

January 19, 2011

## Windsor group signs gas lease agreement

### Landowners split from area coalition

*By Jon Campbell*

*jcampbell1@gannett.com*

WINDSOR -- A group of Windsor-area landowners defected from one of the region's largest gas lease coalitions to agree to a deal with a Denver-based energy company, the landowners' attorney said Wednesday.

The agreement with Inflection Energy LLC will pay about \$8.25 million up front -- \$2,750 per acre -- for the gas rights to approximately 3,000 acres in West and East Windsor, said Richard Gerard, an Elmira attorney. It will include royalty payments on any gas produced.

Gerard declined to discuss specifics, including the exact royalty rate and length of the lease, while the company ties loose ends concerning the agreement. About 40 landowners have agreed to the deal, he said.

<http://www.pressconnects.com/marcellus>">More Marcellus Shale coverage

"The parties have reached an agreement on a lease," Gerard said. "Due diligence is now being conducted by Inflection."

An Inflection executive did not return a telephone call or e-mail seeking comment Wednesday.

<http://twitter.com/PSBJonCampbell>">Follow Jon Campbell on Twitter

The land is spread throughout a few different clusters, Gerard said. The bulk of the acreage lies between the Millennium Pipeline and Route 17 in West Windsor, and in East Windsor about two miles northeast of the village line.

Most included in the deal were originally a part of the Windsor & Colesville Oil and Gas Lease Coalition, a landowner group with about 80,000 acres. A pair of landowners -- Mark Springsteen in East Windsor and Jim Roberts, whose family owns land in West Windsor -- began looking at individual leases last year while still part of the coalition, and joined forces when the Inflection offer came about.

"We felt that we weren't really getting any closer to a lease with the Windsor coalition, and I figured I'd rather see something happen for my parents before something happened to them and they passed on," Roberts said. "I just felt it was something we had to do for ourselves, and it's nothing against the Windsor coalition or anyone."

The deal had been in the works for months. In an October newsletter, the Windsor & Colesville group said they were approached by Inflection with an offer and quickly found it to be inadequate.

The newsletter, which is signed by coalition leader Jim Worden and the members of the group's steering committee, encouraged landowners to stay united after individuals were approached by the company.

"If you are (or have been) offered a lease by anyone other than the coalition, hopefully you will remember all of the benefits that we've worked so hard for and have been patiently waiting for to become reality," the letter reads. "Hopefully you will continue to value them, choose to stay with the coalition, and not

lease on your own."

Chris Denton, an Elmira attorney who represents the Windsor & Colesville coalition, held a meeting in Windsor last month with landowners who were considering the Inflection offer. He said the deal didn't include enough landowner protections and the language of the lease could leave them vulnerable.

"The company has found a dollar figure where, if they offered that amount, the landowners would stop reading the lease, take the money and pray that the gas company will not put anything in the lease to harm the landowners' interests," he said. "This deal is a seduction that may cause the landowners to wake up in the morning with a hangover that lasts for generations."

Springsteen said the deal was right for him and the others who jumped on board. He said there is no animosity between the coalition and those who agreed to Inflection's offer.

"More power to the coalition," he said. "If they get a better offer, then good for them. You have to be content with the offer in front of you, and we are very content."

The deal is similar in terms of acreage to an agreement Inflection reached in May with the South Maine Millennium Coalition in the Town of Maine. About 3,000 acres were initially included in that deal, which could pay up to \$6,000 an acre in staggered payments over eight years and includes various out clauses for the company and landowners over the first three years.

The Maine deal includes 20 percent royalty payments, minus a share of post-production costs.

Inflection has been the most active company in the Southern Tier while the state Department of Environmental Conservation reviews its permitting guidelines for high-volume hydraulic fracturing, a technique where a high-pressure mix of water, sand and chemicals is blasted deep into the Marcellus Shale formation to spur gas production. That form of hydrofracking is on hold in New York until the review is complete.

Most coalitions, including the Windsor & Colesville group, have held off from accepting an offer with the hopes that deals will be more lucrative once large-scale shale gas production is allowed in the state.

Gerard said the decision by the Windsor landowners to form a smaller group could be the start of a trend when it comes to gas leases in the Southern Tier.

"This is an important development," Gerard said. "These people are stepping up and saying, 'We have our own individual needs, and we're not necessarily going to go with the group.' I think you will see a little more of that, personally."

---