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CUOMO ANNOUNCES AGREEMENT WITH FORTUNA ENERGY

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ATTORNEY GENERAL CUOMO ANNOUNCES AGREEMENT WITH FORTUNA ENERGY ALLOWING N.Y. LANDOWNERS TO NEGOTIATE NEW NATURAL GAS LEASES

Natural gas drilling company agrees to stop misleading tactics to unilaterally extend leases on New Yorkers' properties

Fortuna Energy, Inc. will allow hundreds of landowners out of the improperly extended leases and will pay \$192,500 in settlement

Attorney General Andrew M. Cuomo today announced that his office has reached an agreement with Fortuna Energy, Inc. (Fortuna) that will allow customers who were misled and ended up extending their natural gas leases with the company to renegotiate their terms.

The settlement also stops Fortuna from employing industry-prevalent misleading and deceptive tactics to secure from New York landowners.

The company also agreed to pay \$192,500 to the state in connection with the settlement.

“Drilling companies will not be permitted to use misleading letters and dubious legal claims to bully landowners,” said Attorney General Andrew Cuomo.

“Many of these companies use their size and extensive resources to manipulate individual property owners who often cannot afford to hire a private attorney. This land-grab practice must stop.

Today's settlement is a good first step, as Fortuna is the first company to agree to stop these practices. My office will continue to investigate the activities of other drilling companies to ensure that New Yorkers who were wrongly pressured into lease extensions will have a chance to renegotiate their leases.”

Fortuna is one of the largest natural gas exploration companies in New York and engages in a natural gas drilling technique called horizontal, high-volume hydraulic fracturing (“horizontal drilling”). To do so, these companies obtain leases from landowners which authorize them to conduct operations on the landowners’ properties, with a lease typically expiring after five years if no operations are ongoing on the property.

Beginning in April 2009, Fortuna sent letters to hundreds of landowners whose natural gas leases with the company were about to expire. These letters falsely stated that Fortuna had the right to extend these leases without the permission of the landowners. Specifically, Fortuna falsely claimed that the leases contained provisions that allowed Fortuna to put the lease on hold until the company could obtain the required horizontal drilling permits from the New York State Department of Environmental Conservation. In fact, most landowners’ leases contained no such provisions.

After setting forth these false claims, Fortuna’s letters then instructed landowners that if they did not agree to a three-year extension of the lease with a small percentage increase in royalty payments, the company would file a notice with the appropriate county clerk of records declaring that the term of the lease was halted and obtain a lien against the property. These liens prevented landowners from freely negotiating drilling rights with other companies.

As a result of the Attorney General’s settlement, Fortuna has agreed to rescind the letters it sent to landowners. In addition, Fortuna will remove any liens placed on the land of New York property owner whose leases have expired and whose leases did not clearly disclose that they could be extended. Landowners who agreed to a lease extension as a result of Fortuna’s letter will be given the opportunity to cancel that extension. Fortuna will contact all affected landowners.

The Attorney General commended Fortuna for its cooperation in the investigation and willingness to take corrective action.

Dean Norton, President of New York Farm Bureau, said, “Farmers actively preserve as working agricultural landscapes over seven million acres of land in New York, including increasingly valuable mineral rights in areas such as the Marcellus Shale. New York Farm Bureau applauds the agreement between the Attorney General and Fortuna as an excellent example of cooperation that will greatly benefit farmers and landowners who signed contracts many years ago with little knowledge,

and allow both parties to negotiate with better information.”

Nick Schoonover, Chairman of the Tioga Landowners Coalition, which represents 1,400 families and more than 102,000 acres in the Southern Tier, said, “Attorney General Cuomo’s involvement in this issue is a welcome addition that has produced positive results. He has been a vital partner to help protect landowners and to keep drilling companies honest. His office’s understanding of landowners’ rights and tenacity to protect residents is a great asset and I look forward to continuing to work with his office to further protect New York’s property-owning families.”

The case was handled by Assistant Attorney General Michael J. Danaher, Jr. under the supervision of Assistant Attorney General-in-Charge of the Binghamton Regional Office Dennis C. McCabe and Deputy Attorney General for Regional Affairs J. David Sampson.