



## Utica Shale Pipeline Network Begins to Take Shape



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CARROLLTON -- Doyle Hawk turns off busy Route 9 and noses his Ford F-150 down a narrow, gravel road that winds into the interior of Carroll County. After five minutes or so of navigating hill after hill, banked on both sides by endless trees and farmland, he stops at a clearing where a small white connection valve juts out of the ground.

"This connects the pipeline that runs through my property," he says, pointing to a wide path of freshly dug earth that stretches over the horizon. For weeks, Hawk says, workers hired by Chesapeake Midstream LLC dug, foot by foot,

miles of trenches and then set in place a seven-mile section of pipe that will become part of a massive superhighway for the oil and gas industry.

What's happening here foreshadows what's likely to occur in the next two to three years in Columbiana, Mahoning and Trumbull counties as energy and pipeline companies step up exploration and infrastructure development in the liquids-rich Utica shale.

Hawk, serving his fourth term as a Carroll County commissioner, says that pipeline companies began knocking on his door about a year ago as drilling began on the nearby West well.

He was among the residents who leased their land in 2010 to Patriot Energy Partners at \$10 an acre and 12.5% royalties, only to find out later that Chesapeake Exploration LLC purchased the lease for more than \$1,000 an acre. "It's just one of those things," he shrugs. Today, bonus payments have averaged between \$3,000 and \$5,000 an acre with 20% royalties. "Who ever knew this would happen?" he says.

Hawk recouped some of his upfront loss by leasing his easement rights to Chesapeake Midstream, which needed the right-of-way so it could to string a collection pipeline from the drilled wells.

The pipeline from the West well, Hawk says, runs almost two miles across his land, and the going rate is \$15 per linear foot.

That figure would secure a one-time payment of \$150,000 for Hawk and his family, who own some 600 acres. In all, the pipeline from the West well extends about seven miles, he says.

The line will also tie into other wells nearby in various stages of completion, Hawk reports. "I'd say there's about 35 miles of new pipeline throughout the county," he estimates.

Chesapeake Midstream, a subsidiary of Oklahoma City-based Chesapeake Energy Corp., is developing a vast network of gathering pipelines that will connect producing wells with processing centers in southern Columbiana County at the town of Kensington and in Harrison County. The processing complex is a \$900 million project, in partnership with M3 Midstream/Momentum, to separate wet gas from dry gas and then send the product directly to ports on the Gulf of Mexico.

For the time being, Chesapeake is setting pipelines in the ground and tying into existing gas lines until work is finished on a new compressor station, not far from Hawk's property along Route 9, he reports. Tennessee Gas, for example, has operated a large pipeline that extends from the Gulf of Mexico to Massachusetts. It runs beneath Carroll County. Dominion East Ohio also has lines in the area.

The pipeline under Hawk's farm measures 8 inches in diameter. This pipeline feeds into the compressor station,

where it's transferred to a larger line and then transported to another site for future processing.

Chesapeake is also partnering with Spectra Energy and American Electrical Power to develop a 50- to 70-mile pipeline, called the Ohio Pipeline Energy Network (or OPEN), that originates in Columbiana County and moves south into Carroll, Harrison and Noble counties, where it will tie into Spectra's existing Texas Eastern pipeline system. The system is expected to add one billion cubic feet per day of transportation capacity.

"We're still in the early stages of development," says Spectra spokeswoman Wendy Olson. The project recently signed on AEP subsidiary Ohio Power Co. as an anchor shipper.

Other energy midstream companies are rapidly developing plans to capitalize on the liquid gas that oil and gas giants believe is contained in the Utica and Point Pleasant shale formations.

Enterprise Energy Partners L.P. plans to construct a new 353-mile line to its Appalachia-to-Texas, or ATEX, pipeline from Washington, Pa., through Jefferson and Harrison counties in Ohio, and connect with an existing line in southern Indiana.

In Harrison and Noble counties, MarkWest Energy Partners plans to construct a \$500 million processing system that includes a fractionation plant similar to a large-scale operation the company owns in Houston, Pa., and another processing operation in Noble County.

And MarkWest recently signed a long-term agreement with Chesapeake and Antero Resources, which will allow the company to expand its midstream operations in West Virginia.

Once the infrastructure is finished, Hawk estimates there could be as many as 200 miles of new pipeline laid over the next two years in Carroll County alone. "They seem to be employing some local people," he adds.

Environmental regulations put a halt on some of the activity for several weeks, Hawk notes, because the work included clearing forested areas during the spring mating season for bats.

"Some guys were laid off for awhile," he says. But work on the lines has since resumed.

Just how many pipeline companies and suppliers are involved is difficult to determine, says Glen Enslin, economic development director of Carroll County.

"They're not interested in any types of incentives," Enslin says. "It's all about how fast they can get things done."

Carroll County holds title to more than 280 acres that it's marketing through a private developer to lure new suppliers and businesses related to the oil and gas industry, Enslin notes. "Companies are importing and using locals for work," he reports. "But, it looks like they're going to run into shortages for sure, especially if they're looking for pipe welders."

Carroll County Commissioner Tom Wheaton reports that he too has a pipeline that runs across his land just south of Carrollton. "I think as of now, we have 37 well sites in the county, and 15 more were permitted in the last two weeks," he says, underscoring how Carroll County has emerged as the core of the shale play.

Easement leases vary in size and scope, Wheaton says, and the compensation a landowner gets depends the length of the pipeline, its depth and whether potential exists for damaging or disrupting crops on farmland.

"They've already fracked three wells around me," he relates, "and now they're starting to put in more pipelines."

Often, these easement leases are negotiated separately in addition to the mineral leases the landowners negotiated earlier, Wheaton says. Pipeline is buried at least three feet underground, he notes.

Along state Route 43 just southeast of Carrollton, workers are busy setting pipe as part of Chesapeake's massive collection project. The company contracted to excavate and lay the pipe is STI, based in Buna, Texas.

"Contractors, trucking companies are keeping very busy," Wheaton says. "They're bringing a lot of work from out of town, but there are job openings everywhere."

Others disagree.

On May 1 and 2, members of the Laborers International Union staged a protest where Chesapeake and its

subcontractor, Progressive Pipeline based in Meridian, Miss., are piecing together a 13-mile section of pipe in Bergholz, along the western edge of Jefferson County.

"We're frustrated that local workers aren't being hired as these pipelines are set in," laments Jake Croston, president and field representative of Laborers Local 1015 in Canton. "When you drive around Carroll County, you see license plates from Texas, Oklahoma, Arkansas and Louisiana," he says. "I have nothing against these guys, but we think there should be more of our people, and they've hired none."

Croston says his union's training program is among the best and largest in the country, and the rank and file are well-qualified for the positions needed for pipeline construction. "We want local jobs for our local economy," he says.

Chesapeake responded in a statement that hiring local workers has always been a priority since the company entered the Ohio market. Chesapeake says it also considers other factors, such as safety performance record, scheduling availability and costs when a subcontractor is hired.

"To suggest the we do not hire contractors that use local labor is completely false and companies here in Ohio, both union and nonunion, can confirm our practices," Chesapeake said.

In the case of the Bergholz project, 11 requests for bids were sent out, Chesapeake said, "and Progressive Pipeline, using some local laborers, is the one that was awarded that project."

However, Croston says he isn't buying it, and that the union plans to picket other sites in the Ohio Valley where pipelines are under construction. "We intend to keep getting our message out," he says. "We have the qualified workers to do these jobs."

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