



Gas Drilling Update

June 2009 Volume 1, Issue 5

Where We're At.....

Membership: Membership was closed on April 15, 2009. We have 273 member families with approximately 27,400 acres in the Unatego area.

Deeds: Since closing membership we have concentrated on getting the deeds for the bidding process. To date we have about 3/4 of the deeds. If you have put off sending in the deed, **PLEASE DO SO NOW**. Save us from the unpleasant job of annoying you with either phone calls, e-mails, letters, or all three. As former teachers, we have not forgotten how to annoy you. However, for everybody's peace of mind, please get those deeds in quickly.

Have you forgotten where you last saw those documents? No problem! Just pick up the phone and call the Otsego County Clerk at (607) 547-4376, the Delaware Clerk at (607) 746-3747 or the Chenango Clerk at (607) 337-1492. Mail to: UALA, 627 Flax Island Rd., Otego, NY 13825.

Dues: This is another annoying but necessary item. It may be folksy to pass the hat at meetings but, in truth, this method of raising the necessary funds to run an organization stifles planning and places an unfair burden on those who can make the meetings. As of today about 170 of our 273 member families have paid their dues (\$15 for the calendar year) and many of those ALSO made contributions when we passed the hat.

To help you in these two matters, the envelope for this Newsletter will have a symbol after your name. A CIRCLE stands for unpaid dues; a "D" for deeds still not sent. A "D" IN A CIRCLE means that both are due. For those of you who receive the Newsletter electronically we haven't come up with an easy manner of reminding you BUT WE'RE LOOKING INTO IT. Seriously, the deeds are most important in moving this group effort forward. Please help us out.

The Bidding Process: BEFORE our attorney's staff sends out the BID LETTERS they have to create the official map of our holdings. This official map should be verified by checking it against the DEEDS received. Therefore, if your DEED has not been sent in, the whole process is compromised. Again, PLEASE SEND IN THE DEED.

Next Meeting: Our attorney, Scott Kurkoski, will be our featured speaker at our Tuesday, June 30th meeting. The topics will be an update on the DEC regulations due to be completed this month and also pipeline issues. Following the presentation, he will be open to all questions during the Q&A.

Steering Committee (and Membership) Activities:

>>Attended a compulsory integration hearing in Albany, 3 Coalition of Coalitions meetings in Binghamton, a briefing in Oxford.

>>Will complete presentations to the Town and Village Boards when current reevaluation issues are resolved.

>>Will meet with our elected State representatives when their schedules allow.

>>Obtained DEC contacts who will be available to give us technical and detailed background information as needed.

>>Continuing to share information with County Planning to prepare for gas field development when permits are again issued.

Where We're At.....(continued)

Of particular interest were the COMPULSORY INTEGRATION HEARING and the COALITION OF COALITIONS meetings.

COMPULSORY INTEGRATION hearings are usually a pro forma affair where the DEC and lawyers for the gas companies exchange a few documents to see if the gas companies are acting according to law in notifying the 40% minority of their options and rights in a spacing unit. (See http://www.dec.ny.gov/energy/205.html). Fred Price and Dick Downey attended the Hearing held on May 6th. There were 4 units in question; two in Tioga County and two in Chenango County. None of the minority landowners were present or represented. By not making an appearance or stating their preference in options, the integrated parties were passively included at the smallest royalty operative in the unit. Three of them will receive the minimum royalty allowed by law; one will receive a 19.1% royalty.

Bryant LaTourlette of the Oxford Coalition has come up with an interesting way for minority spacing unit landowners to profit from the options open to them through New York State Law. He suggest that minority landowners consider "partnering" with venture capitalists (VCs) who would fund active participation in the drilled well. The lure for the VCs is that drilling for the Marcellus and other strata has a very high "hit" rate and that the most profitable returns from gas wells are in the first three years. The Association may be asking Bryant to share his knowledge of this and other matters at a monthly meeting later this year.

THE COALITION OF COALITIONS is exactly what it says; a group of landowner associations/coalitions whose main thrust is to promote safe and profitable drilling through the sharing of information and speaking to state and local officials with ONE voice. Presently, those opposed to drilling have good access to the press and are vigorously promoting their point of view. Legislators seem to be listening to them. Given the tilt of power to downstate interests, they could very well prevail. We have to make OUR POINT OF VIEW as well as THE FACTS known. Fred Price, Steve Sepesi, Jonathan French, and Dick Downey have represented our Association at the last three meetings.

The Price of Natural Gas: Gas prices are bouncing around their six year low. As of June 2nd the price was \$3.90 per mmbtu. A year earlier it was \$11.90. However, according to the Wall Street Journal, these lower prices have reduced the demand for the approximately 1,800 drilling rigs (only about 950 are currently in operation) and, according to the laws of supply and demand, the price to rent these rigs has dropped 30%. The gas companies are still making money. (For gas rig information see baker-hughes.com)

The big question is when will gas drilling companies come back to NY. According to an article provided by Association Member Anthony Duardo (http://www.energytribune.com/articles.cfm?aid=1806/) the attraction range is anywhere between \$5 to \$8. In further research Anthony found in the Norse Energy's {Nornew} first quarter report that the company projects profits based on \$7 gas. At \$7, Nornew expects to make \$4 million per well. This coincides with information told to a friend of the Association by the leading gas driller lease holder in our area. The lease holder said that \$7 gas would make our area attractive to his company.

Another variable in the mix is the regulatory climate in NYS. This should be settled shortly when the DEC releases the Supplemental General Impact Statement (SGEIS) for final review and comment. This document will probably be challenged in court by the Sierra Club. It is important that we make our wishes known (we've testified in previous hearings) and ultimately support the DEC and the SRBC in their regulatory duties.

Making the Map

For the last few months as applications were received, Petrea Delberta of our Steering Committee developed a detailed data sheet using the information submitted by the members. This information was submitted electronically to Scott Kurkowski's staff at Levine, Gould, & Thompson.

The staff has now received all the original applications and most of the deeds. They are now working on the tedious process of verifying the information received with the official documents. The results will be a true picture of our holdings.

Once this is completed, the staff will generate the official map. This process takes several weeks. When completed, the map will be sent to the drilling companies for the bid process.

~~~~~PLEASE SEND US YOUR DEEDS IF YOU HAVE NOT DONE SO ALREADY.~~~~~



>> DOES YOUR MAILING LABEL HAVE <<  
D (= DUES), or an O (= DEEDS), or a D (= BOTH)



PLEASE TAKE CARE OF THESE MATTERS ASAP.

[www.otegogas.webs.com](http://www.otegogas.webs.com)

## MANY HANDS MAKE LIGHT WORK

The following people have contributed to our efforts with both leg and brain work and sometimes both. Much of our primary source data could not have been collected and distributed to our members without their dedication. Many, many thanks.

Richard Averett  
Bill Bauer  
Terry Bliss  
Petrea Delberta  
Richard Downey  
Anthony Duardo

Jonathan French  
Anna T. Hein  
Bob Holbrook  
Dave Keefe  
Bryant LaTourlette  
Margaret Monaco

Fred Price  
Steve Sepesi  
Steve Sinninger  
Cassie Struble  
Paul Valentino

>> NEXT MEETING <<

DATE & TIME: Tuesday, June 30th at 7:00 pm

PLACE: Unatego High School Auditorium

AGENDA:

1. Adoption of the By-Laws (If you have your copy of the By-Laws, please bring to the meeting)
2. Guest speaker Scott Kurkoski  
Topic: New DEC regulations and pipeline
3. Q & A

[www.otegogas.webs.com](http://www.otegogas.webs.com)

UALA  
c/o Richard Downey  
627 Flax Island Rd.  
Otego, NY 13825