

## Natural Gas Advisory Committee Meeting Minutes, January 27, 2009

### Members Present

Peter Flanagan-Supervisor & Chairman  
George Coates, Supervisor  
Richard Schlag, Supervisor  
Ross Iannello, Supervisor  
James Bays, Supervisor  
Steven Harris, Real Property Tax Director  
Steve Palmatier, CC Gov. Affairs  
Bradd Vickers, Chenango Farm Bureau  
Donna M. Jones, Planning Director  
Rena M. Doing, Planner  
Shane Butler, Planner

### Members Absent

Carl Ivarson, C. Norwich DPW  
Rick Chase, Supervisor  
Randy Gibbon, DPW  
Matt Beckwith, Fire Coordinator

### Guest(s) Present

Rob DeClue, Soil & Water  
Charles Rowe

The meeting began at 8:07 a.m. in the County Board of Supervisors room. Chairman Flanagan introduced Steven Harris, Real Property Tax Director. Mr. Harris was invited by Chairman Flanagan to discuss the potential affects natural gas exploration could have on property values and assessments. Mr. Harris provided a copy of Opinions of Counsel SBEA No. 77, from the NYS Office of Real Property Services (ORPS), which addressed Assessment, separate (leasehold interests) (minerals) (oil and gas rights)- Real Property Tax Law, §§ 102(12)(a), 502. Mr. Harris stated natural gas is considered real property when it comes out of the ground, which would require taxation. If a Gas Company were to be delinquent in paying taxes, under current law it would become the responsibility of the landowner to pay the taxes.

### **Discussion and questions relating to taxation issues:**

- Assessed value of land sold with or without the mineral rights? Supervisor Bays recommended contacting Tioga and Chemung Counties for any input they could provide, from their experiences with natural gas issues. Supervisor Iannello suggested if these counties have an assessment/taxation policy available, Chenango County should consider developing a policy. He suggested passing any information along to the Tax Committee.
- Addressing exchange of land and swapping right-of-ways?
- Tracking production? Production information is available on the NYSDEC website. The amount of gas production is also provided to the respective Towns in March, but not posted on the website until the following July (2008 production available July 2009). Discussion about a County policy to require independent meter reading, the Association of Towns has proposed Agriculture and Markets oversee reading meters.
- Clarification on who is responsible for taxes?
- Taxation of compressor stations on leased properties?
- Do pipelines fall under production tax and where does the well production for tax purposes stop? Is the pipeline taxed separately including the compressor stations? Mr. Palmatier commented it is his understanding all ancillary equipment falls under production.
- County retaining mineral rights on properties with delinquent taxes to be sold at tax sale. Question what are mineral rights? Gas/Oil only or all inclusive, mining, etc.?

Chairman Flanagan reiterated there are numerous tax related questions and he asked Mr. Harris if there is anyone in Albany that could address this issue at a Board of Supervisors meeting. Mr. Harris will check as well as follow up on the questions presented.

Discussion continued on:

- The major role Assessors will play in insuring correct and uniform assessments relating to the natural gas issue. Assessor education and communication will be very important to maintain a consistency in the County. At this time information on operating natural gas wells is provided by NYSDEC to ORPS then to the local Assessor, which is a process that could take up to 2 years before reaching the assessors. Mr. Harris suggested the County develop a system whereby the County contacts ORPS annually, advising them of new gas wells, instead of waiting for NYSDEC and the State system. Mr. Harris will also encourage the local assessors to review deeds, leases and monitor the NYSDEC's website for gas production totals.
- There has been legislation proposed to allow municipalities to have options when gas exploration involves municipal properties by leasing or compulsory integration.

### **Senator Schumer Meeting:**

Supervisor Bays provided a summary of the January 23, 2009, Economic Development meeting in Broome County sponsored by Senator Charles Schumer. The meeting provided an opportunity for: land coalition members, municipality representatives, local educational institutions, etc. to voice concerns and ask questions relating to the affects/benefits of natural gas exploration as it relates to Economic Development. Some questions and concerns addressed:

- Concern about allowing the use of Eminent Domain for gas storage fields.
- Questions on how to level the field relating to economic and environmental regulations from State to State, State to Federal.
- Encourage representatives to re-address the "2005 EPA Exemptions" which have had negative affects for

States and local municipalities.

- Water usage and regulations as they relate to drilling.
- The general perception the average landowner knows more than the legislators.
- Landowners are anxious to move forward with natural gas exploration but expressed concerns about doing it the right way.

#### **General Discussion:**

- Mr. Vickers commented on his recent trip to Texas. Local jurisdictions in Texas have had several similar problems. Relating to roads Texas has enforced the posted road load weights, increasing fees through weights and measures. This involves more weigh stations but the fees have benefited road maintenance.
- Chairman Flanagan commented on the current NYSDEC GEIS Scoping process. There is a misconception the revised GEIS applies to all horizontal drilling, when actually it is addressing horizontal drilling **only** in the Marcellus formation, due to the complex process of extracting the natural gas from the dense Marcellus shale.
- Supervisor Bays commented there needs to be better communication between counties on the natural gas issue to ensure as many as possible are working at the same level.
- The Annual NYS Association of Towns meeting, February 16-17, 2009, in New York City, will be providing information on natural gas issues. The Independent Oil/Gas Association (IO&GA) will be attending but NYSDEC will not be attending. If there are any topics or questions you would like addressed contact Pete Flanagan.
- Pipelines continue to be a concern. Mr. John Lacy, former A& M employee with pipeline expertise will be asked to attend one of our meetings. Mr. Vickers will contact him. Supervisor Bays commented Matt **Brower**, A&M representative, left the impression at a meeting in Morrisville that A&M would assist and intervene in pipeline, right-of-way, etc. issues on farmland that is in an Ag. District.
- Mr. DeClue added A&M guidelines address mitigation based on prevailing land use at this time pipelines and other facilities are put in place. Hence, it is important to consider future potential property goals so facility installation does not prevent more intense use of land, specifically the impact from pipelines.
- Mr. Palmatier commented on the numerous by-products of natural gas such as fertilizers, plastics, etc. He also suggested by revitalizing the railroad, tanker cars could take contaminated drilling fluids to treatment plants out of the area or consideration should be given to applying for federal funds to construct a treatment plant for wastewater in Chenango County.
- Chairman Flanagan passed around a report prepared by Norse Energy (Nornew) summarizing development and production in New York. This report is available at:  
[http://www.norseenergycorp.com/index.php?name=/About\\_Norse\\_Energy\\_Corp/Management.html](http://www.norseenergycorp.com/index.php?name=/About_Norse_Energy_Corp/Management.html) (click the "Press" tab on top right of screen, then click on the most recent date).
- Supervisor Bays suggested better distribution of committee minutes, to include adjacent County representatives. He also expressed concern the Town of Smyrna has not received a report from Chenango County Emergency Management or Nornew regarding the fire at the "Corey Well". Nornew has stated they will be providing a full report.
- The committee is concerned about the lack of a clear line of communication with Nornew. Mr. Palmatier suggested Nornew may be more receptive if they had a specific list of questions to address. It appears there is also little communication between Nornew and their subcontractors.
- Concern continues to be expressed about the low-pressure natural gas line installations. What happens if Nornew opts to become a utility? As a utility would they utilize eminent domain as a tool to install pipelines?
- Chairman Flanagan advised the group the Chenango County Board of Supervisors is preparing two (2) "Home Rule" resolutions to be sent to Albany: 1) Support of legislation to allow leasing of County owned land; 2) Establish County standards and liability issues if allowed to lease County owned land including Gaius Park and the perimeter area of landfill sites.

#### **Summary of Goals:**

- Understanding and addressing the property tax issue is a primary goal. Supervisor Iannello suggested Assessors must consider the different land uses as well as how natural gas assessment will affect land values and equalization rates. Supervisor Schlag expressed concern about tax distribution to towns with little or no gas exploration but primarily forestland. Similarly the unequal distribution of taxes may benefit the schools the towns will receive little compensation to offset the impacts to roads, emergency management costs and the possibility of negative impact to the environment.
- Develop County policy to address mineral rights, land swapping, meter reading, etc.

The meeting was adjourned at 10:12 a.m. The next meeting is scheduled for:

**Tuesday, February 24, 2009 at 8:00 a.m., Board of Supervisors Room**

Minutes prepared by: Rena M. Doing, County Planner

## Natural Gas Advisory Committee Meeting Minutes, February 24, 2009

### Attendees:

Peter Flanagan-Supervisor & Chairman  
George Coates, Supervisor  
Richard Schlag, Supervisor  
Ross Iannello, Supervisor  
Steven Harris, Real Property Tax Director  
Steve Palmatier, CC Gov. Affairs

Bradd Vickers, Chenango Farm Bureau  
Rob DeClue, Soil & Water  
Charles Rowe  
Rena M. Doing, Planner  
Shane Butler, Planner

### Guest(s)

Melissa DeCordova-Evening Sun

The meeting was called order by Chairman Flanagan at 8:05 a.m. in the County Board of Supervisors Chambers. Supervisor Iannello moved to accept the January 27, 2009 minutes, second by Supervisor Coates. No discussion or corrections, motion carried.

### **Discussion and questions relating to taxation issues:**

Mr. Harris provided copies of "Overview Manual for Valuation and Assessment of Oil and Gas Producing Property in New York State"; "2009 Tentative Oil and Gas Unit of Production Values"; "Taxes Levied Based on 2008 Final Assessment Roll" from NYS Office of Real Property Services (ORPS). There was considerable discussion relating to the information provided:

- The responsibility of "ORPS" is to determine and certify production values based on discounted net cash flow. This information is then provided to assessors for determining assessment of oil/gas rights.
- Gas producing properties are assessed as "economic units" which include all property subject to taxation including: gas reserves, gas rights, all equipment, fixtures, wells, compressor stations and pipelines necessary to develop, produce, and deliver gas.
- The 2008 Taxes Levied from natural gas production in Chenango County is computed by a formula devised by NYS Real Property Law. This is determined by multiplying the unit of production value (based on numerous factors) x cubic feet of gas produced (Dec.2007 figures reported by gas company to NYSDEC) x equalization rate of the municipality. At this time two towns have actively producing natural gas wells, the towns of Plymouth and Smyrna. Based on the 2007 production figures the NYS tax levy formula resulted in ~ \$ 8.00 Gas Unit of production value. The taxes levied (divided between Town, Fire District, County and School): Town of Plymouth \$4980.35; Town of Smyrna \$19,373.66. The recommended 2009 Gas Unit of production (based on 2008 totals) is ~\$9.00. The increase from 2008 to 2009 is due primarily to the higher sale price of natural gas in 2008. At this time the price of natural gas is low which will likely lower the 2010 tax levy.
- During the life of a gas well annual production may be nonexistent, due to various circumstances. The unit is still subject to a minimum assessment for two (2) one year periods, based on minimum production = to 2,400 MCF. After the second year of minimum assessment the unit must be assessed on actual measured production.
- Equalization rate is a component of calculating each jurisdiction's tax levy. Due to the difference in Equalization rates from one jurisdiction to another the natural gas tax levy can vary considerably from town to town. Some towns without wells would receive minimal benefit from natural gas production, other than the potential to lower County and School tax. Discussion continued on possible ways to equitably distribute natural gas revenue to all jurisdictions. Chairman Flanagan suggested a "flat tax" similar to a sales tax. The committee will research other states with natural gas exploration for possible ideas.
- Mr. Palmatier stated the NY Times reported statistics that indicate the trend of decreasing natural gas prices may continue for several years. Discussion continued on the importance of finding new ways to utilize natural gas, for example generating electricity, commercial production and school/Town/County vehicles, etc. to keep the price consistent. Unfortunately at this time there are not enough accessible natural gas "filling stations" for long distance vehicle use.
- Assessors receive producer reports containing the total gas produced, economic unit information, and **if requested** supply maps and other information indicating the location of gas wells, pipelines and other equipment and fixtures. The committee has requested Mr. Harris contact ORPS and Town Assessors asking them to request from the producers, maps of the "economic units" depicting the location of the "gathering" pipelines from the wellhead to the transmission lines. Chairman Flanagan added the issue of acquiring maps of the "gathering lines" will be referred to the County Safety and Rules Committee, requesting Emergency Management to request the pipeline maps from the gas company. Mapping this information would be a useful tool for developing safety plans for highway and emergency management.
- "Royalty" payments to landowners benefiting from well production, is a payment for oil/gas rights, therefore the "royalty owner" (landowner) is not assessed under the new NYS law. The royalty payment is included in the producer's expense for valuation assessment. For tax purposes, the royalty owner's land is assessed separately and royalty payments received are reported as 1099 Misc. for income tax filing.
- There was considerable discussion regarding a section of Real Property Tax Law §§ 102(12)(a), 502. This law allows the landowner to request the Assessor to separately assess mineral rights, which are regarded as real

property, from the assessment of the land. (this option is on leased property where there has been no drilling) The mineral rights would be assessed to the lessee (gas company), and land to lessor. The general consensus is this option creates problems relating to accurate valuation and enforcement of tax collection, as well as an added burden to the Assessor and additional expense to the jurisdiction/County should a default in tax payment result in a tax sale of the real property mineral rights. An Assessor cannot be compelled to make such a separation.

- Supervisor Coates reiterated the importance of encouraging education and communication with assessors on all issues and concerns relating to natural gas. Mr. Palmatier added there has been some discussion about gas companies swapping land, but keeping the mineral rights, for pipeline right of way. This could present additional assessment problems.

**New York State Association of Towns (NYSAT) report:**

Chairman Flanagan attended the Association of Towns meeting and provided a brief overview of topics:

- There continues to be a general lack of knowledge throughout the state on many issues relating to natural gas exploration.
- The GEIS Scoping process (Marcellus formation drilling) has received comments requesting a change in distance from municipal water supply sources. There was also recommendation the NYS Dept. of Health take an active role in water testing.
- It is recommended that well water be tested for baseline data prior to any drilling.
- NYSDEC has suspended treatment of gas well drilling wastewater at municipal wastewater plants. The City of Auburn continues to treat drilling wastewater, receiving ~ \$700,000.00/ year for this service. Discussion: if this practice was suspended by NYSDEC why are they not enforcing this violation of Auburn's wastewater permit which is under NYSDEC jurisdiction?

**Spacing Units:**

The County Planning Department has been mapping gas well locations and spacing units throughout the County. A copy of the map showing the numerous wells and spacing units in Town of Smyrna was passed around for members to view. There was considerable discussion about concerns expressed by property owners where wells have been spotted. Several wells have a spacing unit that includes a large portion of neighboring properties. This results in a large share of royalty payments being distributed to neighbors. While the property owner may have the well site they have all the property disruption with minimal compensation. The comment was made that some leases have included a well site bonus to compensate the landowner for any site disruption and loss of royalties resulting from the spacing unit. Chairman Flanagan commented it is his understanding each geological formation spacing units must align one to another with no space between them. It appears this could be a problem especially when various geological formations are overlapping making it difficult to view if there are spaces left between like formations.

**Broome County Road Proposal:**

Chairman Flanagan reported on a recent article in the Binghamton Press & Sun Bulletin relating to potential for damage to roads from increased heavy equipment. The consensus was each town should develop an agreement with drilling companies to address any damage caused by the heavy equipment of the drilling rigs and transport of wastewater, etc. The Town of Candor had tried to designate traffic routes for the heavy equipment but found this to be unsuccessful.

The meeting was adjourned at 10:00 a.m. The next meeting is scheduled for:

**Tuesday, March 31, 2009, at 8:00 a.m., Board of Supervisors Room**

## Natural Gas Advisory Committee Meeting Minutes, March 31, 2009

Peter Flanagan-Supervisor & Chairman  
James Bays, Supervisor  
George Coates, Supervisor  
Richard Schlag, Supervisor  
Ross Iannello, Supervisor  
Steven Harris, Real Property Tax Director  
Steve Palmatier, CC Gov. Affairs

### Attendees:

Bradd Vickers, Chenango Farm Bureau  
Rob DeClue, Soil & Water  
Carl Ivarson, C. Norwich DPW  
Charles Rowe  
Rena M. Doing, Planner  
Shane Butler, Planner

### Guest(s)

Melissa DeCordova-Evening Sun  
Ted Guinn, Chair Co. Planning Board  
John Carson, Co. Planning Board  
Bruce Beadle, Co. Planning Board  
Sally Chirlin, Co. Planning Board  
Joseph Woerter, Co. Planning Board  
Perry Owen, Co. Planning Board  
Paul Thomsen, Co. Planning Board  
James Kozak  
Broome County-Town of Barker:  
Dale Roe, John Prindle, Gordon Fuller

The meeting was called order by Chairman Flanagan at 8:05 a.m. in the County Board of Supervisors Chambers.

### **Review of Property Tax Issues:**

- Natural gas transmission lines transversing several towns are not considered taxable structures.
- Mr. Harris commented on various tax issues:
  - ✓ How are taxes distributed? NYS Office of Real Property refers the responsibility of the distribution of gas production tax revenues to School, Fire, Town, and County to the County Real Property Tax Director. It is unclear on how to equitably distribute revenue resulting from gas wells with spacing units that cross County lines. Mr. Harris will be discussing this issue with Madison County representatives.
  - ✓ Natural gas is considered real property and distribution of revenue involves equalization rates as part of the equation.
- Supervisor Bays commented on the NYS proposed Severance Tax. Concern was expressed that a NYS Severance Tax will be detrimental to local towns, where the impacts from drilling are occurring. If NYS were to build this proposed tax into the state budget it will be institutionalized. Supervisor Bays added as of March 30, 2009 information he had received from Albany was the proposed Severance Tax issue was pulled from the proposed budget to allow more time to consider the proposal.
- Discussion continued relating to consideration of a local Severance tax based on meter readings which may push Ag & Markets to be required to read the natural gas well meters. At this time there are 29 states that have a 7-15% Severance Tax. NYS does not currently have a tax. Senator James Seward had initiated a proposal for a 10% "Enhancement Tax" in the past which appeared to be more transparent and fair. Currently local areas are only receiving <1% of gas well revenue which must be shared by the municipality, school district, and fire district. Local cost is primarily road maintenance which should be bonded and not rely on any tax funding.
- ORPS establishes the tax rates based on the economic unit and gas production. Discussion continued on the tax system:
  - ✓ Representatives from the Town of Barker, Broome County, suggested distribution of any funds be divided into "2-pots", one for County and Towns (which may not be equitable) and the other to School Districts, based on student population.
  - ✓ Chairman Flanagan suggested a Severance Tax as a replacement to Real Property tax. Supervisor Schlag agreed the assessed value procedure is very complicated. Supervisor Iannello agreed but commented that realistically NYS will not change the existing system.
  - ✓ Mr. Thomsen suggested consideration of a "sales tax" at the meter. Supervisors Schlag and Iannello explained sales tax can not be charged at the meter, it is charged at the point of purchase.
  - ✓ Supervisor Flanagan commented there is competition between NYS and PA regarding gas exploration and additional taxes may discourage continued development in NYS.
  - ✓ Supervisor Bays suggested consideration should be given to establishing a designated fund for environmental and emergency situations.
- Mr. Guinn, Chenango County Director of Weights & Measures, stated it would be in the County's best interest for gas meters to be tested annually. Mr. Guinn added that some meters currently used on the Norse Energy (Nornew) wells have large charts and the meter door is not secured which could allow for chart tampering. However, some units have digital meters. Consideration should be given to lobby NYSDEC to allow the Ag/Mkts weights and measure division to be responsible for meter readings, as there is no approved method or jurisdiction for testing meters.
- Mineral Rights: Norse Energy has purchased properties in the County and is reselling several of the properties without the mineral rights. This is resulting in additional assessment issues with three (3) property classifications: leased property, property with mineral rights and property without mineral rights. It is important to keep a "level playing board" when assessing. Supervisor Iannello commented that eventually property values will even out as determination of values are established for properties with and without mineral rights.

### **Spacing units:**

- There is no requirement to notify landowners about the spacing unit size or who is included in the unit, unless specified in the lease or when an “uncontrolled” property owner is involved due to compulsory integration.
- Discussion continued about re-permitting a well for a shallower formation and whether the deeper formation is sealed as part of altering the spacing unit. If the deeper well is not sealed properly the question is would multiple metering be required to accommodate the various spacing units and all the properties involved?

### **Well Fires:**

- Supervisor Bays commented on the Corey Well fire in the T. Smyrna. The initial investigation suggested a pebble had been expelled from the well, hitting a fluorescent light bulb on the drilling rig, creating a spark which is believed to have ignited the gas resulting in the fire. The recent Madison County, Crouch well, fire was believed to be caused by a friction spark from metal against metal during the removal of drilling pipe from the well casing. There were two (2) injuries and a diesel spill at the site. NYSDEC is responsible for insuring the diesel spill is cleaned up at the site.

### **Madison/Chenango Committee Meeting:**

- A joint meeting of Madison and Chenango County representatives is scheduled for Thursday, April 2, 2009, 9:00 a.m. at the Smyrna Town Hall. This meeting will provide an opportunity to discuss the pros and cons of natural gas exploration in the respective counties.
- The issue of property tax will be a primary point of discussion at the joint meeting.
- The NYS proposed Severance Tax on gas well production is a concern voiced by Madison and Chenango County. The general consensus at the County levels is our State Legislators have received numerous information to educate them on the pros and cons of natural gas exploration but it still appears they are unaware or unclear of the issues and concerns expressed by their constituents. Proposals have been suggested to simplify the taxing system by considering a “Enhancement” tax, based on meter readings with revenues distributed at the local level.

### **Pipeline:**

- Chairman Flanagan reported there have been no requests to the County Highway DPW for road bores. Chenango County Safety and Rules Committee have asked Matt Beckwith, Deputy Emergency Management Director, to contact Norse Energy Representatives to request all pipeline locations for mapping. A master mapping of the well, pipeline and shut-off locations would benefit all emergency and highway agencies.
- Discussion continued on the importance of establishing a depth and setback for road boring to be controlled by the Towns or County.
- Notice of Intent (NOI) which relates to: installation of gas transmission lines <10 miles long (Public Service Law Title 16, Article subpart 85-1); transmission lines < 5miles and 6” or less in diameter (Public Service Law article 121-a); and NYS Administrative Rules Title 16, Section 255.9 “Gathering lines”. These regulations exist yet we have been unable to find any record that NOI has been given to the Town of Smyrna where there has been extensive installation of gas “gathering lines”. We will continue to follow up with Public Service and FOIL any records if available. In addition Public Service Law 16 NYCRR Part 753 “Protection of Underground Facilities” which references, “the call before you dig” requirement does not seem to be followed prior to laying gathering lines.
- Pipeline easements have been directed toward the Town of Coventry area moving toward the new millennium gas line bordering southern NYS.
- There is a proposal by Norse Energy for additional taps into the Dominion Gas Transmission line. This would enable them to transport more natural gas while working on development of a new pipeline.
- Supervisor Bays reminded everyone to consider the Economic Development potential that could result if businesses could access natural gas.

### **Water Issues:**

- There has been considerable press about the well water contamination in the Dimock, PA area resulting from natural gas drilling. At this time four families are still receiving shipped water as there is no municipal water supply accessible to hook into. Unlike New York State law, Pennsylvania law does not require cementing the well casing hole to an adequate depth to protect the aquifers.
- Several of the 11 private water wells in the T. of Brookfield, Madison County are still not online since the 2007 blow-out in the aquifer. Once an aquifer is contaminated drilling a new well will not be feasible.
- Mr. Ivanson commented on various water issues:
  - ✓ The gas well drilling in the Town of Preston in 2008 affected his private water well, which is at least 2000+ ft. from the drilling site. There was considerable air in the water system for a period of time. It is important

- to remind residents experiencing any type of water well problems to contact the NYSDEC immediately.
- ✓ It is important to have private water wells tested for a baseline chemical and bacterial analysis prior to any natural gas drilling. A landowner generally has no knowledge of where the “recharge area” is for their well. Mr. Ivarson added the “recharge area” for the City of Norwich aquifer extends above Sherburne.
  - ✓ A previous USGS geological study indicated an extensive aquifer exists in northern Chenango County which is considered a part of the original Chenango River.
  - ✓ Generally drilling for natural gas will extend through an aquifer which is 500-600 ft. To protect the aquifer various pipe sizes and cementing are required to form a seal.
- Discussion continued relating to a legal issue and drilling in the NY City watershed area. New York City Water Authority has stated they intend to sue New York State if the NYSDEC issues any permits to drill in the NYC watershed.
  - Some concern was expressed about the Susquehanna River Basin Commission (SRBC) issuing blanket water usage permits to access water for gas drilling. It is not clear if the permit applications designates from where water is drawn and how much? Mr. Ivarson has agreed to follow up on this issue with SRBC.

Mr. Guinn advised the committee the County Planning Board had attended today seeking input for the update of the County Comprehensive Plan. The County Planning Board feels natural gas exploration will be in the County for many years and should be a component of the Comprehensive Plan. Mr. Guinn has contacted Norse Energy (Nornew) representative Dennis Holbrook about attending a County Planning Board meeting to provide information relating to natural gas exploration and the role it will play in development of the County.

Mr. Guinn asked the members if there are any specific questions they would like addressed with Mr. Holbrook. The general consensus from the committee is more information on the pipelines and treatment of the drilling wastewater. Mr. Guinn will be following up with Norse Energy and ask them to address this committee’s questions and concerns.

The meeting was adjourned at 10:00 a.m. The next meeting is scheduled for:

**Tuesday, April 28, 2009, at 8:00 a.m., Board of Supervisors Room**

Minutes prepared by: Rena M. Doing, County Planner

## Natural Gas Advisory Committee Meeting Minutes, April 28, 2009

### Attendees:

Peter Flanagan-Supervisor & Chairman  
James Bays, Supervisor  
George Coates, Supervisor  
Richard Schlag, Supervisor  
Ross Iannello, Supervisor  
Steven Harris, Real Property Tax Director  
Donna M. Jones, Planning Director

Bradd Vickers, Chenango Farm Bureau  
Rob DeClue, Soil & Water  
Carl Ivarson, C. Norwich DPW  
Charles Rowe  
Rena M. Doing, Planner  
Shane Butler, Planner

### Guest(s)

Melissa DeCordova-Evening Sun  
James Kozak

The meeting was called to order by Chairman Flanagan at 8:05 a.m. in the County Board of Supervisors Chambers. Motion to approve March 2009 minutes was made by Supervisor Bays, second by Mr. Vickers, motion carried.

### **Joint Meeting:**

Chairman Flanagan announced to the committee the Madison County Energy Committee has requested another joint meeting with the suggestion to add additional organizations that have expressed interest and concerns about natural gas exploration in Central New York. Chairman Flanagan voiced concern about moving away from our original objective of focusing on how local governments can benefit from natural gas which would ultimately benefit the taxpayers.

The members present were receptive to another joint meeting. Supervisor Coates commented "we need to pull together our political clout and make sure everyone knows we are pro-drilling." Supervisor Bays commented on the importance of focusing on the positive aspects of natural gas, as was expressed by Madison County Supervisor Cary, and how municipalities can take advantage of gas production. Supervisor Bays suggested a day long meeting with invitations extended to representatives from Central NY County government agencies. The invitation to County and State government representatives should include a request that a staff member attend if the representative is not available. The agenda could focus on such topics as:

- Regional Issues: Pros and Cons of Natural Gas Exploration
- Taxation: Current and future tax system- Speaker from ORPS
- Economic Development and Energy Security
- Local Power Plants Article 10-Energy Efficiency
- Need for gas customers to maintain a demand of natural gas
- Railroad use
- Provide opportunity for government legislators to speak

It will be important to have a strong facilitator to maintain focus on municipal oversight as the primary goal of the meeting; keep the meeting moving, public limitations, and allow time to address all issues. Lunch should be provided.

### **Water Issues:**

Mr. Ivarson reported on information relating to water withdrawal and the Susquehanna River Basin Commission (SRBC) guidelines. The transition period for the new water withdrawal interim guidelines is January 15-December 31, 2009. Mr. Ivarson provided maps of the SRBC watershed; definitions/abbreviations relating to water withdrawal; Natural gas development application information; and maps indicating permitted consumptive water use. This information can be viewed at: [www.srbc.net/programs/approved\\_video.htm](http://www.srbc.net/programs/approved_video.htm)

After December 31, 2009 all water taken from the SRBC watershed will require metering. The meter must be approved by SRBC. Anyone found violating the new regulations can be closed down by SRBC. The regulations are specific to the applicant and restricted to per day approved withdrawal. A water carrier must show a permit if asked. If there is any question if a company has a permit or the amount of permitted withdrawal, check the well number posted at the site and contact SRBC. **SRBC must give permission to withdraw water from any location even private water bodies.**

Mr. DeClue asked about allocated water from sub-basins and is a permit issued on a "first come first serve" basis, which would allow only one contractor to benefit? Supervisor Bays asked, what are the sub-basins? The SRBC is divided into Upper, Lower, Eastern, and Western branches of the Susquehanna River. Chenango County is in the Upper Susquehanna basin. The Delaware River Basin has similar withdrawal guidelines.

Mr. Ivarson added when a municipality plans to drill for water they are required to receive permission from NYSDOH and SRBC.

Mr. DeClue asked how diligent contractors will be in metering and reporting water withdrawal amounts annually, will the cost of fines and shut down be enough to discourage illegal withdrawals? It is important for individuals to contact SRBC if there is concern about illegal operations.

There are fees charged prior to issuing withdrawal permits based on consumption. The SRBC website indicates various fees. It is suggested that landowners also charge gas drilling companies for water taken from private ponds or natural springs on their land. Mr. Vickers added it is important to readdress the concept of using a closed loop system to cut down on water usage and protect the environment from the drilling wastewater.



In addition consideration should be given to various other drilling techniques that have been introduced such as utilizing CO<sub>2</sub> for high pressure drilling.

Discussion continued about water well contamination and the question came up about the wells damaged 2 years ago in the Town of Brookfield, Madison Co. as to whether the families have been compensated to their satisfaction and availability of water? We will follow-up on this issue with the Town of Brookfield Supervisor.

### **General Discussion:**

#### **Leasing/Drilling on NYS Land:**

At this time NYS owns 15% of the land in Chenango County and 36% of the entire state. The committee members expressed concern that NYS tax exemptions might be misused if a gas well is drilled on state land. Mr. Harris clarified the gas well would not be owned by NYS and any exemptions would not apply. The well site would be suffixed out of the state owned property as a separate tax id number for tax purposes.

Mr. Vickers stated if consideration is given to lease NYS land for drilling it should go out to bid through the State Comptrollers office. Chairman Flanagan added that in 2006 it was his understanding sections of NYS land were leased in Cortland, Tioga and Broome Counties, we will follow up on this information for any details.

Supervisor Schlag commented during a recent discussion with a natural gas "landman" representing Chesapeake Energy Company working to secure leases, the "landman" stated Chesapeake has State land leases.

Relating to Chenango County owned land the County Attorney has sent a letter to New York State requesting the right, under NYS Real Property Law, Article 215, to lease Cook Park or any county owned parklands, with the intent of designating lease fees and royalties for park maintenance programs. It seems contradictory that county owned land can be integrated under the state compulsory integration program but not be allowed to lease.

#### **Tax Issues:**

Discussion regarding ways for municipalities to capture more tax dollars should include documentation of the negative impacts to the municipality, especially roads where the impact is the greatest. Less funding to schools, etc. where there is no impact.

What are the taxation rates and distribution of tax dollars in states where gas/oil exploration has been prevalent for many years? There are 29 States that have some type of Severance tax relating to natural gas/oil/minerals. It would be beneficial to explore the various Severance tax rates and distribution of the funds.

Supervisor Coates questioned who in Albany would be supportive of changing the taxation system? Supervisor Bays commented on the presentation by Office of Real Property Services, Susan Savage, at the County Board of Supervisors meeting and he stressed the importance of partnering with ORPS, as well NYSA&M, and NYS Economic Development for potential support on the taxing issues.

Supervisor Bays also suggested coordinating a meeting or conference call with ORPS.

The general consensus, "keep it simple, one tax at the meter and distributed fairly".

#### **Spacing Units:**

There was discussion relating to commingling of natural gas from various formations and the change in spacing unit size to accommodate for another formation. NYSDEC explained: *Wells can produce from two different pools without separate metering (commingled production) if the spacing unit for both formations is the same and if they have permission from the Department to do so. Typically, they will plug back a well to a higher formation but if they have permission to commingle or are metering the gas separately from two zones then there may be no additional well permit.*

#### **Pipelines:**

Chairman Flanagan advised everyone there will be a Pipeline Safety meeting scheduled May 19, 2009, in Oneonta. This is generally an annual meeting sponsored by Oil/Gas companies.

Matt Beckwith, Deputy Emergency Management Officer, is still working with Norse Energy, Inc. (Nornew) to secure maps of all the transmission lines. Mr. Harris, as the Director of Real Property Tax, has also contacted Nornew requesting maps of the pipelines for the Assessors. Nornew stated they are working on preparing maps but have been delayed by the recent well fires.

Ms. Doing commented the County Planning Department has contacted NYS Public Service Department requesting any maps or documentation that may have been submitted for pipeline installation as required by Public Service Law "Notice of Intent":

*Title 16, Subpart 85-1: "Procedures with Respect to Gas Transmission Lines Less Than 10 Miles Long"*

*State Public Service Law Article 121-a: "*

*Title 16, 255.9: "Transmission and Distribution of Gas General"*

Infrastructure will be the key to continued drilling. Nearly 80% of pipeline easements have been secured and Nornew has secured an additional tap in the main "Dominion" pipeline. This will allow Nornew to cut transportation costs by

shipping local gas.

Mr. Vickers added we need to keep our gas here in NY and consideration should be given to reenacting Article 10, the process for signing power plants, and build additional cogeneration power plants to use NY natural gas to generate electricity.

**General Discussion:**

Mr. Butler advised the committee members the Farmland Protection Board and County Planning Board are planning a joint meeting with Nornew representatives to address various questions and concerns residents have expressed. Questions will be submitted to Nornew with an invitation to meet. If this committee has any specific questions please contact Shane Butler in the County Planning & Development Department.

The suggestion was made to send a communication to the Planning & Economic Development Committee to include natural gas as a permanent economic development topic on their agenda, as well as the County Planning Board agenda. A feasibility study relating to the positive economic development aspects of natural gas exploration should be developed. Ms. Doing commented that Mr. Butler has started research and documentation for economic development opportunities to be considered in Chenango County which includes utilizing the railroad and possibly the Woods Corners Procter & Gamble facility for treatment of the drilling wastewater.

Chairman Flanagan commented on a recent press release from Norse Energy, Inc. stating the last 2 wells drilled in the Herkimer formation in Central NY have the potential to yield 2.5 million cubic feet per day.

The meeting was adjourned at 10:10 a.m. The next meeting is scheduled for:

**Tuesday, May 26, 2009, at 8:00 a.m., Board of Supervisors Room**

Minutes prepared by: Rena M. Doing, County Planner

## Natural Gas Advisory Committee Meeting Minutes, May 26, 2009

### Attendees:

James Bays, Supervisor  
Richard Schlag, Supervisor  
Steven Harris, Real Property Tax Director  
Bradd Vickers, Chenango Farm Bureau  
Rob DeClue, Soil & Water  
Steve Palmatier, CC Govt. Affairs

Donna M. Jones, Planning Director  
Rena M. Doing, Planner  
Shane Butler, Planner

### Guest(s)

Melissa DeCordova-Evening Sun  
Bruce Beadle  
Sally Chirlin  
Paul Thomsen

The meeting was called to order by Supervisor James Bays at 8:05 a.m. in the County Board of Supervisors Chambers.

Mr. Vickers noted the following correction to page 3 of the April minutes which should have read: *“Mr. Vickers added we need to keep our gas here in NY and consideration should be given to reenacting Article 10, the process for siting power plants, and build additional cogeneration power plants to use NY natural gas to generate electricity.”*

Motion to approve the April 2009 minutes as corrected was made by Mr. Vickers, second by Mr. Palmatier, motion carried.

### **Office of Real Property Services (ORPS) Teleconference:**

On May 20<sup>th</sup> Chairman Flanagan, Mr. Harris and Mr. Butler participated in a teleconference with Ms. Savage and representatives of ORPS and the NYSDEC representatives. Ms. Savage had attended the April 14<sup>th</sup> Board of Supervisors meeting to discuss Real Property Tax issues. After the meeting Ms. Savage agreed to a teleconference to address concerns relating to natural gas exploration. Chairman Flanagan provided a summary of the teleconference which was read by Supervisor Bays (see attached), in addition Mr. Butler provided minutes of the teleconference (see attached). Mr. Butler sent them three maps to give them a visual interpretation of natural gas exploration in our county. Mr. Harris was asked for his comments on the teleconference, at this point it appears we can only work with the current laws and the legislators must address the different types of taxing.

### **Severance Tax Issue:**

In Chairman Flanagan's absence he provided information stating: Board of Supervisors Chairman Decker has agreed to host a teleconference with surrounding Counties to discuss Severance Tax proposals. He requested Chairman Decker be presented with an agenda as soon as possible; The need for more definite answers from ORPS on mineral rights and pipelines; the importance of bringing assessors up to speed with the natural gas issue and its' relationship to the Real Property Tax issue.

Mr. Palmatier commented if a Severance Tax is imposed and is too high it could be detrimental to gas exploration as it would no longer be economical for the gas companies to operate especially with the fluctuating natural gas prices. In addition it could be damaging to marginal wells, leading to either premature abandonment or lack of interest in drilling into low volume formations. Supervisor Bays explained the discussions relating to Severance Tax is to establish financial issues if New York State imposes a tax. It is important to establish the significance of tax revenue remaining local.

Mr. Palmatier suggested if NYS wants additional gas fees consider adding a sales tax to the end product.

Supervisor Schlag questioned how the fluctuating price for natural gas influences the future market and pricing. Mr. Palmatier explained the futures market, is based on the NYMEX quotes which at the highest could be \$6.00/mcf. These prices are not coupled to oil prices and have in fact been moving in the opposite direction this year. This could also be influenced by carbon capping and the global glut on natural gas.

Mr. Vickers again stressed the importance of reenacting Title 10, siting power plants, to insure a supply of natural gas locally.

Supervisor Bays questioned the profit issue and concern on severance tax affects. Mr. Palmatier questioned when would a Severance tax be added after expenses have been recovered, on the landowners royalty gas, on net or gross proceeds? What if expenses are incurred after the well is in production (ie. refracking), can those expenses be deducted from revenues before the tax is paid? Mr. Palmatier expressed his concern based on his experience as a partner in a Medina Well, near Rochester. It is important to keep in mind there is a difference between NYS and local, the end tax issue to put all areas on the same level with other states, severance tax should be a local issue.

Mr. Beadle asked if any other possibilities have been considered. Mr. Palmatier suggested consideration could be given to adding a 1% after expenses tax.

Supervisor Bays reminded everyone we are advocating for our original proposal to impose a local Enhancement Tax, based on "Home Town Rule", which the Association of Towns has been very supportive of this concept. In addition Supervisor Bays stressed our goal is to bring surrounding counties up to speed on our experiences and affects from the natural gas exploration at the local levels, in coordination with working on real property tax relief issues.

Supervisor Bays expressed concern about the issue of "legal process of discovery" as Supervisor for the Town of Smyrna they have not been informed by the gas companies and feel it has been an issue of the process of discovery.

Sullivan County legislators have been proactive by enacting legislation relating to "Host Community Agreements". In summary set up a regional teleconference working through NYSAC to include representatives from ten (10) counties: Madison, Tompkins, Chemung, Cortland, Broome, Otsego, Delaware, Tioga, Sullivan and Chenango as soon as possible to discuss Severance Tax options and the importance of keeping any proposed tax local with equal treatment to all jurisdictions.

#### **Proposed Natural Gas Regional Meeting:**

Supervisor Bays has been discussing a regional meeting with Madison Co., T. Lebanon Supervisor Goldstein to discuss the natural gas exploration issues that have been or will affect the municipalities and residents. A proposed date has been suggested for June 20, 2009 at the SUNY Morrisville campus.

#### **Pipeline Issue:**

Mr. Harris has continued pursuing the issue of gas "gathering lines" and "transmission lines" and how they relate to the economic unit and assessment but he has not been successful in obtaining a definitive answer on how an assessor can assess equitably without definitive guidelines.

Ms. Doing reported on recent correspondence with the Public Service Commission Attorney regarding clarification on their apparent lack of enforcing PSC Law relating to "Notice of Intent". Procedures are outlined in Title 16 of Public Service Law which require companies to notify a jurisdiction when pipelines are installed, this includes lines up to 10 miles long, <125psgi and small diameter, which would include the gathering lines. A request was made to the PSC for copies of the Notice of Intent for the natural gas gathering lines in Chenango County. PSC response: *"In response to your request for copies of any notices of intent filed pursuant to PSL Article VII in connection with gas lines proposed to be located in Chenango County we have searched department records and found no such filings. PSL Article VII and its implementing regulations require that municipalities proposed to be crossed by pipelines be given notice or a copy of filings seeking authorization of such lines."* Based on their response the question was asked "if according to your records, there was no Notice of Intent filed what is the course of action to Norse Energy, Inc., for violating the regulations?" Communication continued back and forth as we pointed out specifics of the law and repeated our concern about lack of "Notice of Intent" we asked the question since there has been no notifications, the companies would be in violation of the law, correct? PSC response: *"Arguably, but the companies could argue that, so long as they give other locational information, they need not specify the county. If you're concerned about this, consider petitioning for a declaratory ruling as to the meaning of the phrase in the regulations. See the Word version of 16 NYCRR Part 8 attached hereto."* In conclusion if we want a straight answer we must follow the two page procedure for petitioning for a declaratory ruling to clarify the meaning of PSC law.

Supervisor Bays added that the various state agencies need to continue coming up to speed with the natural gas exploration issues.

#### **Water Contamination Issues:**

Supervisor Bays reported on an incident in the Town of Lebanon, Madison County, on May 24, 2009 when silty, discolored water was observed flowing into Lebanon Reservoir. The NYSDEC was contacted as the containment at the Crouch Well, where the recent fire occurred, had been breached. There was concern contaminants from the well fire, such as diesel fuel, etc. may have been going into the lake. The NYSDEC confirmed the contaminated soils had been removed from the site after the fire and the runoff was primarily silt and there was no environmental concern. Mr. Vickers commented that the use of bio-diesel fuel at well sites would be a much safer option.

There was some discussion about the proposal for injection wells and concern for aquifer contamination.

#### **Economic Development:**

Mr. Palmatier presented information on the following:

- Wind farms and the concept of establishing co-generation plants utilizing wind power and gas generating systems to produce electricity.
- Norse Energy, Inc. has discussed availability of natural gas to Colgate University as an alternative to their current wood chip heating system.
- The latest Norse Energy, Inc. report discussed the last two Herkimer formation wells drilled in Central NY (T. Lebanon & Smyrna) were very productive and profitable. Mr. Palmatier pointed out their reports are an excellent resource for what is going on in their industry.
- A meeting with Norse Energy, Inc., Commerce Chenango, Chairman Flanagan and Mr. Palmatier to discuss local uses for marketing natural gas. If there was a demand consideration could be given to supply natural gas to local businesses. Norse Energy, Inc. does not want to be a utility and to avoid this they can only make available 20 gas taps, it is uncertain what size area this includes, is it only 20 taps in the entire state? Mr. Palmatier will follow-up.
- Consideration should be given to establish a training program for natural gas exploration positions. Mr. Thomas Erlenson, a former Jamestown Professor now working with IOGA, has been approached to develop a training program. Once a program is established BOCES and SUNY Morrisville should be approached they consider offering the training.

Discussion continued about the feasibility and cost of using natural gas to power electric generating plants for municipal systems, such as Villages of Sherburne and Greene, vs. the cost of purchasing municipal electricity from the NYS Power Authority. Mr. Beadle commented there could be room for negotiating utility cost based on the cost of transportation, as this is the primary fee.

Mr. Palmatier mentioned there was an initial proposal for a transmission line from the northern part of the County to Greene but there has been no further information on this, he will follow-up on the status of this proposal.

Supervisor Bays suggested the County Planning & Economic Development Committee should be more involved with Economic Development relating to natural gas exploration. Supervisor Schlag commented it is the committee's responsibility to be "reactive" to projects they are not required to search out projects.

Mr. Palmatier commented on the recent Norwich Pharmaceutical multi-million dollar upgrade project. This would be an opportunity for a co-generation plant for heating, electricity, etc. What entity in the County would coordinate the concept of "Co-Generation Sales", IDA? Suggestion was made to contact Ms. Carpenter at Commerce Chenango the designated County organization for Economic Development. It was also suggested to contact Marcel Barrows at the Greene Chamber of Commerce as a possible resource to coordinate potential natural gas use discussions between the County and Norse Energy, Inc. Mr. Beadle stressed the importance of maintaining industry in NYS and Chenango County. Increasing the use of natural gas in the County would be advantageous to industry and gas companies by keeping down the cost of gas transportation fees this savings could benefit the user, as well as the supplier.

#### **County Leasing:**

It was reported Broome County has sent out RFP for their acreage to include the County landfill and airport. There has been no action relating to leasing County or State land. Information from NYSDEC indicates no state land would be considered for leasing prior to 2012.

#### **Other Issues from the floor:**

-Supervisor Bays stated there has been considerable activity at Ingerto 2H well site on the Beaver Meadow Rd. T. Smyrna, building roads, and developing a site on the hillside to drill.

-Mr. Palmatier stated there is a national slow down on drilling with ½ the drilling rigs in the nation off line due to the lower natural gas prices and the difficulty with borrowing.

-Mr. DeClue recently attended the annual IOGA training in Oneonta relating to gas line safety.

-Mr. Palmatier asked if it would be feasible to obtain an overview of what type of energy usage the larger businesses in the County use, to get an idea of how many Giga therms of gas could be used. What type of industries in industrial parks in western NYS are provided with natural gas? Be proactive on survey work for Economic Development potential and finding ways to attract business. Work with Real Estate agencies to seek comparable businesses.

-The committee expressed the importance of Ms. Carpenter and Mr. Beckwith attending the monthly meetings if only for a short time, to provide Economic Development updates, as well as any Emergency Management issues.

Supervisor Bays concluded by outlining a proposed agenda for a regional teleconference to seek regional consensus on: An equitable local Severance tax; Weights and Measures uniformity; Agency inspections; Increased NYSDEC Permit fees dedicated to Division of Minerals Resources and any additional municipal concerns. Please contact Supervisor Bays or Chairman Flanagan with any additional topics.

The meeting was adjourned at 9:55 a.m. The next meeting is scheduled for:

**Tuesday, June 30, 2009, at 8:00 a.m., Board of Supervisors Room**

**Natural Gas Advisory Committee  
Meeting Minutes, June 30, 2009**

Attendees:

Peter Flanagan, Supervisor, Chairman  
James Bays, Supervisor  
George Coates, Supervisor  
Ross Iannello, Supervisor

Bradd Vickers, Chenango Farm Bureau  
Steve Palmatier, CC Govt. Affairs  
Rena M. Doing, Planner  
Shane Butler, Planner

Guest(s)

The meeting was called to order by Chairman Peter Flanagan at 8:10 a.m. in the County Board of Supervisors Chambers.

**SUNY Morrisville Summit:**

Chairman Flanagan provided an overview of the recent Natural Gas Summit meeting on June 20, 2009 at SUNY Morrisville. The general opinion of the committee members attending felt the forum was informative and provided the public with some general information. Supervisor Goldstein, Madison County, was commended for coordinating this venue. There were several Counties represented but it may have been more effective if more County government representatives had attended to encourage discussion relating to the pros/cons of natural gas exploration as well as potential economic development opportunities. Supervisor Bays suggested for attaining a balance the Counties need to address the issues discussed.

Assemblyman William McGee attended the conference and commented he felt the Counties need more help with the natural gas issues. Chairman Flanagan summarized that every County/Town should have a "host agreement" with the gas companies while continuing to monitor what is happening in their area.

**Related Topics:**

Supervisor Iannello advised the committee he had requested the County Planning & Development Department to research potential consultants familiar with utilizing natural gas exploration for economic development opportunities that would benefit the County. It is important for the County to develop a plan.

Ms. Doing advised the committee they had contacted Tetra Tech, the consultant for the "County Hazard Mitigation Plan", asking if their company has been involved in natural gas economic development projects. Tetra Tech responded they have a staff member in Pittsburgh, PA that works exclusively on natural gas issues and they would be willing to meet with the County.

Mr. Vickers suggested contacting Marcel Barrows, Greene Chamber of Commerce and local businessman to tap into his expertise for ideas or suggestions on Economic Development.

Mr. Palmatier suggested a spread sheet should be developed listing what the natural gas exploration companies need for development such as supplies, means of transportation, etc. This information would benefit the County by providing a base for economic development prospects. Mr. Palmatier added it is his understanding there was a previous study conducted by Chenango County Chamber of Commerce relating to pipeline use, when there was speculation about developing a pipeline from Madison County to Greene. The study is filed at Commerce Chenango.

Discussion continued relating to the County Planning & Development committee taking more responsibility for Economic Development in the County, specifically relating to natural gas exploration. Supervisor Coates expressed concern the Planning Department may be understaffed for this undertaking. Committee members thought it would benefit the County if we had a person dedicated to the economic development potential of natural gas in Chenango County. Several suggestions were made regarding employing the services of a local liaison or a consulting firm. Supervisor Bays suggested sending out a Request for Proposal (RFP) to contract someone part-time to address Economic Development issues for the County, to work in conjunction with the Chenango County Planning & Development Department.

Supervisor Iannello and committee members will contact Board of Supervisors Chairman Richard Decker and Supervisor Linda Natoli, Chair of Planning & Economic Development Committee, to set up a meeting to discuss the prospect of establishing and funding a County Economic Development Program relating to natural gas exploration.

Chairman Flanagan stated we need to look at the history of how natural gas development has progressed in the County. Farm Bureau was initially the driving force in educating the public. Communication with industry groups is an important part of the educational process.

Mr. Palmatier is a member of IOGA and he will be attending a meeting July 8<sup>th</sup> -9<sup>th</sup> sponsored by IOGA. The following

topics will be discussed:

- Technical Sessions addressing: "Mobile Education Energy Training"; "From Politics to Public Education"; " NYSDEC Regulatory Update"; " Energy Makes America Great"; "Utica Shale Exploration of Northern Appalachian Basin"; "3-D Seismic Applications in the Marcellus Shale Play"; "Stratigraphy and TOC Distribution in the Marcellus & Utica Shales and Associated Limestone in NYS"; " Agricultural Restoration: Drilling Sites & Pipeline Right-of Ways"; "Lifecycle Water Management Considerations & Challenges for Marcellus Shale Gas Development"; "Addressing Ground Water Contamination Issues: Lessons Learned from Colorado Unconventional Gas Resource Plays"; "Multi-Stage Flowback Operations"; "Environmental Best Practices for Shale Gas Development" addressing "Best Practices & Mitigation Strategies for Sale Gas" and "Baseline Groundwater Sampling & Monitoring Best Practices"

Mr. Palmatier asked the committee if there are any questions he should present at the IOGA meeting. Some suggestions from those present included:

- IOGA's opinion on certification of the gas meters
- Is IOGA supportive of incorporating spacing units as part of the economic unit?
- What is IOGA's position on a State Severance Tax?
- Input from IOGA regarding the SRBC/Delaware River Basin/NY City Watershed issue?
- Are there any Counties in NYS that have charged a sales tax on materials/equipment purchased for natural gas exploration? What is taxable when and who tracks whether or not the sales taxes are collected?
- Concept of "decoupling" SRBC & Delaware River Basin from the NY City Watershed, to allow exploration to move forward without the issue of a potential lawsuit against NYS by New York City?

#### **Severance Tax and Related Issues:**

Chairman Flanagan reviewed the current natural gas taxation method. The tax is based on an income appraisal for the value of the unit. The assessment is based on a 5 year average. The Federal Reserve establishes the capitalization rate which is applied to the net cash flow to determine the value of the unit. This concept was developed by the gas companies. The tax collected all remains local but revenues are not equal for all towns because of the nature of the Real Property Tax System. The major concern with the current system is the fact that ORPS does not include the concept of a spacing unit in the definition of an economic unit. Each year the total municipality assessment will fluctuate.

Supervisor Iannello pointed out this can have a negative affect on school districts, when the total assessment increases, the cost per student increases, but the amount of State Aid to the school district decreases. How much actual affect this has or will have is unknown but may require tracking.

Chairman Flanagan commented this current system, although flawed, retains all tax money for distribution to the municipality, fire district, school district and county. The question is; do we need a NYS Severance Tax at this time? Supervisor Iannello commented a more consistent capitalization rate in the calculation formula is needed.

Mr. Palmatier added the "Futures Market" is projecting a possible 20-25% price increase for natural gas over the next year, depending on inflation, adding to the fluctuations.

Chairman Flanagan questioned how equalization rates affect natural gas assessment and how it is computed? This question will be sent to ORPS (Office of Real Property Tax) for clarification.

General consensus is we must be very careful in pushing for a State Severance Tax, if the State is not receptive to partnering with the local governments, they may receive less revenue then they do under the current system.

Additional funding is needed to properly operate the Mineral Division of NYSDEC. The current permit fees are too low (\$190.00/500ft; \$290.00 for first 500ft. with \$100.00 set aside for plugging fee). The suggestion was made that Chenango County adopt a resolution supporting an increase in the permit fees. Based on the projection of wells 20-40,000 new wells to be drilled in the state, it would seem realistic to increase the permit fee.

Mr. Vickers stated it is important to point out to NYS how low their current fee structure is compared to other states where drilling has been ongoing.

Supervisor Bays suggested a County Resolution should also include certification of gas meters, and that the meters should be read by Chenango County Weights/Measures, Ag/Markets or a certified independent contractor.

Mr. Vickers added other states have certified gas meters including certification of by-pass meters.

There was a question as to whether total gas sales, at the point of sale where the gas enters the transmission line, could be cross checked with the total production reported by NYSDEC.

**Issues for Discussion:**

- Supervisor Iannello stated the current NYS Real Estate law requires individuals hired to acquire leases are required to have a Real Estate license. Discussion continued whether the gas company "landmen" acquiring leases are required to be licensed. Supervisor Iannello did not believe this applied but clarification should come from the Attorney General's office or NY Dept. of State.
- NYSDEC SGEIS regulations: There has been some discussion the delay in passing the draft SGEIS regulations is due to the threat of a potential lawsuit against NYS by New York City should any permits for drilling be issued in the NYC watershed. Lawsuits could be ongoing. Do Upstate Counties want to be held up by lawsuits based on the NYC Watershed issue? In addition does the Delaware Watershed influence the SRBC? Mr. Palmatier will seek an opinion on this issue from IOGA. By separating Upstate Counties from the NYC Watershed could this initiate legislators to move forward with the revised SGEIS regulations?
- There is a proposed pipeline coming into NYS from Ohio which could also deter natural gas development as well as have a negative impact on Economic Development.
- Chairman Flanagan commented on the recent offer made by Hess Corp. to Broome County landowners. The initial offer is \$1500.00/acre for 2 years and Hess Corp can withdraw their offer during the 2 years. After 2 years Hess is locked into \$ 300.00/yr for 5 years or opt to withdraw from the agreement. After 7 years the royalty is 20% on wells drilled. This is a significant investment potential

The meeting was adjourned at 9:55 a.m. The next meeting is scheduled for: **Tuesday, July 28, 2009, at 8:00 a.m.**

Minutes recorded and prepared by: Rena M. Doing, County Planner



**Natural Gas Advisory Committee  
Meeting Minutes, July 28, 2009**

Attendees:

Peter Flanagan, Supervisor, Chairman  
James Bays, Supervisor  
George Coates, Supervisor  
Ross Iannello, Supervisor  
Bradd Vickers, Chenango Farm Bureau  
Steve Palmatier, CC Govt. Affairs  
Steve Harris, Real Property Tax

Richard Schlag, Supervisor  
Rob DeClue, Soil/Water  
Rena M. Doing, Planner  
Shane Butler, Planner

Guest(s)

Melissa DeCordova, Evening Sun

The meeting was called to order by Chairman Peter Flanagan at 8:05 a.m. in the County Board of Supervisors Chambers. Motion was made by Supervisor Bays to approve the June 30, 2009 minutes, second by Supervisor Iannello. All Ayes minutes approved.

**Coalition Meeting:**

Chairman Flanagan announced to the committee there will be a Multi-Coalition meeting scheduled for August 23, 2009 at the General Clinton Park, T. Bainbridge, 12 p.m. to 5 p.m. The organizers will be formally inviting all political representatives, State and Local, to attend. This venue will provide an opportunity for all parties to express their position and ask questions on gas exploration issues as well as the proposed NYSDEC SGEIS relating to the Marcellus/Utica shales.

**Planning & Economic Development Consultant Meeting:**

Supervisor Iannello stated the County Planning & Economic Development committee has recommended retaining Steven Palmatier as a consultant for the County on natural gas development, until December 31, 2009. A resolution to establish this position will be presented to the full Board of Supervisors at the August 10, 2009 meeting.

Mr. Vickers questioned if this position has to be advertised as a request for proposals? Supervisor Iannello stated it is not required.

**Broome Co. Attorney's Opinion Relating to Ethics:**

Supervisor Flanagan referenced a recent letter outlining the opinion of the Broome Co. Attorney relating to the issue of ethics relating to conflict of interest. If a landowner serving as a Town Supervisor on the Board of Supervisors benefits personally from leasing their personal property to a natural gas company is this a conflict of interest when voting on County issues relating to natural gas regulations or leasing issues? Would this trigger disclosure or recusal by the Supervisor prior to voting? Supervisor Bays stated in his opinion some situations could be a conflict of interest for example if relating to a negotiating position however "Conflict of Interest Law" is based on perception. If there is a question relating to a consultant this is not a potential conflict.

General consensus of the committee, this may require more discussion but all generally agree it is based on "perception" of the law.

Supervisor Flanagan commented Chenango County adopted an Ethics Law in 1990. However there is no appointed County Board of Ethics.

**Natural Gas Well Application vs. Permit fee:**

Chairman Flanagan advised the committee on how the NYSDEC collects well permit fees. During a recent communication with NYSDEC the question was posed as to why there is an increased number of application cancellations for formations, other than the Marcellus, and is there any benefit to canceling the application instead of allowing it to expire? NYSDEC stated "*I don't know why Nornew has canceled many of their applications. It is beneficial to cancel the application because the fee can be refunded - it is a permit fee not an application fee. The permits expire in 6 months so once a permit is issued they only have 6 months to begin drilling.*" Consequently all the time spent by NYSDEC reviewing applications will result in no compensation if the application is cancelled by the company prior to NYSDEC issuing a permit.

**Severance Tax:**

Chairman Flanagan has not pursued the teleconference to discuss severance tax options. The general consensus of the committee it could be detrimental if it is pursued. Supervisor Bays commented on NYS Assemblyman William Parment's statement that the gas companies are paying enough in real property taxes to adequately compensate localities. Supervisor Bays disagrees with this statement and feels we should express our disapproval. He recommends Counties currently hosting natural gas exploration pass a County Resolution expressing concern that the

compensation is inadequate and an effort should be made to increase local compensation. Chairman Flanagan questioned if this would be adequate? Supervisor Bays stated at least we would be making a statement to the State for the record. Supervisor Iannello commented the State's main concern is focusing on School Districts not local road maintenance.

Discussion continued about a new law passed in a Colorado County which charges a road fee for industrial vehicles based on a road formula. This fee is dedicated to road maintenance and is not exclusively singling out the oil/gas company vehicles, although 98% of the fund income is from the oil/gas companies.

Supervisor Iannello commented on the road bond law passed by New Berlin which was based on "Rural Preservation Law". This has been workable for addressing any town road damage issues.

General consensus of the committee, as the natural gas prices fluctuate, a severance tax may not be beneficial for adequately addressing the cost of the impact on the infrastructure. Local government must address this issue with adequate bonding requirements, etc.

Again with gas assessments tied to the Real Property Tax the lack of fair compensation to all municipalities will continue.

Chairman Flanagan commented a Utica paper had reported NYS was proposing a 4% severance tax to be in effect by 2013.

### **Landmen/Real Estate Licensing:**

Chairman Flanagan reported Mr. Palmatier had contacted the Attorney General's Office (A/G) following up on the question relating to Real Estate Law and licensing requirements for individuals soliciting land leases. Mr. Palmatier stated the "unofficial" answer he received during a phone conversation with a representative of the Attorney General's office the "landmen are working on a per diem basis and not receiving a commission" which does not qualify as a requirement for licensing under Real Estate Law. Supervisor Iannello had also contacted the NYS Department of State (NYS DOS) which is responsible for licensing. Supervisor Iannello's conversation with the DOS representative led him to believe licensing may be required, but he has not received any official response on licensing. Mr. Palmatier and Supervisor Iannello will continue to pursue a written official statement qualifying interpretation of the Real Estate Law. The question posed by the committee, if Real Estate law does require licensing of landmen are the contracts valid?

Discussion continued on this issue and the apparent lack of consumer protection. Mr. Vickers questioned the A/G's comment relating to landmen not receiving a commission, as there has been evidence to the contrary. Mr. Palmatier commented on IOGA's position in this issue. IOGA is strongly against licensing landmen, the reason being they travel state to state and it could require numerous licenses. Consideration should be given to some type of licensing or certification of landmen to insure standards are established to protect landowners.

### **IOGA/Education Training Report:**

Mr. Palmatier provided a report on the IOGA conference as well as discussion on various other projects:

- During a recent meeting between Mr. Palmatier and SUNY Morrisville President Raymond Cross discussion focused on establishing a natural gas training certificate program. The proposed program syllabus may parallel Pennsylvania's program which includes OSHA training, well safety and related topics. Mr. Palmatier will be meeting today with a SUNY Morrisville representative to establish a Natural Gas training syllabus.
- IOGA has also been working to develop a training program in the Elmira area. Mr. Palmatier felt the SUNY Morrisville location would be a better location for this program as it is centrally located in the state.
- There has been ongoing discussion relating to the pipeline crossing proposed under the Doing Road in the Town of Plymouth, which will continue into NYS Land. A meeting is scheduled with NYSDEC representatives to discuss a possible land swap option to allow for the pipeline. This would involve Nornew deeding an equivalent amount of their land to the state. NYS would maintain ownership of the state land where the pipeline is proposed in addition to receiving ownership of the swapped land. The land swapped to NYS would then be eliminated from the tax roll.
- During conversations with Nornew and vendors at the recent IOGA meeting, Mr. Palmatier questioned what equipment/supplies the drilling companies would need quick access to. In response it would be helpful to have a wellhead supply company to supply valves, small tools, etc. similar to PENN Supply Co. There may be more business opportunities in the Afton or Bainbridge area due to infrastructure accessibility, Interstate I-88 and an operating railroad. Mr. Palmatier had discussed this with Ms. Carpenter at Commerce Chenango suggesting they "put the word out" publicly for local businesses to consider exploring this possibility and other related businesses which have been starting in southwestern NY and PA. Ms. Carpenter was apprehensive about Commerce Chenango involvement as they may receive numerous calls seeking funding for such a business venture and there is no funding available. Discussion continued about a perceived lack of support from Commerce Chenango relating to natural gas issues. Supervisor Iannello commented in the past the County Planning & Economic Development Committee

received a monthly list and report on potential or proposed Economic Development in the County from Commerce Chenango. Mr. Palmatier stated it is his intention to provide a monthly report to committee and to the County Planning Department. Mr. Harris stated it is in the best interest of Commerce Chenango to focus on the gas industry opportunities as the Chamber administers the IDA and Empire Zones. The resource is here and marketing the potential opportunities is essential.

- Mr. Palmatier suggested it may be beneficial to establish a community advisory committee possibly comprised of a local attorney, bank representative, and various community business representatives. The objective would be to meet monthly to discuss ideas, and economic development focusing primarily on natural gas related opportunities.
- There were numerous presentations at the IOGA meeting addressing issues on best land use practices; multi-directional drilling at the same well pad. Chairman Flanagan commented the multi-directional drilling at one well site presents additional problems taxing gas companies under the current real property tax law. This presents additional inequities to districts, towns, etc. with the spacing unit regulations as well as metering. Supervisor Bays questioned how do we insure the integrity of the well? The issue of meter reading remains a problem under the current system. The paper graphs from the meters can easily be lost transporting from the well site to the office. Too many opportunities for mistakes, no safeguards. Again this is a strong argument for Ag/Markets or local Weights/Measures to conduct the meter reading. Mr. Palmatier commented the Norse reports have been confusing to understand for the actual gas readings entering the Dominion natural gas line.
- Mr. Palmatier commented on the interpretation of well logs. The NYS Museum stores and interprets well logs. He explained that each formation has a signature or fingerprint based on specific isotopes enabling geologists to determine the type of gas and field.
- A Geologist/Attorney spoke at the IOGA meeting on various ways landowners can protect themselves and suggested testing drinking water wells 2-3 times at different intervals during any natural gas development.
- Mr. Palmatier has invited Professor Selleck to attend the next Natural Gas Advisory Committee meeting to discuss the geological formations in Chenango County. He has also contacted a NYSERDA representative to possible attend the September 29<sup>th</sup> Natural Gas Advisory meeting.

#### **Related Issues:**

- Chairman Flanagan commented on leasing deals in Broome County moving forward. As well as an increase in landmen focusing on the Utica Shale area to the north of Chenango County. Leasing has been reported in the northern counties at \$50.00 per acre with 12.5% royalty. A company from Quebec Canada has been pursuing leases.
- Nornew has reported targeting 250 Herkimer, 800 Marcellus Shale and 800 Utica Shale formations for development in the next 10 years. The question is, are the 800 Marcellus and Utica wells at the same well site? The Marcellus shale overlays the Utica in this section of the state.
- Mr. Harris commented on a recent request for the County parcel shape files from an engineering firm in Texas. This company would be using the information to contact landowners for seismic testing across their properties.
- The question was asked if properties in the recent County Tax Sale were affected, if the mineral rights have been leased. Supervisor Schlag stated this year's tax sale figures were down but he has no information if any properties had mineral rights leased. Chairman Flanagan asked Supervisor Schlag if he would follow-up on this issue. The question was also asked if the property is sold at a tax sale is the lease still valid? Mr. Harris commented that Broome County sold mineral rights separately from the property tax sale.
- Pipeline Update. Norse, Inc. has applied for installation of a 16" Steel pipeline.
- Supervisor Bays felt this committee needs more input from the County Attorney and the Director of Emergency Management/Fire Coordinator. In addition to acquiring adequate information for developing a master map indicating the location of all the pipelines and well locations. Supervisor Bays also expressed his appreciation for the support from SUNY Morrisville.

The meeting was adjourned at 10:00 a.m. The next meeting is scheduled for:

**Tuesday, August 25, 2009, at 8:00 a.m.**

**Mr. Bruce Selleck, Professor of Geology at Colgate University, will be our guest speaker at this meeting.**

**Natural Gas Advisory Committee  
Meeting Minutes, August 25, 2009**

Peter Flanagan, Supervisor, Chairman  
James Bays, Supervisor  
George Coates, Supervisor  
Ross Iannello, Supervisor  
Bradd Vickers, Chenango Farm Bureau  
Steve Palmatier, CC Govt. Affairs  
Steve Harris, Real Property Tax

Attendees:  
Rob DeClue, Soil/Water  
Rena M. Doing, Planner  
Shane Butler, Planner

Guest(s)  
Bruce Selleck, Prof. Geology Colgate  
Bryant LaTourette, Oxford Land Group  
Dan Fitzsimmons, Binghamton Coalition  
Charlie Rowe, CNY Coalition  
Jim Kozak  
Melissa DeCordova, Evening Sun

The monthly meeting was called to order by Chairman Peter Flanagan at 8:00 a.m. in the County Board of Supervisors Chambers. Chairman Flanagan introduced Mr. Bruce Selleck, Professor of Geology at Colgate University. Professor Selleck has been consulting with and assisting the Town of Lebanon and Madison County since 2004. He has provided educational programs on the geology and potential natural gas production in Central New York.

**Professor Selleck's presentation:**

Professor Selleck discussed the potential for natural gas production from the various geological formations in Chenango County. The power point presentation given by Professor Selleck, "Natural Gas Development in Central New York", is available at: <http://offices.colgate.edu/bselleck/NatGas/Envhealthnatgas.pdf>  
Information sites: <http://offices.colgate.edu/bselleck/NatGas.htm>

Professor Selleck's comments and response to questions:

- It is important to be aware of potential environmental concerns however he feels some of the information maybe exaggerated. Brine produced from wells must be disposed of properly. Water use during hydrofracturing is a major concern, and drilling companies will hopefully find techniques to reduce water use and minimize flowback water that needs disposal.
- Natural gas is primarily made up of petroleum gas (methane) which has the lowest carbon impact of any fossil fuel. The methane evolves from organic matter deposited millions of years ago. The process involves: decomposition of the organic matter to produce kerogen (insoluble organic matter). Heating during burial may produce petroleum liquids. Natural gas is produced throughout the burial process. In central New York, the gas-bearing formations reached temperatures of 140C during burial, resulting in dry gas (methane with very little liquid hydrocarbon).
- Natural gas exploration requires several data sets prior to drilling: Seismic testing determines the fault structure which is an important aspect of data collection. The seismic tests were beneficial in the successful Black River Trenton exploration, where the tests found the formation cracking had created storage reservoirs deep in the earth containing large quantities of natural gas; Well logs are the primary data source, these are confidential for 6 months after the drilling completion date but an extension may be requested from NYSDEC; Lithologic logs are prepared from the rock cuttings from each layer during the drill which indicate thickness and potential for natural gas. All companies must submit the cuttings to NYS which are stored by the New York State Museum. Well data is available online from the New York State Museum oil and gas database system (ESOGIS).
- In Central New York, the various rock formation layers dip into the subsurface toward the south. The Marcellus shale is at the surface in Marcellus, NY (thus the name) and extends deeper into the subsurface of Southern Chenango Co., into the Appalachian region. Marcellus shale <1500 ft. in depth does not have adequate pressure to push the gas.
- The Utica Shale has considerable organic material, hydrocarbons and natural fractures which are beneficial to release gas. This formation is an extensive sub-surface deposit under Chenango, Otsego, Delaware and Broome Counties. It may be 10 + years before this formation is a significant producer but some vertical well permits have been issued in Otsego County.
- The Oneida formation is brine prone. Some wells drilled into the Oneida formation in Chenango County have been sealed back to the Herkimer formation for production.
- The Herkimer Sandstone formation, which has been producing in Madison and Chenango Counties, is actually an ancient shoreline deposit. Recently-developed horizontal wells do not require "fracing" fluids and some of these have relatively high yields. The horizontal development brings into question the current Herkimer spacing units. The opinion is there should be a greater distance to ensure the uncased horizontal traverse does not intake gas from other formations as well as neighboring properties outside the designated NYSDEC approved spacing unit. Question was asked as to how far the gas could travel toward the uncased line? It would be nearly impossible to determine; it would require extensive testing of the gas and knowledge of the different formation "fingerprints" in the area. Mr. Vickers compared this to sub-surface trespassing and virtually impossible to determine.

- The various shale formations have a stable isotope for identification or gas “fingerprinting”. This is helpful for differentiating the sources of gas. However there is limited public data for formations in central New York.
- New drilling technology such as compressed gas drilling reduces the need for subsequent well treatment.
- There maybe some potential in the Black River/Trenton formation in this area. The Potsdam formation is the deepest and exploration of this depth could be beneficial for injection disposal. The brine concentrate and worst components in the drilling waste water may be safer to store back into these very deep wells. At this time a closed-loop system would be beneficial for treating the drilling waste water at the site. The waste water generally consists of brine (10x concentration of seawater), calcium, potassium, and various dissolved metals. Professor Selleck expressed concern about depositing this waste water on roads for ice control. If each load was adequately analyzed for all components, maybe, but this would not be cost-effective.
- Water management is the major issue confronting the gas companies and they are aware of public concerns. The companies are working on increasing technology to address this issue. Professor Selleck stated the NYS regulations appear to be adequate for aquifer protection but cementing of the casing must be properly done to a sufficient depth. Supervisor Bays asked about the procedure for safely closing wells. Professor Selleck stated the well sealed with cement, and if properly done should not pose an environmental risk.
- The typical residence in NYS uses ~73mcf (mcf =1000cu.ft=1million BTU when burning) for heating. Approximately 4% of NYS consumption is produced in the state. Majority of natural gas is from western NYS, Southern states and Canada.
- Central NY is strategically located for natural gas exploration. The close proximity to a large population, in a cold climate provides a favorable marketplace for selling their product for home heating while minimizing transportation costs.
- Regarding the draft SGEIS he does not think it will be approved prior to January or February 2010. Natural gas development may then be further delayed by lawsuits from the New York City Watershed Commission and the Delaware River Basin Commission regarding water management and safety issues relating to the reservoirs and aquifers.

In summary Professor Selleck recommended individuals seeking a better understanding of natural gas exploration review the “Modern Shale Gas Primer” [http://www.netl.doe.gov/technologies/oil-gas/publications/EPreports/Shale\\_Gas\\_Primer\\_2009.pdf](http://www.netl.doe.gov/technologies/oil-gas/publications/EPreports/Shale_Gas_Primer_2009.pdf) , which basically gives a neutral overview in layman language. In addition, Professor Selleck commended Chenango County for establishing the Natural Gas Advisory Committee as this is an essential tool for educating the residents. It is equally essential for government at the town level to be informed and prepared. Keep the line of communication open with the gas companies in the area. Corporate gas company philosophy varies and too often communication becomes a problem. Utilize all and any contacts that have a good working relationship with the gas companies as the NYSDEC staffing is inadequate.

### **County Ethics:**

Supervisor Flanagan commented on the status of appointing a County Board of Ethics as required in the 1990 County Ethics Law. The matter was referred to the County Safety and Rules Committee for review and recommendations, as well as input from the County Attorney defining a “conflict of interest”.

If the proposal to hire a consultant continues to be perceived as a conflict of interest the suggestion was made to consider working this position through Commerce Chenango, as the general consensus of the committee is to maintain a resource with established contacts and communication with the gas exploration companies.

### **Joint Coalition Rally:**

Charles Rowe, CNY Coalition Board member, commented on the Joint Coalition Rally held on Sunday, August 23, 2009 at the General Clinton Park, Bainbridge. They estimated approximately 1700-2200 attended the event. Several Chenango County Supervisors attended the event. The general consensus taken from the meeting was that it was informative, but more questions and concerns continue to be raised about water issues.

### **Related Issues:**

- Chairman Flanagan commented on a proposed sub-surface leasing request from Norse Energy at Preston Manor. County Law 215 limits leases beyond 5 years and there has been no opinion if Charter Counties can lease property. These issues would have to be addressed before giving consideration to any sub-surface lease of County property.
- Mr. Palmatier provided an update on projects he has been pursuing:
  - The SUNY Morrisville program is still committed to exploring the idea of offering a Natural Gas Training

program, pending State approval, at the Norwich Campus. The welding component may have to be offered at the main campus or possibly in conjunction with the BOCES program.

- The Advisory Committee required to proceed with this program has member commitments from Stu Lowenstein, VP of Exploration, Norse Energy and David Palmerton, Environmental and Safety Consultant. Mr. Palmatier is working to fill the committee positions by mid-September. He would like to add individuals with expertise in pipelines and well completion as well as an interested individual with no natural gas company affiliation.
- Norse Energy has been negotiating with NYSDEC to cross a small portion of State land with a pipeline, adjacent to the Doing Rd, Town of Plymouth. It is important to establish a pipeline crossing agreement with NYSDEC, as this would allow access to all areas of Chenango County for future development. However some groups feel if a pipeline crosses state land it should be considered a public pipeline. The precedent has been established in western NYS where larger, long distance pipelines currently exist on NYS Land and are not considered public pipelines.
- Chairman Flanagan commented on the issue of "Driveway Permitting". This has become an issue when gas companies access a drill site. Randy Gibbon, Director Chenango Co. DPW, feels the County permitting policy is adequate but there could be an issue of a "field" driveway. This is primarily for farm operations and requires no permit. Recommendation is made to Towns to review their Driveway Permit policy to insure proper driveway location which allows for adequate line of vision, angle and proper sluice sizing. Standardization is important for safety and access. In addition update or adopt road bonding policies.
- Mr. Palmatier suggested inviting a representative from NYSERA and a Pipeline expert to speak at future committee meetings. Committee members felt this would be beneficial as well as educational. Mr. Palmatier will make the contacts.

The meeting was adjourned at 10:30 a.m. The next meeting is scheduled for:

**Tuesday, September 29, 2009, at 8:00 a.m.**

Minutes recorded and prepared by: Rena M. Doing, County Planner

**Natural Gas Advisory Committee  
Meeting Minutes, September 29, 2009**

Attendees:

Peter Flanagan, Supervisor, Chairman  
James Bays, Supervisor  
George Coates, Supervisor  
Ross Iannello, Supervisor  
Bradd Vickers, Chenango Farm Bureau  
Steve Palmatier, CC Govt. Affairs

Steve Harris, Real Property Tax  
Richard Schlag, Supervisor  
Rena M. Doing, Planner

Guest(s)

Charlie Rowe, CNY Coalition  
Melissa DeCordova, Evening Sun

The monthly meeting was called to order by Chairman Peter Flanagan at 8:10 a.m. in the County Board of Supervisors Chambers.

The committee members discussed the following topics:

**Water/Environment:**

Due to three recent spill incidents at the Cabot Oil/Gas drilling operation in Dimock, Pa. a cease and desist order was issued by the Pennsylvania Department of Environmental Protection. The Pa. DEP is requiring new safety measures to prevent and contain any future incidents.

Supervisor Goldstein sent correspondence by email to NYSDEC and Nornew relating to the safety of "hydrofracking" fluids. Included was a list of the various chemicals used in the "hydrofracking" process with a quantitative analysis of the various components. (This correspondence was forwarded to all Natural Gas Advisory Committee members)

**Pipelines/road crossings:**

Nornew, Inc. has submitted an application to the PSC to install approximately 8 miles of 16" high pressure gas line in the T. Lebanon, Madison County. The Lebanon Town Board has tabled the issue to inquire if a public hearing is required and find out what or if the local government has any legal authority. Supervisor Iannello felt this would relate to a road preservation issue, Article 64, Section 7 gives the Town the authority.

**Economy:**

The committee commented on the recent Norse Energy Corp. (Nornew, Inc.) 2<sup>nd</sup> Quarter Financials report relating to the increased capability to supply gas to the Dominion and the NYSE&G gas lines. Nornew, Inc. is in a unique land position for developing the Utica and Marcellus shale formations. Nornew, Inc. acquired data on the Marcellus shale formation during development of the numerous Herkimer formation wells.

Discussion continued about Nornew, Inc.'s capability to build a pipeline. This would be beneficial for providing natural gas to potential customers especially in the Smyrna- Sherburne and Oxford-Greene areas, possibly through the formation of a Co-op. Norse Energy has a working relationship with NYSE&G and concern was expressed if this could result in a conflict of interest regarding the NYSE&G customer base. At this time NYSE&G does not supply natural gas to Smyrna, Sherburne, So. Oxford and the Greene areas. Baille Lumber in Smyrna and Raymond Corp. in Greene could benefit from this type of arrangement. The Planning Department will research what is required to form and maintain a Co-op.

Chairman Flanagan commented on the utility "National Fuel Gas", which is involved in exploration, leasing, as well as the sale of natural gas. "National Fuel Gas" has projected spending from \$113-137 million, in Northwest Pa.

During a recent visit to PA. Chairman Flanagan heard considerable chatter regarding the recent "leasing wars" between Chesapeake and Fortuna Gas Companies where lease offers are \$ 5750 per acre with 20% royalties.

**Drilling:**

Permits have been issued in Otsego County for vertical wells into the Utica Shale. At this time "Covalent Energy Corp" (now Utica Energy) is drilling the Ross #1 Utica formation well, in the Town of Maryland, Otsego Co. Mr. Palmatier stated NYSERA Geologists have been at the Ross well site acquiring information for a study relating to development of a NYSERA Energy policy, with a report scheduled to be given at the November IOGA meeting.

Permits issued in Chenango County have slowed with the most recent permit issued in the Town of Plymouth targeting the Herkimer formation.

There has been some discussion relating to possible compulsory integration of County owned property near the Preston Manor Home. To date there has been no application submitted to NYSDEC requesting a permit to drill on any properties adjacent to County owned land.

## **Consultant's Report:**

Steve Palmatier reported on the following topics:

- A potential business opportunity relating to Natural gas exploration could be a company with a crew trained to perform regular compressor maintenance on units used to clean the natural gas prior to entering the distribution lines.
- Jamestown, NY in western NYS has developed a Board of Public Utilities which utilizes natural gas to operate a gas turbine generator. Committee members suggested consideration should be given to researching a similar project in Chenango County to produce electricity. County Planning Department will research the process on how to develop a municipal electric utility company. Nornew, Inc. could be a stakeholder by providing natural gas as they have the authority to offer up to 19 taps without classification as a public utility. Nornew, Inc.'s incentive for such a venture would be the sale of bulk gas where maintenance of gas lines, meters, etc. are too often a disincentive to move forward. The concept of forming a Co-op could be beneficial. Chairman Flanagan suggested reaching out to NYSE&G for their input on pipelines and customer issues. He has agreed to contact NYSE&G requesting a meeting with a representative to discuss various options. Supervisor Bays will also contact USDA Rural Development requesting any information or assistance with this issue.
- Co-generation was again discussed as a possible use of natural gas. Any excess power generated would be sold to a utility company. The question is if this process would be applicable to Public Service Law Article 10, relating to the process of building power plants. Planning Department will follow-up with PSC.
- Discussion continued on the development of natural gas pipelines. Could a natural gas pipeline run adjacent to a railroad line as a possible route to Greene as well as access to the Millennium gas line that runs along southern NYS? Could a natural gas line share right-of-way with an electric high line? These questions will be addressed with PSC.
- Mr. Palmatier advised committee members that his consulting contract with the County has not been signed due to a question with Article 9 in the contract which relates to prohibiting him from possible discussion with gas companies. Supervisors present at this meeting commented it is their understanding this issue had been addressed in the resolution that had been passed by the full Board of Supervisors for creating the consultant position. The consultant has no authority to make decisions on behalf of the County. A consultant's primary role is economic development opportunities and communication between the County and natural gas companies. Supervisor Bays suggested Mr. Palmatier could maintain a log to satisfy any questions or concerns, but he felt this should not be necessary based on the resolution passed by the Supervisors to create this position.
- Mr. Palmatier reported on his recent findings while researching a 2003 study for a proposed natural gas pipeline from the Madison County line to Greene. A letter stamp dated 2003 from Nornew, Inc. to County Attorney Breslin, referred to an agreement between NYSERDA and Nornew, Inc. to acquire seismic data which is "crucial for the New York State Energy Research Development Authority (NYSERDA) project, "Natural Gas Exploration in Chenango County" in which Nornew is a principle participant and co-funding partner." This letter leads to the question if seismic data is acquired with public money (NYSERDA) is this information available to the public? Mr. Palmatier felt this information should be available to the public. He suggested Chenango County Attorney Breslin should readdress the proposed seismic agreement and request copies of the test results for the County records. Supervisor Iannello questioned how the original contract was written? He recommended sending a request to Planning & Economic Development Committee to request this information from the County Attorney. Chairman Flanagan will prepare a memo to County Attorney Breslin requesting the County readdress this issue.

## **General Information/Comments:**

- Chairman Flanagan commented on natural gas exploration in relationship to Wildlife Management Areas. Land designated for Wildlife Management is purchased with Federal funds and all mineral rights would be retained by the Federal Government.
- Chairman Flanagan received a call from a Plymouth resident expressing concern about vibration at their residence during the drilling process of the Slater 1H well. Nornew, Inc. was also contacted. They have not received any other complaints and possibly site preparations in the area could be a contributing factor.
- Discussion regarding the decline of gas production in the Herkimer formation can be up to 50% the first year. There was speculation about when the Herkimer formation wells are no longer profitable will they be re-fracked to stimulate production in the Herkimer formation or can the same wellbore be drilled deeper to access the Utica or plugged back to the Marcellus? Ultimately this would result in multiple formation production. The question is if the initial drilling costs have been written off to development of the Herkimer formation will the royalties increase when development of other formations will involve less infrastructure costs?
- Mr. Harris stated he has received requests from two Texas Oil/Gas companies for the County Real Property shape files.



- Chairman Flanagan asked Mr. Harris about the gas companies' school tax payment history, if it is current. Mr. Harris stated the companies have been slow paying but are now current. Mr. Harris will prepare a report summarizing payments, delinquency, etc. of the natural gas billing relating to the different school districts in the County. Chairman Flanagan asked Mr. Harris if a private gas line to a residence from a well on their private property is this considered part of the gathering line and the economic unit for tax purposes? Mr. Harris was unsure and he will follow-up.
- Due to the increased number of legal questions and issues this committee encounters it was suggested a request be made to the County Attorney that he appoint one of the County Assistant Attorneys to sit in on the committee meetings. Chairman Flanagan will address this with Mr. Breslin.
- Congressman Maurice Hinchey has presented a bill for Federal Legislation to move toward natural gas powered vehicles.
- Commerce Chenango will be sponsoring a 5-session Webinar "Your Business & Marcellus Shale" scheduled for October 14, 21, 28, November 4, and November 10, 2009. Individuals interested in attending should contact Jennifer Tavares @ 607-334-5532.
- There is a new social networking website on Marcellus Shale to organize Counties:  
[www.gomarcellusshale.com](http://www.gomarcellusshale.com)

The meeting was adjourned at 10:00 a.m.

### **Next Meeting, Tuesday, October 27, 2009, at 3:00 p.m.**

#### **County Board of Supervisors Chambers**

The October 27<sup>th</sup> meeting will be an informational meeting. Representatives from Nornew, Inc. will be in attendance. Please advise us if you plan to attend and forward any questions you would like Nornew to address, to Rena Doing [rmdoing@co.chenango.ny.us](mailto:rmdoing@co.chenango.ny.us) , **prior to October 20th**

Minutes recorded and prepared by: Rena M. Doing, County Planner

**Natural Gas Advisory Committee  
Meeting Minutes, October 27, 2009**

Committee Members:

Peter Flanagan, Supervisor, Chairman  
James Bays, Supervisor  
Ross Iannello, Supervisor  
Bradd Vickers, Chenango Farm Bureau  
Steve Palmatier, CC Govt. Affairs  
Richard Schlag, Supervisor  
Donna Jones, Dir. Planning  
Rena M. Doing, Planner  
Shane Butler, Planner

Guest(s)

Dennis Holbrook, Atty. Norse Energy  
Dennis Lutz, Norse Energy  
Melissa DeCordova, Evening Sun  
Services  
Anna Marie Lusins, T. Oneonta  
George Kelly, T. DeRuyter (NYSFOLA)  
Nancy Craft, T. DeRuyter (NYSFOLA)  
Kipp Hicks, Madison Co. IDA  
Donald Franklin, Chenango Ag/Farmland  
Dan Degear, T. DeRuyter

Bruce Selleck, Colgate Univ. Geologist  
Allen Linderthaler  
Dennis Mc Bride, Telecom Procurement

Todd Hall  
John Carson, County Planning Board

The monthly meeting was called to order by Chairman Peter Flanagan at 3:00 p.m. in the County Board of Supervisors Chambers.

The committee members conducted a short meeting addressing the following agenda topics prior to an open discussion with representatives from Norse Energy, Inc. (Nornew):

**County Attorney:**

Chairman Flanagan advised the committee members there would be no representation from the Chenango County Attorney at this meeting due to the open forum format.

**Spacing Unit issues:**

There has been ongoing discussion relating to the size of gas well spacing units. The spacing units are determined in acreage based on the target formation, type of well (vertical/horizontal) and vertical depth to the target formation. The majority of the wells drilled by Nornew are horizontal, targeting the Herkimer sandstone formation. On occasion the Chenango County Planning Department, which has been responsible for tracking the natural gas exploration in the county, has noticed discrepancies in the spacing unit size and brought this to the attention of the NYSDEC. This has resulted in changes to the size, location and cancellation of some spacing units.

**Road Bore Standards:**

There has been ongoing discussion relating to the location of the proposed natural gas pipeline. Chenango County DPW has received several requests from Nornew to bore under County roads. Chairman Flanagan commented he expects a request for boring under County Roads 10, 19 and 4 due to a proposed pipeline adjacent to Preston Manor as well as speculated gas drilling activity in the Town of Preston. The County has been approached to lease land near Preston Manor but due to County Law 215 leasing is prohibited for greater than 5 years. Senator Libous has been working at the state level to change the law. If leasing of County property is extended or unlimited this could provide a source of income for the County.

Chairman Flanagan requested Nornew provide a more timely notification for road borings. Mr. Holbrook stated they try to submit applications in a timely manner but sometimes this is difficult when they are waiting on permit approval from other agencies, such as the PSC, or if the plan changes due to a non-productive well.

Chairman Flanagan added he has recently received requests from "Conquest" for permits to conduct seismic testing in the Town of Preston.

**Water Well Testing:**

Chairman Flanagan received a request from A&P Testing, Morrisville, NY to test the water wells at the Preston Highway Garage/Town Hall. There is a gas well proposed for property adjacent to this facility on County Road 4. It was also suggested to test the Preston Manor water well as it is classified as a public water supply. A&P did not propose any test parameters however the dSGEIS, chapter 7, addresses mitigation for proposed testing of water wells. Dr. Selleck commented the SGEIS will require testing drinking water wells within 1000ft. of the well pads for exploration of the Marcellus/Utica shale. The test results will be sent to the landowner and the local health department.

**Discussion:**

The remainder of the meeting focused on various questions and discussion with our guests Mr. Holbrook and Mr. Lutes, from Nornew.

- The size of spacing units are often questioned as too small or too large. If the unit is perceived as too small there is concern the formation gas is flowing from properties outside the spacing unit with no royalty benefit to the adjacent landowner; or the spacing unit is too large leaving a considerable amount of gas in the ground with no benefit to the landowner(s). Mr. Holbrook commented one problem in determining the size of a spacing unit is accurately locating the target formation. For example if the Herkimer formation is at a depth less than 4000ft. the spacing unit is 80 acres (+/- 10%); if it is greater than 4000ft. the spacing unit is 160acres(+/-10%) In addition the greater the pressure the greater the spacing unit.

- Supervisor Bays commented on the SGEIS and if these new regulations could be applicable for oversight of developing the Herkimer and other formations? Mr. Holbrook commented the SGEIS addresses the high pressure shale and high water volumes for developing the Marcellus/Utica formations, which do not relate to Herkimer.
- Will Nornew be developing Marcellus/Utica shale when the NYSDEC SGEIS is approved? Mr. Holbrook commented there is potential in developing Marcellus in Southern Madison/Northern Chenango Counties. The water content in the Marcellus shale in these areas is much less than PA and areas south. However it is questionable if the pressure would be great enough. They will be watching other areas developing the shale and using this as a learning curve. Nornew is also seeking an experienced partner familiar with shale development, as their focus has been primarily on a different horizon, the Herkimer formation. Their expectation is to drill 30 horizontal Herkimer wells in 2010.
- Mr. Kelly commented that the Marcellus formation is notorious for Radon. What do you think should be done to address this? Mr. Holbrook stated at this time Nornew has no desire to pursue the Marcellus formation. The primary concentration on Marcellus has been by major players along the Millennium gas line. Dr. Selleck commented the SGEIS will require checking the radioactivity levels. Pennsylvania radon levels have been relatively low.
- The Herkimer and some other formations have been developed along naturally occurring fissures/faults. How far can the gas be pulled through these faults? Based on this are the spacing units correct? Mr. Holbrook stated horizontal drilling has been occurring for 3-5 years and determining the spacing unit has been an evolutionary process seeking the most efficient drainage of an area.
- Ms. Craft questioned if draining the gas from the fault pools could result in shifting of the rocks? Dr. Selleck pointed out drainage of the gas does not affect the supporting rocks at the depth of these formations. However it could happen in shallower areas.
- Mr. Kelly asked about the concentration of chlorides in the waste fluids. Mr. Holbrook stated Nornew contracts drilling and they have no control over the drilling fluids used at the site. Nornew is a firm believer in disclosure of substances that could be in the drilling wastewater. Mr. Holbrook expressed concern there has been considerable "hype" relating to wastewater but believes with the proper procedures in place the NYSDEC should be capable of monitoring. Dr. Selleck suggested with continued natural gas development new wastewater treatment will evolve.
- Chairman Flanagan commented that Carl Iverson, City of Norwich DPW has been advised by NYSDEC that all municipal wastewater plants in NY are prohibited from receiving well drilling wastewater, the reason is unknown. There is new technology drilling with propane which could resolve the issue of water use and there are no chemical reactions. There has also been development of new filtration systems by GE. Mr. Holbrook commented they have been approached for wastewater treatment but they will wait and see and seek alternative measures. Industry has a strong incentive to do it right for environmental protection.
- Is Nornew the only company developing the Herkimer formation? Utica Shale has potential in Madison and Chenango County but it is very science driven. Nornew is the only party chasing Herkimer with success in finding gas with minimal water issues.
- Chairman Flanagan commented there are four (4) vertical Oneida "fracked" wells in the Town of Preston which have been converted to Herkimer. These are essentially "fracked" Herkimer wells. Mr. Holbrook commented that Nornew does readdress formations with the NYSDEC to insure correct formation. Development of the earlier Herkimer wells involved "fracking" which was part of the learning process. The Herkimer wells drilled in the last 2-3 years are natural flowing and the "game plan" is to maintain Herkimer well development as natural.
- Are horizontal Herkimer wells "fracked" later if economically feasible? Mr. Holbrook stated if the Commodities Market should go up in the \$ 7-8.00 range this may encourage more exploration.
- Mr. Holbrook commented at this time the investment community is anti-NY based on the prolonged SGEIS. However Mr. Holbrook gives NYSDEC credit for striving to insure the rules are right. This is a challenge but exploration in Pennsylvania is like the "wild, wild, west".
- Mr. Vickers commented on a recent meeting with the Public Service Commission (PSC) regarding pipeline installation and the need to have a pipeline in place prior to drilling. The NYS Energy Plan addresses a problem with non-producing wells (due to lack of pipeline access) that may become plugged by clay discontinuing the gas flow. Has this been a problem for Nornew? Mr. Holbrook commented that constructing pipelines has been a serious challenge. Some groups have been working to stop pipelines in the area. Nornew will not pursue gas development in some regions of Chenango County due to this ongoing problem however they remain open to discussion on this issue. At present they are well positioned to continue developing pipelines to access the major transmission gas lines (Tennessee, Dominion and NYSE&G).
- Chairman Flanagan commented it is his understanding the main transmission lines may not have available capacity for Nornew's gas due to the contracted space being fully subscribed. Mr. Holbrook commented the large transmission lines were built based on high commitment from customers consigning for space in the line, however the customer can contract from whoever is competitive which has allowed for Nornew to contract with

Dominion and NYSE&G by offering a lower price. This is primarily due to location of the wells eliminating the transportation cost to eastern companies that have had to pay for western gas.

- What are Nornew's plans for pipeline? Mr. Holbrook and Mr. Lutes commented. At this time the largest line proposed in Chenango County to run north/south approximately 80 miles from the Tennessee line to the Millennium line along southern NY. This could be an unregulated 12" low pressure line. At this time the main trunk line is approximately 30 miles long at a cost of \$ 1million/mile. The gathering lines to the trunk lines range in size from 4-8" with smaller well lines ranging in size from 2-4".
- Is Nornew a member of "Dig Safely New York"? Mr. Lutes confirmed they are a member.
- Mr. Franklin asked if Nornew would work in conjunction with the County Soil & Water department when installing the unregulated gas gathering lines across viable farmland, to insure proper drainage, depth, etc. similar to what PSC requires for regulated pipeline installation and Ag/Markets recommendations. Mr. Lutes and Mr. Holbrook agreed this is a feasible request and farmers/landowners should work with the line men. It is an incentive to Nornew to do it right, to keep residents happy as well as pride in restoration of the environment.
- Mr. Vickers commented on discussions relating to increasing the permit fees which would be applied to a dedicated fund. Mr. Holbrook discouraged a State Severance tax as a resource for funds, there is no local benefit to be gained from a Severance tax. It is important to continue with the current system utilizing Real Property Tax which keeps funds local.
- Chairman Flanagan expressed concern about point of capture benefits and equitable distribution of gas taxes. At this time the gas tax is determined by the levy in each town, which is generally higher in towns where there is little or no commercial businesses. It would be more equitable to enact a County production tax.
- Will there be Economic Development opportunities available to Chenango County utilizing Nornew gas, similar to projects in Jamestown, NY? Mr. Holbrook explained the Jamestown project involved the Chautauqua IDA and the City of Jamestown Electric Municipality. Nornew built the pipeline for transmission of the natural gas for Chautauqua IDA in their capacity as the landlord of an Industrial Park in the Jamestown area. Similarly the City of Jamestown received natural gas to operate a co-generating plant to supply municipal electric. This arrangement allowed Nornew to provide the natural gas without classification as a "Utility". A similar arrangement could be feasible for communities with municipal electric such as Hamilton, Sherburne and Greene.
- Supervisor Iannello commented it is important for Economic Development to access gas. Mr. Holbrook commented that generally competition is the issue. This area would require more pipeline construction for the infrastructure.
- Supervisor Bays questioned if co-generation infrastructure was in place would Nornew consider supplying the gas? Mr. Holbrook commented it is important to keep pipeline communication open with communities/municipalities. Nornew is receptive but suggests it would be helpful to address issues and concerns collectively.
- Mr. Palmatier stated we have very few high volume users. Supervisor Iannello suggested consideration should be given to smaller businesses. Mr. Holbrook emphasized there must be sufficient opportunities to justify a load to make it beneficial for all parties.
- Mr. Vickers commented on the importance of marketing NYS gas. Mr. Holbrook explained the biggest challenge Nornew is not a "Utility". Supervisor Iannello asked if a co-op arrangement would be beneficial. Mr. Holbrook stated there is the potential for Nornew to partner with a co-op, where the co-op is the owner. This would be an arrangement similar to areas in western NY and PA where Nornew partners by providing the gas, maintains pipelines, etc. but is not classified as a "Utility".
- Discussion centered on a \$ 5 million grant that had been proposed in 2003 to extend a pipeline from Southern Madison County to the Raymond Corporation in Greene. Mr. Palmatier stated during discussions with Ms. Carpenter, Commerce Chenango CEO, she felt it may be possible to retrieve some of the grant funds that had been designated for this proposed project.
- Mr. Palmatier asked Nornew about skill sets and labor needs that would benefit area residents seeking employment with gas companies. Mr. Holbrook stated IOGA has been working with local colleges, SUNY Morrisville, to establish a program to educate available contractors for the various gas related services. Nornew has hired local contractors as well as relocated workers to this area. There is still the question of how serious NYS is in natural gas development.
- Supervisor Iannello asked if there would be any education assistance available. Mr. Holbrook stated their company had made sizable donations to the Jamestown Community College.
- Mr. Palmatier asked if there is some type of formal procedure to alert economic development committees of the next natural gas development "need". Mr. Holbrook stated there is no formal alert but "needs" will be water sources, wastewater treatment, and pipeline labor source. At this time most of the expertise is from out of the area but continued training may develop more local businesses. The Big Challenge is training.
- Mr. Butler asked if any consideration has been given by Nornew to offer stock options in lieu of cash for leasing rights. Mr. Holbrook stated this has been discussed. Nornew may extend the option of stocks for leasing as

well as the possibility of land swaps.

- Ms. Doing asked if Nornew has included on their contractor “safety list” the requirement to properly clean the drilling equipment as the contractors move from one site to another, especially from different parts of the state or from state to state to prevent transport of invasive species from one location to another. Mr. Holbrook commented this has not been a requirement but agreed this should be considered to protect the environment.
- There was some discussion regarding natural gas as a renewable resource. The general consensus is natural gas (methane) is a “fossil fuel”, produced by the breakdown of plants and animals, which is considered non-renewable. However Tom Gold, a 20<sup>th</sup> century former Cornell Astronomer, presented the unconventional theory that natural gas is an “energy fuel” emanating from the chemical activity in the earth core.

There was no further discussion and the meeting was adjourned at 5:15 p.m.

**Next Meeting, Tuesday, December 1, 2009, at 8:00 a.m.**

**County Board of Supervisors Chambers**

Minutes recorded and prepared by: Rena M. Doing, County Planner

**Natural Gas Advisory Committee  
Meeting Minutes, December 1, 2009**

Committee Members:

Peter Flanagan, Supervisor, Chairman  
James Bays, Supervisor  
Ross Iannello, Supervisor  
Stephen Harris, Dir. Real Property  
George Coates, Supervisor

Richard Schlag, Supervisor  
Bradd Vickers, Chenango Farm Bureau  
Steve Palmatier, CC Govt. Affairs  
Rena M. Doing, Planner  
Shane Butler, Planner

Guest(s)

Melissa DeCordova, Evening Sun  
Edward Downey, Attorney

The monthly meeting was called to order by Chairman Peter Flanagan at 8:10 a.m. in the County Board of Supervisors Chambers. The following agenda items were discussed:

**November 30<sup>th</sup> Marcellus Meeting:**

Mr. Palmatier, Mr. Butler and Ms. Doing attended the "New York Marcellus Shale Natural Gas Educational Summit: Challenges and Opportunities" meeting in Owego, NY. The forum included workshops with various topics that the attendees could choose to participate in.

Mr. Palmatier commented on a question directed at the NYSDEC Deputy Commissioner regarding permit fees to be designated to the Mineral Division to support staffing. The Deputy Commissioner stated all the fees go to the NYS General Fund and can not be designated to a specific division. If the funds are not adequate for staffing responsible for issuing the permits (only 19 staff members in Mineral Division) process may be slowed. Ms. Doing questioned the Deputy Commissioner as to why NYS refunds all permit fees when an application is cancelled prior to the permit being issued. The staff has expended considerable time reviewing the applications there must be adequate compensation. In lieu of or in addition to a higher permit fee there must be an application fee that is non-refundable and is designated for the NYSDEC, Mineral Division coffers.

Mr. Butler commented on a program he attended which strongly encourages each municipality to conduct an inventory of all the roads. This inventory would include the date, location address and road condition which should be documented by video camera or pictures every 250-500 ft. The data should be updated every 6 months, especially in heavily trafficked area. Supervisors Bays and Iannello stated the towns of Smyrna and New Berlin have conducted a road survey taking video and still pictures.

**Maynard Well T. Preston:**

Chairman Flanagan reported the Preston Town Board passed a "Permissive Referendum" declaring portions of the Town property integrated into the Maynard Well spacing unit as surplus. This proposal will allow the Town to negotiate leasing of various formations, if necessary, for gas exploration.

Also included in the Maynard well spacing unit is a portion of property owned by Chenango County, adjacent to Preston Manor. Supervisor Iannello brought to the floor discussion relating to County Law Part 215 which limits the County to negotiating any lease for a period greater than 5 years. However, a copy of the law provided by Supervisor Iannello clearly states "renewal of a lease is allowed". Discussion continued on how interpretation of this law has been the center of controversy in the County. Supervisor Iannello stated a 1992 Attorney General opinion agreed renewal of a lease is allowed. *Chairman Flanagan made a motion to refer this issue to the Finance Committee for their interpretation, at their December 3, 2009 meeting, with the recommendation to negotiate a renewable lease. Motion seconded by Supervisor Iannello, members voted all Ayes, motion carried.* Supervisor Schlag will contact Attorney Breslin for an explanation of his interpretation of Part 215. Supervisor Iannello stated it is essential for the County to have the ability to negotiate a lease that will be beneficial to the taxpayers.

NYS Senators Libous, Valesky, and Assemblyman Magee are introducing *legislature to amend Section 215 of County Law which would allow a Board of Supervisors or other County Legislative body to lease property for purposes of exploration, development and production of natural gas as such terms defined in section 23-1705 ECL for not more than five (5) years and, if any such gas is produced upon the county land prior to the expiration of such five year lease, the lease shall be extended for as long as natural gas is produced in commercially paying quantities.*

Discussion continued about assessments and right of way issues. Mr. Harris commented for assessment purposes properties are mapped only to the edge of the road, the tax maps are not considered legal maps. Would it be feasible to consider leasing deeded County Right-of-Way properties? What kind of lease could be considered and who would contact gas companies for leasing? Is there the possibility when County property is integrated the County could opt to be a non-participating owner? Suggestions were discussed about leasing land to other County entities, ex. IDA, or possibly deed County land to a Town which could declare the property as surplus leasing it back to the County. All agreed it is important to push forward to find ways to negotiate better or more feasible leasing terms to benefit the taxpayers if given the opportunity.

Supervisor Bays added it is important to be pro-active and encourage the County Attorney to attend the County Natural

Gas meeting as more legal issues continue to surface. Mr. Palmatier commented he had approached the County Assistant Attorneys suggesting they attend the meetings.

### **Pipeline Construction Update:**

The PSC oversight of pipeline construction is based on distance (>1000 ft.) and pressure (>125psi) There is currently considerable activity in the Town of Plymouth and Preston installing 12" low pressure flow pipeline. This phase of the pipeline will end at the Blood 1 well, T. Preston. When this phase is completed some wells currently drilled in the Town of Preston will be connected to the feeder system back to the "Diehl" compressor station in the T. Plymouth. The natural gas will then be distributed into the NYSE&G and Dominion distribution pipelines. The next pipeline phase in 2010 will be approximately 10 miles long.

There have been several road boring applications submitted to the respective towns and county for installation of the pipeline. There is no charge for the road boring application as the land under the road is not legally town or county property.

### **Seismic Update:**

There is 3-D seismic testing planned in the Towns of Plymouth, Preston, Smithville and Smyrna. The seismic charges are placed approximately 30 ft. into the ground at various distances. Residents with private water wells within 1000ft. of the seismic testing route have been contacted to collect water samples for baseline testing.

The question was asked about issuing permits for seismic testing. This would involve passing a Town Ordinance.

### **Ordinances:**

There has been considerable discussion relating to establishing standards for Noise/Odor Ordinances. There have been several lawsuits regarding noise and odor issues relating to compressor stations for natural gas transmission. The committee recommends all municipalities consider passing a Noise/Odor Ordinance to address compressor decibel levels, proximity to a residence, air quality, objectionable odors, etc. Supervisor Iannello advised the committee the Town of New Berlin has Noise/Odor, and Seismic Ordinances. These are minimal and may need updating. They are available to view on the Town of New Berlin website: <http://www.ecode360.com/?custId=NE1483> Supervisor Bays suggested this committee compile ordinance information, natural gas related recommendations, etc. in the form of a handbook, links on the County website or an information sheet with website links. This would be provided to all municipalities. In addition municipalities should share their ordinances/laws with the natural gas companies to maintain communication.

### **General Information:**

- Mr. Palmatier reported he has been in contact with Jamestown, NY regarding the co-generation plant utilizing natural gas for generating electricity. There were mixed comments regarding the use of natural gas as the resource primarily due to the fluctuation in natural gas prices.
- Mr. Vickers commented on a recent meeting he attended in Albany, relating to the dSGEIS, chaired by the En Con Committee, Senator Antonio Thompson. Attendees at this meeting included representatives from the railroad, gas companies, and Halliburton, to name a few. Senator Thompson stated his support of the farmers. The Senator also expressed support for oversight of the low-pressure gathering lines. Comments were made that without adequate staffing to enforce new dSGEIS it is all a moot point. Chairman Flanagan questioned how many at this meeting appeared to be up to speed on the natural gas issue. Mr. Vickers felt the majority present were informed.
- The newly formed Chenango County Ethics Commission will be meeting on Friday, December 4<sup>th</sup> to discuss the appointment of Mr. Palmatier to the position of Consultant relating to natural gas Economic Development.
- Discussion relating to NYSDEC regarding a drilling permit for a vertical well into the Utica Shale formation at the Krawiec site, T. Smyrna. This well was originally permitted as an exploration well to the Potsdam formation, in July 2008.

There was no further discussion and the meeting was adjourned at 10:00 a.m.

**Next Meeting, Tuesday, December 29, 2009, at 8:00 a.m.**  
**County Board of Supervisors Chambers**

**Natural Gas Advisory Committee  
Meeting Minutes, December 29, 2009**

Committee Members:

Peter Flanagan, Supervisor, Chairman  
James Bays, Supervisor  
George Coates, Supervisor  
Steve Palmatier, CC Nat. Gas Consultant  
Stephen Harris, Dir. Real Property  
Bradd Vickers, Chenango Farm Bureau

Rob DeClue, Chen. Co. Soil/Water  
Shane Butler, Planner  
Rena M. Doing, Planner

Guest(s)

Charles Rowe, CNY Coalition

The monthly meeting was called to order by Chairman Peter Flanagan at 8:10 a.m. in the County Board of Supervisors Chambers. The following agenda items were discussed:

**Maynard 1H Well Integration:**

Chairman Flanagan reported the Town of Preston and Chenango County received notification from Norse Energy, Inc. on December 17, 2009, as "uncontrolled" property owners that portions of the County owned Preston Manor land and Town of Preston Highway and Park land will be integrated into the Maynard Well spacing unit. A Compulsory Integration hearing will be held in Albany, January 13, 2010 at which time "uncontrolled" (acreage is un-leased) property owners in a spacing unit, must choose one of the following:

- **Integration as a Royalty Owner:** no responsibility for charges/fees; receives 12.5% of share of production attributable to your acreage; royalty payment shortly after production starts.
- **Integration as a Non-Participating Owner:** same responsibilities as a Participating Owner, but you do not risk your own money; will not receive any compensation from the well operator, not even a royalty, until the well operator has, through the sale of your share of production, recovered your share of the costs plus a "risk penalty" of 200% of your share of costs, for a total of 300%; If you have leased to someone other than the well operator, then your lessee may owe you a royalty during the risk-penalty phase.
- **Integration as a Participating Owner:** If you elect this option, you must pay your share of estimated well costs by the time of the integration hearing. This money will not be refunded if the well is a dry hole or does not pay for itself. You will receive your full share of production. However, the well operator will have a lien on your share of production to pay any outstanding amounts that you owe. Mr. Palmatier added there are insurance companies that will insure a participating owner for liability.

**Amendment of County Law 215:**

If NYS Legislative action is taken on Senate Bill # S6325 amending Section 215 of County Law Chenango County would have more options available relating to land use and leasing of County owned land benefiting the taxpayers. Discussion continued on the importance of encouraging the legislators to move forward with this Bill. Mr. Vickers will continue contacting Assemblyman Magee's office. Mr. Palmatier suggested contacting IOGA for potential contacts in the Senate/Assembly to move this Bill forward.

Chairman Flanagan, Supervisor for the Town of Preston, reported the Town of Preston passed a resolution placing the proposed integrated Town property as surplus property. This will allow the Town to negotiate various lease options. There is the possibility of leasing the target Herkimer strata formation only with a potential 25% royalty for the Town. A potential lease would include a right of first refusal leaving open the prospect of renegotiating leases on other strata formations.

**Chenango County Board of Ethics Consultant Review:**

Chairman Flanagan reported the newly formed County Ethics Board recommended approval of Steven Palmatier as the Natural Gas Consultant for the County.

Discussion continued questioning at what point would the Ethics Board deem it necessary to address the issue of County Officials with land leased for natural gas exploration? What would this ethically preclude a Supervisor or County Official from doing with their property?

**Update from Mr. Palmatier:**

- Mr. Palmatier approached the National Bank and Trust Company (NBT) about the possibility of forming a Division to purchase mineral rights of small parcels of land that are often un-leased but integrated. This would provide compensation to the landowner as well as provide an additional employment opportunity at the bank.
- Sherburne Mayor Acee and Mr. Palmatier will be visiting Jamestown, NY to tour the co-generation project, using natural gas for generating electricity.
- There was a meeting in Otsego County with representatives from Chenango, Delaware and Otsego County Work Force discussing development of a needs assessment for jobs and training opportunities relating to natural gas. This is in conjunction with developing programs through DCMO BOCES and SUNY Morrisville. There will be a follow up meeting sometime in January organized by Ms. Jones, Chenango County Planning



Director. This will include Otsego, Delaware County representatives, Natural Gas company representative, Gastem representative (Otsego Co. Utica well company), etc.

- A Data Base is being compiled with the assistance of Commerce Chenango Staff. This Data Base will provide names, location, contact information, and product/service businesses in Central NY that are accessible and would meet the needs of the Natural Gas Companies, as well as possible employment opportunities. Mr. Palmatier has requested Commerce Chenango send the data base to all County Economic Development agencies for their input on the list. It would be beneficial if Commerce Chenango had a representative attend this meeting.
- In a recent meeting with Raymond Corporation they expressed a need to access natural gas for production in 3-5 years.
- Exxon purchased the XTO leases in the Southern Tier, which included the \$2500 per acre plus 15% royalty leases, some are in the NYC Watershed.
- Mr. Palmatier will be preparing a written report and summary of his activities relating to natural gas issues for the committee and Board of Supervisors.

### **Water Treatment:**

Chairman Flanagan passed around a folder explaining a water treatment system developed by "Altela Systems". Mr. Butler explained this is an onsite treatment system of wastewater basically using a distillation process. Mr. Palmatier reported on a similar company providing onsite wastewater treatment from Avon, NY "Saltwater Solutions". This company has secured permits from DEP for treatment at (4) sites in PA. The system removes the salts from the brine solution. The salts are used for animal feed and road salt, the water is purified for reuse. Mr. Palmatier will contact the company and request their power point presentation.

Use of propane for fracking is a system developed by "Gas Frac". Their process eliminates the use of large quantities of water. Only 18% of water is released from the Marcellus formation reducing surface tension created by the water which allows 5-10X more productivity from the well. The Junex Co., a Canadian firm, has worked on projects with Exxon using acoustic monitor equipment in a vertical well adjacent to a propane fracked horizontal well. The propane used is in the process as well as the being a component of natural gas can be stripped out and re-used in the drilling or for other purposes. Chairman Flanagan added comments on a recent article on methane gas used to produce methanol. This is a relatively inexpensive product used in combination with other products. China currently blends methanol with gasoline for vehicles (in lieu of more expensive ethanol and competition with the food supply), also a blended form called DME which is used for home heating and cooking, wastewater plants (breaks down nitrogen), bio-diesel fuel and in fuel cell production. Methanol as well as hydrogen, another natural gas by-product, could be used for possible fuel cell development at Raymond Corp. for the fork lifts.

### **Planning Department Website:**

Ms. Doing and Mr. Butler reported the County Planning Department is working with the IT Department to update their site on the County website. The site will provide extensive information relating to natural gas exploration links, as well as helpful information relating to model ordinances, regulations, permits, etc. that will be helpful for all County municipalities. Municipalities that do not have website access can call the Planning Department and information will be sent out.

### **Pipeline Construction Update:**

Chairman Flanagan stated it is his understanding the construction of additional pipeline will continue south from the Preston area possibly sometime in January 2010.

Discussion continued about pipeline construction relating to erosion/sediment controls. Mr. Palmatier stated he has observed several erosion controls such as hay bale barriers, erosion cloth, and hay on the surface shortly after covering the pipeline. Concern was expressed that in the summer there maybe settling of the top soil resulting in a path for erosion, as well as possible underground water flow along the pipeline contributing to erosion. Mr. Vickers added that Ag/Markets generally monitors farm drainage projects for two years to insure operable conditions. This is a concern that has been discussed relating to the unregulated low-pressure "gathering lines" crisscrossing the towns.

Municipalities should consider adopting ordinances to regulate projects but avoid being industry specific. Chairman Flanagan stated towns have the authority to expand upon existing Town Laws for example Town Law 64, subsection 7 was expanded upon by the Town of Preston to establish seismic permit conditions, requiring property owner permission as well as a fee prior to seismic testing.

Some areas have Zoning but regulations can not single out any specific businesses or industries.

### **Natural Gas Well Update:**

The Planning Department provided a summary of natural gas well activity. Based on drilling applications received,

permits issued, active wells and the recent pipeline installation there is the potential for gas production from approximately 45 wells in 2010, primarily located in the towns of Smyrna, Plymouth and Preston. It is important for the Town Assessors to track the active wells, in addition to County Real Property Tax Dept.

**General Discussion:**

- Supervisor Coates commented there is a press conference scheduled in Oneida County requesting discontinuance of the dSGEIS.
- General discussion regarding the assessment issues especially relating to gas tax issues where spacing units cross town and county boundaries. The importance of unity and understanding between town government and assessors is especially essential at this time. Consideration should be given to a meeting between the town board members and assessors from the towns where there is considerable natural gas activity, such as Smyrna, Plymouth, Preston and Oxford. There is considerable potential for more activity due to pipeline access. Mr. Harris stated there are approximately 10 assessors servicing the County. In addition NYSORPS is in transition due to staff changes and possibility of ORPS merging with NYS Dept. of Tax and Finance at the State Office campus site. This could result in issues with property value fluctuations.
- General discussion relating to accountability from agencies receiving County funding such as SUNY Morrisville and Commerce Chenango providing more support in moving proposed natural gas projects forward.
- The Chenango County Attorney recently sent a Freedom of Information Request to NYSERDA requesting any dealings with Nornew, Inc. regarding operations or potential activity in the Chenango County area.
- Mr. Rowe reported the CNY Coalition has developed a lease proposal which was submitted by their joint attorneys in NYS and Texas to various gas companies for potential lease offers.
- Mr. Vickers reported he has contacts available with the capacity to supply bio-diesel fuel to the drilling companies. This is an environmentally friendly product should there be a spill at the drill site.
- Mr. DeClue stated many Soil/Water Districts in NYS will be submitting comments on the dSGEIS especially relating to protecting Agriculture capability and erosion/sedimentation controls.
- Supervisor Coates recommended the Natural Gas Advisory Committee prepare a summary Annual Report for the Supervisors and general public to include recommendations and accomplishments. Discussion continued on agenda considerations for 2010. Members present were asked to come up with possibly 10 topics for inclusion in a summary report and press release outlining committee progress.

There was no further discussion and the meeting was adjourned at 11:00 a.m.

**Next Meeting, Tuesday, January 26, 2010, at 8:00 a.m.**  
**County Board of Supervisors Chambers**

Minutes recorded and prepared by: Rena M. Doing, County Planner