

Original text of the story, including lies from drilling companies, politicians, and lobbyists as published, is in black; the facts are in green.

How much money is down there? By: [Melissa deCordova](#), Sun Staff Writer Published: February 9th, 2009
<http://www.evesun.com/news/stories/2009-02-09/6256/How-much-money-is-down-there/>



Well #31017261610000, a horizontal into the Onondaga formation. The well was abandoned; the pit was bulldozed.

NORWICH – Production levels for the last five horizontal wells drilled into the Herkimer averaged 1 million cubic feet a day, according to Norse Energy’s fourth quarter report, and reserves are estimated at 1.2 billion cubic feet of gas per well.

Using a standard calculator available on the Internet and a \$5 per thousand cubic foot price for the gas, each well could net Norse approximately \$18 million over its productive lifetime (about 20 years).

A handheld calculator says these numbers compute to \$6 million. Any mathematicians out there know how to multiply 1.2 something by 5 something and get 18 something?

Besides, the \$5/M price yields a gross, not the net after all of the deductible expenses - including executive bonuses, wellhead taxes and inflated production costs - are skimmed off before the true net is divided between Norse's shareholders and the lessors.

Likewise, landowners in the spacing unit would share a little less than 12.5 percent of the money, or approximately \$2 million over the same time period. And because analysts are predicting that the price of natural gas could nearly double over the next several years, the returns would also double.

This is a lie. Payments to landowners - based on figures controlled by the gas companies and reported to the state two years late - are based on a moving average of the last three years' prices. If GasCorp is in it for a profit, it will pump and sell when the prices are high, and shutdown when the prices are low, so the royalties paid sometime after the pumping is done/sales are made, will be based on lower prices from the last on/off cycle. In the long run, always less than the current selling price.

And 12.5% of \$6million would come to \$750,000 *only* if deductible expenses were zero. Over 20 years. Or fifty, if that's how GasCorp decided to treat *their* asset.

“The money is huge and the volumes of the reserves are huge,” said Steven Palmatier, a member of the Chenango County Gas Committee and Commerce Chenango Governmental Affairs Committee. “It is stunning to me from the standpoint of the estimates on the Herkimer, the reserves that each unit holds.”

Norse Energy’s area of interest includes significant holdings in all of Chenango County and portions of Otsego, Broome and Madison. It has seismically identified 250 wells in the Herkimer.

Those closely following the company’s reports, also known as Nornew, Inc., are quick to point out that the calculations above are for just one subsurface layer. Many landowners in the region could be sitting on as many as five layers of natural gas producing sandstones and shales: the Marcellus, the Utica, the Herkimer, the Oneida and the Vernon.

Those "closely following the company's reports" - particularly the "reporter" taking dictation in Nornew's office - should understand that these multiple layers also mean multiple overlays of well-spacing densities: each square mile containing 1 horizontal Marcellus well, *plus* 16 Herkimer wells, *plus* 8 Utica wells, *plus* 16 Oneida wells... Aviso: these are rhetorical examples. To find the maximum-for-now potential # of wells in your neighborhood, check out the spacing law at <http://chenangogreens.org/home/images/stories/nys%20law%20concerning%20gas.pdf> Make your own map.

Norse has leases on 130,000 acres in the Marcellus and Utica shales, for example, and identifies 800 well locations in the Marcellus and

800 in the Utica. Production reserve estimates are exponentially higher in those formations.

New analysis reported by Norse Energy itself raises the range of previous volume estimates in the Marcellus Shale formation from 30 to estimates of 60 billion cubic feet of gas per square mile. Companies aren't permitted to drill horizontally into the Marcellus yet, not until New York State completes new environmental review regulations this summer. After that, planners predict a flood of permits for the shale.

Norse is seeking an industrial partner to develop its acreage in the Marcellus.

New wealth in our region will "drastically" change the structure of the current workforce. According to Chenango County Farm Bureau President Bradd Vickers, the change would be akin to "going from black and white" to "black."

"You have your dairy farm workers making \$8 an hour who suddenly see the \$19 an hour offered by the drilling companies. It will be a drastic shift in the workforce," he said. "And don't forget, the Marcellus is 19 times bigger than the Barnett." **See section "drilling will bring good jobs" and sidebar at <http://www.un-naturalgas.org/lies.htm>**

Vickers recently returned from a meeting of legislators and landowners in Texas who described what has transpired in their communities after drilling into the Barnett Shale. Exploration, drilling, and production continue to serve as a key economic generator for Fort Worth and the surrounding area despite the nation's economic slow down.

Chenango County Natural Gas Committee Chairman Peter C. Flanagan, D-Preston, attended a meeting in late January with economic development representatives of New York Senator Charles E. Schumer's office. While he said the purpose of the meeting was to educate legislators about local issues related to drilling and pipeline development, the emphasis was on promoting business. Flanagan said federal grants might be possible for developing natural gas-related businesses. **The average citizen, who will never see a nickel from gas drilling, is already being taxed to subsidize the profits a few will make.**

Palmatier, also at the committee's meeting, suggested the possibility of using the New York Susquehanna & Western Railroad to haul drilling wastewater for Norse, either to a holding facility elsewhere or to haul it in from outside if Chenango County were to build a processing facility here.

Palmatier also suggested the Chenango Industrial Development Corporation could assist in developing natural gas-fired electricity generating plants for use by industrial park businesses or a natural gas fueling station for transit or school bus fleets to use.