’t. End of story. “Renewables” are no more the ideal form of energy than wood is the ideal material for skyscrapers.

And by creating the best form of energy resource, the fossil fuel industry helps every other industry more efficiently create every other type of resource, from food to steel.
Your industry is fundamentally good. It minimizes environmental threats and maximizes environmental resources. Understanding that—really understanding that, root and branch—is the key to winning hearts and minds.

**Reframing the Debate**

Let's see how the moral case for fossil fuels applies to a real-life communications challenge. We'll take a tough one: Imagine a group of oil sands companies, blasted for their use of “dirty” oil, their “environmental disturbance,” their “carbon footprint,” their “dangerous” pipelines, and their “toxic tailings ponds,” wants to win over the general public. The typical posture these companies take is “We’re not quite as bad as you think” or “We believe in renewables, too”—confirming to everyone that they are fundamentally immoral.

But using the moral case for fossil fuels, all of these issues can be reframed. Here’s what such a statement might look like.

**Oil Sands Energy Technology: A Canadian Revolution**

For almost two centuries, Canadians have known that there were incomprehensible amounts of energy stored underground in a material called bitumen—more energy than all the oil consumed in all of human history.

But that bitumen was useless because it was locked underground in an extremely inconvenient form—mixed together with sand, clay, and water to make “oil sands” that are as hard as a hockey puck. And there was no technology good enough to get that copious but elusive energy.

Now there is—it is the technology that we, the members of Canada’s oil sands industry, are proud to have spent decades developing—and proud to spend every day taking to new heights.

Using a mixture of advanced mining, drilling, heating, and refining technologies, we can turn those oil sands into bitumen and that bitumen into oil, and that oil into trillions of gallons of the world’s most important transportation fuels: gasoline for personal transportation, diesel for industrial machinery, and jet fuel for air travel. That oil is also the basis of gallons of the world’s most important transportation fuels, we can turn those oil sands into bitumen and that bitumen into oil, and that oil into trillions of gallons of the world’s most important transportation fuels: gasoline for personal transportation, diesel for industrial machinery, and jet fuel for air travel. That oil is also the basis for thousands of miraculous synthetic products, from plastics to artificial hearts to pharmaceuticals to bulletproof vests.

To say we are excited about this technology revolution is an understatement. Energy is the industry that powers every other industry: when there is more energy available in the world, it means everyone can be more productive and prosperous. And when there is more energy in the world, it means everyone can do more. The gallons of energy we produce go toward feeding a combine harvester that reaps the wheat for 500,000 loaves of bread a day; toward bringing plentiful food from areas with good harvests to areas with droughts; toward construction of a new hospital; toward bringing families together for the over two million North American weddings a year.

And while this energy revolution will be good for everyone, it is especially good for Canadians. It gives millions of us, whether we are in the oil industry or its hundreds of partner industries, the opportunities to do new, rewarding jobs—and to take on the many exciting challenges that any fast-growing industry faces.

For example, we need help overcoming shipping challenges. Every new product needs to be shipped, and ours is no different. We need help transporting our overflowing Canadian energy to other countries. We need help building new pipelines—the fastest, safest, and most cost-effective way of transporting liquids—to move our oil to the US and to our Western ports. We need help building new railways to take our oil to key cities that pipelines don’t reach. And we need help driving new trucks to deliver our oil to exactly where consumers need it.

Transportation alone involves hundreds of integrated industries—and that’s just one challenge we need to rise to.

Another important challenge is safety. Any time an industry produces a valuable new product, the materials in that product have to be mined and transported—and this involves safety challenges.

For example, the rare-earth metals that go into iPhones, electric cars, and wind turbines, are extremely high-toxicity on their own, and must be separated from far larger amounts of other high-toxicity materials to isolate them for industrial use.

Fortunately, the basic materials in oil sands—such as bitumen, which is made of ancient dead plants—are much less hazardous than those in most industrial processes. Still, there are real hazards, and we are obsessively concerned with them.

For example, when we mine for oil sands and separate out the different components, residue called “tailings” remains—a phenomenon that is part of virtually every mining process. Since tailings can be harmful, we use state-of-the-art technology to make sure that human beings and even animals aren’t exposed to them.

We face all of our industry’s challenges, from the basic challenge of providing cheap, plentiful, reliable energy, to the challenge of protecting workers from hazardous materials, with the same core values: we are committed to advancing human life and human progress by producing affordable, reliable, versatile energy—with an inviolable respect for the rights of our neighbors, our employees, and all our fellow citizens.

*Continued on the following page*
And in that spirit, we feel it is important to address a major concern of many Canadians: our industry’s contributions to carbon dioxide emissions.

While the claims of oil sands opponents that our oil emits significantly more CO2 than other forms of oil have been proven false empirically, make no mistake: using oil fuels, and other fossil fuels (coal and natural gas) emits CO2. And while fossil fuel opponents tend to exaggerate the scale of CO2 emissions—in the last 150 years, CO2 has gone from .03% of the atmosphere to .04%—when consumers use our products it does have some impact on the atmosphere and thus the climate system.

Although the average temperature around the world has only increased by a historically unremarkable 1 degree Celsius over the past 150 years, CO2 emissions likely contributed some of that (mild) warming.

Is this a significant problem—let alone the epic scale problem that would justify restricting peoples’ ability to use cheap, plentiful, reliable energy?

We believe that while doomsday speculation says yes, the evidence says: no.

It is an empirical fact that the climate has become safer—in large part thanks to increased energy production. According to the EM-DAT (the authoritative International Disaster Database), overall climate-related deaths are down 98% in the last 80 years. This is due to the proliferation of climate-protection technology (climate control, sturdy homes, weather satellites, drought relief convoys, modern agriculture), which are made possible by fossil fuels, especially oil.

We cannot have a meaningful discussion about climate if we ignore the importance of portable energy in building sturdy, heated-and-air-conditioned homes or in powering an agricultural system that has reduced drought-related deaths by 99.98% in the last 80 years.

More broadly, high-energy, highly-developed countries have the most livable environments, because they have the means to protect themselves from the many dangers of nature. Low-energy, undeveloped countries have the worst environments and are the most vulnerable to disasters, whether natural or manmade.

Anyone who cares about our environment and our climate must recognize that cheap, plentiful, reliable energy is a nonnegotiable essential.

Unfortunately, environmental groups who oppose oil sands have not demonstrated a concern for the availability of cheap, plentiful, reliable energy. We live in a world that desperately needs energy growth. Over a billion people lack any electricity—not coincidentally, they live in the most dangerous environments. For everyone in the world to have the same amount of energy as the average German we would need a doubling of energy production.

Over 80% of the energy that the citizens of the world use to survive and flourish comes from fossil fuels—because that is the cheapest, most plentiful, most reliable source ever developed. Many environmental groups say at least 80% of it should be illegal. Most of the rest of our energy comes from non-carbon nuclear and hydroelectric—which most of these same environmental groups fight to outlaw. They claim to support solar and wind technology, which, after 50 years of subsidies, produce less than 1% of the world’s energy—and, because the sun and wind provide only intermittent energy, require fossil fuel backups.

We will not regard such groups as legitimate participants in a constructive discussion about energy—until they acknowledge the irreplaceable value of cheap, plentiful, reliable energy for our economy and our environment.

Fortunately, most Canadians, including many who consider themselves environmentalists, are interested—not in blind, anti-development hostility and hysteria—but in learning about the technologies that will move our nation and our world forward. We believe that oil sands technology is the technology of the future—our future. We believe that this is Canada’s Decade of Opportunity. Let’s seize it.

Values-based communication

Do you agree that the above statement is more likely to win hearts and minds than what you would typically see from oil companies? If so, note that in this statement I was able to reframe every issue to take the moral high ground. And I’m only able to do this because I know the moral case thoroughly.

When CIP teaches communications to companies, we teach first and foremost that effective communication begins with a deep understanding of your own case.

After understanding, the second most important aspect to communicating the moral case for fossil fuels is values-based communication. Values-based communication is communication that vividly connects your audience’s values to the conclusion you want them to reach and the action you want them to take.

Here are six of the principles of values-based communication that we apply—and teach.

1. **Challenge/triumph storytelling:** What kind of activities and industries do we value? Ones that pursue a noble, difficult goal and overcome challenges to achieve it. To
the extent that we regard an industry’s activity (such as producing electricity cheaply) as easy or immoral, we will not value it. Thus, CIP continuously frames issues in terms of challenges and triumphs—economic, technological, environmental. Life gives us a challenge—such as the need for high-caliber energy—and industrialists use ingenuity and effort to triumph over that challenge and improve human life and the human environment.

2. **Emphasize their need and your achievement**: Always explain the fundamental human need that your industry/product meets. For example, the coal industry globally is the best in the world at meeting our need for the electricity that purifies our water, manufactures our appliances, cools our homes, and keeps the Internet on.

3. **Technologize your industry**: Always stress that you are a technology industry—you use human ingenuity to solve problems and meet fundamental human needs. The word “technology” rightly has many positive moral associations in the minds of the public and you have every right to capitalize on this. For example, natural gas and coal technologies are the leading electricity technologies in the world, they are ever-evolving, and the industry should make that very clear.

4. **Personalize the value you create**: Always make clear how your product impacts the lives of specific individuals. Only then do big-picture numbers resonate; otherwise they are empty. Here’s an example I’ve used for the oil industry: “This past year, the oil industry helped take 4 million newlyweds to their dream destinations for their honeymoons. It helped bring 300 million Americans to their favorite places: yoga studios, soccer games, friends’ houses. It made possible the bulletproof vests that protect 500,000 policemen a year and the fire-resistant jackets that protect 1,000,000 firefighters a year.”

5. **Humanize your people**: Always make clear that your industry is made up of admirable individuals who are proud of their jobs because those jobs are doing something morally good—using technology to produce the fuel of civilization. Do not try to humanize your producers by giving non-fossil fuel justifications for their jobs—such as their charitable work, planting trees, etc. That concedes that their real job is immoral and needs an outside justification. You don’t hear solar employees trying to justify themselves by the trees they plant (even though they cut down a heck of a lot of trees!).

6. **Normalize your hazards**: Always acknowledge that every human activity has hazards, and do not shy away from yours. Instead, stress that though every technology faces safety/health challenges, your industry is one of the best at overcoming them. It’s important to stress that no industry is exempt from such challenges. For example, point out the immense mining hazards involved in aggregating the materials for manufacturing solar panels and the significant waste disposal hazards involved. Hazards are normal. The question is, who can minimize them while maximizing benefits? Remind people that the biggest hazard of all is a lack of affordable, reliable energy—because that means a lack of all the benefits it provides.

**What is Possible**

In my experience, whatever the audience and whatever the medium, to base communications on the moral case for the fossil fuel industry is a game-changer.

I divide winning hearts and minds into three categories: neutralizing attackers, turning non-supporters into supporters, and turning supporters into champions. Here are some examples of how this works in practice.

An example of neutralizing attackers is a presentation I gave at Vassar College on “Fossil Fuels Improve the Planet” (also the title of my book). Here’s a description of the event from the host:

> Before Alex Epstein's lecture, no other students on my campus could imagine an environmental or moral defense of the fossil fuel industry. Now, weeks later, I am amazed at how they now defend the industry. The moderates tell me that the decision to invite Epstein was the best thing we could have done. The Greens affiliated with 350.org who walked out on Epstein's lecture faced an immediate campus backlash bigger than I had ever seen. We thought these environmentalists were undefeatable for the past three years, but now, two weeks later, I can say that they are no longer a powerful force on campus.

> —Julian Hassan, student, Vassar College

An example of turning a non-supporter into a supporter is this “left-leaning attorney” who was (mis)educated to be anti-oil but learned the other side of the story from CIP:

> Last week I attended an informational meeting about my office's 401(k) investment options for employees' portfolios. There was a “Socially Responsible” option for those who do not want their funds invested in, among other things, oil. Knowing Alex's arguments on the life-giving properties of oil, imagine how my blood started boiling at the insinuation that it is somehow irresponsible to invest in oil.

*Continued on the following page*
As a left-leaning attorney in Washington, D.C., I hear people demonize fossil fuels all the time, but CIP has shown me that investing in oil is one of the more socially responsible things I could do.

—Attorney, Washington, DC

An example of turning a supporter into a champion, which CIP has become well-known for through our "I Love Fossil Fuels" Campaign, is this member:

I have been involved in the general debate of the benefits of the oil/gas industry for several years now. I have also been asked to serve on televised debates, give Op-Ed statements, and have written extensively on the subject of oil/gas and it’s benefits to mankind. I have always found that during these engagements, that I have always been put on the defensive, and let the opposition set the tone of the discussion.

While I feel that up until now, I have held my own, I have also felt that I wasn’t communicating my point as effectively as I would have liked to, always being put in a defensive position.

You have, by example, shown me a way to make my points in a manner that not only lets me express fully my position, but to show the industry in a truly positive light. . . . I want to thank you, and your staff for the hard work and dedication to this cause, and to tell you that you have all made a big difference in the way people discuss and look at our industry.

—Terry Cunningham, EPI Associates

There is no reason why the fossil fuel industry can't be ten times more effective at neutralizing attackers, turning non-supporters into supporters, and turning supporters into champions. These ideas are not only logical in theory; they also work in practice.

Based on my experience, I believe that if enough of us work together applying these ideas, the unimaginable is possible. In the future, I see:

- News stories with quotes by morally confident, persuasive CEOs.
- Websites having more emotional resonance than the Greenpeace or Sierra Club websites.
- Anyone who delays a pipeline for five years is widely criticized, not as pro-environment, but as anti-progress.
- A new generation of intellectuals who are passionate advocates of fossil fuels.
- College campuses where students are not afraid to say “I Love Fossil Fuels.”

**Turning Possibility Into Reality**

This year, your industry will lose billions of dollars because it has failed to win hearts and minds. The communications materials of the vast, vast majority of companies are not only failing to win hearts and minds, but they are also empowering the opposition by conceding their ideas. And it is completely unnecessary. There is a fundamentally different approach that makes sense and actually works.

If you agree with me, the implications are dramatic: Every fossil fuel company's internal and external communications, for every medium and every audience, needs to incorporate the moral case for fossil fuels and values-based communication. This includes finding and eliminating all instances of conceding that you are a "necessary evil" and, even more importantly, creating content that truly connects with and inspires your audiences.

The challenge here is that these cannot be learned or applied overnight—they are bodies of knowledge that take study and practice. So how can we apply them as soon as possible and as widely as possible?

In my experience, it is a combination of **collaboration** and **education**. At CIP we work with companies and associations on transforming their highest-leverage projects to truly win hearts and minds. We also train the highest-leverage communicators, giving them the mastery that can only come with intensive feedback. Just as important, though, we offer standalone educational resources that every CEO, communications professional, employee, or citizen can use to educate themselves in the moral case for fossil fuels and values-based communication.

Right now, you have the ability to get, for free, at http://industrialprogress.com hundreds of pages of books and articles, and dozens of hours of audio. And right now, you have the ability to contact me directly to discuss how you or your company can win hearts and minds.

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Utica Shale

Ohio Map of Utica Shale Activity

Provided By: MacKenzie Land & Exploration Ltd.
## Ohio Oil & Gas Association

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**Drew Gray**  
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Columbus, OH 43233  
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Continued on the following page
### New OOGA Members (cont.)

**Contractor (cont.)**

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<td>Parker MacDonell</td>
<td>CFO</td>
<td>Kirk Excavating &amp; Construction, Inc.</td>
<td>130 E. Chestnut Street, Columbus, OH 43215</td>
<td>614-545-2881, <a href="mailto:pmacdonell@kirkexcavating.com">pmacdonell@kirkexcavating.com</a></td>
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<td>Mark Matusick</td>
<td>Director - Business Development</td>
<td>Kelchner Energy Services</td>
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<td><a href="mailto:markm@kelchner.com">markm@kelchner.com</a></td>
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<tr>
<td>Pam Schmittler</td>
<td>Kirk Excavating &amp; Construction, Inc.</td>
<td>821-Stimmerl Road, Columbus, OH 43223</td>
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<tr>
<td>Andrew Columbus</td>
<td>Owner</td>
<td>Andy Columbus Drilling &amp; Producing</td>
<td>2862 Fayette Road, New London, OH 44851</td>
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<tr>
<td>Conny Gilbert</td>
<td>Utica Subsurface Manager</td>
<td>Hess Corporation</td>
<td>1501 McKinney St., Houston, TX 77010</td>
<td>713-496-7905, <a href="mailto:conny.gilbert@hess.com">conny.gilbert@hess.com</a></td>
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<tr>
<td>James Haas</td>
<td>Vice President Development</td>
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<td>440-543-0770, <a href="mailto:james.haas@reserve-energy.com">james.haas@reserve-energy.com</a></td>
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**Professional**

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<td>Rigoberto Advincula</td>
<td>Professor</td>
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<td>216-368-4566, <a href="mailto:rca41@case.edu">rca41@case.edu</a></td>
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<tr>
<td>John Gerwig</td>
<td>Manager of Operations</td>
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</tr>
<tr>
<td>Susan Houser</td>
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</tr>
<tr>
<td>Ben Klopp</td>
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</tr>
<tr>
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<tr>
<td>Drew Romig</td>
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<td>330-418-6606, <a href="mailto:romigdb@gmail.com">romigdb@gmail.com</a></td>
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<tr>
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<tr>
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</tr>
<tr>
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</table>
New OOGA Members (cont.)

Professional (cont.)

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President
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mattmarkdrilling@aol.com

Mark Benson, MBA
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Paul G. Hesse
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John D. Polon
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Ohio Oil & Gas Association Events

For the latest information on these and other events, including how to register, go to www.ooga.org

March

2014 OOGA Winter Meeting
March 5-7, 2014
Hilton Columbus at Easton

Industry Events

Contact Anne Carto at anne@ooga.org or Pete McKenzie at pete@ooga.org to submit an Industry Event to be included as a calendar item.

January

Marcellus – Utica Midstream Conference & Exhibition
January 28 – 30, 2013
David L. Lawrence Convention Center
Pittsburgh, PA
www.marcellusmidstream.com

The Ohio Geological Society 16th Annual Winter Gala
January 31, 2014
Holiday Inn Columbus – Worthington
7007 N. High St. Worthington, OH 43185
RSVP by 1/28 to Amy.Lang@formanenergy.com
or (614) 717-9262

March

2014 Ohio Safety Conference
Ohio Bureau of Workers Compensation
March 25-27, 2014
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<td>96.92</td>
<td>93.92</td>
<td>90.92</td>
</tr>
</tbody>
</table>

Note: Oil prices only. Some postings do have transportation adjustments.
Crude Oil Prices
NYMEX v Ohio Wellhead Posted Prices
January 2013 – January 2014

Natural Gas Index Pricing
NYMEX Close & Appalachian Index
December 2012 – December 2013

Settle Price, Crude Oil Light Sweet
New York Mercantile Exchange (NYMEX)
Wednesday, January 8, 2014
$ per Bbl

<table>
<thead>
<tr>
<th>Month</th>
<th>Settle Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>Feb. 2014</td>
<td>92.60</td>
</tr>
<tr>
<td>Mar. 2014</td>
<td>92.82</td>
</tr>
<tr>
<td>Apr. 2014</td>
<td>92.47</td>
</tr>
<tr>
<td>May 2014</td>
<td>92.32</td>
</tr>
<tr>
<td>Jun. 2014</td>
<td>91.70</td>
</tr>
<tr>
<td>Jul. 2014</td>
<td>91.07</td>
</tr>
<tr>
<td>Aug. 2014</td>
<td>90.40</td>
</tr>
<tr>
<td>Sep. 2014</td>
<td>89.75</td>
</tr>
<tr>
<td>Oct. 2014</td>
<td>89.15</td>
</tr>
<tr>
<td>Nov. 2014</td>
<td>88.60</td>
</tr>
<tr>
<td>Dec. 2014</td>
<td>88.07</td>
</tr>
<tr>
<td>Jan. 2015</td>
<td>87.40</td>
</tr>
</tbody>
</table>

Settle Price, Natural Gas
New York Mercantile Exchange (NYMEX)
Wednesday, January 8, 2014
$ per MMBtu’s

<table>
<thead>
<tr>
<th>Month</th>
<th>Settle Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>Feb. 2014</td>
<td>4.170</td>
</tr>
<tr>
<td>Mar. 2014</td>
<td>4.150</td>
</tr>
<tr>
<td>Apr. 2014</td>
<td>4.045</td>
</tr>
<tr>
<td>May 2014</td>
<td>4.045</td>
</tr>
<tr>
<td>Jun. 2014</td>
<td>4.065</td>
</tr>
<tr>
<td>Jul. 2014</td>
<td>4.095</td>
</tr>
<tr>
<td>Aug. 2014</td>
<td>4.105</td>
</tr>
<tr>
<td>Sep. 2014</td>
<td>4.090</td>
</tr>
<tr>
<td>Oct. 2014</td>
<td>4.110</td>
</tr>
<tr>
<td>Nov. 2014</td>
<td>4.155</td>
</tr>
<tr>
<td>Dec. 2014</td>
<td>4.260</td>
</tr>
<tr>
<td>Jan. 2015</td>
<td>4.345</td>
</tr>
</tbody>
</table>

2013 Gas Index Prices

<table>
<thead>
<tr>
<th></th>
<th>TCo</th>
<th>Dominion</th>
<th>NYMEX</th>
</tr>
</thead>
<tbody>
<tr>
<td>October</td>
<td>3.500</td>
<td>3.250</td>
<td>3.498</td>
</tr>
<tr>
<td>November</td>
<td>3.510</td>
<td>3.240</td>
<td>3.496</td>
</tr>
<tr>
<td>December</td>
<td>3.750</td>
<td>3.240</td>
<td>3.818</td>
</tr>
</tbody>
</table>
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