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June 4, 2012

S. 3659	Senator Valesky	Senate En. Con. Committee
A. 3082	Assemblywoman Lupardo	Assembly En. Con. Committee

AN ACT TO AMEND THE ENVIRONMENTAL CONSERVATION LAW, IN RELATION TO INTEGRATED ROYALTY OWNERS IN THE NEW YORK MARCELLUS SHALE REGION.

New York Farm Bureau, the state's largest general farm advocacy association, requests your support for this legislation. If this bill is enacted, the statutory minimum royalty for landowners in the New York Marcellus Shale region who are involuntarily included in a natural gas drilling unit through compulsory integration would be increased to a more equitable level.

The minimum royalty, as set in statute, for compulsorily integrated landowners is 12.5 percent. For many years, this royalty percentage has been consistent with the royalties that landowners in the same drilling unit have received by negotiating a lease agreement with a natural gas company.

With the prospect of natural gas development in the Marcellus Shale formation, leased landowners in New York and neighboring Pennsylvania have seen royalty payments increase considerably. Royalty payments for leased landowners in the Marcellus Shale region have reached the typical range of 18 to 30 percent.

Given this positive change in royalty trend for landowners, those who are involuntarily integrated into drilling units at 12.5 percent would receive a much lower royalty than other landowners in the same drilling unit. This bill seeks to balance royalty rates by increasing the minimum royalty offered to compulsorily integrated landowners in the New York Marcellus Shale region to be equal to the highest royalty in the unit or 18.75 percent at the minimum.

For these reasons, New York Farm Bureau respectfully requests your support of this legislation.

Public Policy Division

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