

ENERGY GUEST BLOG -- JIM SAMUEL

Don't let those early Utica shale production numbers fool you

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Point two percent.

In the ever-evolving world of shale energy, two-tenths of one percent is the number that has captured my attention of late.



Jim Samuel is founder and principal of Capitol Integrity Group a fellow of the Levin College at Cleveland State University and a founding partner of the Ohio Shale Consortium. He has worked extensively in the economic development and public policy arena and serves as a consultant to the energy industry.

Two-tenths of one percent is almost a seemingly insignificant number. A million dollars is a nice payday; two-tenths of one percent of that is a meager \$2,000.

Essentially, two-tenths of 1% is an unimpressive number — unless that two-tenths has impact and future potential.

Ohio has an antiquated system of statistical reporting of well production that only releases data on an annual basis. For decades, this has not been a newsworthy issue, but in the high-stakes, ever-changing world of shale energy development, people are hungry for information regarding the Utica play and the economic tide rolling in. Nothing is more important for information junkies than data regarding the production of Ohio's newly drilled horizontal wells in the Utica shale.

The Ohio Department of Natural Resources recently released numbers on the first year of any meaningful production of Utica shale wells in Ohio. The numbers were positive. Not overwhelming by themselves, but positive. About 636,000 barrels of oil and 13 million cubic feet of natural gas were extracted from 87 wells, some producing for less than a week, and only three wells producing for 300 days or more.

The statistic that jumped out at me among these less-than-riveting numbers is that horizontal shale wells represent just **two-tenths of 1%** of the wells in Ohio. Yet these wells produced **12% of all the oil and 16% of all the natural gas** in our state. *Those* numbers are noteworthy.

What if an off-the-bench player in the NBA making a quarter of the league minimum salary accounted for 12% of a team's rebounds? Or what if a fourth-line forward in the National Hockey League, called up from the minors making a quarter of the league minimum salary, was scoring 16% of the goals on the way to the Stanley Cup? The disparity quickly would become obvious and command respect of this uncovered team leader — and perhaps merit an increase of resources to continue to develop such ability.

For those who are not impressed with the numbers, or downplay the Utica, I remind them that 2013 is being called "the year of the midstream." And for good reason. With the hundreds of millions of capital investments being brought on line in the form of pipelines and

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processing plants, undoubtedly the midstream controls and has significant impact on rate of production.

Without the midstream acting as the highway to get products to market, the producing wells are being kept to a minimum and potential development purposefully throttled back. Companies such as Columbia Pipeline Group, Momentum, Access, MarkWest and others are working feverishly to build out the capacity so those production numbers can rise exponentially.

With that in mind, it makes the Utica's horizontal wells the rookie with impressive performance but not yet having the ability to achieve their full potential. But it is coming soon.

I recently had the privilege to speak to audiences and meet with CEOs in Florida, Texas and Pennsylvania. It is easy to assume Ohio is talking about the Utica because the Utica benefits Ohio. But in traveling to different states, it is exciting to hear industry leaders around the country talking about the Utica.

There is still much to be learned about the Utica play, and the full future potential is not truly measurable. But the positive feel and momentum continues to build as data becomes available to support the presumptive analysis.

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