

Twin Tiers Landowners Coalition

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The following message was sent by email to all Tioga County, PA members, October 9, 2010

To all Twin Tiers Landowners Coalition Members:

As you know, we have been moving forward on leasing our Twin Tiers lands in Tioga PA, and on September 17, forwarded a comprehensive preliminary bid package to gas companies who had previously expressed an interest in the Twin Tiers' acreage. We have over 11,000 acres with 8,500 acres ready to be leased. While these lands are generally non contiguous, we predicated our approach and our success on, among other things, the passage of fair pooling legislation that would level the playing field for our landowners and make our lands more valuable to companies who want to participate in the Marcellus in Tioga County. Unfortunately, it does not appear that fair pooling legislation will be enacted this year. This has two immediate impacts: landowners still have no protection in law from draining of gas from beneath their properties without compensation; and, a single company can strategically "control" all lands within the county without leasing or drilling even the majority of those lands.

East Resources is the dominant player in Tioga County, and if our landowners did not want to accept East's terms, then it was incumbent upon us to make a deal with East on behalf of the Coalition or find another company that would want our lands. However, the new company would need to deal with East in areas where East has a majority presence, and where our lands would be needed to complete drilling and production units, recognizing that the existing law allows East to exclude stranded landowner parcels. So the new company may be faced with lands that they paid to obtain through the Coalition that cannot support the drilling of a well because of acreage size or other reasons. For the record, East was afforded the opportunity to request a package from the Coalition to participate in the lease sale but did not do so.

Friday, October 1 was the day that gas companies were supposed to indicate their intent to participate in the bidding process for our lands. Based upon the above, we did not receive any indication of current interest from companies that had previously expressed interest and requested information from us.

In an effort to better understand their reluctance to participate, we have and continue to reach out to the companies to confirm whether our analysis is correct that without the fair pooling law the properties in the aggregate were not considered strategic to their company's interests or valuable enough to invest the kind of money to acquire all of the lease assets in the Coalition. We are also inquiring whether the companies declined to participate because of the financial terms or lease conditions. To date, there is no indication that either the financial terms or lease conditions dissuaded participation by any of the companies. Recall that we explained our thought process in the Viewpoint on Developing a Lease for the Coalition.

Some of the companies have stated that they did not have the leasing budget at the end of the year to acquire any new properties, particularly in light of the depressed price of natural gas. Another company was extremely busy with developing a major contiguous piece of property and did not even consider our proposal. Still another said that they would be interested in particular towns, but not the entire package.

While we are disappointed by the current lack of interest, we are encouraged that the apparent causes of that lack of interest are understandable.

Moving Forward

Based upon the above and moving forward, we will explore all options to market our properties, and we have invited offers from the companies for the Coalition to consider, either in whole or in part. We will also consider the realignment of properties by town. Perhaps East will see the light and choose to deal with the Coalition. Anything and everything is on the table.

As we have said from the start, we want landowners who want representation. We are not about to abandon our efforts to get you the best deal possible. We will continue to move forward with individual companies and potentially toward another competitive lease sale in January-February if we are not successful in finding a match before that time. As always, you need to do what is in your best interests. If that means signing a lease now, we will not stand in anyone's way. The only admonition is to make sure that you have a protective lease. If you are not happy with an offer from East, tell them to contact the Coalition. Remember that the Coalition is responsible for increased offers to you. And remember that we have our own time and resources invested, so it is incumbent on us to close the deal.

We will continue to keep you informed as we move forward.

The Twin Tiers Landowners Coalition Team