

## Educating Citizens About Natural Gas Leases

Two years ago, Lee County Extension Director Susan Condlin began seeing paid advertisements in the local newspaper, inquiring about leases for mineral rights. Condlin discovered that the natural gas industry was knocking on Lee County's door, and many landowners didn't have the information they needed to make informed decisions on leasing their mineral rights.

Since that time, N.C. Cooperative Extension has played a key role in helping landowners in Lee and other counties understand how to protect themselves and their property when negotiating with natural gas companies. Dr. Ted Feitshans, attorney and extension associate professor in the Department of Agricultural and Resource Economics at N.C. State University, has conducted several workshops for landowners in key natural gas counties, and on Dec. 8, he will conduct a workshop in Raleigh for attorneys.

Lee, Moore and Chatham counties are at the center of what may be a large natural gas deposit. Anson County may become involved. In Lee County alone, natural gas companies have acquired mineral rights leases on more than 9,000 acres of land. Though the two practices key to releasing natural gas in shale deposits—injection of fluids and horizontal drilling—are not legal in the state, a legislative study on the practices is due out in May 2012.

Cooperative Extension isn't taking a position on the controversial natural gas drilling practice known as "fracking" or "fracking" that is used to access shale gas. Feitshans and Condlin say extension's role is educating the public.

The issue of mineral rights leases is new to North Carolina, but Feitshans was a quick study. He conducted extension colleagues in other states for information, and in June 2010, he conducted the first education session in Lee County for a crowd of 250. He has participated in other Lee County training programs, most recently in November, and has contributed to training programs in Chatham, Moore and Anson counties.

"We're trying to do what extension does best, which is present an unbiased picture of the situation as is humanly possible," Feitshans said.

Joining Feitshans for recent education sessions is Brandon King, extension associate in the Department of Agricultural and Resource Economics. King focuses on zoning issues and negotiation of mineral rights leases. Both are passionate about helping citizens and decision makers understand what's at stake as the natural gas industry moves toward North Carolina.

Feitshans and King stress the importance of dealing with an attorney who has experience with natural gas leases before signing any mineral rights lease. Without an experienced advocate, landowners can face losses of thousands of dollars in bonus payments and even greater losses in royalty payment income over the life of the lease, King said.

"Everything in a gas lease is negotiable. It usually is inadvisable to sign a standard mineral rights lease," Feitshans said. "It's also inadvisable to sign any lease without the advice of a North Carolina licensed attorney, who has some experience with the oil and gas industry or knows someone to advise him or her on oil or gas."

One problem for consumers is that North Carolina doesn't really have attorneys with experience in oil and gas leasing, unless they've worked in that area in another state. Feitshans and other experts will present a half-day workshop with the N.C. Bar Association to give N.C. attorneys an introduction to issues surrounding natural gas drilling. The session will be held Dec. 8 at the N.C. Bar Center in Cary, 8:30 a.m. to 12:15 p.m.

Brandon King shares concern about property owners getting a fair deal. "Now, in my opinion, is not a good time to sign a mineral rights lease," he says, citing these reasons. "There are so few companies leasing in North Carolina there is currently no real competition between companies seeking to sign leases with landowners. We need a competitive market for leasing that allows landowners to negotiate better lease terms and financial compensation as has already been the case in some parts of the country."

The lack of competition can be largely due to the fact that the key practices associated with natural gas production are not legal here, King said. Currently, natural gas wellhead prices are low—from a high of over \$10 per 1,000 cubic feet in 2008, prices have dropped to under \$4 per 1,000 cubic feet in 2011. But the price could go up in the future as utilities shift electricity production to natural gas and its demand increases.

The very issue of who actually owns the mineral rights associated with a land tract can be complicated. Mineral rights don't always transfer with property rights. Lee County has a history of coal mining dating back more than 100 years, so some land is under mineral rights leases tied to coal mining. Many landowners in Lee County don't own the mineral rights associated with their land, Feitshans said.

King believes that communities need to carefully consider how to address any impacts the natural gas industry could have on their communities. North Carolina law, for instance, currently doesn't have specific provisions for the zoning of activities associated with natural gas drilling, which would address property value, noise, safety and other concerns. However, it's possible that state legislation on natural gas drilling could modify the zoning authority of counties and municipalities, and other ordinance making authorities, to regulate natural gas activities.

Protecting the quality and quantity of groundwater and surface water is also a concern with natural gas drilling. The drilling process requires pumping large amounts of water into wells to break up the shale rock and extract the natural gas.

In Lee County, Cooperative Extension plans to partner with the county health department, the U.S. Geological Survey and Duke University to collect baseline data on the quality of well water in the county, Condlin said. If natural gas drilling does come, Lee County officials will be able to determine if the water quality is changed as a result.

Before any state laws change, Feitshans says Cooperative Extension will continue to raise public awareness regarding mineral rights leases. "We want to ensure that consumers understand their rights and have adequate legal representation, so they don't sign a lease disadvantageous to them," he said.

More N.C. Cooperative Extension information on mineral rights leases is available online at [www.ag-econ.ncsu.edu](http://www.ag-econ.ncsu.edu).



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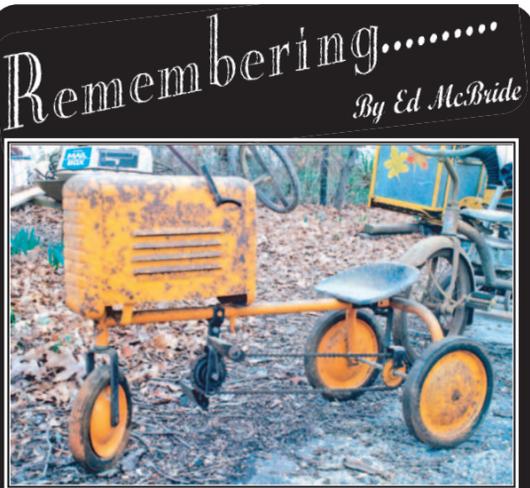
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I guess the first toy store display that I remember was at the Rose-Gathings Furniture Company on the mezzanine floor. It was a display of several pedal cars, tricycles, scooters - all metal toys with solid rubber tires!! The second toy store I remember was at Belk's Department Store, on the third floor, only at Christmas time. They also sold pedal cars, plus several other small metal toys (no plastic). There were no radios or electronics - not even a cell phone or computer!!

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Ed

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