Company Declares Bankruptcy Due To NY Fracking Moratorium

Mary Esch, AP

A Norwegian company that invested heavily in upstate New York gas leases, which it then couldn't develop under the state's fracking moratorium, has shuttered its U.S. operations and terminated its last eight employees. Oslo-based Norse Energy Corporation announced last Friday it was converting from Chapter 11 to Chapter 7 bankruptcy, meaning it was ceasing operations and selling off remaining assets.

Norse tried unsuccessfully in August to sell pipeline rights of way and gas leases on 130,000 acres in upstate New York to raise money to pay debts, according to company financial filings. New York has had a moratorium on gas drilling using high-volume hydraulic fracturing, or fracking, since it began an environmental review in 2008. Governor Andrew Cuomo has said he will decide whether to lift the ban after his health commissioner completes a health impact review. While Norse blames its bankruptcy on the state's moratorium, the ban only applies to the new techniques of horizontal drilling and high-volume fracking. Companies can still drill shallower vertical wells. Norse had hundreds of producing vertical gas wells in sandstone formations in central and western New York before its financial collapse.

New York's roadblocks to the oil and gas industry include dozens of local bans and moratoriums. Norse is challenging one of these bans, in the central New York town of Dryden, in a case now before the state's highest court. Norse is also contesting a lawsuit filed by landowners representing about 6,000 of the company's leased acres. The company has extended the leases beyond their five-year term, arguing that the state's moratorium has prevented it from drilling. Landowners say the moratorium isn't a valid reason to extend the leases.

In a similar case, Chesapeake Energy recently walked away from about 200 leases rather than appeal a court decision in favor of the landowners.

In the case against the town of Dryden, attorney Tom West, representing Norse, said he expects the case to go forward even if Norse is out of business. "Another operator would take over those leases, and we would substitute them in for Norse," West said Thursday. Norse was substituted in after a trial-level state judge ruled against the first company to challenge Dryden's ban, Denver-based Anschutz Exploration. Anschutz chose to let its New York leases lapse rather than pursue an appeal.

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