

Extension Helps Landowners Navigate Gas-Leasing Maze

For the past few years, Penn State Cooperative Extension has offered workshops and information to help landowners navigate the legal and practical issues of leasing their land for natural gas exploration and extraction. But as Tom Murphy looked out over a standing-room-only crowd of about 1,500 at Tunkhannock High School this spring—all of whom came to learn about the potential pitfalls and profits of natural-gas leasing—he marveled.

The audience dwarfed the crowds that might turn out for the typical extension education workshop. And it was only the latest such seminar to address the issue. “So far, we’ve presented similar sessions for more than 14,000 people around the state,” says Murphy, an extension educator in Lycoming Coun-

ty. “After learning about landowner rights and the leasing process, some of these folks have negotiated leases that are collectively worth as much as \$200 million more than the offers they had received prior to attending a workshop.”

The pace of gas exploration in the state accelerated this year after joint research by Penn State and the State University of New York at Fredonia suggested that the Marcellus shale, a geologic formation that stretches across a large part of northern and western Pennsylvania and into neighboring states, may contain more than 500 trillion cubic feet of natural gas, at least 10 percent of which—up to \$1 trillion worth—could be recovered with new drilling technology. And that has gas companies, landowners, and rural communities scrambling to tap into this energy bonanza’s potential profits.

Earle Robbins, former Tioga County extension director who initiated the first extension gas-leasing workshops, notes that the front

of this activity moved from north-central to southwestern Pennsylvania in a flurry of activity by landmen (independent contractors or company employees who secure oil and gas leases), speculators, brokers, and energy companies, all trying to tie up large blocks of land with a company lease. Few regions in the state have not had natural-gas leasing and/or exploration take place.

“The problem is that landowners unfamiliar with industry terminology or practices are left feeling overwhelmed by the complex legal and financial decisions suddenly thrust upon them,” Robbins says. “Without timely and fact-based information, landowners are not likely to make decisions that maximize their benefits, reduce risk, and meet their ownership goals.”

Deep-well natural-gas exploration will present phenomenal opportunities for rural economic development, according to Ken Balliet, county extension director in Snyder, Montour, and Northumberland counties.

“Energy companies already are working together to deal with the logistics of supplying the materials and services they need to bring the trillions of cubic feet of gas under Pennsylvania to market,” Balliet says. “Truck drivers, welders, drillers, geologists, mechanics, and engineers are just part of the huge workforce needed. Landowners are the winners right now, but these companies will spend billions to get the gas out of the ground.”

But property owners need to be cautious, Balliet warns. “Some landowners have been approached to permanently sever mineral rights from their property for a few hundred dollars, not realizing what the impact might be to property values and their surface rights. In some cases, landowners have forfeited many of their surface rights dealing with such things as road, well, and pipeline placement.”

There are several pitfalls that landowners should avoid when negotiating a natural gas lease. “Price offered by the company is



PHOTO: COURTESY OF TOM MURPHY

just one consideration,” says Murphy. “Lease rates often will be low in an area when the first offers are made. You never should feel compelled to sign when first approached. Talk with neighbors and others to find out what is being offered.” He points out that lease offers that started at about \$15 per acre two years ago are now as high as \$2,500 per acre. And that does not include royalties on any gas extracted, which can be 15 percent or more.

“Also, know what you’re signing in a lease,” Murphy says. “Leases typically contain a lot of fine print with unfamiliar terms. Seek legal advice, and remember that it’s your land, so if there’s gas under it, that belongs to you as well. You need to partner with a company to explore for it, but it should be on terms that favor both parties. The bottom line is understand everything before you sign anything.”

Meanwhile, researchers and extension specialists in the College of Agricultural Sciences are gearing up to address other issues related to natural-gas exploration:

- How communities can keep some of the expected natural-gas revenues at home to create jobs and promote economic development
- How competing land uses can be reconciled to encourage sustainable growth and development
- How gas exploration can affect local tax revenues and property values
- How potential environmental impacts can be minimized to protect water quality and quantity, soils, forestland, and other natural resources
- How landowners signing a natural-gas lease can wisely manage their potential windfall

For more information, visit the Penn State Cooperative Extension Web site on gas and oil leasing at naturalgas.extension.psu.edu.

—Chuck Gill

A Whale of an Experience

Kate Swails didn’t know what to expect when she decided to tag along on a research vessel cruising the Gulf of Maine for three weeks.

The recent Penn State alumna, who majored in Environmental Resource Management (ERM), evaluates and grants scientific research permits in the National Oceanic and Atmospheric Administration’s National Marine Fisheries Service office. Joining 10 other scientists, she decided to see the research up close and personal.

“The researchers were looking for humpback, northern right, and pilot whales,” says Swails. “There are only a few more than 300 northern right whales left in existence.”

It took some time for her to get used to life on a boat. Thick fog along the coast made the trip cold and whale-spotting difficult. But she relished the opportunity to get close to the mammals. Once, the boat was surrounded by pilot whales. “They were right underneath us, and I could hear them breathing and splashing,” she says.

Her favorite memory was an evening when the fog finally lifted, and she realized the boat was in the middle of a large group of pilot whales just as the sun was setting. “It was so surreal and beautiful,” Swails says.

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The 2003 graduate said her major in the College of Agricultural Sciences expanded her knowledge about environmental management because she took science courses, such as chemistry and biology, in addition to environmental economics and environmental law. “I have to be familiar with policy, management, biology, and law to do my job,” she says. “Majoring in ERM gave me the interdisciplinary background I needed.”

—Bethany Fehlinger



PHOTO: COURTESY OF KATE SWAILS

Alumna Kate Swails, who evaluates and grants research permits for NOAA’s National Marine Fisheries Service, recently viewed whale studies up close and personal.

