

**ENERGY GUEST BLOG -- JIM SAMUEL**

**Boom-bust to boom-BOOM?**

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Oil and gas plays have been derided by naysayers as instigators of "boom-bust cycles" for communities. Even industry advocates acknowledge the boom-bust cycles of the past.



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But with the technology to unlock the hydrocarbons contained in the Utica shale underlying Ohio, could we be looking at a boom-boom cycle for Northeast Ohio?

The boom-bust cycle of a conventional oil or gas discovery begins with the rush to acquire land and develop the field bringing rapid growth as steel, concrete and rigs roll in offering thousands of jobs as the work of exploration and development commences. The rapid local boost is not contained to the fields, but moves through the supply chain and spills into the shops, hotels and bars on Main Street.

As drilling turns to production, the jobs dwindle. Eventually, decline curves reach a breaking point. A community that grew rapidly may face decades of red ink paying off infrastructure like roads, schools and water treatment for a population that moved on.

The modern shale play could break that mold. Time will tell as we learn more about what lies beneath. But consider these two differences:

A traditional or conventional oil or gas pocket is essentially a reservoir of hydrocarbons that, over time, migrated up and was trapped by some impermeable rock cap or seal. A bit dramatized, think of Jed Clampett of TV lore out huntin', "And up through the ground came a bubblin' crude." Since the Thorla-McKee Well was "accidentally" tapped in Noble County Ohio in 1814, virtually all oil and gas recovery in the region has been of this type.

But from where did these resources migrate? From the organic rich shales located hundreds or thousands of feet below. Geologists conclude that three to six percent of hydrocarbons have migrated out of the organic shale.

If correct, that means about 95% of the hydrocarbons remain trapped in the shale. Recent technological advancements, most notably horizontal drilling, multi-stage hydraulic fracturing and seismic imaging, have begun to yield access. A 5% rate of recovery could mean a doubling of all the oil and gas production we have seen over 150 years. As technology advances, imagine a 7% or 10% recovery, and the optimism for the shale plays is obvious.

Technology and geology may extend the boom-side by decades but the products produced from the shales holds the real key for Northeast Ohio. Most easily grasped is the growing supply of natural gas for the region's manufacturing base. Energy is a key input cost and we

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are already experiencing record low natural gas prices from shale and that will continue.

Low-cost energy is a great value, but the Utica is expected to be a wet gas play. Normally 'wet' and 'gas' do not sound like a good mix, but wet gas is a combination of methane (natural gas) and the heavier hydrocarbons ethane, butane and propane. And then there is the great expectation of crude! If Ohio becomes a heavy area of production, then it is truly game changing. The methane to fuel the manufacturing and energy sector almost becomes a by-product of the higher-value hydrocarbons. Unlike dry-gas dominant regions, Ohio shale will continue to get produced despite depressed gas prices while the 'anes' and crude become feedstock for the petroleum, petrochemical and polymer industries.

Northeast Ohio is a region rich in history for use of these feedstocks. Plastics and vinyl of all kinds, siding, paints, sealants and pipes are all derived from these inputs and are all used in our regional auto, appliance and related manufacturing sectors. Akron is considered the polymer capital of the country and potentially sits on the edge of the largest source of industry feedstock. Chemical companies from as far away as Japan are looking to locate and invest capital in Ohio.

A few "Jed Clampetts" may move to the 'Hills' for "swimmin' pools an' movie stars", but the hydrocarbons will remain here in Northeast Ohio reviving, powering and growing our industrial sector for decades to come.

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