Shale Development in Appalachia Ohio: Preliminary Results

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INTRODUCTION

Ohio has a long and lucrative history of gas and oil recovery since the mid 1800's. The recent discovery of large gas and oil rich shale deposits combined with the perfection of horizontal drilling and fracking extraction methods has led to a boom in the energy industry in Ohio and many other states. Oil and gas shale development is currently hosted in more than 15 states in the U.S. with more states planning exploration and development (Romich, Bowen-Ellzey, Moss, Bond, & Civittolo, 2015). The response by Ohio Extension Educators has been proactive and will continue to look to the future to emphasize critical topics related to shale development in the communities involved. Both Agriculture/Natural Resources and Community Development Educators have collaborated to present 213 educational events to over 16,000 participants, since mid-2011. Topics of these events focus on general education, leasing, pipeline easements, legal issues, public policy, impacts, taxes and others. Three of the events have included a presentation about the impact of sudden wealth on families and individuals presented by Family and Consumer Sciences Educators. As families realize the profits of lease agreements in the return of royalties, the field is wide open to explore the next phase of the impact of shale development by investigating the social issues affecting families and communities in the face of individual monetary windfalls on such a large scale (Romich, Civittolo, Bowen-Ellzey, Bonnell, Bates, Moss, Lloyd, Loy, & Bond, 2015).

In 2014 a research study was initiated in Belmont County, Ohio to explore landowners' experiences related to shale development on their property and in their communities. In-depth interviews were conducted with 30 landowners who were invited to "tell their story" while prompted by general questions from an interviewer. One major focus of the project is to understand how payments to landowners for the lease of their mineral rights was viewed and experienced. Newspaper reports and anecdotal stories from landowners suggest that some lease payments are a windfall of wealth for landowners (Hannesson, 2000). These topics have yet to be explored adequately either in the context of Ohio's shale boom or nationally leaving many questions unanswered (Peek, Penn, Sanders, Shideler, & Ferrell, 2015). In this article, we present preliminary results from this study and discuss the possible roles Extension professionals might play in working with landowners who live in regions of the U.S. that are experiencing shale development.

METHOD

Sample Characteristics and Recruitment

Research participants ranged in age, amount of land owned, marital status; the number of children and grandchildren they had, and the timing of when they signed mineral rights lease agreements with energy companies. Participants were recruited through professional and personal associations with the second author and through snowball sampling. Semi-structured, in-depth interviews were conducted. In one instance, a group of landowners were interviewed together because they were all members of a cooperative land agreement. The interviews were audio recorded and transcribed.

The interview process coincided with the "honeymoon" phase of development, which means that leases had recently been signed and landowners had recently received their lease payments. For some, that payment was substantial; the highest amount received by an individual landowner exceeded $5 million. For most, no drilling had occurred and pipeline easements had not been negotiated. There was a feeling of anticipation that as these additional phases of development occurred, future royalty payments could be substantial.

RESULTS

Three major themes from a preliminary analysis of the data center on (1) the money received from energy companies, (2) shale development and its impact on family and community life, and (3) landowners' connection to and concern about the land (see Figure 1).

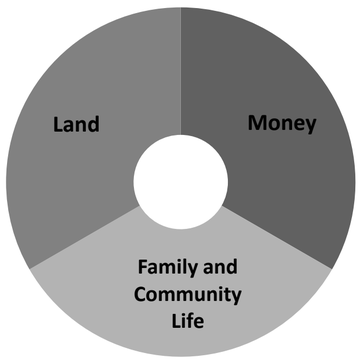

Figure 1. Landowner Identified Themes of Shale Development

Money

Most landowners interviewed who had signed lease agreements with energy companies had received a lease payout they characterized as substantial. The money was often considered a good thing for them and their family, although most stated that because of their money management skills they did not "need" the money to survive. However, dealing with the money in such a way that preserved their wealth and did not negatively impact their lifestyle was an important consideration. Many expressed concerns about the effect of abundant money on children or grandchildren. One landowner stated:

> We've already established a trust. We have age limits on how much they can get at a certain period of time. They can do what they want to do, obviously after we're gone. Ten percent of it goes to charity. No matter how much is in there, 10% is gone. Once we start getting royalties and we're assuming that will happen, I'm sure we will do things differently too; like set up maybe different foundations and things that the money can be used for because we don't know what all this is going to be worth. Once again, we certainly don't think that a lot of money being given to someone without earning it is a good thing.

Family and Community Life

A few landowners expressed concern over increased truck traffic and the impact that it has had on local infrastructure and on the safety of the roads. Landowners were afraid that long-time friendships with neighbors might turn into animosities and jealousies due to imagined or real inequities in monetary distribution. Others expressed concerns about the impact shale development and the money involved would have on family relationships. When the interviewer asked one landowner about the process of negotiating with her two sisters, she related the following:

> It went smoothly in that it's very clear that Barbara and I only have 25% interest in the land and my aunt had bequeathed 50% interest to my sister Judy since she was the goddaughter and that's just the way it's been. We could get all bent out of shape, but this is what it is. I think, I myself have a more emotional attachment to the farm house and the barn and the 3 acres, the home place that my sister Judy owns 100% of and to me—because it needs a lot of work—100% of the gas money should go to that plot. But she has a husband and two kids and she doesn't see that. She sees that as a money pit and I have to get over that. There is my business and there is their business and there is God's business and that house and the barn is not my business. My aunt Phoebe gave it to Judy for whatever reason.... My mom hates to see the barn and the home she grew up in fall into disrepair. Both of us together have kind-of let go of it. It's Judy's business. Judy has been paying the taxes.

Land

There was a strong connection to the land and a concern for its care. This was expressed most strongly by landowners who had made their living from the land and by those whose children had grown up on the land. There was an emotional connection to the land. Many farm families had even made improvements to their land or their family's farm business as a result of lease payments. One landowner said:

> These old men that own this one place where the pipeline [energy company] is just tearing everything up; I don't know what they think. If that was my farm, there is no way they would do that to my farm for any amount of money. They are three old men, and ... they were complaining to one of the neighbors one time about [how] they went on their 4-wheeler up to this well pad and they were watching. Somebody from [the energy company] told them to get the hell off; they weren't to be on that place. I thought, "Any time that anybody comes on my farm and tells me to get off any place that I own, it would be a cold day in you know where." It's just like one neighbor. They paid him for 3 acres of land for this well pad [and] they have taken a whole field. He was complaining about it to them one day [and] they got real nasty with him. They would not do that with me. There's no way.

CONCLUSION

The web of impact from the growth of the shale gas industry is complex and far reaching. Extension educators need to continue to be at the forefront of the educational process by anticipating needs. Family and Consumer Sciences professionals in particular will find opportunity for a wide variety of programming related to family finance, intergenerational wealth transfer, financial investing, interpersonal relationships, family issues, community dynamics, etc. Changes in demographics and population numbers in these mostly rural counties will generate a need for interventions useful to schools and social services as professionals plan for expected changes and organize services accordingly.

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