

WELLSBORO MUNICIPAL AUTHORITY

NOVEMBER 15, 2011

MINUTES

Vice Chairman Dennison Young called the meeting of the Wellsboro Municipal Authority to order in the council room of the John E. Dugan Fire Station/Municipal Building. The Pledge of Allegiance was said by all present.

ATTENDANCE: Wellsboro Municipal Authority Members: Grant Cavanaugh, Dennison Young, Ed Owlett, Tom Reindl. Borough Council Members: Rudy Scarf, Joan Hart, Terry Bryant. Superintendents Mark Dieffenbach and Dan Brought. Borough Secretary/Treasurer: Susan Keck. Solicitor: Chris Lantz. Media: Natalie Kennedy. Hydrogeologist: Joe McNally. Water & Sewer Clerk: Teresa Marshall. Visitors from EQT Production Co: Nathaniel Mansion, Scott McChesney, Tom Varner and Mike Cioffi.

MINUTES: The minutes from October 18, 2011 were approved as written. Tom Reindl made the motion and Grant Cavanaugh 2nd. Passed.

EQT Request: Nathaniel Mansion introduced the rest of his group and gave some background information on their PA based company. They are in four other states, as well, and have over 14,000 wells. Not only do they produce the gas but have a mid-stream company that can transport the gas. They are based in Pittsburg, Pa. and Equitable Gas is their distribution company. Maps were produced for the Authority to see what EQT has leased around the Authority land.

Tom Varner said there was a unique opportunity for the Authority considering EQT's operations on the waste management company site. EQT leases around 5500 acres. They have an opportunity to drill 16 horizontal Marcellus wells without ever contacting the surface of the Authority's property. There are two locations that they can drill from. They are drilling the southern legs now on the "R" pad and are holding up drilling the northern legs. The dotted lines on the map show what they could do if some agreement can be reached.

Denny asked how long is the distance from the two places. They responded the lateral was approximately 5,000 feet but they could go 8,000 feet with one bore. EQT would be able to fully develop the Authority property from the R pad location. The shorter legs are approximately 2,000-3,000 feet. EQT is holding up drilling the northern legs because once they start fracking, they can't redrill these legs. It is an opportunity to get something into production without using the surface. The kickoff point to actually hit the Marcellus is 6100 feet. They are building the "S" pad. Pad C is on the land fill lane approx. 1/2 mile and is now being fracked.

TERRY BRYANT: What is the law that says how far you can drill under or over to our property. The answer was 300 feet. Terry then stated that the bottom line was that they could go within 300 feet of our line and take the gas if we don't agree to move forward. If the drilling affects the water shed for the Borough what are the safeguards that are in place before you drill within 300 feet.

EQT: As we drill from surface to our casing where we kick off, there is different variance of casing and then we cement our casing. Terry asked if they had triple, double and single casing, how far down do they go. EQT stated they cased all the way down the vertical section. Terry then asked when did they start the swing. It is started between 6-7,000 feet. Freshwater zones are at 500-600 feet to the surface.

MARK DIEFFENBACH: He responded to the question of what wells we had there. There's the Pump House Well, The Wooden Shanty Well, The World's End Well the intake for the Rock Run Well.

EQT: There are standard addendums that that are put into leases for standard water language but this is a special case.

TERRY BRYANT: Terry stated that the Authority had been approached by East a long time ago and he does a lot of work for Shell and is also on the Borough Council. The question has been asked that what we would do if something goes wrong in our water field to provide 3,000 people with water tomorrow and 800,000 gallons minimum a day. What are the Borough Council and Authorities responsibilities here. We could use the money but how do we agree to represent our residents – a bond for example. EQT would have to go to a higher authority to find that out. Terry agreed but there has to be a safeguard. He was sure that the wells were GPS's. This is a surface well system. We need ways where everyone would win or we need to get to a comfort zone. EQT asked if there were hydrogeological reports available or GPS locations. Chris Lantz said that there was, but do the security issue he would have to have to see if the Authority was interested first.

EQT: If you look at what we have around you we could give the best opportunity to the board and the community because we don't need to use the surface. He agreed that the water needed to be safeguarded.

TERRY BRYANT: At one time we thought we would give the others an opportunity to bid on it if we decided to do it. There is no question that you are in the position and, to be honest, he wouldn't vote because he works with Shell. It is up to the rest of them to decide.

EQT: He can get the exact distance for the well bore as far as the vertical from the property line. We have the waste management lease.

TERRY BRYANT: What they are saying that they have the well and would like to extend the line to us once they go 6,000 feet down and not disturb the surface at all. Right now they could go to within 300 feet of our property line.

MARK DIEFFENBACH: Can the horizontal drilling and fracking cause disturbance of the spring water that is seeping through the rocks 4,000 feet up.

CHRIS LANTZ: There have been a few incidences of methane getting into drinking water and the greater the threat if there is a fault.

MARK DIEFFENBACH: Can you change the course of the water flow. EQT reported that it was unlikely. Mark reported that East has a map that read the contour of the water flowing through the recharge area and where they needed to separate themselves.

CHRIS LANTZ: Joe McNally could do that analysis if they wanted an independent to look at it.

RUDY SCHARF: What is the impact from the hole that was drilled where the pressure is up and down 150-200 feet? How far does the frack go. The response was 500 feet where the fracking starts with the outermost range of 1600 feet and that they were mainly interested in the Marcellus.

EQT: When you drill vertical you start drilling with air and then it is cased off and then it is switched to in our case a water based mud. The ground is pushed in a little bit at the beginning then you'll start to spin.

DENNISON YOUNG: He asked what their failure rate was in contaminating wells.

EQT: We have no reported cases of contaminating any wells. When we test 2500 feet away from well on all the water sources which is beyond the state requirements.

CHRIS LANTZ: He asked them if they were willing to share the test results with us if the Authority were to lease.

EQT: Yes they would be will to share the information.

ED OWLETT: Would there be any additional vertical wells drilled?

EQT: "No", we have E, the Northern ones R & S and one yet to be constructed. He showed the map on what have been permitted, ones that have been applied for. They are 3-4,000 feet out now.

MARK DIEFFENBACH: He asked Joe McNally if they had an updated analysis on our water sources.

CHRIS LANTZ: How much are you offering per acre? The response was \$3500.00 per acre and then Chris asked how much acreage was there to be leased. They thought it was approx. 488 acres but they it wasn't a positive number – there are three parcels involved. The royalties would be 15%.

TERRY BRYANT: He asked if the Authority made the decision did it go to the Council?

CHRIS LANTZ: The lots are deeded to the Authority. If gets the permission he will go ahead and negotiate. It would be up to the Authority.

RUDY SCHARF: He asked about the royalties and the gas produced.

TERRY BRYANT: The state law required the gas companies to give at least 12 ½ % royalties for the gas produced. Some companies are giving a higher percentage depending on the quality of the gas produced. 2 1/2 % could be a lot of money.

EQT: We have current plans to drill 16 wells. Chris asked about their timeline. Their answer was that we are on pad "R" now and drilling the southern legs now. We really don't want to move the rig off and then back on to drill the northern legs if we get your lease. We are drilling the first or second well on "R" – would like to get lease before the end of year. It will take a little bit of time to get the permitting done once the lease is signed. Chris will give them a courtesy call tomorrow.

JOE MCNALLY: DEP hasn't made their decision yet regarding the exceptional value of the wetlands. He has been in contact with John Hamilton from DEP who has been asking his biologist to move forward. The latest conversation is that the DEP biologist has to talk to the Fish and Game people concerning what species are in the Muck and how that might connect with the wetlands. The two wetlands on both sides of the Keck well do not support the Muck, he was not saying that they may not connect to the Muck but they don't support it. It appears that it would depend on two different issues.

The first being is there a species is a concern. We have documentation from the Fish & Game Commission that it is not a concern but since they are now expanding it to include the Muck, they need to see if it applies. If it does apply, then it would be a discussion with John Hamilton asking him about the hydrological connection. He asked the Game Commission to call DEP. Chris asked him whom he contacted. Joe used to call Olivia Ron but there has been a name change. It could be something simple like the e-mails not going through. The other issue is the exceptional value wetlands and the discussion of liability. We have backed off on some of our efforts since.

The SWIP testing is still continuing. He has been in contact with DEP to come and take their sample. They have to have a rainfall of at least ½ inch. Today we were close today of .49th of an inch. The sample needs to be taken 24 hours after rainfall and before the ground freezes. Joe hasn't seen any real blips in the data that they have received so far. If there is a heavy rainfall if it is connected to surface water you would see changes and we aren't seeing that. There still has to be a statistical analysis.

CHRIS LANTZ: Do you know what the timeline is?

JOE MCNALLY: He expected to hear from DEP soon as to whether it is an exceptional value or not. There are two steps after that. One is to provide DEP with a discussion regarding the void, minimize and mitigate issues. We have a letter on a no impact issue.

CHRIS LANTZ: He asked if John Hamilton had been helpful.

JOE MCNALLY: John doesn't make that decision, he is just trying to move it along.

TERRY BRYANT: It was his understanding that DEP needed to tell us that there was little or no exceptional value.

JOE MCNALLY: They are still looking at alternate sites for wells. The hydrogeological report is still progressing. We have moved one data logger from the track site to Mr. Keck's property and getting data from that location. He is also still in contact with Scott.

MARK DIEFFENBACH: We have experienced some ice problems in the hoses at the slow sand filter. Are we going to experience the same problems down at the site also. Are we going to have to fight to keep them alive or will we have to keep draining the hoses?

JOE MCNALLY: He hoped that since they are on a little slope that they won't have to be drained. We could put ramp in and move it out of the low spot. There is only one more month to go, we need to keep it going.

DENNY YOUNG: What might be an exceptional value? Joe thought they are talking about the entire muck. There was a decision several years ago that it wasn't an exceptional value.

SUE KECK: We have three bills for payment: They are as follows:

WATER REVENUE:	Scott Bray	\$260.00
SEWER REVENUE:	Cox, Stokes & Lantz	\$971.41
	Scott Bray	\$325.00

Tom Reindl made a motion to pay the bills and Grant Cavanaugh 2nd. Passed.

Went into an executive session at 4:50. Out of executive session at 5:35.