

Dreams of Gas Riches Fading for Landowners

MARY ESCH, Associated Press



BINGHAMTON, N.Y. (AP) — When word spread about the potential natural gas riches of the Marcellus Shale, Kimberly More saw it as the hope for saving her horse farm.

She figured that leasing her 170 acres to a drilling company could bring an upfront bonus of nearly half a million dollars, plus a monthly royalty when gas starts to flow, enough to pay for a new house, a new barn and her own riding business.

"I have three young girls. My husband left," More said. "I don't want to be on social services. I want to take care of my family with my own land."

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But five years later, her natural gas dreams and those of thousands of other New York landowners have faded to frustration as a decision languishes on whether the state should allow fracking, the process of extracting gas by drilling horizontally through the shale and breaking it apart with chemically treated water.

They're waiting for environmental studies about the potential for groundwater contamination. They're waiting for drilling rules and regulations to be drawn up. And most of all, they're waiting for New York Gov. Andrew Cuomo to make up his mind on whether to lift a moratorium on fracking.

Decisions once thought to be right around the corner have been delayed for weeks that turned into months and years. Hopes to pay off crushing debt, repair barn roofs, replace old tractors, create good jobs locally so the kids don't have to move away, and just ease some of the chronic worry about making ends meet on the

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family farm have been put in limbo.



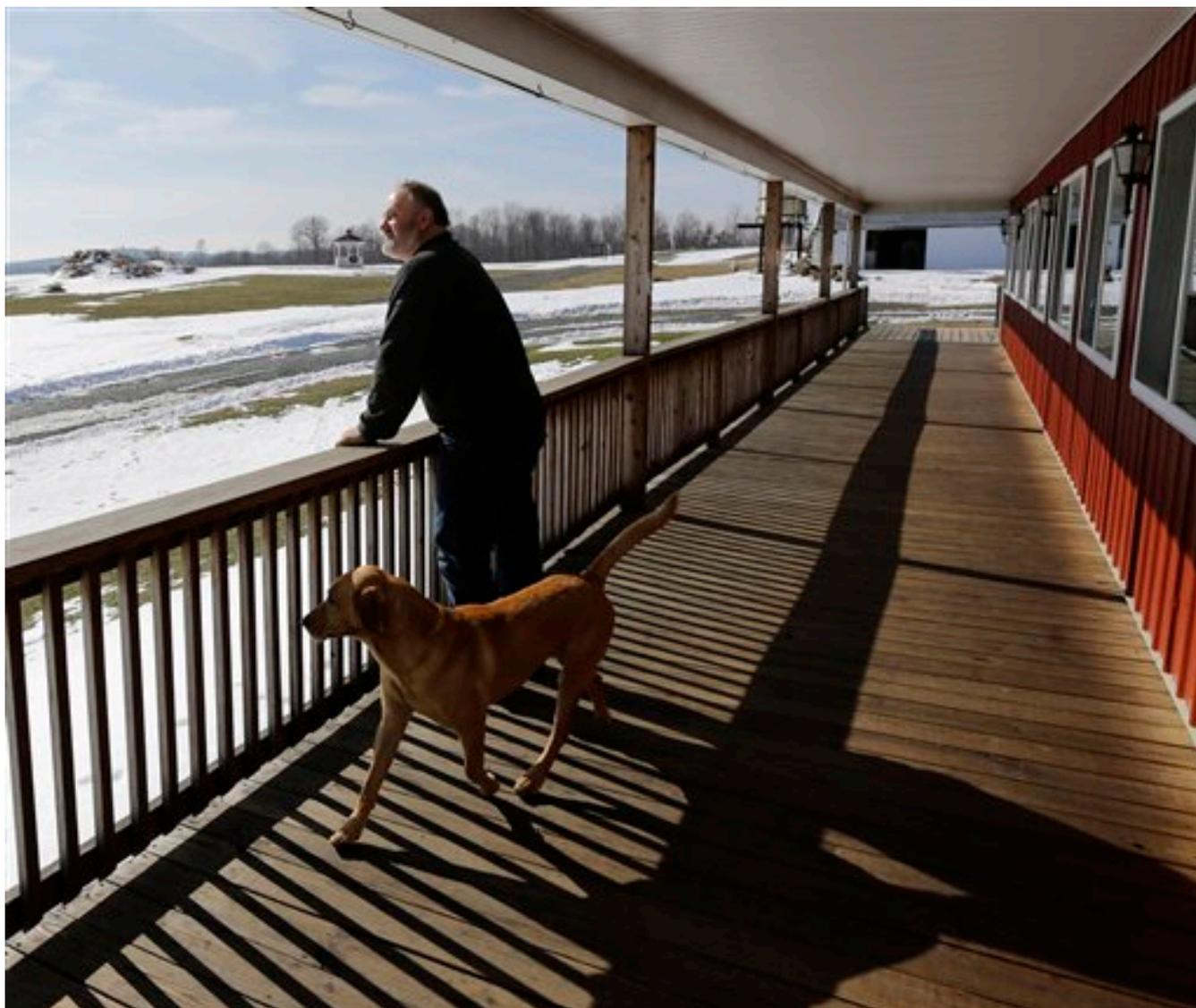
Some New York landowners fear their golden opportunity has already passed them by because the glut of gas from drilling in other states has brought gas prices way down, reducing the likelihood of big upfront lease-signing bonuses.

Other landowners who don't want gas leases welcome Cuomo's caution and hope fracking never gets approved. Their ranks include many organic farmers, vineyard owners, tourist business operators and town residents who agree with environmental groups that the risks of air and water contamination outweigh the financial benefits.

While More waits for a natural gas payday that may never come, she has had to borrow money to pay her property taxes. She supports her family by managing someone else's property and giving riding lessons. But she's now on the brink of losing her farm in Otego, 73 miles southwest of Albany.

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"When they say a few more weeks' delay isn't causing people hardship, they're wrong," More said. "I'm probably going to lose my land to taxes because they wanted to dicker around for two or three more weeks. They've been studying this for five years. Enough is enough."

Dave Johnson, who has a 30-acre pick-your-own apple farm on his mostly wooded 400 acres in Binghamton, said gas drilling money would allow him to replace some worn-out equipment like the tractor that he has to start with a screwdriver. But even more important to him is keeping struggling farms in business through an additional income, and creating new jobs for the next generation.

"Our young people are leaving us," Johnson said. "At Farm Bureau meetings, everybody's got white hair."

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New Yorkers have watched other states that sit atop the Marcellus Shale — Ohio, West Virginia and most tantalizingly Pennsylvania just across state lines — ride the fracking boom and suck away at the profit potential of the world's largest natural gas deposit.

A market glut of natural gas has pushed the wholesale price from as high as \$12 per thousand cubic feet five years ago to less than \$2.50 over the past year. Energy companies have responded by dialing back well production to wait for the market to improve.

Some New York landowners signed lucrative leases with energy companies before the market and the state's regulatory climate soured. About 50 landowners in Broome County received signing bonuses of \$5,500 per acre under a deal negotiated jointly with hundreds of Pennsylvania landowners in 2009. New York's landowner coalitions are still trying to market leases but fear low gas prices will make large signing bonuses unlikely.

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"New York landowners will never recover the revenue that's been lost," said Nick Schoonover, a retired engineer who owns a 75-acre tree farm and heads the Tioga County Landowners Group. "Back in 2009, the market was supporting leases at \$4,000 to \$5,000 an acre and royalties of 20 percent. That wave has passed. You're never going to see that again."

Kevin Frisbie, a livestock feed producer in the town of Spencer who makes frequent trips across the state line to Pennsylvania, said farmers there who were getting \$10,000 a month in royalties are now getting a mere \$1,500 because of the lower wholesale price and reduced production. But that's \$1,500 more than he's getting from the shale beneath his 120 acres.

"The part that really bothers me is, I'm afraid my 80-year-old father isn't going to live to see it," Frisbie said, his voice quavering with emotion. "He's worked his tail off all his life. I'd like to see him and my mother benefit from this."

In the economically depressed southern half of New York that sits atop the Marcellus, steadily rising operating costs and low milk prices have pushed some dairy farmers to the edge of bankruptcy while they wait for a fracking decision.

"With the cost of grain, fuel and fertilizer so high, and taxes, just in the last year I know of three friends who have sold their cows and their farms stand abandoned," said Judi Whittaker, who has a 550-cow dairy in Whitney Point. She sees gas leasing

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as a way to ensure her farm's future.

"We've been hoping somebody would come and help sustain our farm, not only for us but for our grandchildren, so they don't have the struggles we've had to face, not knowing where the money's coming from," Whittaker said.

Schoonover fears bankrupt farms will be sold to outside investors from Colorado and other states who have been shopping for land with mineral rights in the region.

"They won't care about protecting the land like the local farmers have for generations," Schoonover said. "They're in it strictly for the money."

While anti-fracking groups depict Pennsylvania's shale gas region as a wasteland of contaminated well water, poisoned cows and an industrialized landscape, members of New York's landowners groups say those claims are greatly exaggerated.

Frisbie said he recently drove through Pennsylvania and talked to 17 dairy farmers. "Not one of them was unhappy that gas had come to their property."

Still, Binghamton apple grower Johnson has taken a cautious approach, banding with other landowners to draw up a model lease with 45 pages of environmental and financial protections. Turning a quick buck is not as important to him as preserving the hilltop farm that's been in his family for 150 years.

"I'm looking forward to drilling," he said. "This could be a good thing to carry on our farms, because I don't know anybody who's not struggling."

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