

Natural Gas Speculation

Ted Shaffrey:

It may look like an ordinary Pennsylvania farm, but what lies beneath appears to be worth millions of dollars. Before she realized the real "cash cow" on her farm, Elizabeth Downey put the land up for sale, needing money to keep the family afloat.

Elizabeth Downey:

We needed the money to help raise this child.

Ted Shaffrey:

But in what has become an everyday occurrence here, a better offer came her way. She leased her property to a natural gas company and stands to make millions of dollars over the next several years in royalties.

Ted Shaffrey:

There's a land rush underway here. Just over two years ago, "land men," many from Texas, started leasing mineral rights from landowners here for as little as two dollars an acre. Now, the going rate has skyrocketed to 2,500 dollars an acre for a five-year lease.

Tom Murphy:

You have whole communities, essentially, that won the lottery because of these lease payments.

Ted Shaffrey:

Tom Murphy is an agriculturalist from nearby Penn State University.

Tom Murphy:

This is a huge mineral resource that's coming to market at a time the market is asking for more and more gas. There's really no land for sale anymore. In about the last six to eight months, most land that was either available for sale or had come to the marketplace has pretty much disappeared.

Ted Shaffrey:

The source of the fuel, and thus the wealth, is a three-hundred-million-year-old land formation called the Marcellus Shale that runs from West Virginia through Ohio and Pennsylvania to upstate New York. Geologists have known for more than a century that the thick, hard shale here contains natural gas. But it wasn't until now that it made economic sense to go underground and unlock it in large quantities. New drilling technologies and rising fuel costs have changed all that.

Ted Shaffrey:

But here in northwestern Pennsylvania, the Marcellus Shale natural gas market remains purely speculative. Not one cubic ounce has been extracted and brought to market...yet.

Ted Shaffrey:

Ted Barbour stands to make a cut of all the natural gas mined from his family farm, worth millions of dollars if it produces.

Ted Barbour:

Hope changes a lot of things, and there's a lot of hope here this is going to be a big thing. Um, but again, that's tempered with the fact that they haven't put a pipeline. There's a lot of infrastructure work to do here yet.

Ted Shaffrey:

Gas companies and others have plans to build a pipeline from these farmland wells into the huge markets of New York City, Philadelphia, and other densely populated areas in the Northeast by the end of this year.

Ted Shaffrey:

Lester Greevy and Dale Tice are attorneys who broker deals between landowners and oil companies. Business is good.

Lester Greevy:

Just the energy crunch, uh, created this, uh, kind of a perfect storm.

Dale Tice:

Nobody's got the crystal ball, so, uh, a lot of uncertainty and a lot of excitement right now.

Ted Shaffrey:

Geologists speculate some of these prospect wells may produce up to three million cubic feet a day of natural gas.

Ted Shaffrey:

Ted Shaffrey, The Associated Press, Susquehanna County, Pennsylvania.

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