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this issue

Customer Spotlight **P.1**

Marcellus Shale Exploration and Production **P.1**

A View From Joe Public **P.3**

Discipline & Termination **P.3**

Pat's Perspective **P.6**

Classifieds **P.8**

*Focusing on
the Oil and
Gas Industries
Most Relevant
Topics*

*"Don't forget to meet the
Newest Member of the
Mountain State
Insurance Agency
Energy Team in this
Issue "*

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Customer Spotlight: Joe Pettey's Paint Rock Lodge

Taking off on an adventure of a lifetime, the Kee family spent their summer vacation at the Paint Rock Lodge in the Big Horn Mountains of Wyoming. Located at an elevation of roughly 9,400 feet, this breathtaking cottage was built in the early 1900's by Scandinavian carpenters from trees cut on site.

Although most may know Joe Pettey as the owner of Pettey Oilfield Services, you may be interested to find that he also is the proprietor of this rustic geta-

way. Nestled underneath Cloud Peak, the lodge rests 22 miles from the nearest paved road providing a spectacular view from any route. With an overlook of Upper Medicine Lodge Lake it is easy to see why this place makes you remember the truly important things in life.

Paul and Heather Thomas are the gracious hosts who handle all the day to day operations of Paint Rock

Continued on Page Four

Marcellus Shale Exploration and Production By: Rick Harris

Range Resources drilled the first Marcellus Shale gas well in 2004; today this industry stands strong as it moves forward. Natural gas exploration and development supports about 3.5 million jobs across the country and with continued investment under current regulation it can easily add 500,000 more jobs. The Marcellus Shale now appears to be the second or third largest natural gas play ever discovered in the world. With the benefit of a large, liquids-rich window in southwestern Pennsylvania, NY and WV, the Marcellus Shale offers the best econo-

mics of any large-scale, repeatable play in the country. Recently, however, negative publicity and misinformed public views may threaten this thriving industry. The following information summarizes the drilling and pipeline operations of the Marcellus Shale development showing a safe, environmental and regulatory compliant industry.

Marcellus gas wells can be drilled using 21st century vertical or horizontal technologies.

Continued on Page Two



Meet The Newest
Member of Your
Mountain State
Insurance Agency
Energy Team

Sherry Thomas

Account Executive, Benefits



Sherry joined Mountain State Insurance Agency in July 2011 as the Account Executive for the Benefits Department. She worked in employee benefits for 20 years with Wells Fargo Third Party Administrators, Inc. In 1991 Sherry began as a Claims Processor and in 1998 was promoted to a Customer Account Manager.

Sherry specializes in Medical, Dental and Vision Care Plans, Health Care and Dependent Care Reimbursement Plans, HRA Plans, HAS and High Deductible Plans, COBRA, HIPPA, Stop Loss and Preferred Provider Network/Organizations.

Sherry lives in Cross Lanes with her two children, Will and Brooklyn. She enjoys spending time with her family and friends, and staying involved with her children and their activities.

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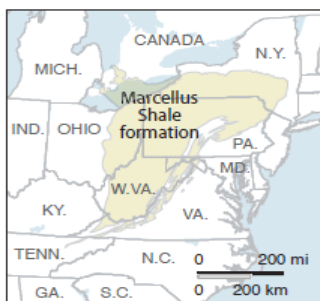
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Aggressively engaging in the exploration, development, acquisition and operation of oil and gas wells and properties.

Continued: Marcellus Shale Exploration & Production



SOURCES: ESRI; USGS AP

Vertical wells are sometimes first drilled in an area to obtain information valuable for planning the drilling of more costly and technically demanding horizontal wells. Marcellus Shale natural gas wells are drilled horizontally because it offers access to a larger quantity of natural gas, while disturbing a smaller area on the surface.

The drilling process focuses first on reaching - and protecting - water-bearing zones beneath the ground. Drilling is completed using a small amount of lubricating agents, then the entire length of the well, from the surface to the groundwater strata, is cased and cemented tightly to form a barrier between the wellbore and the earth. As the drill continues to push deeper into the earth, a series of long drilling pipes follow it to

establish the well. While drilling through the water barrier there may be short-term cloudiness or turbidity and diminishing of flow.

After drilling vertically to the depth that reaches slightly above the Marcellus Shale formation, the drill bit can then turn to push its way horizontally into the Marcellus Shale, sometimes as much as 5,000 feet, into the formation. This allows for the extraction of larger quantities of natural gas from a single wellhead. Marcellus Shale wells generally take between 15 to 30 days to drill, operating around the clock.

The casing process keeps the well open and protects the earth, similar to the efforts to protect groundwater. The hard metal casing shores up the wellbore and extends through both the vertical (if the well is completed vertically) and the horizontal drilling phases, assuring the long-term integrity of the well from end-to-end.

Cement is then pumped down the well under pressure and forced up the outside of the steel casing until the well column is sealed. The casing process ensures that the producing well is isolated from any fresh water zones. This assures during the producing life of the well

that fractured fluids, produced brine water and natural gas are isolated and the freshwater bearing zones are protected.

Extracting natural gas from horizontal Marcellus Shale wells requires the use of more water than traditional shallow vertical wells, ranging between three and five million gallons of water per well. Gas producers must identify and obtain permits from the state regulatory agencies to withdraw water from streams or rivers, with additional oversight on limiting water withdrawals to protect fish and aquatic life. New technologies, however, are allowing producers to recycle much of their water. On average, producers reuse nearly 60 percent of their water, and this figure is expected to grow even larger. In some cases, producers are recycling 100 percent of their water.

Water is as important a natural resource as the natural gas beneath the ground. Water is used in a gas well's fracture stimulation process, which opens microscopic pores in the tight, dense shale formation to allow the flow of gas into a well.

Water used in the fracturing process is

Continued on Page Seven

A View From Joe Public



The goal of this quarterly column is to give readers some perspective of how the general public views the oil and gas industry and what questions they have of it. The following piece is an editorial contributed by Jim Parrish. Mr. Parrish is a West Virginia resident who has just started developing an understanding of Marcellus Shale and how he feels it will impact our State. Jim is happy to share the following which are his thoughts and recommendation.

We West Virginians are well aware of the fact that our natural resources have helped and are continuing to help provide a major source of energy for our country. Our state has a long history of extracting oil, gas and other fossil fuels from our beautiful Appalachian mountains to meet the energy needs of many industries and private homes as well.

As an ordinary mountaineer and with limited knowledge of the “ins & outs” of the oil and gas industry, I have attempted to improve my vocabulary and understanding of the hydraulic fracturing techniques. I am told that there is a gigantic gas field that holds millions of cubic feet of natural gas reserves under West Virginia, but it has not been practical to drill for it in the past. But due to higher natural gas prices and improved drilling methods, it is now feasible and profitable.

Because it appears that drilling in Marcellus Shale will bring in jobs and economic benefits to the state — my initial reaction is to say “**Hey let’s get started**”. The West Virginia state government is always looking for ways to improve the lives of its citizens through better schools & teachers, roads & bridges. I was informed that in 2010 the gas industry paid hundreds of millions of dollars in state taxes, and provided over 30,000 high-paying jobs. I’m thinking that Marcellus Shale drilling can only substantially increase the state tax base and create many new jobs. This is sounding better to me all the time, but wait there is a possible negative to this otherwise rosy picture.

Many environmental groups are saying that there may be massive costs associated with hydrofracking. They advocate a moratorium of new hydrofracking permits until experts study the impact. They are also demanding new hydrofracking regulation or oversight by state and federal Environmental Protection Agencies.

It is my recommendation that the West Virginia Legislature, as quickly as possible, pass and enact strict regulations for the exploration, drilling and extraction of natural gas in the Marcellus Shale industry.

■ **Jim Parrish**



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DISCIPLINE AND TERMINATION - Deal With A Problem Employee Before It's Too Late

Dealing with problem employees is something many employers would rather put off. But too often, they wait too long and when they're finally ready to take action and terminate troublesome employees, the employees could have already filed a Workers Compensation claim, alleged an unsafe working condition, or claimed a disability, etc. Suddenly, these employees become “bulletproof” because of the possibility of a retaliation claim. The cost of inaction can be steep. Employees win 63% of retaliation claims. And verdicts average north of \$200,000.

Here are some tips for dealing with “bulletproof” employees.

What exactly is a “bulletproof” employee?

Let's say you have a marginal employee that you finally decide to terminate. But before you do, the employee files a Workers Comp claim. If you go ahead and fire the employee, it now looks like your motivation was retaliation.

How do you prevent problem employees from becoming “bulletproof”?

Take action. When you know an employee isn't working out,



Lodge. Paul acts as your official fishing and hunting guide, horse wrangler, fire builder, maintenance man, driver and adventure planner. Although he wears many hats, he is more than capable of handling all the activities. As for Heather, she is your hostess who makes sure your full service stay in the lodge is worry free. Breakfast, lunch and dinner are served promptly at scheduled times and if by chance you leave hungry it is surely your own fault. Good home cooking is always on the menu and food is prepared in plentiful amounts.

With the various activities available at the lodge it's not a matter of what can you do, but what all can you fit into your day. For the avid fishermen there are streams nearby that are loaded with native brook trout and if you would like to travel a little you can visit streams that hold world class brown trout. Hunters will also be in heaven with all the opportunities they have, in fact the lodge even makes it easy to secure the proper

Continued: Customer Spotlight Joe Pettey's Paint Rock Lodge

license and tags that you will need to hunt in the area. Joe himself killed a large six by seven elk this past fall. The area also has plenty of hiking trails and horseback riding trips available. In addition you can visit several abandoned gold mines or take a drive on the scenic routes that provide plenty of opportunities to see elk, mule deer, moose and antelopes.

Ben, our nine year old son, had one goal on this trip and that was to see a moose. He got his wish too when he encountered a big bull about three hundred yards from the camp, where he was less than twenty yards away. He was in shock to find that moose were indeed bigger than a horse. Our two youngest children, Emma and Sam, got their kicks rock climbing. In fact Emma is now interested in joining a rock climbing team since she found out how great she is at it. Hayden, now eleven, had the most fun panning for gold in one of the nearby streams. His grandmother

who accompanied him on this adventure is sure that they found a flake. Who knows maybe they did with the number of abandoned gold mines in the area. For my wife Jen, she enjoyed the simplicity of getting to sit back and relax. Not having to cook or pick up after four kids and a husband in one of the prettiest places on earth really excited her. As for me, the highlight of my trip was catching two twenty plus inch brown trout with my two oldest kids in Paint Rock Creek

The Kee family had the vacation of a lifetime at Paint Rock Lodge and would like to thank not only Joe for having us; Paul, Heather and their family for hosting us but also you our friends and customers who enabled us to take such an amazing trip. Paint Rock is probably not for everyone but if you love the outdoors or have an affinity for the wild and lonely places left in this world it could be just right. Thank you again for your business and enabling us to go!

■ Pat Kee





ENERGY TIMES

**Continued:
DISCIPLINE AND
TERMINATION -
Deal With A Problem
Employee Before It's
Too Late**

document it. You might even want to keep a supervisory log to track performance problems. If necessary, fire them now.

Is it a good idea to have a probationary period to see if an employee works out?

There's a risk a court will use a probation period as an excuse to rewrite an employment at-will relationship. An employee at-will can be terminated at any time for any reason. If a probationary employee can be terminated within 90 days, what happens after that? Do you now need a reason for terminating the employee? Some courts have ignored written at-will policies and ruled that "cause" is required under these circumstances. Employers must avoid terms like "permanent employee" and should monitor new employees without commitment to a probation period.

An alternative arrangement is to hire employees as temps first, or for a fixed duration, such as 30, 60, or 90 days. This allows employers a chance to assess new hires before putting them on the payroll full time.

■ HR That Works



Pat's Perspective

I am sure that most of you, like me, have either read or

heard that OSHA intends to become more active in the oil and gas industry. A drive through the country side in the northwestern part of our state will quickly confirm that level of activity. It's a pretty safe bet that those rumors are quickly becoming a reality when faced with that proof.

As most of you are aware it is difficult for OSHA to conduct an inspection and not find something out of compliance. If we know that the likelihood of being inspected has greatly increased, the question becomes how do we get prepared. One possible solution is participating in an OSHA voluntary compliance program. I was first introduced to the

program about four years ago by my friend and customer Doug Skinner at Wonder Well Service, Inc. During one of my unannounced visits we stumbled onto the topic of safety. During the conversation Doug told me they had just finished an OSHA inspection for their shop. I was curious as to why their shop had been targeted as it seemed an unlikely place for a surprise OSHA inspection and I indicated so to Doug.

Doug explained to me that they participated in the voluntary compliance program. Curious I asked why and his response surprised me. He and his partner, Ronnie Williams, had decided that doing what they did, it wasn't a matter of if something bad was going to happen but when it would happen. Their conclusion; they needed to have all of their ducks in a row for that day and having voluntarily participating in the program would help them not only do that but also create a relationship with the people who would ultimately conduct the

investigation. He said that after thinking it through it seemed to them to be the only logical choice.

Hearing his perspective made incredible sense to me. I hate government involvement in any aspect of life but this didn't feel like the same thing. OSHA is a reality, when something bad happens most likely they will be involved, why not create a relationship with them so they know who you are and what you are about.

I have several customers participating in the program now and most feel good about it. Although it can be rough in the beginning, within a year everyone is comfortable and feel that they are operating safer. I believe it is a good program and a reliable solution to becoming OSHA compliant and avoiding fines.

To learn more about the OSHA's Voluntary Protection Programs visit <http://www.osha.gov/dcsp/vpp/>.

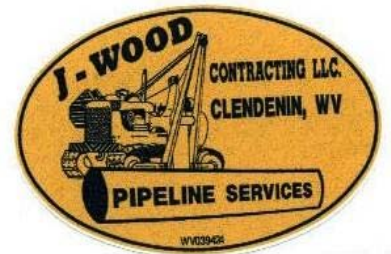
■ Pat Kee

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Continued: Marcellus Shale Exploration & Production

transported to the site where it is mixed carefully with sand and other lubricating agents. The first step in the process involves setting a charge, similar to a rifle shot, in a specific area of the Marcellus Shale formation at the end of the well bore. Setting the charge perforates the casing and cement and starts the fracture of the shale formation, opening the interior of the casing to the formation.

The fracturing fluids - made up of more than 99.5% water and sand - is then injected under controlled high pressure to break open the fractures, allowing the natural gas to flow to the well head.

Water used in the fracture stimulation process is transported by truck from a designated withdrawal point or conveyed through a water transfer pipeline. It is stored at the well site, along with sand and friction-reducing agents, then mixed with those materials and pumped into the well bore to fracture the shale deep beneath the ground. Flow-back water generated in the fracture process is stored in lined on-site holding ponds or tanks and is held until it is transported for treatment at a permitted facility, or recycled.

It can take several days to complete the fracture stimulation process, and requires continuous monitoring to ensure the safety of workers and the protection of the environment. Natural gas companies invest millions of dollars to develop a single well. Protecting that investment through a safe operation and successful completion is the

first priority for every well drilled.

After a successful fracturing procedure, wells are tested using a controlled flaring process and plugged while equipment is put in place to allow the well to move to the production phase. Some development areas have a pipeline ready to take the gas to market. In these areas, the producer will typically put the gas directly into the pipeline so there is no visual sign of flaring. Other development areas are constructing gathering pipeline to transport fluids from the gas and sending it to extraction facilities where they are produce by products such as propane etc.

Marcellus Shale gas developers recognize that the drilling process is not without short-term inconvenience. The project requires a large fleet of trucks to service the site, including on an average of 400 trucks coming and going during the fracturing process, transporting water to and from the drill pad. Gas developers work with municipalities to post bond to protect and repair roads, post road flagmen when needed, and repair or mitigate any impacts to the environment that may occur temporarily during the drilling and pipeline construction process.

Shale gas producers aim to leave behind a small footprint for each well pad through the restoration process. Restoration involves landscaping and contouring the property as closely as possible to pre-drilling and pre-pipeline conditions. Property owners generally see a small wellhead on a level concrete pad, a small amount of

equipment, two to three water storage tanks and a metering system to monitor gas production. All equipment is painted and maintained for safety and appearance by a well tender and pipeline operator.

Through safe and environmentally friendly practices, Marcellus Shale production will continue to provide jobs and energy. Uninformed decisions on regulation may however impede this industry. Media knowledge and researched regulatory decisions must be utilized to keep this industry thriving. Valuable information exists on Marcellus producers websites, such as Chesapeake Energy and Range Resources.

Other deeper formations such as the Utica Shale formation and the exploration and production of the Utica Shale are on the horizon for the energy industry.

The Utica Shale is a large rock formation that spans an area from Ohio to Pennsylvania and across the Canadian border. The Utica Shale takes its name from the city of Utica, New York, where it outcrops or appears on the surface. The Utica Shale lays thousands of feet below the Marcellus Shale and is proving to hold impressive quantities of natural gas, oil and natural gas liquids. Geologists believe that the Utica Shale could rival the massive Marcellus shale in terms of potential for oil and gas.

■ **Rick Harris**
President/Owner
Elk Energy Services, LLC.

From The Benefits Corner

By: **Sherry Thomas**

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