

Gas Exploration in Tompkins County
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About five years ago Greg Stevenson was approached by a representative of Phillips Production Company regarding a lease for oil and gas exploration. "They offered \$20 an acre, with another \$5 an acre for each of the remaining years in the lease," Stevenson said, "so I signed on."

Stevenson, who works as a fulltime firefighter for the city of Ithaca and serves on the Tompkins County legislature, lives on seventeen acres in Enfield. He grows a few Christmas trees and hopes to put in a small plantation of deciduous trees, perhaps a pumpkin patch as well.

It's an idyllic pastoral scene, except for the access road that runs over the field and through the woods to the well situated on his uncle's property. Stevenson's land is part of a drilling unit, but the well sits capped, waiting for future development. Meanwhile Stevenson gets to watch the parade of backhoes, excavators, and pickup trucks any time work is done at the well site. The activity, he notes dryly, commences in his yard.

With renewed interest in pockets of natural gas trapped in the Trenton/Black River deposits – deposits located a mile to 10,000 feet below the surface – the exploration and drilling has taken on a new, much larger, dimension. Landsmen from Mason Dixon Energy Inc., Elexco, Ansbro, and Fortuna Energy are combing the back roads of Tompkins county, trying to get landowners to sign their pre-printed leases. In exchange, they offer a few bucks an acre rental for each year the lease is in effect, a chunk of change for a signing bonus, and a royalty of 12.5 percent.

"If I knew then what I know now, I never would have signed the lease," said Stevenson who is still waiting for the energy company to complete the removal of debris – a promise made well over a year ago. He is also concerned about the lack of maintenance of culverts put in during road construction, resulting in minor flooding after heavy rains.

"They (landsmen) paint a rosy picture of all the royalties you could get from a producing well," he said. But he is disappointed by the results he has seen on his property.

According to Debbie Teeter, who raises beef and sheep in her Enfield area farm, there is a race to sign up unleased property. Ansbro and Chesapeake Energy both want exploration rights and in some areas they have been bidding against each other. One local land owner received an offer of \$100/acre from one company, and over a few visits back and forth the offer has risen to \$135/acre.

"People may win in this situation," Teeter said. But before you sign on the dotted line, make sure you know what you are signing away. Teeter and others stress that, as in any legal contract, if something is important you need to put it in writing.

A workshop sponsored by Cornell Cooperative Extension this past March attracted 150 people to learn more about the gas and oil leases. Ashur Terwilliger, president of Chemung County Farm Bureau explained that, while New York landowners are often offered a small rental and a “standard” 12.5 percent royalty, Texas landowners get 20 to 25 percent royalties, and up to \$250 an acre per year.

While 12.5 percent is the amount set by New York State as the minimum royalty due landowners, there is no state law saying that is the only royalty that can be paid. Within the past year, Chemung County put nearly 4,000 acres of county land up for bid for natural gas leases. They also put the royalty rates out for bid and were rewarded with an offer of 18.75 percent.

“We will never offer that to a landowner,” one landsman told this reporter. But they are willing to negotiate the signing bonus, and often return to landowners with a higher offer. The money often distracts a landowner’s attention from this central fact: oil and gas are valuable commodities and worth millions to the company that eventually extracts them.

Things to consider before signing a lease

To help local landowners learn about issues related to oil and gas exploration, Tompkins county Cooperative Extension has produced a two-hour program on a DVD. Just drop by and ask to watch it. If you would rather view it at home, there is a \$10 deposit required to borrow the DVD. Meanwhile, here are some things to consider before signing a lease.

Farmers with livestock need to consider pasture fences and gates, while vegetable growers may have concerns about foreign pathogens that could be transferred to their fields. This is not a frivolous concern, as the golden nematode has traveled from one parcel of land to another, tucked in the treads of the excavation machinery. The golden nematode infects the roots of potatoes and tomatoes, resulting in a huge loss of income to growers depending on those cash crops.

According to John Lacey, formerly with Ag and Markets Division of Agricultural Protection and Development, wells can easily disturb an area of three acres or more. Any serious operation will need a heavy duty access road, as well as a pipeline to carry the gas to the gathering line. While the actual drilling of a well is a temporary activity, it may have lasting affect on your land.

“You need to look at a complete picture of your soils, the drainage, the contours, the soil types, everything,” Lacey explained. In upstate New York drainage is an important issue. Soil compaction is also a big concern, as is reduction of fertility caused by the mixing of soil layers. Landowners will want to make sure their soil is returned to as natural a state as it can be. With the compaction caused by heavy machinery, this may require deep tillage of the subsoil before returning the topsoil and restoring the contours.

If an energy company does find a deposit and dig a well, they may include only a small portion of your acreage in a drilling unit. A “Pugh” clause releases lands not in a drilling

unit, and allows a landowner the right to renegotiate future leases on those lands – as long as no other exploration work is occurring on that land.

Landowners may also lease exploration rights to specific formations. For example, you might write in language that says you retain the mineral rights in formations above and below the target depth, and then name the formation that is being explored. This is called “horizontal severance”.

“Strike out the storage clause,” Terwilliger said. Allowing a company to store things on your property extends the lease indefinitely, and that is an encumbrance on your land.

If oil or gas is found beneath your land and you don’t have a lease, you will still receive compensation for the resources that are extracted. New legislation assures that all landowners who have property in a drilling unit will receive compensation proportional to the amount of property they have in the unit. Through a process called “compulsory integration”, landowners may either receive the base royalty of 12.5 percent, or they may chose to become either a participating or non-participating partner. Each choice carries its own risks and benefits

Leasing County Lands

The energy exploration companies have their eye on County-owned property as well. According to Ed Marx, Commissioner of Tompkins County Planning Department, Ansbrosius expressed interest in leasing lands around the airport as part of an exploration project that would include lands also held by Cornell University.

After considering the proposal, the Planning Department decided that it would be in the best interest of the County to go out for a competitive bid. The airport manager and County attorney are looking at how Chemung County pulled together their bid.

“Right now we’re just in the beginning stages,” Marx said. “We’ll have a better idea before the year is out.”

Stevenson, skeptical about the value of the lease on his own property, remains open-minded about proposals coming in to the County. Given his own experience with three energy companies, he remains skeptical.

“Despite my reservations, it could be in the best interest of the County and the taxpayers,” Stevenson said. “I’ll be giving any proposal a thorough study.” Those interested in keeping abreast of gas exploration on County property will want to check for updates on the legislature’s website (www.tompkins-co.org/legislature/) or call the office at (607) 274-5434.