

Gas Drilling Update

Unatego Area Landowners Association



Welcome Spring

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Special points of interest:

- > Summary of lease
- > Due date for submission of deeds
- > Thanks to those who have helped
- > It's not too late to join the Association
- > By-Laws
- > Next meeting

A Summary of Our Lease

There is an old Chinese curse, “May you live in interesting times.” Well, we sure live in interesting times. Since last summer the stock market has crashed, our financial institutions worldwide have collapsed, and the price of commodities has plummeted. Natural gas that sold for \$14 per mmbtu is now selling for \$3.80. However, there was some good news for our area in 2008. We are probably sitting on a large reserve of natural gas which might bring income for decades, benefiting us as individuals as well as a community.

Our purpose as an Association is to make certain that extraction is profitable, safe, and protective of individual property rights. The lease just approved at the 2/28 meeting contains all the safeguards that our attorneys outline at previous meetings. The lease contains 47 Articles plus a Surface Use Agreement comprising an additional 24 Articles. Below is the basic outline of the contents of our lease. We and the attorneys have tried to strike a balance between landowner protection and also giving the gas com-

pany enough room to do their job. There are many more landowner protections in the lease, too numerous and specific to include in an outline. Keep in mind that our lease may change substantially between now and final deal with a gas company.

- > 5 year lease. No automatic extension period. Bonus and royalty to be negotiated.
- > Cost-free royalty. Royalty based on higher of gross proceeds or market value at point of sale.
- > Horizontal and vertical Pugh clause. Any formation not actively produced for gas reverts to you after the primary term of the lease. Any of your acres not included in a drilling unit reverts to you.
- > No well pads closer than 500 feet from the house, except by explicit written permission of the landowner. No roads closer than 250 feet. Site development plan must be approved by the Lessor (Landowner) . Pipelines must be buried.
- > Lessee (Gas Company) completely indemnifies landowner, and adds landowner as an added insured on their policy.
- > Well siting fee of \$15,000—

\$35,000 (depending on size of well pad) if a well is placed on your property.

- > Lessor (Landowner) has the right to examine the records and books of the Lessee regarding production from any well on the property.
- > Gas storage on property is not included in lease and must be negotiated separately. No disposal wells.
- > All tracking and drilling fluids must be properly contained, handled, and disposed of according to DEC regulations.
- > No surface rights to timber, bluestone, etc. Lessee pays for damages to any of your property.
- > No pipelines on property other than to bring gas away from well(s) on the property, with separate agreement for such. No compressors on property unless approved by landowner. Noise abatement requirements if there is a compressor or other noisy equipment.
- > Shut-in limitations—for no longer than two years. Shut-in royalty of \$50 per acre.
- > Lessee agrees to pay any increase in property taxes due to drilling, including retroac-

A Summary of Our Lease...continued

tive taxes if property or any portion of it is removed from 480(a) formerly program by drilling activity.

> Lessee responsible for independent well water testing before and after drilling. Any damage to water quality or quantity of flow must be compensated for by the Lessee.

> Lessee responsible for all surface damage—reclamation to original contours, replacement of damaged fencing, etc.

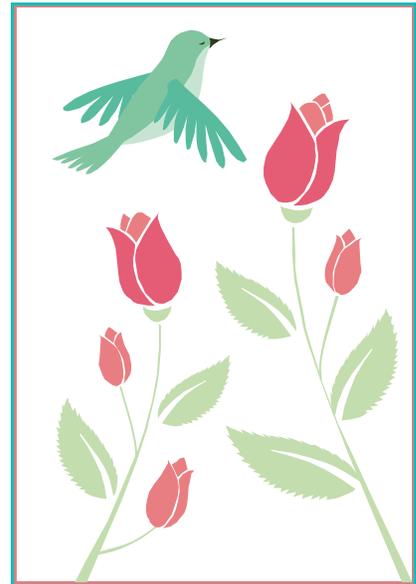
> Lessee responsible for all surface damage—reclamation to original contours, replacement of damaged fencing, etc.

> Lessee responsible for eventual

well plugging expense.

We just learned that the Central New York Landowners Coalition has a similar lease which will be approved by its membership on Saturday, April 4th. We strongly urge that those of you who belong to both the CNYLC and UALA attend that meeting. You will be well served with membership in either organization.

As stated earlier, we certainly do live in interesting times. The search for gas in our community has been attempted for many decades. It seems that the time has finally come. We believe that both you and the larger community will be well protected with the Unatego Area Landowners Association lease.



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Kudos – Kudos – Kudos

>> Richard Averett—our new webmaster who has created an easily accessible site with loads of information and many points of view. Check it out at www.otegogas.webs.com.

>> Patrea Delberta—has taken raw data and made it key stroke ready for our attorneys as they prepare to go out to bid.

>> Tri-Town News—for keeping there readers informed.

>> Jonathan French and Katherine Struble— for a great job in contacting their neighbors in Unadilla.

>> Paul Valentino—for continuing the phone calls in Otego.

>> To all those anonymous folks who generously contributed when we “passed the basket.” You all have greatly helped us repay monies spent to jump start our Association. All past debt has been repaid. Once all members have paid their dues, we’ll be able to function through the end of the year.

>> To Brenda Gross for contributing reams of paper. This will be used for several Newsletter issues. It could last longer if more members with e-mail would send their address to us.

>> To all those who took the time to access information (thanks, Josie) acting as our eyes and ears. Also to those who attended long (and sometimes tedious) meetings held by the DEC, the SRBC, the Coalition of Coalitions, and all the other meetings held by associations and concerned groups. Finally to those of us who chased down leads and visited sites in all kinds of weather and brought that firsthand information back to the Association.

Deeds Due Date ----- April 10, 2009



About 27% of the membership have already sent in their deeds. All remaining deeds MUST be received by April 10th. Some members sent their school tax bill as a substitute. Those will be returned when the copy of the official deed is received.

If you do not have your deed available you must go to the county office where your

property is located. The procedure should take only a few minutes. You will be charged \$1.00 for each page. Otherwise, you must call the County Clerk at (607) 547-4276 between 9 am—4 pm (Otsego County). Those whose property is in Delaware County must call (607) 746-3747. **PLEASE send deeds** to us as soon as possible so that our attorney's

staff can verify the correct owner and acreage as they may prepare for sending the Association's lease out for bids.

New Membership Still Accepted

It's not too late to join the Unatego Area Landowners Association. You still have time. Membership will still be accepted up to April 10th. Also include your dues and deeds.

We need to keep our membership within our boundaries. This is why we are looking to "fill in" with new members who are both within our boundaries and adjacent to current members. The closer our members' properties are, the more appealing our lease will be to the bidders.

If you do not have the form, feel free to contact either Dick Downey at 988-9116 or Jonathan French at 967-5424 or download the form from the website—www.otegogas.webs.com.

The search for gas in our area has been attempted for many decades... it seems that the time has finally come

By-Laws.....

At our next meeting we'll be reviewing and voting on the By-Laws of the Association. By-Laws are important if we are to continue as a viable organization for the long term. For those of you with access to the web site, the proposed By-Laws are available under www.otegogas.webs.com.



Financial Report

As of Monday, March 7th, all monies loaned to the Association for start-up and operating expenses have been repaid to the lenders. We are now operating on a budget based upon anticipated dues. Once Association By-Laws are approved—next meeting—only members in good standing will be eligible to vote on matters before the Association. Our balance to date is \$575.00 which should carry us through the next four months. Once all dues are collected, we should have sufficient funds through December '09.

**18,000
ACRES &
STILL
GROWING
!!!!**

We're on the web!
www.otegogas.webs.com

Next Meeting
Thursday, April 30th, 7 pm
Unatego High School
Agenda: Adoption of by-laws and
legal aspect of pipelines (tentative)
Check the website for any changes.

Unatego Landowners Association
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