

Market Your Natural Gas Lease



grow Gas Royalties

How can I get the most for my gas lease?

It's important to understand that lease rates vary greatly from company to company, area to area, and even day to day! Where one company considers their prime lease area, others companies may not even have an interest. When you look at a map of the Marcellus Shale, the initial area of interest is well outlined; BUT, I am amazed to hear landowners from outside that area call me, and have 4 or 5 quotes from gas companies! So the best advice is, no matter where you are, market your leasehold properly, and you should sleep easier at night knowing you did your best.

Let everyone know you are marketing your leasehold.

Contact as many energy companies that actually drill wells as you can. The end result of your efforts is to have a well drilled on your property. Dealing with a company that is not pulling drilling permits usually means they will flip your lease to one that will, and pick up a nice profit. Why deal with a middleman? A list of companies can be found right here at: <http://naturalgas.psu.edu>

Compare the terms that matter most to you. Don't just compare dollars. Many other provisions that deal with road and pipeline locations, seeding and planting, gates and privacy will minimize the impact on your property and is worth money. Many times it's the unquantifiable factors which make the basis of a good decision.

Find a company that fits you. Remember everything on a gas lease is negotiable. Find a good attorney to look after your interests and help you balance your needs with their wants. A list of attorneys can be found on the same web-site.

Evaluate your terms realistically. Many times your rental rate may not come up to those you've read about. Are they trying to scam you? Usually not. The amount of dollars a gas company will offer is based on many factors. Areas that are unproven or geologically less desirable will command less of a price. As the play matures, meaning "time marches on", the characteristics and production potential of geographical areas will increase and risk will decrease, so rental rates will trend up for some areas and down for others.

Keep the length of the primary term as short as possible Avoid extensions, they are never in your favor. Why? Because when it comes time for renewal, the energy company is holding all the cards. If the rental rates are higher, they renew at the old low rate and gain; if the rental rate is lower, they just exercise their option to NOT renew the lease. In either case, you lose.

Plan for a well or the next lease negotiation now. If you are still in the Play, you will need good information to deal with these two events at some point in the future. If you have a well drilled, great! You are now a royalty owner. With only a couple dozen of drilling rigs in PA, most of the tens of thousands of leases currently in existence will not be drilled in the next 5 or even 10 years. That means that those folks can market their lease again. The other good news is that as the play matures, the price per acre should continue to go up, IF the play unfolds as predicted. So when you re-negotiate your next lease, it could be much higher than those you see today.

Bottom line! Expand your knowledge about the industry. Keep up-to-date on issues, especially severance taxes, wellhead taxes, and a host of regulations and assessments that will impact the profitability of the play; and hence, your royalty position. Most of all, look at this play in the scope of the long term, not one isolated event. Good Luck!

From: "*The Wellbore Log*".....by Ken Balliet

http://www.personal.psu.edu/klb26/blogs/the_wellbore_log/

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