

FRACKING - BAD BUSINESS

A few things to know when the landman comes knocking at your door.

Property value:

The impact of previous fracking operations have led to sharp declines in property values--by as much as 70 percent in some cases. The inherent problems associated with fracking (noise, dust, smog, ugliness, traffic, water contamination, impacts to land surface, etc.) are all contributing factors. ¹

Per-acre payments:

Leases being presented by landmen in our area have offered rates ranging from \$20 - \$50 per acre, while rates in other states often start at \$5,000 per acre, sometimes going much higher. Just who do they think we are? ²

Royalty payments:

It's common, especially here in the Appalachians, for oil and gas companies to deduct their expenses from landowners' royalty payments, decreasing them from the on-the-lease 12.5 percent (federal minimum) to often negligible amounts. ³

Another way companies keep royalties low is to set up subsidiaries or limited partnerships and sell the oil and gas to them at reduced prices, then recoup the full value when their subsidiaries resell it. The royalty payments are based on the first sale amount. ³

Loss of livelihood:

There have been a lot of cases where areas with fracking have faced contaminated farmland, poisoning of livestock, and the resultant debilitating loss of income. ^{4, 5}

¹ Resource Media, March 14, 2014. "Drilling Vs. the American Dream: Fracking impacts on property rights and home values"

² The Free Lance-Star, October 23, 2014. "Expert examines fracking royalties on leases in Virginia"

³ ProPublica, August 13, 2013. "Unfair Share: How Oil and Gas Drillers Avoid Paying Royalties"

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Taxpayer burden:

The damage to roads by the huge increase in heavy truck traffic is subsidized by the taxpayers. In AK, for example, between 2009 and 2013 the state took in about \$182 million in severance taxes--but estimated its road damage from drilling to be \$450 million. Trends are similar in other states. ⁶

Landowner liability:

Landowners can be held responsible for cleanup costs in the case of damages from fracking operations. There are often problems--such as leaks in the well casings that lead to contaminated water--that occur long after a well has been plugged and abandoned and the company is no longer even a legal entity, as well as more immediate accidents the landowner may be held financially liable for. ⁷

Open-ended leases:

The leases being circulated place almost all control in the hands of the company, not the landowner. They would allow for extraction of minerals "using methods and techniques which are not restricted to current technology;" waive the landowners' right to litigation; place decisions about the duration of the lease solely with the company; allow for development of roads, pipelines, compressor stations, water impoundments, electric and telephone facilities; allow them to use oil, gas, and water sources free of cost; to store gas of any kind, from any source, underground; to drill and operate wastewater injection wells for disposal of contaminated fluids from nearby and distant sources; and a whole lot more. ⁸

We're Kentuckians. We've been taken advantage of by out-of-state industry reps before. Let's not let it happen again.

⁴ Phillips, S. (2011, September 27). Burning questions: Quarantined cows give birth to dead calves. StateImpact.

⁵ Public Herald, October 30, 2012. "A Dairy Farmer Shares Her Story About Fracking: "What Have We Done?"

⁶ Energy Policy Forum, April 1, 2013. "Externalities of Shales: Road Damage"

⁷ Ohio Environmental Law Center, January 7, 2013. "OELC: Could a Landowner Who Signs an Oil & Gas Lease Face Liability for Cleanup?"

⁸ Lexington Energy, LLC lease. Accessible at <http://www.frackfreefoothills.net/lease-agreements.html>

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