

New player emerges on NEPA drilling scene

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Elizabeth Skrapits / the citizens' voice Citrus Energy, with offices located in Ashley, above, has sold its thousands of natural gas leases in Columbia and Luzerne counties to Tulsa, Okla.-based Williams, which is planning to develop wells on the land sometime in the future. Citrus plans to focus on its Wyoming County operations.

Texas and Oklahoma, and internationally, predominantly in Argentina, with 8,500 miles of gas gathering lines and 14,600 miles of interstate natural gas pipeline.

Williams Partners LP, a limited partnership controlled by Williams, owns the 1950s-vintage Transco pipeline, an interstate system that runs from south Texas, through the Gulf Coast and up the Eastern Seaboard. It crosses Luzerne County - including in the Back Mountain and Fairmount Township.

Encana, which plans to drill Luzerne County's first exploratory well in Fairmount Township in July, is arranging to tap into the Transco pipeline, which isn't far from the drilling site.

Neither is the Transco far from Williams' new lease acquisitions. Randy Holt of Citrus Energy confirmed Citrus sold all its leases on acreage in Columbia and Luzerne counties to Williams, and instead plans to focus its operations for the next year in Wyoming County.

Holt said prior to the sale of the leases, Citrus opened a branch office off Route 309 in Ashley because it was a location central to Columbia and Wyoming counties.

According to DEP's list of operators with active wells, Citrus has 10 so far that serve Procter & Gamble in Washington Township, Wyoming County, plus two more permits issued this year.

Williams has leased 45,000 acres within the Marcellus Shale, primarily in Pennsylvania, and all three divisions of the company are working to build a presence in the shale region, Pounds said.

"We continue to consider it a key growth area for our businesses," he said.

In a May 11 presentation to Williams stockholders, President of Exploration and Production Ralph Hill gave an update on the company's foray into the Marcellus Shale, citing a "recent Columbia County 10,000 net acre addition at an attractive price."

According to a transcript of the presentation, Hill stated, "One of the recent bigger deals we did was in Columbia County - we added 10,000 net acres. So our average cost so far is \$2,800 per acre."

Another company drilling in Northeastern Pennsylvania is looking to use Williams' transport services, Williams Vice President of Onshore Gathering and Processing Rory Miller said in the May 11 presentation.

He said the Springville Gathering System planned for mid-2011, which has as its anchor tenant Houston, Texas-based Cabot Oil & Gas, would pick up natural gas from a central delivery point and re-deliver it "some 28 or 30 miles downstream" from Susquehanna County into the Transco pipeline in Luzerne County.

"I think the real key is how it positions us in Northeast Pennsylvania and some of the follow-on investments that we think will be spawned out of this initial investment. So this is pretty exciting," Miller said.

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ASHLEY - Although Encana Oil & Gas USA Inc. is getting all the attention as the first natural gas drilling company to set up shop in Luzerne County, another one is also poised to become a major player in Northeastern Pennsylvania's portion of the Marcellus Shale.

Tulsa, Okla.-based Williams has obtained leases amounting to thousands of acres in Columbia County and hundreds of acres nearby in Luzerne County. Williams also owns a pipeline crucial for getting the gas to market.

State Department of Environmental Protection records show Williams has recently been issued two gas well permits for Benton and one for Sugarloaf Township in Columbia County, but nothing for Luzerne County - yet.

"Our plan is to develop those properties, that is, drill on those properties," Williams spokesman Jeff Pounds said, adding that he could not disclose a timeline for development.

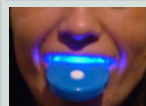
Starting in 2008, Castle Rock, Colo.-based Citrus Energy took out 185 leases in Fairmount and Lake townships in Luzerne County and about 443 leases in Sugarloaf Township and Benton in Columbia County, records show. But in April Citrus transferred its holdings in both counties to Williams Production Appalachia LLC, one of the Williams Companies.

Williams has three divisions, Pounds said. One does natural gas exploration and production; another does what is called midstream gathering and processing of the gas, including converting it to a liquid; and the third owns interstate gas pipelines for transport. Besides Pennsylvania, Williams has natural gas interests in Colorado, Wyoming, New Mexico,



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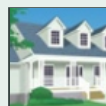
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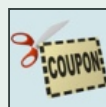
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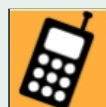
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