

# Tioga Landowners News

Hometown News for Landowners in Tioga County, NY  
www.tiogagaslease.org

First Edition

Monday, August 11, 2008

## Opening Remarks

Welcome to the first edition of our newsletter. The Tioga County Landowners Group has been formed to join landowners in Tioga County together to obtain the best possible gas lease compatible with our ownership goals. We seek to be a strong organization dedicated to community education and an open information exchange. We will strive to be a resource to help further educate landowners about the impacts of gas leasing and drilling so landowners can make wise decisions about their property. We are dedicated to helping friends and neighbors to learn what is happening in the natural gas leaseholds here and around the country. We plan to collect and report news which is published and in public domain. To that end, let us start with some recent history of leasing activities in other parts of the country. These are presented as a way to understand the evolution of leasing in other plays. They are excerpts of news articles with reference footnotes to define the source.

## Barnett Shale gas lease deals in Dallas get more lucrative

*Dated May 4, 2008<sup>1</sup>*

Residents in Fort Worth's historic Oakhurst neighborhood did their homework two years ago before allowing gas drilling so close to

their homes. The neighborhood association brought in an attorney to answer questions and give advice. Most residents eventually agreed to a signing bonus of about \$200 per home, 20 percent royalty payments and a \$25,000 grant to pay for neighborhood improvements. Now they look back woefully, watching as other neighborhoods in Tarrant County get bonuses of \$25,000 or more per acre and wishing their time hadn't come so early. Royalties are now regularly at 25 percent.

Gas drilling negotiations have evolved into a frenzied system of jockeying as savvy residents organize into ever-larger groups and pit energy companies against one another to drive offers to unprecedented levels. The number of gas wells has quadrupled in Tarrant County in the last four years, reaching 1,176 as of February. Denton County had 2,339 wells. And drilling is expected to escalate as activity in the massive underground Barnett Shale gas field moves farther south and east, particularly into southwest Dallas County.

Meanwhile, Tarrant County has proved a sweet spot in the Barnett Shale. "A year ago a signing bonus of \$3,000 to \$5,000 an acre looked like a good deal," said Fort Worth attorney Bob West, who represents many neighborhood groups in negotiations with drilling companies. "But a few months later, the standard rose to about \$8,000 to \$10,000 an acre."

## Strength in numbers

Neighborhood groups, which closely track fellow groups, have found strength in numbers. At first, neighborhood associations negotiated for dozens or a few hundred houses; Now, corridor alliances, representing thousands of acres, are the hottest trend. One East Fort Worth neighborhood even requested what would have been a record \$30,000 per acre and 30 percent royalty, although it found no takers at that price.

Beyond payouts, neighborhood coalitions are demanding other concessions, such as limits on truck traffic and charitable donations for schools, libraries and museums. While the feverish activity is typical for any boom, experts say prices might be approaching a ceiling.

## No guarantees

Despite widespread publicity about record signing bonuses, not every community can expect offers like that, said Julie Wilson, vice president of corporate development for Chesapeake Energy. "Different areas get different leases," she said. "Why some are getting offers of \$3,000 to \$5,000 per acre as opposed to \$20,000 to \$25,000 an acre depends on various factors." Those factors include the quality of the minerals, based on seismic studies, and competition among gas companies.

Bill Tinsley, who helped negotiate a gas drilling contract with the

<sup>1</sup> The Dallas Morning News

Villages of Fairfield Neighborhood Association in Arlington, said patience and bargaining strength benefited his neighborhood. The initial offer in November was for a \$5,000-per-acre signing bonus. Residents held off and later joined with two other neighborhood groups, a move that helped them land a \$22,500-per-acre signing bonus.

### Regrets

But that's no consolation to those on the front end of the Barnett Shale boom. Eartha Parker of Fort Worth, who leased her minerals in April 2005, received a \$250 signing bonus and a 20 percent royalty agreement. She regrets not organizing her neighborhood to negotiate a better deal. At the time, she said, urban drilling was new, and she and her neighbors knew little about the industry. "They made it seem like it was a rush to get stuff done," Mrs. Parker said. "If we didn't sign, we wouldn't be included. "Seeing it now, it's a whole lot larger than what we would imagine it would be."

### Chesapeake Energy Announces Haynesville Shale Discovery

News Release Chesapeake Energy, Oklahoma City, March 24, 2008 – Chesapeake today announced a new natural gas discovery in the Haynesville Shale in Louisiana. The company believes these discoveries and projects are significant and has decided to increase its capital expenditure budget for 2008 and 2009 in order to increase drilling and leasing activity on this new play as well as its three most important existing unconventional shale plays: the Barnett Shale, the Fayetteville

Shale and the Marcellus and Lower Huron Shales in Appalachia.

Haynesville Shale is based on its geoscientific, petrophysical and engineering research during the past two years and the results of three horizontal and four vertical wells it has drilled, Chesapeake believes the Haynesville Shale play could potentially have a larger impact on the company than any other play in which it has participated to date. Chesapeake is currently utilizing four rigs to drill Haynesville Shale wells and plans to increase its drilling activity level to approximately ten rigs by year-end 2008 and potentially more in 2009. The company currently owns or has commitments for more than 200,000 net acres of leasehold in the Haynesville Shale and has a leasehold acquisition effort underway with the goal of owning up to 500,000 net acres in the play.

### Chesapeake Energy Corporation Provides Update on Haynesville Shale Activities

OKLAHOMA CITY, Jun 06, 2008 (BUSINESS WIRE) -- In conjunction with its 2008 Annual Meeting of Shareholders, Chesapeake Energy Corporation ([CHK](http://www.chesapeakeenergy.com): Chesapeake Energy Corporation) today provided an update on its activities in its significant Haynesville Shale discovery in Northwest Louisiana and East Texas. In the past month, the company has successfully completed two additional horizontal wells in the play at flow rates comparable to its first four horizontal wells and the company anticipates completing two more horizontal wells by the end of June. The company now owns or

has commitments for approximately 500,000 net acres of leasehold in the Haynesville Shale and has achieved its initial leasehold ownership goal. As a result of ongoing drilling success in the play, the company has elected to continue its leasehold acquisition efforts. Chesapeake is currently using five operated rigs to further develop its Haynesville Shale leasehold and anticipates operating at least 12 rigs by year-end 2008 and at least 30 rigs by year-end 2009.

### Mineral Lease Sales in Haynesville over the Top - \$35 million for June<sup>2</sup>

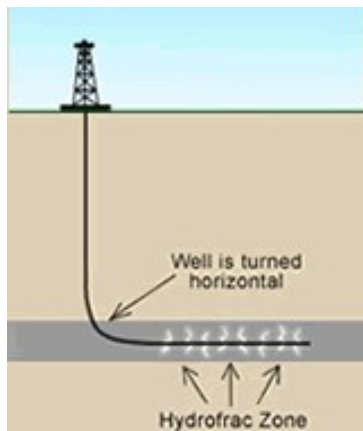
The state Mineral Board, yesterday, collected \$35.8 million in cash bonus payments for leases primarily onshore but particularly from oil and gas leasing taking place in northwest Louisiana, closing out the fiscal year with the highest bonus year for the state since FY 82-83.

According to Mineral Board Secretary Marjorie McKeithen, "This is an extraordinary time for Louisiana, particularly in north Louisiana, where we are experiencing something akin to a modern day gold rush due to excitement about the Haynesville Shale discovery. To put the magnitude of this sale into perspective: This month's lease sale surpassed by more than double the bonus collections for the previous 11 months of FY 2007-08 combined, almost entirely because of activity in north Louisiana." She said 25 of the 38 leases awarded were from Caddo, Red River and Bienville parishes, totaling approximately \$34 million

<sup>2</sup> Louisiana Dept. Natural Resources – News Release - June 12, 2008



in cash payments, and the average bonus per acre for these leases was over \$13,400 per acre, while more typical prices in the past for north Louisiana have been around \$400 per acre.



## Is Marcellus for Real - Range Provides Marcellus Shale Update

FORT WORTH, TEXAS, July 14, 2008...Range Resources Corporation (NYSE:RRC) today provided an operational update on its activities in the Marcellus Shale play located in the Appalachian Basin.

John Pinkerton, Range's Chairman and CEO, said, "With more than 100 wells drilled in the Marcellus Shale, including 20 horizontal wells, we are extremely pleased with our progress to date. We believe we have developed a solid understanding of the play's technical aspects and are moving from the testing phase to the development stage. Given our 1.4 million acre leasehold position, the Marcellus play holds enormous potential for Range and its shareholders. Importantly, the Marcellus play has the potential to

be a very large economic stimulus to the states involved and provide a domestic, cleaner and less expensive alternative to foreign oil."

Range continues to accelerate both its drilling and acreage acquisition efforts in the Marcellus Shale play. Including transactions that are expected to close shortly, Range's high-graded leasehold position in the Marcellus play now stands at approximately 850,000 acres.

The Marcellus play is situated in an enviable position with regard to selling natural gas into the high-demand northeastern natural gas markets. Range previously announced an agreement with MarkWest Energy Partners, L.P. to construct and operate pipelines and processing facilities covering a portion of its Marcellus acreage position. Work has commenced on three infrastructure projects, two in the SW and one in the NE. These infrastructure projects will connect Range's developing Marcellus Shale fields to the larger interstate carriers. Range has secured firm transportation capacity on interstate carriers totaling 150 Mmcf per day and is holding discussions to expand this capacity as the play develops.

Currently, Range has three rigs operating in the Marcellus play and plans to drill 40 horizontal wells in 2008. Later this year, Range expects to add two fit-for-purpose rigs. Preliminary planning for 2009 includes increasing to eight rigs. Wells are currently being drilled, completed and tested, after which they are shut-in awaiting pipeline build out. The initial phase of the pipeline and processing infrastructure is expected to be completed in first quarter 2009. Production start up

will be phased in, but is expected to reach 30 Mmcf<sup>3</sup> per day in the first quarter of 2009. As additional wells are connected and drilled, production is anticipated to increase throughout 2009.

Through the first quarter of 2008, Range has announced results for 15 horizontal wells. The last 10 reported horizontal wells had an average peak initial rate of 4.1 Mmcf<sup>4</sup> per day. Five additional horizontal wells are in various stages of completion and testing. The results on several of these wells are expected to be available by the time of our second quarter earnings release later this month. Based on the results to date, Range estimates that the gross average reserves per horizontal well are in the range of 3 to 4 Bcfe. In a development mode, Range anticipates that a typical Marcellus horizontal well will cost \$3 to \$4 million. Using geological, engineering and production data obtained from the wells drilled throughout the Marcellus fairway, Range has revised upward its estimate of the unrisks reserve potential of its leasehold position to 15 to 22 Tcfe<sup>5</sup>.

<sup>3</sup> Million cubic feet of natural gas

<sup>4</sup> Million cubic feet of gas equivalent, determined using the ratio of 6 Mcf of natural gas to 1 Bbl of crude oil, condensate or natural gas liquids.

<sup>5</sup> Trillion Cubic Feet Equivalents



## Editors Comments

The previous articles are intended to provide some historical reference as to the activities in other plays which have developed before Marcellus. With the current offers in Tioga County running at or less than \$2500 / acre and 14% royalties there is a lot of room for price growth.

The Landman and the Gas company have a full understanding of the value of the mineral rights under your property. Their objective is to commit you to a lease for the least cost and with the terms biased toward the company. The lease is a very complex business transaction and represents a legal contract between you and the gas company. DEC does not have authority to regulate private contracts.

You have one opportunity to form a contract which is compatible with your planned use of your property. The terms and conditions of your lease need to provide the protection for your property and the area environment. The lease is the only vehicle which can provide protection and define the relationship between the two parties. These rules of engagement need to be well defined before the gas company starts working on your property. Once the work begins it is too late and you may have up to forty years to regret your decision.

Our objective as a landowner group is to help educate you on gas leasing and define terms favorable to your lease. We are landowners like you and are providing our help at our own expense.



Our group will obtain legal council, draft a base lease, and evaluate any addendums. A bidder's package will be assembled and offered to viable gas companies for competitive bid. There will be a small cost for the legal services which will be payable when you get your signing bonus. Strength in numbers will result in the best possible price with the most favorable terms for your needs. We need to pull together to obtain this goal.

Sign up sheets are available at our website [www.tiogagaslease.org](http://www.tiogagaslease.org) and are in paper form at any meeting. There is no cost to join the group and you are under no obligation to sign the gas lease the group develops. You are eligible to join even if you are currently under lease with an ending term in 2009. Please sign up soon and talk to your neighbors, family, and friends. This represents the largest opportunity for you and future generations. Please make sure it is done with the up most care.

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