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More Pennsylvania State Forest Land Available for Drilling, Governor Announces

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The recent leasing of Pennsylvania state forest land for natural gas drilling raised so much more money than anticipated for the state that Gov. Edward Rendell decided to lease additional land. Part of the governor's proposed budget for the 2010-2011 fiscal year, unveiled on February 9, 2010, calls for raising \$180 million through another round of leasing for drilling. A portion of the expected revenues has already been raised from higher-than-expected bids from the earlier lease. The bidding on that land closed in January.

"We already have \$68 million in the can from last time," said Gary Tuma, press secretary for the governor's office. "We shouldn't have any trouble raising another \$120 million or so."

Tuma said that leases will be administered by the Pennsylvania Department of Conservation and Natural Resources (DCNR) as they have been before, with environmental considerations in mind when choosing the land.

Bids in from the recent lease raised an average of \$4,000 an acre, according to DCNR. Just two years ago, the state raised an average of \$2,000 an acre for drilling on state land.

Bidding by five drilling companies ended January 12, 2010. Overall, the recent lease raised \$128.4 million on 32,000 acres of state forest land. The lease was part of an October 2009 budget agreement to help close the budget gap. The department's goal was to raise \$60 million, or only half of what was actually raised.

Interest in natural gas drilling in Pennsylvania has soared since the recent discovery of vast natural gas deposits in the Marcellus Shale, a rock formation that underlies a large section of western Pennsylvania, New York, West Virginia and Maryland.

Under the lease deal, companies bid on the first year's lease—the competitive part of the process. The leases run for 10 years. A spokesperson for the department said the bids for the first year ranged from just over \$3,000 an acre to over

\$5,000 an acre. From years two to five, the companies pay \$25 an acre, and from years six to 10 they pay \$35 an acre. The state will also earn an 18-percent royalty on the market price of any gas recovered.

"The lease is only part of it," said Chris Novak, press secretary for DCNR. "We know how much they'll bring in. What we don't know is how much gas they'll actually find, so the royalty amounts are uncertain."

DCNR leased land in the Elk, Moshannon, Sproul, Susquehannock and Tioga state forests in Cameron, Clearfield, Clinton, Potter and Tioga counties. The areas were chosen because they were close to roads and rails, but also far-enough away from camping and hunting sites.

"We worked to get a balance between what would be good for industry, the environment and recreation," Novak said.

Only 10 percent of natural gas drilling in Pennsylvania is done on state lands.

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