

## Lawrence County leads Ky. in oil, gas mining

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LOUISA, Ky. - Hydraulic fracturing, a technique used to drill oil and natural gas wells, is making its way to Lawrence and Greenup counties in Kentucky and could be expanding to Johnson County and across the Levisa Fork into southern West Virginia.

"Horizontal drilling in the Berea Sandstone is a game changer," said Andrew V. McNeill, executive director of the Kentucky Oil and Gas Association. "Kentucky's small, independent operators are leading the way in deploying these technologies to responsibly develop Kentucky's oil and gas resources."

Lawrence and Greenup counties, the two counties associated with Berea Sandstone development, accounted for 21 percent of Kentucky's total oil production in 2014, McNeill said. Lawrence County is the number one oil producer in the Bluegrass State in 2014. Oil production value in Kentucky was \$293,513,075 last year, an 8 percent increase over 2013.

"There's been some discussions of drilling in Boyd County," McNeill said.

Fracking has been around some 60 years. Hydraulic fracturing involves the use of water pressure to create fractures in rock that allows the oil and natural gas it contains to escape and flow out of a well.

Kentucky's total natural gas production value for 2014 was \$426,288,724, up \$32.5 million from the prior year, McNeill said. Five southeastern Kentucky counties, including Pike and Floyd, combined for more than 80 percent of the state's natural gas production value, he said.

Drilling in Lawrence County started about two years ago at a depth of 1,000 to 2,000 feet. Since then, there's been a significant increase in horizontal drilling and fracking. More than 530,000 barrels of oil were produced in 2014, up from 222,000 in 2013, McNeill said.

The county has another formation that interests the industry, Rogersville shale, which requires drilling about 10,000 feet down, he said. "A deep test well permit has been issued. The formation extends south to Johnson County and could extend to the east in West Virginia," he said.

Oil production in Kentucky is taxed like coal production, about 4.5 percent of the production value. Taxes from oil production in Lawrence County totaled \$2.2 million, most of that going to the state, but some \$600,000 went to the county government, according to John Osborne, Lawrence County judge-executive.

It has produced about 100 or more jobs in the East Fork, Brushy Fork and Fallsburg areas, Osborne said. Revenue from oil production about balanced out losses from coal severance tax revenues, he said.

Drilling in the Utica and Marcellus shale formations in Ohio, Pennsylvania and West Virginia has produced some 20,000 jobs, McNeill said. Drilling in the Rogersville shale formation could lead to thousands of jobs, he said.

Meanwhile, State Rep. Rocky Adkins, the Democratic floor leader in the Kentucky General Assembly, has filed a bill to update and modernize Kentucky's oil and gas drilling regulations. McNeill called it a consensus bill designed to modernize and strengthen Kentucky's oil and gas regulations.

"It's landmark legislation for Kentucky's oil and gas industry," McNeill said. "Modernizing the industry's regulations balances the need to promote investment in the state's oil and gas industry while ensuring the regulatory framework protecting the Commonwealth's environment is strengthened."

House Bill 386 is designed to update the state's regulations that are some 50 years old, Adkins said. The bill includes provisions on groundwater monitoring and strong guidelines on how drilling is done, he said.

"I think the chances of passage are good," Adkins said.

McNeill said the bill provides regulatory certainty to the oil and gas industry when investing in deep horizontal wells. It also established a water quality testing protocol and reclamation bonding for deep horizontal wells, he said.

"Responsible deep shale development in Kentucky will create thousands of jobs, significantly increase oil and gas industry severance revenues and support local economies," he said.

For every oil and gas drilling job in deep shale, three more jobs are created, he said.

The Kentucky oil and gas industry contributed more than \$1 billion to the state's economy, provides more than 3,200 jobs and contributed more than \$40 million to the state's general fund and local budgets, he said. The average annual wage in the oil and gas industry is \$75,000.

Nationally, Kentucky ranks 22nd in oil production and 18th in natural gas production. In 2013, 34 Kentucky counties reported natural gas production and 63 of 120 Kentucky counties reported oil production.

In West Virginia, oil and gas severance revenues increased from \$105 million in 2013 to \$188 million in 2014, a 55 percent increase.

In Ohio, the oil and gas industry has paid more than \$1 billion in royalty payments to mineral owners over the past decade.

There currently are no fracking wells in Lawrence County, Ohio, according to County Engineer Doug Cade. However, there could be some ancillary jobs in Tri-State area businesses, he said.

A fair amount of oil and gas drilling jobs come from the welding industry, said Scott Howard, director of the Ohio Strategic Training Center welding school in Sheridan, Ohio.

There are 26 students in welder training and some of them are interested in "going on the road" for jobs in the oil and gas industry, Howard said. "These jobs can pay good money," he said. "Some can pay up to six figures. But some of those people work up to 70 hours a week. It's hard work."

Seth Cowgill of Wheelersburg, Ohio, has been in the welder training since last August and is just several weeks from getting his certification.

"I plan to try to get on the pipelines out West," he said. "Some of those guys are making \$3,000 to \$4,000 per week working six or seven 12 hour shifts."

He hopes he later finds a good welding job in the Tri-State. "I have a 6-month-old," Cowgill said. "I want to make a good living for her."

Some pipe welding jobs in North Dakota can pay \$100 an hour, said Bret McGraw, a welding instructor at the training center.

Marshall Herst, a Franklin Furnace, Ohio, resident, said he also is looking for a high paying welding job when he finishes his training this spring. He's aware of the long hours some welders can work "to make some big money. Might as well try it. When you're away from home, all you want to do is work. I want to try to get a little ahead and get some savings."

Ohio State Rep. Ryan Smith, R-Bidwell, said there is no fracking in his district that includes Gallia, Jackson and part of Lawrence counties in Ohio. "I think it will get to us, though," he said.

Most of the fracking in West Virginia is in the Morgantown area and along the Ohio River, according to Charlie Burd, executive director of the Independent Oil and Gas Association of West Virginia. None is currently in the Huntington area, he said.

"I think this is an economy poised to grow," Burd said. "We are a carbon-based world. The (fracking) technology is getting so much better. We have a 20,000 foot well in Roane County."

Ohio Gov. John Kasich has proposed taxing oil and gas drilling, a proposal he brought up two years ago and wasn't approved by the Ohio legislature. Kasich wants to use the proceeds to reduce the state's income tax, according to The Associated Press.

There has been a 200-percent increase in oil production and a 350-percent increase in natural gas production in Ohio in the past two years, according to the Ohio Department of Natural Resources.

More than 3.5 million barrels of oil and 164 billion cubic feet of natural gas were produced during the last three months of 2014. During the same quarter in 2013, Ohio wells produced 1.4 million barrels of oil and 43 billion cubic feet of natural gas.

Gov. John Kasich wants to increase the surcharge on oil and gas production, a move the industry continues to resist. The industry won such a battle two years ago, but Kasich is trying again this year.