

12-1-2016

Windfall Wealth and Shale Development in Appalachian Ohio: Preliminary Results

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Recommended Citation

Bates, J. S., & Loy, P. W. (2016). Windfall Wealth and Shale Development in Appalachian Ohio: Preliminary Results. *Journal of Extension*, 54(6), Article 7. <https://tigerprints.clemson.edu/joe/vol54/iss6/7>

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Abstract

The response by agriculture/natural resources and community development Extension educators to shale development in Ohio has been proactive. There is a need, however, to understand the impact that shale development is having broadly on families and communities and specifically as it relates to lease payments and the perceptions and realities of resource windfalls or sudden wealth. This article presents the preliminary results of a qualitative study. In the course of data analysis, themes emerged around the topics of money, family and community life, and land. A discussion of the role of Extension professionals is provided.

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Introduction

Ohio has a long and lucrative history of natural gas and oil recovery that dates to the mid-1800s. The recent discovery of large gas- and oil-rich shale deposits and the perfection of horizontal drilling and fracking extraction methods have led to a boom in the energy industry in Ohio and many other U.S. states. Gas and oil shale development is occurring in more than 15 states, with more states planning exploration and development (Romich, Bowen-Ellzey, Moss, Bond, & Civittolo, 2015). The response by Ohio Extension educators has been proactive and, going forward, will continue to emphasize critical topics related to shale development in the communities involved. At the time of this writing, agriculture/natural resources and community development educators had collaborated to present 213 educational events to over 16,000 participants since mid-2011. These events have focused on general education, leasing, pipeline easements, legal issues, public policy, impacts, taxes, and other topics. Three of the events included a presentation by family and consumer sciences educators about the impact of sudden wealth on families and individuals. As families realize the profits of lease agreements in the return of royalties, the field is wide open for exploring 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 et al., 2015).

In 2014 we initiated a research study in Belmont County, Ohio, to explore landowners' experiences related to shale development on their properties and in their communities. We conducted in-depth interviews with 30 landowners, inviting them to "tell their stories" while prompting them with general questions. A major focus of the project, which is ongoing, has been to understand how payments to landowners for the lease of their mineral

rights has been viewed and experienced. Newspaper reports and anecdotal stories from landowners have suggested that some lease payments are a windfall of wealth for landowners (Hannesson, 2000). This topic has yet to be explored adequately 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 the study and discuss the possible roles Extension professionals might play in working with landowners who live in regions of the United States that are experiencing shale development.

Method

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

The interview process coincided with the "honeymoon" phase of development, meaning 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 identified during a preliminary analysis of the data center on (a) money received from the energy companies, (b) the impacts of shale development on family and community life, and (c) landowners' connections to and concerns about the land (see Figure 1). Quotations from interviewees included herein are illustrative of the sentiments of landowners.

Figure 1.

Themes of Landowner-Identified Issues Related to Shale Development



Money

Most landowners interviewed who had signed lease agreements with energy companies had received a lease payout they characterized as a substantial amount; however, lease payments are always based on amount of acreage lease. Often the landowners viewed the money as a good thing for themselves and their families, although most stated that because of their money management skills, they did not "need" the money to survive. However, dealing with the money in a way that preserved their wealth and did not negatively affect their lifestyles was an important consideration. Many expressed concerns about the potential effects of abundant money on their children or grandchildren, with one landowner making the following statement:

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 [their] earning it is a good thing.

Family and Community Life

A few landowners expressed concerns about increased truck traffic in their communities and the resulting impacts on local infrastructures and safety of the roads. In fact, members of one landowner family stated that they had sold their farm in the county and were moving out of state to avoid such traffic. In addition, landowners feared that long-time friendships with neighbors might turn into animosities and jealousies due to imagined or real inequities in monetary distributions. Others expressed concerns about the impacts shale development and the associated money would have on family relationships. One landowner related the following details about the process of negotiating with her two sisters (pseudonyms have been used so that anonymity is maintained):

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 farmhouse and the barn and the 3 ac, 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

Study participants indicated having strong connections to the land and concerns for its care. These sentiments

were expressed most strongly by landowners who had made their livings from the land and by those whose children had grown up on the land. An emotional connection to the land existed, as though the land were a benevolent parent who had taken care of these families. Many farm families had even made improvements to their land or their families' farm businesses as a result of lease payments. One family had established a trust and had included in the documentation "little comments" conveying the opinion that their children "should always hold onto the land." Another landowner expressed strong feelings about the land with the following comments:

These old men that own this one place where the [energy company] is just tearing everything up, I don't know what they think. . . . there is no way [the energy company] 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 four-wheeler up to this well pad and . . . were watching [the energy company's activities]. Somebody from [the energy company] told them to get the hell off, [that] they weren't to be on that place. I thought, "Anytime that anybody comes on my farm and tells me to get off anyplace that I own, it would be a cold day in you know where." They paid [one neighbor of mine] for 3 ac 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.

The Role of Extension Professionals

The web of impact from the growth of the shale gas industry is complex and far reaching and is complicated further by recent dramatic fluctuations in global energy prices, which affect rates of development and financial return for landowners. Whereas some effects are obvious and immediate, such as the impacts of leases and easements that protect landowners and their properties, other effects are not so tangible. Extension professionals need to be at the forefront of the associated research and educational outreach by anticipating the needs of residents in shale development areas across the country. Identifying best practices, risk and protective factors, and social trends is the next step for educational efforts in the face of the many societal changes that will accompany the continued growth of the shale industry. When asked what a family or leaders within a county should think about or plan for, one landowner gave the following response:

I think if I was doing anything through Extension or schooling or whatever, I would work hard at educating people to take this opportunity to turn it into something good. . . . You don't have to own acres to take advantage of this [opportunity]. Anybody that has any way of visioning this or planning for this can do well here. . . . How do we prepare our young people to take advantage of this. . . . Educate, educate. Educate yourself.

Family and consumer sciences professionals, in particular, will have opportunities for a wide variety of programming related to family finance, intergenerational wealth transfer, financial investing, interpersonal relationships, family issues, community dynamics, and so on. 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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