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### 400 Seek Deal: Major Gas Lease Focus

By CASEY JUNKINS Staff Writer

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WHEELING - The local economy could soon receive an \$80 million boost, as 400 property owners controlling 26,400 acres in West Virginia's Northern Panhandle are working together to negotiate a major natural gas lease.

Matt Padden represents an organization formally known as the Ohio and Surrounding Counties of West Virginia Landowners Group. The 400 property owners in the group control about 15,000 acres in Ohio County, roughly 7,000 acres in Brooke County and more than 3,000 acres in Marshall County. The remaining land is located in western Pennsylvania.

"They are about 70 percent contiguous," Padden said of the acreage, noting all of the land in Brooke County is connected.

Most of the Ohio County land is located in the general vicinity of West Liberty and Triadelphia, he noted.

#### Group Dealings

Padden said the group received an offer of \$3,000 per acre in lease payments, with 18 percent production royalties, from Chesapeake Appalachia earlier this year. These terms, however, were somewhat disappointing, he said.

"The \$3,000 per acre was not in the neighborhood of what we were anticipating," Padden said. "We felt that was a 'lowball' offer."

Though the \$3,000 per acre payments would allow the landowners to share more than \$79 million, Padden believes the combined property may be worth as much as \$5,000 per acre.

Such a large lease payment would provide group members a total of \$132 million. These amounts do not count any later production royalties.

"They have not done any research on our acreage yet," Padden said of Chesapeake. "Right now, we are waiting to see what else may happen."

Padden said group members also engaged in "sit-down discussions" with TriEnergy and Range Resources, but said the talks were "not productive."

Though Padden said the group would like to accept new members, he said no one else will be allowed to join because the land will be "too difficult to market."

"We are now into the latter half of the leasing season," he said, noting he is not sure when any contracts for his group may be signed.

"If we get any more acres, it will be hard for a company to pay us for all of the land," Padden added, noting companies may actually prefer to piecemeal the acreage. He said even though the organization negotiates as a group, each individual property owner would sign his or her own contract.

When asked about Chesapeake's dealings with the landowner group, company spokeswoman Stacey Brodak said corporate policy dictates that "any negotiations with private landowners or landowner groups are to be kept confidential, and therefore, and not disclosed to the public."

The Ohio County Commission recently signed a contract with Chesapeake worth \$3,600 per acre in lease payments, with production royalties of 18 percent, for drilling at The Highlands, the Ohio County Airport and the Ohio County Farm.

However, this is far from the norm, as some independent landowners throughout the Northern Panhandle have received contracts paying as little as \$5 per acre on lease money with 12.5 percent on production royalties.

The City of Wheeling and Wheeling Park Commission gained \$386,629 each in lease payments from Chesapeake as part of the contract to allow drilling at Oglebay Park. Chesapeake also paid the park commission \$100,133 to lease property at Wheeling Park.

With the city and its park commission set to equally divide the 14 percent of production royalties once Chesapeake starts pumping gas out of the ground, the company is currently waiting for the West Virginia

#### Article Photos



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More Marcellus Shale natural gas sites, such as this one operated by Range Resources in Washington County, Pa., could soon populate the Upper Ohio Valley.

Department of Environmental Protection to issue permits for the drilling.

#### Brooke County Activity

Currently, the DEP's Office of Oil and Gas lists no active natural gas wells - of the Marcellus Shale type or otherwise - for Brooke County. This could soon change, however, as those controlling the 7,000 acres as members of the landowners group could sign drilling deals.

Padden also said some independent Brooke County property owners are currently receiving offers from Chesapeake to pay them \$1,500 per acre, with 14 percent production royalties.

Brodak again referred to the company's statement regarding drilling negotiations when asked about these Brooke County offers.

To date, oil and gas lease agreements published each Monday in the News-Register have indicated no interest in Brooke County natural gas drilling.

#### Possible Economic Impact

Assuming the landowner group agrees to \$3,000 per acre, the resulting \$79.2 million could have a major impact not only on landowners, but on local businesses.

Karen Knight, a partner at Knights Farm Supply in Glen Easton, said her company already is having a banner year in 2010 as both property owners and the drilling companies themselves scramble to acquire heavy equipment and other items.

"We have seen a big increase in tractor sales, farm equipment sales, grass seed for reseeding at the drilling sites, straw for reseeding and other items. It's a better year than 2009 for sure," she said. "Our counter is swamped every day with residents and representatives from the drilling companies. In fact, our parts and counter people are about done in. We've been extremely busy."

Stephen Tasker, a mechanic and four-wheeler salesman for a local business, said his company has been selling plenty of Polaris Rangers to the drilling companies and pipeliners working in Marshall and Wetzel counties.

"We've also been selling a few tractors, four-wheelers and landscaping equipment to the people who've been signing gas leases," Tasker added.

Rick Hissom, manager of Bridgeport Equipment & Tool's New Martinsville branch, said his location has seen a sizable increase in its retail sales.


"We've been selling a lot of supplies, boots, some tools, safety equipment ... the drilling companies have brought a lot of employees into the area," he said. "We've also seen some increase in our rental business, but it's been primarily on the safety side."

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