

Energy Companies Vie for Mineral Rights in Candor, Spencer
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In recent months there has been a resurgence of interest in leasing mineral rights by oil and gas exploration companies who are looking for gas trapped in Appalachia's Marcellus shale deposits. The deposit lies about a mile or more below the surface and, according to industry websites, is one of the largest in the country.

Over the past couple of months landowners in this region have been contacted by oil and gas exploration companies looking to lease or re-lease these mineral rights. While many farmers and landowners are interested in negotiating the mineral wealth beneath their feet, some are unhappy with the way they have been treated by lands men in the past. They feel they have been pressured to sign leases without time to become fully informed about the true value of the mineral wealth beneath their homes and farms.

Two companies in particular, Chesapeake Energy and Fortuna Energy, are courting local landowners, offering leases with signing bonuses that seem to escalate weekly.

"Chesapeake is offering \$1500/acre and 13.5 percent royalties," said a Spencer-area landowner who was invited to a meeting with the company last week. The landowner has an existing lease and Chesapeake is willing to "top lease" – pay for the rights to the minerals once the existing lease expires. However, the landsmen present at the meeting seemed confused by what they could offer landowners.

"I was told by one man that Chesapeake would pay 100 percent of the bonus up front, and by another that they would pay only 25 percent, with the remainder due at the expiration of the original lease," the landowner said. Landowners without an existing lease reported that they were offered \$1500/acre for five years with another \$1500/acre for a 2-year renewal.

Fortuna, is trying to retain their local leases and sign up unsigned land owners before Chesapeake can steal them away.

"We are interested in leasing to landowners in Tioga County, and we plan to hold public meetings soon," said David Whedbee, Supervisor, Surface and Acquisition Land for Fortuna in a telephone conversation with *Broader View Weekly* earlier this week. Whedbee reported that Fortuna will be mailing letters to all landowners in the next couple weeks.

But, according to some landowners, Fortuna is playing a game of catch-up. "A few weeks ago a representative from Fortuna dropped by my house offering \$600/acre," said one landowner. "Less than two weeks later he returned, offering \$1500." According to other landowners, in the past week the offer has climbed to \$2000, with 13.5 percent royalties.

Ashur Terwilliger, a farmer and landowner advocate from Chemung County said that these energy companies are offering more for leases across the border. "I have in my hand a copy of a lease from a landowner in Troy, PA," Terwilliger said in a telephone interview. "This lease offers \$3,000/acre and 15% royalties." He did not identify the company making that offer.

"I'd like to see a fair and equitable amount paid to the folks in this area," Terwilliger continued, "with landowners offered more royalties – up to 18 or 20 percent." As far back as March 2007, "Mining Top News" (a publication for the mining, drilling and energy industry) reported that royalties offered in the southern tier ranged between 12.5 and 18.75 percent.

With different offers floating around and whispers about "by invitation only" meetings with the two companies, some landowners feel marginalized and confused. In an effort to help sort things out, about 75 people from the Spencer and Candor area gathered at the Spencer Grange last Wednesday, June 11 to talk about their experiences with oil and gas leases. The meeting was initiated by a grassroots group that connects via the yahoo group list-serve "Citizens Energy Alliance".

What began as a proposal for a neighborhood gathering grew into an open meeting for the community. With no advertising budget, the group depended on word of mouth and a handful of flyers to get the word out. Next thing the Alliance knew, they had landowners, government officials, well-owners, and even a spokesperson from the Farm Bureau, Fran Westcott, on the agenda.

A Candor area farmer who attended the meeting reported that discussion centered on specific things to include in a lease: clauses to protect groundwater, require restoration of land, a "Pugh clause" which requires the Lessee to release that portion of the lease not included in a producing unit after the end of the Primary Term, and more.

"I am particularly concerned about water resources because our area is rich in good water," the Candor farmer said. "I believe that in the future water will be as valuable, if not more valuable, as the gas or oil and if we destroy that resource while mining minerals, we're in trouble." She is concerned about maintaining a good source of water for her animals and crops.

A number of farmers echo the concern about water resources. Drilling for the gas trapped in the Marcellus shale will require between 3 and 6 million gallons of water for each well, said Terwilliger. He cited concerns about depleting aquifers. Not only is obtaining the water used in drilling an issue, but disposing of the water is tricky. For this reason landowners should include language in their lease that specifies that water be hauled in by the drilling company, and how it is stored and removed.

While some landowners consider possible environmental consequences, others are looking at a lease as a means to pay off a mortgage, finance a new barn, or send their children through college.

“What we need to remember is that this [natural gas] is a limited resource,” said one Spencer landowner. “Once it’s gone, it’s gone; so people need to figure out the best deal they can.”

Landowners wishing to keep informed and to join forces may subscribe to the Citizen Energy Alliance list-serve. Send a request to citizensenergyalliance-subscribe@yahoogroups.com.