



5 Firms Submit High Bids for Gas Drilling in Pa.

5 companies submit high bids of nearly \$130M for gas-drilling rights in Pa. public forests

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Five companies are willing to pay more than \$128 million for the right to drill for natural gas on Pennsylvania public forest land as the cash-strapped state scrounges for money.

The unsealing of winning bids Tuesday by the state forests department unofficially awarded drilling rights on nearly 32,000 acres in northcentral Pennsylvania.

The prize is the right to drill in the Marcellus Shale natural gas formation, which some geologists expect to become the nation's most prolific gas field.

The current state budget relies on \$60 million in revenue from gas drilling in state forests. However, Gov. Ed Rendell and legislative leaders agreed in October that next year's state budget would count on additional \$180 million from gas drilling revenue, Rendell's spokesman Gary Tuma said.

The per-acre average bid of about \$4,100 is less than the \$5,000-plus that some groups of private landowners in northeastern Pennsylvania received last year.

But it is also higher than the approximately \$2,400 per acre eventually reaped when the state first sold leases in 2008 to companies eager to exploit the Marcellus Shale.

Department of Conservation and Natural Resources spokeswoman Chris Novak said the agency must review the bid paperwork before it can officially announce which bidders won. That will happen Wednesday, she said.

A company stands to forfeit 10 percent of its bid if it does not follow through on the lease contract. Winning bidders must submit the rest of the money by March 12, Novak said.

Six tracts in the Elk, Moshannon, Sproul, Susquehannock and Tioga state forests were up for bid.

The highest bids were submitted by Chesapeake Energy Corp. of Oklahoma City, Exco Resources Inc. of Dallas, Seneca Resources Corp. of Houston, Anadarko Petroleum Corp. of Houston, and Penn Virginia Corp. of Radnor, Pa.

Seneca submitted two high bids. The highest per acre bid was from Exco, which bid \$5,250 per acre on a Clearfield County tract.

The state will take 18 percent of production royalties. Under the 2008 lease sale, the state will take 16 percent of production royalties. Only three of those wells are producing, while about 100 more are being drilled or in the process of being permitted, Novak said.

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