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XTO, Chesapeake, others rescind high-bonus gas-drilling offers

By JIM FUQUAY

jfuquay@star-telegram.com

Gas producers are suspending leasing efforts and slashing bonus offers in several parts of the Barnett Shale, as the industry grapples with lower natural gas prices and turmoil in the financial markets.

Representatives of two big neighborhood groups said XTO Energy contacted them to say the company would stop signing new leases. Three other groups said Chesapeake Energy did the same, while other groups reported that Chesapeake agents have said the company is interested in signing new leases, but with a signing bonus of \$5,000 an acre rather than the \$25,000 or more previously seen.

Among the disappointed landowners is Rorie Cowden, whose Hidden Valley miniature golf course on 5.5 acres bordering Jacksboro Highway is part of a Lake Worth negotiating group that signed the richest reported lease in the county: a \$30,000-an-acre offer from Chesapeake.

"I was waiting for them to send me my lease packet," Cowden said Thursday, but he got nervous when he heard producers were cutting back. When he walked into the Vance Godbey's restaurant, where signings were under way, he was told that the new bonus figure was \$5,000.

The difference: \$137,500.

"I did not sign," he said. "I never thought it would hit like this. The bubble has burst."

The bursting started Tuesday, when Vantage Energy suspended lease signings with the big Southwest Fort Worth Alliance homeowners group. The company said it hoped to resume leasing when the energy and financial markets cool off but expects to offer lower terms that reflect the lower price of natural gas.

Tolli Thomas, who heads the Alliance group, said her officers expected to meet next week to discuss what options unsigned members might have. But she said she understands that all producers leasing locally "are pulling out or pulling back at this time."

Jim Whelan, co-chairman of the Glade Road Neighborhood Association in Hurst and Colleyville, said Holland Acquisition, agent for XTO, conducted a signing party Wednesday afternoon but later that day told residents there would be no further signings.

On Thursday morning, Whelan received an e-mail stating that "XTO Energy regretfully rescinds the offer to GRNA immediately."

The company later said that "anyone who has signed a lease that Holland has in its possession as of last night will be paid."

Whelan estimated that perhaps half his members have signed leases. The group reached its agreement with XTO about a month ago.

Ron Melton of South East Arlington Communities said Permian Land Co., which had been steadily leasing the area for XTO since coming to terms in April, also told organizers that the company had called a halt.

"I can't believe they'd walk," Melton said. "I know they've signed at least a couple of thousand people" at \$26,000 an acre, he said.

Representatives at Permian referred all questions to XTO, which did not comment.

The Ridglea North, Ridglea Hills and Crestwood neighborhoods reported that Chesapeake informed them Thursday that the company was revoking its previous lease offers.

Scott Bauer, an attorney who has a leasing company and who has represented several neighborhood groups in negotiations, said the Ridglea North Negotiating Group was disappointed in Chesapeake's decision because the company had agreed to contribute \$25,000 to the neighborhood association if at least 70 percent of residents signed with the company, and \$45,000 if 85 percent signed.

Bob Bashein, who headed leasing efforts for Ridglea Hills, said his group had a similar clause.

"There were people trying to get a proper lease," he said. "We need to get this resolved."

The North Burleson and Beyond Gas Lease Holdouts Group got the same news.

"I heard directly from Chesapeake. It's completely halted," said Karol Del Real, a representative of the 360-member group.

Bauer said he is working with a Flower Mound group that just received a new offer from Titan Operating, which in recent months has won the endorsement of several neighborhood groups with top-dollar offers. But the latest lease, he said, offers a signing bonus of \$5,000 and a royalty rate of 22.5 percent.

Julie Wilson, Chesapeake's top executive in the Barnett Shale, said Thursday that the company is "still very much

active but at lower rates and in selected areas. Unless you have executed and delivered a lease to us or our agents, we're not accepting them at the old rates.

"I suspect \$5,000 is going to be the new top, not the new bottom," Wilson said.

Stephen Gebren, whose Wedgwood East neighborhood is in the Southwest Fort Worth Alliance, said he had not yet signed with Vantage but still had a lease offer that Dale Property recently sent him on behalf of Chesapeake.

That offer included a \$22,000 signing bonus, he said, but when he called, "They said they would no longer offer at that price, and today's rate is \$5,000 an acre." Gebren said: "I'm going to hold off. There's no way I'm going to sign that."