

## **NEWS FROM CAMP STRATEGIC & PLANNING**

**By  
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### **PSAD & Penn Natural Resources (PNR) GAS LEASE UPDATE**

Penn Natural Resources (PNR), Marcellus Shale Exploration is a natural gas exploration and production company with field operations that is actively leasing, exploring and developing Marcellus Shale gas production. Marcellus Shale is very abundant in Western Pennsylvania.

A representative from Penn Natural Resources (PNR) gave a presentation to the PSAD Board of Managers and PSAD Members on April 2010 about their interest in having an oil and gas lease with PSAD, specifically the property in Clearfield County (PSAD Camp), for drilling of the Marcellus Shale. This company has been very active in securing leases with several properties in western PA including many properties surrounding the camp. Since that time, the PSAD board has spent much time researching, reviewing and negotiating with regards to a potential lease with PNR. With advice and recommendations of PSAD'S attorney who has experience negotiating contracts with oil and gas companies, the PSAD Board was presented with a lease for review.

An open meeting to all PSAD members and the Board was held on July 31, 2010, in Bedford to discuss and receive feedback in regards to gas drilling and the lease with PNR. Some PSAD members and Board of Managers were present. The lease was reviewed and there was recommended changes and adjustments proposed that were forwarded to the attorney for consideration and re-negotiation.

#### **Key points to the lease include:**

- The 5 year lease states that PNR will pay PSAD \$1800 per acre (a total of \$280,800) and will be paid in full upon agreement and signature of the lease by both parties. If PNR does not begin drilling or extracting gas from PSAD property within the 5 year lease, they must re-negotiate the lease with PSAD as the lease will not automatically renew.
- Gas companies create a "pool" of adjacent properties (typically 600-640 acres) and drills a well within that "pool" for gas extraction. When gas is produced and sold, all property owners within the "pool" will share in the royalties based upon the number of acres in the pool. PSAD will receive their royalty based on the total number of acres owned, not just the amount of acres included in the pool.
- Once drilling has begun and PNR begins to produce and sell gas, PSAD will be paid 16% royalties based on the price of the gas that is sold. This will continue until there is no more gas to produce which could continue beyond the 5 year lease. At this time, the length of time for gas production is unknown.

- PNR and PSAD must mutually and reasonably agree to where drilling will occur, placement of access road, etc. so it does not interfere with the camp area.
- There will be no gas storage on PSAD property.
- PNR must adhere to all DEP guidelines and regulations and assumes 100% liability.
- PSAD is released from all liability (damage, injuries, etc.) and lawsuits. PNR assumes all responsibility.
- Once drilling is complete, PNR agrees to repair and restore the property as close as to the original beauty (planting/restoring trees, etc.)

A PSAD board meeting was held at the Pittsburgh Association of the Deaf Club on August 21-22, 2010, with PSAD members also in attendance. The PSAD Board was presented with the lease to review in its entirety along with complete explanations on each of the provisions. The PSAD Board unanimously approved the lease with PNR. Once the PSAD attorney receives the finalized lease from PNR, it will be officially signed and returned to PNR for their signature and to proceed with the agreement.