

# GOOD TIMES BAD TIMES



SUMMER 2010

A RESIDENTS GUIDE TO GAS DRILLING

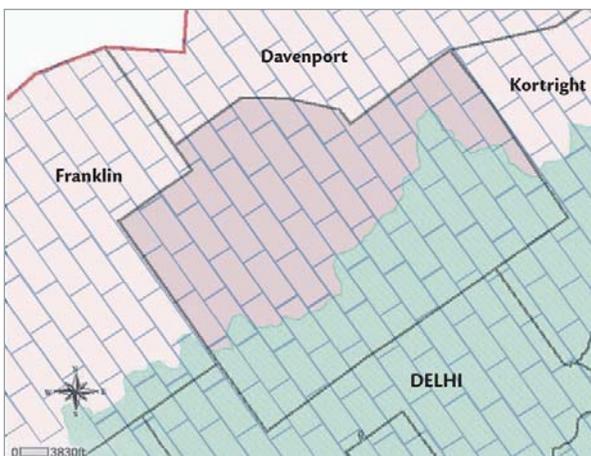
ISSUE #2

Welcome to the 2nd issue of our newsletter about industrial gas development in our rural area. Our first issue covered a lot of the basics, information we think everyone should be aware of, whether you're considering signing a lease, or concerned about what will happen if neighbors sign. In this issue, you'll find a lot of new information and local news about a broad range of topics: drilling units, pipeline access, well-testing, a new town residential proposal. If you have any comments or questions, please email us at [info@meredith-coalition.org](mailto:info@meredith-coalition.org) or visit our website at [www.meredith-coalition.org](http://www.meredith-coalition.org).

## THE FUTURE OF MEREDITH

### 1.

Here's a rough approximation of how Meredith and the surrounding area in Delaware County could be sliced up into square-mile units for drilling, based on what Chesapeake Energy, the largest gas company, is proposing to do in the town of Hancock and elsewhere in western New York:



All the units are oriented along a northwest/southeast axis, so that drilling will be perpendicular to the natural fractures in the shale, allowing the maximum amount of methane to be extracted.

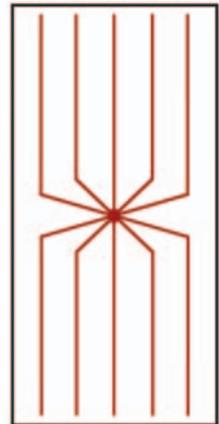
The Delaware watershed, which supplies water to NYC, is marked in aqua. Despite what the news reports may say,

it isn't legally off-limits for drilling. Gas companies can still propose units within this watershed, but must do a site-specific Environmental Impact Statement for each. This would entail considerable expense, but given the enormous potential for profit, it must be assumed that at least some gas companies will believe it's worth doing, and that landowners within the watershed will sign gas leases.

As for the units themselves, each would have a large well pad located near the center, from which 8 to 12 individual wells (16 maximum) will radiate outward, with at least 3 or 4 drilled every year.

If all of Meredith is eventually drilled, we'd be looking at 58 units and well pads, with something like 580 individual wells. More if other shale layers like the Utica are drilled too, which is more than likely. Considering only the Marcellus, and assuming the watershed is never touched, and only 70% of the rest of our town is leased or compulsorily integrated, we are still looking at a minimum impact of around 24 pads, and 240 wells.

If each well is fracked only 3 times, requiring about 2 million gallons per frack (according to the DEC) – that's almost 1.5 billion gallons of water coming into Meredith in



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## NY LAND AND LAKES PROPOSES MERIDALE FARMS DEVELOPMENT

New York Land and Lakes Development (NYL&L), of Sidney, NY, has a proposal before the Town of Meredith Planning Board to develop the 1090 acres of historic land known

as Meridale Farms. The property is located on all four sides of the intersection of Turnpike Road and Route 28 and was purchased from the Hamilton family in 2005 for \$2.45 million.

NYL&L proposes to subdivide the land into 99 single-family residential lots averaging a little more than 10 acres each. NYL&L submitted its original proposal in 2006, and the final scoping document was adopted by the Planning Board that November. The project was inactive until NYL&L resubmitted the project in revised form at the March, 2010 planning board meeting.

NYL&L currently projects the value of the project at almost \$3.6 million. This includes the original \$2.45 million purchase price, plus future costs for road construction, installation of electric lines, storm water structures, well drilling, and EIS (Environmental Impact Statement) preparation.

The Planning Board is now engaged in deciding if the proposal meets the Town's requirements, which would allow it to move to the next step, public review. Reaction among town residents has been mixed as to whether such a large subdivision in the heart of our rural community is appropriate and desirable. Questions have also been raised about how realistic the economics of the project are, even in a vastly improved economy. There is currently little visible economic base to support additional homeowners, and the potential for this many second-home owners congregating in one area seems limited.

The outlook for a viable residential subdivision is further clouded by an advertisement online at [www.nylanquest.com](http://www.nylanquest.com) listing the entire property for sale:

**1200 ACRES OF LAND WITH UNLEASED MINERAL RIGHTS IN DELAWARE COUNTY - OR PURCHASE MINERAL RIGHTS ONLY - Unique find of contiguous acres in prime location... Offered at \$8.5 million including all mineral rights. \$3 million for mineral rights only... Located in Delaware County where it is believed to contain more extractable gas.**

### Catskills



1200 ACRES OF LAND WITH UNLEASED MINERAL RIGHTS IN DELAWARE COUNTY -- OR PURCHASE MINERAL RIGHTS ONLY ----- Unique find of contiguous acres in prime location. Ideal for raising livestock, dairy farming, horse farm, ranch, family compoun...

**Size:** 1200 Acres

**Town Of:** Meredith

**Price:** \$8,500,000.00

**County:** Delaware

The outright sale of the mineral rights, at roughly \$2,500 per acre, is within the range of the going rate just for sign-up bonuses for gas leases, which, in some areas in

Pennsylvania, have gone for as much as \$6,000 per acre. While gas companies typically lease rather than buy, nothing prohibits them from buying. Nor is anything preventing NYL&L from selling or leasing the mineral rights to gas drillers while holding on to the surface rights for future development.

If such a sale is completed, and gas drilling is allowed in our area, this could potentially become the nucleus for an enormous industrial operation in the middle of rural Meredith. If the property were divided into 3 or 4 adjacent 640-acre drilling units, with surrounding areas forced to become part of these units, under a procedure known as "compulsory integration" (legal in New York but not in most other states), the number of gas wells that could be put into production could easily total several dozen, and could even include a large compressor station.

So what is NYL&L really planning?

One possibility is that NYL&L is legitimately trying to implement its residential development proposal, and the mineral rights will be included as part of a standard real estate offer.

A second scenario is that NYL&L believes it can sell the mineral rights separately *and* continue with residential development, hugely expanding the potential for profit. This option would be similar to what is known in some Western states, like Texas and Colorado, as a "split estate," dividing the surface and underground rights and selling each separately. It's questionable, however, how many buyers in our area would be comfortable with the possibility of a gas company drilling wells on their land, without even receiving any royalties in return.

Scenario #3: NYL&L is simply hedging its bets and looking at all the investment opportunities, either selling the land outright, in one big chunk or as individual pieces, to gas companies or to speculators, or selling only the mineral rights, or even just leasing them for gas development, or, if none of these options are possible, proceeding with the residential plan currently under consideration by the Planning Board.

When asked for comment about the online ad, Bob Lesperance,

*continued on page 7*



## SAFE DRINKING WATER (PART 1)

In a table in its 804-page draft Supplemental Generic Environmental Impact Statement, the New York Department of Environmental Conservation (DEC) lists 259 chemicals that are used in hydraulic fracturing.

Forty-three of these also appear in the *Pocket Guide to Chemical Hazards*, published by the National Institute of Occupational Safety and Health (OSHA) – a few of the most dangerous are listed on our website, along with exposure limits and their associated health risks. Several hundred other chemicals, many of them toxic, have also been identified in fracking fluids but are not on the DEC's list.

The fluids injected underground each time a well is fracked contain only some of these chemicals and each gas company has its own proprietary formula, protected from public disclosure as a trade secret. As a result, there's currently no way to know just what chemicals may be used if a gas well is drilled on a neighbor's property – and, consequently, no way of doing precise baseline testing of your drinking water prior to drilling, in case something goes wrong and your water is contaminated, or you or family members begin to experience health problems that were not previously evident.

On June 24, *The Daily Star* published a report on its front page about the chronic health problems – lethargy, dizzy spells, nosebleeds, scratchy throats, itching – of the Solloway family, who live on a 137-acre farm in rural Maryland, about 10 miles north of Meredith, in Otsego County. They believe their drinking water may have been contaminated by a nearby hydrofracking operation that began last September, an exploratory gas well owned by Gastem, a Canadian company based in Montreal. Until then, none of the family had any significant health problems.

“Gastem's President Orville Cole said Tuesday that wells in the Crumhorn Mountain area are tested quarterly, and the Solloway's results have been normal. . . There is toxicity in the fracking fluids, and it's all in the MSDS (material safety data sheets). We know what to test for.”

While the article in *The Daily Star* doesn't resolve whether the Solloway family's health issues are related to nearby gas drilling activity, it does raise many other important questions about the whole process of water testing and safety.



Can gas production companies really be relied upon to monitor the toxic chemicals they are injecting beneath our aquifer system? If they do not disclose the components, how will we know they are testing for everything in their fracking fluids? Even if they do make full disclosure, how will we know their list is really complete and that they are actually performing all the tests? And reporting all the results? Are they doing the testing themselves or using a certified independent laboratory? Are there even any certified laboratories in our area that can do these tests? [Answer: at this point, no.]

Questions like these are being raised by many different groups, not only in communities like ours, but even within the gas companies themselves. In another news report online, shareholder groups “ranging from the New York State Common Retirement Fund to Green Century to the As You Sow foundation are asking for reporting on the environmental impact of fracturing and potential policies to reduce the hazards from the process.” Resolutions for fuller disclosure have been proposed at a dozen corporations.

In the news article about the Solloway family, Gastem's CEO says his company “wants to work with county and state officials to make sure that water testing is done in a manner that makes people comfortable with the safety of their water and with gas drilling.” He added that “anyone who has a concern related to a Gastem operation should contact the company.”

We took him up on the offer and sent an email requesting the name of all the chemicals Gastem is testing for, and which independent testing service they are using, so that area-residents can at least have the option to do their own well tests prior to the appearance of any health problems.

A few days later, Mr. Cole responded. While he acknowledged he was unable to provide us with any names of the chemicals Gastem is using, “due to liability,” he went on to ask if we would participate in a “baseline water study” funded in part by Gastem, to be conducted independently by “a couple of pretty high-profile organizations.” The purpose of the study would be to develop credible and reliable standards for water testing. Cole declined to name the high-profile groups, but said he'll “get the ball rolling” and make us “a low or no cost proposition.” [To be continued in the next issue of our newsletter.]

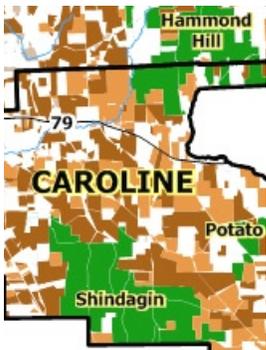
**THE FUTURE OF MEREDITH** continued from page 1

240,000 truckloads – and 7.5 million gallons of fracking fluid that will be injected underground, of which (by DEC estimates) perhaps a third (2.5 million gallons) will flow back up to the surface, requiring storage and waste treatment (by facilities that have yet to be built) – with 5 million gallons of toxic chemicals remaining under our aquifer system.

And that's just the Marcellus. There are at least 2 or 3 other shale layers with similar potential. It might take 40 or 50 years, possibly longer, before all the gas is extracted and the gas companies leave.

## 2.

How likely is all of this to actually happen in our town – and when? First, the NYS Dept. of Environmental Conservation must issue a final set of regulations, which probably won't be until the end of the year at the earliest. At that point, gas companies will need to propose specific units in our town, like the ones above, and apply for permits. However, to do that, they must first secure leases from landowners for at least 384 acres of each 640-acre unit they propose (60%).



In some towns in upstate New York, this process is pretty much over – in Caroline, for instance, in Tompkins County near the Finger Lakes, which is roughly the size of Meredith (but double the population), about three-quarters of the land is already leased. In Hancock, about a third is leased.

In Meredith, however, and in neighboring towns like Franklin and Kortright, leasing has not really begun. As far as we know, no one has yet signed any leases in our area (except for a few in Davenport), though several landowners are either actively seeking to lease, or offering their land for gas speculation (like Land & Lakes, owner of the former Meridale Farms property at the center of Meredith – see page 2 for more).

All the initial units in our town would most likely be located in the northern 60%, in the Susquehanna River basin. Only a handful of people own more than 384 acres, and we can assume they will be among the first to be offered leases, along with perhaps a few dozen others with more than 100 acres each.

How many will accept? Of course, we've no way of knowing, but for the purpose of a hypothetical example, let's say 25% is

leased, a total of about 1300 acres, enough for 3 initial units.



Assuming all three units receive permits from the DEC, does that mean production will begin? Again, many different factors are involved and we have no way of knowing at what point a particular gas company would consider it profitable enough to proceed, but let's just say they do want to go ahead.

At least two things must happen. First, at least one well in each unit must be successfully drilled. (If you're interested in some of the details, please refer to the first issue of our newsletter, available online at [www.meredith-coalition.org](http://www.meredith-coalition.org).)

Second (this could happen first or at the same time as drilling), a network of gathering lines must be laid to collect the gas from each well head to a central compressor station, where the gas will be sold at the going market price – right now, it's only about \$5 per mcf (thousand cubic feet) – and then sent on its way under high pressure, most likely north through Davenport to a junction point in northern Otsego County, where the TGP (Tennessee Gas Pipeline) runs from Buffalo through Massachusetts and Connecticut to NYC.



*A typical compressor station*

The pipeline network that brings the gas to and from the compressor station will be buried about three feet underground,

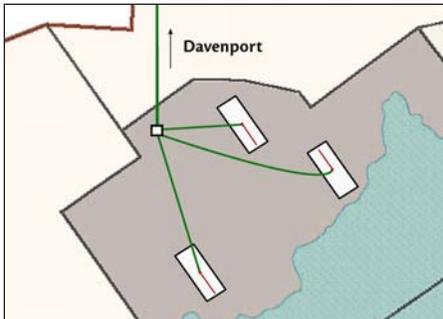


### 3.

but sometimes it's cheaper just to run it above ground, as in this photo from Pennsylvania:



Whose land will these pipelines cross? Maybe yours. And your neighbors. Probably many of your neighbors.



In the example above, almost 50,000 feet of gathering lines would need to be laid across about 40 individual parcels in Meredith, owned by 33 different landowners.

The going rate for a right-of-way for gathering lines is currently about \$15-20 a linear foot (50 feet wide), so each landowner would receive anywhere between \$1,500 and \$61,000 (about \$14,000 average) – but only after it's actually laid. There are other issues to consider as well. When will the pipeline be removed? If the company goes out of business before then, who will be responsible? Will you be liable for damages if there's a leak or an explosion? Will you be able to subdivide or sell your property with a pipeline running through it?

Whatever the amount of this one-time payment, will it be enough for landowners to grant permanent easements through all these properties? If at any point along the way, the gas company fails to conclude a deal with even the smallest landowner, then production may not proceed at all. In fact, in some areas in Broome County, owners have even banded together to deny pipeline access to companies until better terms are offered. In addition, our town government must grant permission to allow these gas lines to be buried under local roads.

Whether or not to sign a gas lease is in itself immensely complicated, but it should be clear from this discussion that there's a lot more to think about. Before gas drilling can even get a start in our town, many difficult decisions will need to be made, both individually and collectively.

In some places like Caroline, a majority of landowners have, for better or worse, rushed to embrace industrial gas production and it's already too late for them to change their minds. Pennsylvania is even further ahead of us, by 4 or 5 years. So far, some people have done well. But others have been devastated by the impact and many regret having signed leases (see page 6).

Many questions remain. How real is the danger of widespread contamination of our aquifers? Will everyone benefit, or only a few? What will happen to our rural landscape and our way of life? No one really knows.

Perhaps the only good answer at this point is just to wait and see what happens elsewhere. For those who are afraid of the risks to our health, our homes and our rural way of life, waiting will give time for more scientific studies, like the one now underway by the EPA, and also allow for additional safety measures to be developed and implemented.

For those who are considering leasing, there is currently a glut of gas on the market. Prices, on which royalty payments are based, are near 5-year lows. Pennsylvania is rapidly expanding production and plans to issue 5,000 new permits each year, so the gas surplus is likely to last for some time.

The gas itself has been there for at least 370 million years. It would seem that waiting a little while longer can only help all of us to make better and more informed decisions about our common future.



## THE LANDMAN COMETH: INTERVIEW WITH A REGRETFUL LESSOR

[Note: Due to the fear of retaliation from the gas company, the interviewee, who leased land in Laurens (Otsego County), has requested anonymity.]

*Q: When did you sign?*

A: 2008.

*Q: How much land did you lease?*

A: About 300 acres.

*Q: How much was the sign-up bonus?*

A: A pittance. Some people in this area who signed on early got about \$100/acre, or even less. Some of those who waited got \$500/acre. If I knew then what I know now, I would not have signed for ANY amount of money.

*Q: When did you start to have second thoughts?*

A: When I started hearing about all the negative impacts of hydrofracking in other areas, I realized I was deceived by the landman. Then I started doing my own research.

*Q: What lessons from your experience would you like to pass on to our readers?*

A: 1) The landmen want you to sign: they will tell you most anything! The landman DECEIVED us. We had never heard of hydrofracking. He did not tell us the potential impact of hydrofracking on our property (and community). He said it was “environmentally friendly.” He made it sound like we would barely notice it.

2) You need to realize that drilling companies can put more than one well on your property.

3) Don't sign anything until you've talked to a lawyer who specializes in natural gas leases, because the leases definitely favor the gas companies and not the landowner. They often have clauses that can lead to abuses.

4) Don't sign anything until you've visited a hydrofracking site.

5) If you do decide to sign, put in stipulations to protect you and your property: once you sign, they can do whatever they want! This includes going wherever they want, whenever they want on YOUR property, cutting trees, as well as putting in trailers for itinerant workers. Make sure they agree to drill far away from your house: 1000 feet or more. Drilling rigs may operate 24 hours a day with associated bright lights, noise and air pollution. There may be lots of traffic. There is a risk for explosions.

6) Before you sign, talk to your neighbors to see how much they have been offered. Landmen pay as little as they can. Consider

joining a local coalition of landowners who are interested in leasing land.

7) Water is a big issue. Insist the drillers pay an independent lab to test your water for contaminants known to be associated with natural gas exploration BEFORE they begin drilling. In case the drillers accidentally contaminate your water supply, insist they agree to supply a long-term replacement of clean water for all uses (including livestock, watering the garden, laundry, etc.). People in some areas where gas drilling accidents have occurred have only been given bottled drinking water.

8) If your well water is contaminated, your home is worthless, so make sure they agree to be held liable for the full value of your property or you'll have no option but to sue.

*Q: Would you like to add anything?*

A: I'm very sorry I ever signed. Please get your newsletter out as fast as you can so others are not deceived like we were.

## THE FIRST LANDMAN ARRIVES

We've received word that a landman, William F. Doyle, began knocking on a few doors in the northwestern part of Meredith in July. Apparently, Mr. Doyle set up shop at the Holiday Inn and has been in our area for about a month.

Doyle gave out a card from Magnum Land Services, a small Michigan-based company that represents gas companies as leasing agents and for pipeline right-of-way acquisition. The offer he made to one resident was for a signing bonus of \$100/acre.

Asked why the offer was so low, Doyle cited uncertainty over regulations in New York State and that gas drilling in our area was still several years away. He refused to provide a copy of the lease unless the amount of the sign-up offer was accepted.

Asked which company was offering the lease, Doyle mentioned Atlas Energy, a prominent gas producer in PA, with about 200 horizontal wells currently in production and more than 260,000 acres under lease.

If a landman contacts you, please let us know and we'll post it on our website so that everyone can check for any recent leasing activity.

Send questions or feedback to us at  
[info@meredith-coalition.org](mailto:info@meredith-coalition.org)

Visit our website at  
[www.meredith-coalition.org](http://www.meredith-coalition.org)



## **MERIDALE FARMS** *continued from page 2*

Vice-President of NY Land & Lakes, said, “That’s news to me.” Mr. Lesperance claimed the property is not for sale by NYL&L, as it is currently being reviewed by the Planning Board. He said he had allowed realtor Carl Snyder, of New York Land Quest, to show the property to a potentially interested gas company, and the ad was “probably a remnant of that event.”

He maintained that he didn’t even know what prices were quoted in the ad and expressed surprise when told the numbers. Mr. Lesperance then said that he might contact Mr. Snyder to have the ad removed. He added that the ongoing costs of holding the land “are strangling us.”

Mr. Snyder was subsequently contacted and confirmed that the ad is still up on the website. He said there had been some potential interest in mineral rights, but NYL&L had not received any offers. He also said that Meridale Farms will continue to be offered for sale on the terms stated in the ad.

When asked separately whether it was feasible to sell the mineral rights and continue with residential land development, both Mr. Lesperance and Mr. Snyder agreed. “Sure, we do that all the time,” said Lesperance.



Bisbee’s General Store in Meridale was the center of our rural community for many decades until it was destroyed by fire in April, 1976. Now, from September 3 to the end of the year, the **Meredith Historical Society** is presenting an exhibition about Bisbee’s in Delhi at the Delaware County Historical Assn.

If gas development comes to Delaware County, it will undoubtedly change us forever – perhaps, as some people claim, creating new opportunities for economic growth, or, as others fear, destroying whatever remains. However you see it, we invite you to come to the exhibit. Remember the way it once was, and celebrate the rural way of life we value so much.

## **WHO WE ARE**

The Meredith Landowners Coalition is a non-profit community group of local residents whose goal is to promote a better understanding of industrial gas development in our rural area.

The impact of such development will affect everyone in our community for many years to come. Our own position, based on the research we have done so far over a period of several months, is that the potential long-term risks to the community as a whole appear to far outweigh the possible benefits. At the very least, we believe it’s worth waiting for the Environmental Protection Agency to complete its current study of the safety of hydraulic hydrofracking before any drilling takes place.

We’ve mailed this newsletter to every resident and landowner in Meredith, in the hope that it will open an honest dialogue between neighbors about the pros and cons of a very complex issue. Our first two newsletters have just scratched the surface. Many aspects haven’t been examined at all, or just touched on briefly, without the kind of detail residents need to make an informed decision about what to do.

Future newsletters will try to answer some of these questions more thoroughly, and as practically as possible. For example: what exactly should I be testing my well for? Who should I call and what will it cost? If I receive a letter compelling me to become part of a neighboring unit, what are my options? Can I get additional homeowner insurance to protect my drinking water?

If you feel this kind of information is of value, please consider making a contribution to our organization to support our educational efforts. Our mailing address is **POB 2, Meridale, NY 13806**.

The Steering Committee of the Meredith Landowners Coalition, in alphabetical order:

Larry Bennett, Nancy Cannon, Carolyn June, Bob Rosen, Kelley Snodgrass, Cynthia Waterman

A copy of this newsletter, with color photos, is available for download from our website at [www.meredith-coalition.org](http://www.meredith-coalition.org).

You’ll also find videos, photos and links to information about gas drilling in our area.