

**Minutes of the Informational Meeting
of the South Park Township**

Board of Supervisors

May 8, 2023

Pledge of Allegiance

Roll Call

Walt Sackinsky presiding. Board members Edward Snee and Brian Lucot were present. Also in attendance were Karen Fosbaugh, Township Manager; Chief Dennis McDonough; Aaron Laughlin, Director of Public Works; Irv Firman, Solicitor; and Anthony Pavlik, Esq.; Tucker Arensberg P.C. Absent: Tom Bonidie, Code Enforcement Officer;

PLEASE BE INFORMED THAT THE TOWNSHIP OF SOUTH PARK RECORDS ALL PUBLIC MEETINGS AS PART OF THE MEETING MINUTES PROCESS.

ANYONE SPEAKING THIS EVENING IS REQUESTED NOT TO REPEAT THE SAME POINTS ADDRESSED AT A PRIOR MEETING. RESIDENTS ARE REMINDED THAT THE BOARD OF SUPERVISORS IS REGULATED TO ADHERE TO EXISTING ORDINANCES.

THE AUDIENCE AGENDA WAS PLACED ONLINE FOR RESIDENTS WHO MAY WISH TO OFFER PUBLIC COMMENT OR ASK A QUESTION WHICH WILL BE ENTERED INTO THE RECORD AT THE MEETING THIS EVENING. COMMENTS/QUESTIONS WERE TO BE SUBMITTED NO LATER THAN 4:30 P.M. TODAY.

Mrs. Fosbaugh stated for the record that no comments or questions were submitted.

Purpose of the Informational Meeting

South Park Township was contacted by EQT for the purpose of entering into a Lease Agreement with EQT relative to properties owned by the Township to allow for horizontal drilling activities. Action on the Lease Agreement has been placed on the agenda of the regular meeting scheduled for May 8, 2023, immediately following the informational meeting.

**Presentation – EQT Representatives
Ryan Mathers and
Matt Aurilio**

Mr. Mathers explained that EQT Production Company is a long-standing operator in the Appalachian Basin, specifically in Pennsylvania, for approximately 130 years. They specialize in horizontal drilling techniques in Marcellus Shale. The Oil and Gas Lease with South Park Township will cover approximately 52 acres of Township owned properties. He explained that they have two pads that are currently under construction or are already built in Union Township, Washington County, which is where the surface location will be for all drilling

activities that would be used to develop South Park Township property. Therefore, everything within the Oil and Lease Agreement would be for a non-surface agreement. There will be no surface activity whatsoever on Township owned property. They have worked with multiple lessors and landowners throughout South Park Township, as well as Union Township, to secure oil and gas leases. They have been very successful to this point and would like to incorporate the Township property for the overall development of Marcellus Shale. Mr. Mathers further explained that depending upon path location, they will be drilling down between 7,000 to 8,000 feet deep. That is where they will land their well into the Marcellus, and they are looking to extend approximately 15,000 to 20,000 feet from the pad itself for total development. They have interval spacing to keep wells from having communication with each other to properly and efficiently develop the reservoir. The property the Township owns had been identified as being key tracks that they would like to incorporate within their units to maximize their full development, as well as provide financial impact not only to the Township itself but to some additional residents that have already secured agreements. They are currently targeting seven wells from four different units that would be impacting South Park Township property. The financials have been incorporated into the agreement. The current offer that is outstanding is \$3,500 per acre and 18% gross royalty for the production of the wells. The gross royalty would be postproduction cost and the price would be given at the wellhead. **Mr. Sackinsky** inquired about the length of the drilling, and Mr. Mathers replied that the longest well that they have drilled to date is 21,000 feet, which is approximately three miles. The lines would originate in Union Township. **Mrs. Fosbaugh** asked when the activities would start, if the Township entered into the agreement. Mr. Mathers replied that the pads are currently built and they are targeting a 2025 development date. However, there is always a fluid timeline that comes with it. They do not want to strand acreage. They want to develop and get the maximum efficiency in return of the formation. If they can get additional footage by adding one or two agreements, they will delay their operations in order to secure those agreements. **Mr. Lucot** inquired about the number of wells and units. Mr. Mathers explained that when you have a well bore, you take the total acreage per owner for a maximum unit size. Currently, they are targeting 640 acre units or less presumed to the agreements that are there. EQT is subject to every agreement that falls inside of those units. They take the overall unit acreage and add the land's fall. He explained by example that if you had 50 acres, and you had two units, which would be 25 acres each, you would take the 25 acres, multiply that by your royalty percentage and divide it across the unit acreage. That would be your net royalty interest or decimal interest as to what your ownership will be. They will take all the production from that well and will allocate it pursuant to the ownership rights that every owner would have, which is the fairest way. For every well that falls within a unit, you would take the gas produced from that well and allocate that production accordingly

throughout your ownership. So, the decimal interest that each owner will have will then be applied to all the total production from those wells.

Call on the People

Paul Smith, 1009 Old Post Rd. – Mr. Smith commented that in his experience with wells in Beaver County, even though there was no drilling, you were still obligated to allow some sort of surface activity for transmission lines. **Mr. Pavlik** explained that there is language built into the agreement that states they do not have those rights. Mr. Smith inquired about the multiple parcels and leaseholders, and Mr. Aurilio explained that all the owners that fall within the 640 acre buffer would be calculated in the income. There will be no drilling activity within South Park Township. The wells will originate in Union Township, go through South Park Township, and end in Union Township. They are not taking any surface leasing within South Park Township. Mr. Pavlik continued to explain that with the construction of the pads, all of the mid-stream requirements that would be necessary for those are in place and are going to be built and subject to different agreements outside of the Township lease. They are a completely separate facility and a completely separate company from what EQT would be doing. Mr. Smith asked about coal seams, and Mr. Mathers replied that in Union Township they drilled a vertical section, and they will be drilling down through coal seams. Once they land into the Marcellus formation, which will occur in Union Township, they will not be impacting any of the coal seams inside South Park Township. They do not perceive any risk to the Township surface.

Linda Metrovich, 3307 Brownsville Rd. Ext. – Ms. Metrovich stated that she received a letter from EQT last year. She spoke with Mr. Aurilio who came to her house. Ms. Metrovich had with her an agreement that she had signed. She asked if all the research has been done that South Park Township actually owns the oil and gas rights. Mr. Aurilio replied that currently for the specific parcels listed in the Township lease, he believes they have 100% title on them. Ms. Metrovich discussed her lease, and Mr. Aurilio stated that her lease agreement would have been signed with a 120 business days intention upon owning the oil and gas rights. Ms. Metrovich commented that she was expecting royalties in December but was told that she did not own the oil and gas rights to her property; however, Peters Creek owns all the rights. Mr. Aurilio explained that because of the magnitude done of the leasing in the area, the title search is done after the leases are signed. Once the lease is signed, there is 120 business days to determine if the property owner owns the oil and gas rights. Ms. Metrovich asked if South Park Township would receive all of the royalties, and Mr. Aurilio replied that they will receive all royalties on Township property. He added that from the Title, up until this point, it was determined the Township owns 51 acres. It is possible, and they are continuing to do the title in this area, that more acreage could be determined. Ms. Metrovich expressed her frustration at how EQT has dealt with South Park residents. Mr. Aurilio explained that many developers reserve the oil and gas rights from

property sold; therefore, you may have entire neighborhoods that will not own their oil and gas rights. Contracts have been negotiated for nearly 1-1/2 years. At times when there are heavy areas of high volume of owners, EQT will send out a mass mailing to determine who will be interested in an agreement. Once they sign, EQT has 120 days, or whatever the due diligence period may be, to perform the research in order to determine if the owners do in fact own their gas rights. If they do, they are cut a check for the amount negotiated for the total purchase price and any revenues that would become pursuant to the contract itself. At that point, it is all predicated upon overall production from the oil and gas wells. If there are no revenues coming in from wells that have not been drilled, there are no revenues to be paid to the owner. Currently, with the built pad, there are zero dollars being paid out. Once the wells are drilled and in production, which would require oil and gas leases to obtain a working interest that we can drill the wells, that is the point that we would move forward with the operation. Mr. Aurilio added that if the owner signs a full lease package and there is a memorandum recorded in Washington or Allegheny County, and it is determined that they do not own their oil and gas rights, EQT can file a Release of Lease that will eliminate and void out the contract itself.

Carol Smith, Old Post Rd. – Ms. Smith expressed her concern for the environment. Mr. Mathers explained that the environmental impact that would happen would be from the surface to surface of the pad site, where you are starting to create roughly a six to eight acre limit of the surface where you will start having trees removed and other earth work to build a large pad that is capable of holding a drilling rig. That is the surface and environmental impact that typically comes with oil and gas operations. From the horizontal perspective, we are roughly 1-1/2 miles below earth surface when we will be entering the South Park Township properties. From a surface perspective, there will be zero disturbance. Ms. Smith commented that the area of the pad is significantly altered. Mr. Mathers replied that there is a separate agreement for the construction of the pad, as well as higher compensation; however, this will not be in South Park Township. Mr. Mathers added that they work with DEP regularly, and they must obtain an Erosion and Sediment Control General Permit. It is an entire process that takes 6 to 12 months to get an approved permit from DEP. All the permits are logged and are online on the DEP website.

Danielle Strimlan, 1540 Truman Ave. – Ms. Strimlan commented that she has read over the lease and feels that it is overwhelming. She does not feel properly prepared to ask questions because there is a lot of information at one time. She added that the vote the Board will make immediately after the Informational Meeting affects the entire community. She commented on the Trax Farm incident that mentioned Mr. Aurilio in a lawsuit. Ms. Strimlan added that the agenda was only posted on Friday, and she requested that the Board postpone their vote

until the community has the time to process the information. Mrs. Fosbaugh commented that the advertisement for the meeting was published in the Park News.

**Comments from
Township Officials**

Mr. Lucot – Mr. Lucot thanked everyone for their attendance and input.

Mr. Sackinsky – Mr. Sackinsky commented that after the presentation, he has more understanding of the leasing arrangement.

Ms. Fosbaugh – Ms. Fosbaugh commented that on behalf of the Township, Mr. Pavlik who is an associate of Mr. Firman’s firm, reviewed the lease agreement quite extensively and was involved with the actual negotiations with EQT. Tucker Arensberg is the Township’s legal firm, and they are trusted with looking out for the health, safety and welfare of our community. Mr. Pavlik had the Township’s best interest at heart when negotiating the lease agreement.

Mr. Pavlik – Mr. Pavlik commented that they worked very hard at negotiating terms that were favorable. Mr. Sackinsky asked if he reviewed issues other than the cost and acreage, and Mr. Pavlik replied that he made sure a surface operation clause and a water well damage clause was part of the agreement. They limited EQT’s rights to simply be able to drill horizontal wells in deep depths, and they limited their ability to develop unit size. They also limited the timeframe that they can operate. If the operations go beyond five years, or if they do not utilize all the acreage in time, that acreage will be released from the lease. Mr. Sackinsky asked if Mr. Pavlik had any concerns that would affect the Township from signing the lease, and Mr. Pavlik did not.

Adjournment

Motion by Mr. Snee, seconded by Mr. Lucot, to adjourn the meeting. All members voted aye. Motion carried.

Time: 6:36 p.m.