

Propane fracking deal reached in NY; Plan would open 130,000 acres in Tioga County for drilling

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The leadership of a group of landowners in Tioga County, New York has reached an agreement with gas drillers to begin developing the Marcellus Shale using liquid propane as a fracking agent.

[Brokers](#) of the deal, between eCorp, GasFrac Energy

Services, and the Tioga County Landowners Association, believe that fracking with natural gas is not included under a New York state moratorium that prevents drillers from using high volume hydraulic fracturing. The moratorium was put in place in 2008 due to environmental concerns, pending the completion of a review by the state DEC.

Under a Memorandum of Understanding announced on Thursday, the members of the Tioga County coalition will form an LLC called Southern Tier Energy Partners to participate in the deal.

“Our intention is to prove up the play,” said Chris Denton, an attorney representing the landowner coalition. The deal has been accepted in concept by the leaders of the coalition and has to be brought to the membership base of about 2,000 families in coming weeks, Denton said. The deal would give landowners a working interest in the development and production of wells rather than traditional lease payments. It may take several months before the pieces of the deal, including title searches of property owned by the participants, will be finalized, Denton said. He could not release more specific details about the terms as of early Tuesday afternoon.

Fracturing shale with propane is a developing technology proposed as an alternative to traditional high volume hydraulic fracturing, a process that uses sand and a proprietary chemical solution, or diesel fuel. Drawbacks to traditional hydraulic fracturing include the large quantities of fresh water required -- several million gallons per well -- and like amounts of waste produced, including brine and organic solvents.

Chevron has used Gasfrac's proprietary process of fracking with liquefied petroleum gas (LPG) in its \$7.3B Piceance basins natural gas project. The company's 2011 annual report supplement noted that the technology is recognized by the World Shale Gas Conference for its economic and environmental performance potential, and "significantly increases production while minimizing water usage." The company is continuing to test the process. Chevron's assessment of LPG fracturing is the strongest endorsement yet of the process by major company.

Using the process in Tioga County, New York will provide a breakthrough in gas development in a state that has been mindful of concerns with traditional fracturing, according to Denton.

"We're also concerned about how fracking will affect the environment," Denton said. The strategy is to show the worth of the Marcellus and the Utica shale's in Tioga County with initial test wells, which is known in the industry as "proving" a play. The project is intended as a literal proving ground for both the Gasfrac process and the worth of the Marcellus and Utica shale's under upstate New York and Tioga County in particular, Denton said., and it is a prerequisite to more capital interest.

Assemblywoman Donna Lupardo, D-Endwell, has been an influence in the public debate over hydraulic fracturing since the Paterson administration ordered the high volume fracking moratorium in the summer of 2008. She has long advocated

consideration of alternative, more benign fracking agents. “This certainly takes the concern over water issues off the table,” she said, “and that’s a big one, with the whole issue of withdrawals, contamination and treatment.” It would not address problems associated with methane migration, she added, which continues to plague shale wells in Pennsylvania, despite stronger standards adopted by the state last year.

The pending environmental review puts a hold on fracking with chemical solution in New York until the impact is better documented and new guidelines are established. The policy review, called the Supplemental Generic Environmental Impact Statement (SGEIS), would not apply to fracking with propane. But some have questioned whether propane fracking is sufficiently covered under pre-existing regulations outlined in the state's original Generic Environmental Impact Statement (SGEIS) from 1992. If not, then the Tioga County project would require separate environmental reviews that could be costly and time consuming.

Denton said attorneys and landowners have done their homework. “Our research indicates that we are in good shape,” he said.

Some environmental advocates questioned that assessment. Even if fracking with propane is less damaging than fracking with a chemical solution, other issues associated with shale gas development must be addressed, said Walter Hang, an activist who has organized anti-drilling efforts in New York. They include waste disposal associated with “produced

water,” which is fluid that comes from the ground with high concentration of brine, heavy metals and sometimes naturally occurring radioactive particles.

Propane fracking "is not a magic bullet that lets them go forward," said Hang, who heads Toxic Targeting, an Ithaca firm that compiles environmental data on brownfield sites. "I'm not so sure they (the Tioga County project) will be able to avoid a more vigorous (regulatory) review."