

**Pennsylvania Game Commission Revenue  
Diverted from the Game Fund – January 2008 Board Minutes**

<u>Resource Contract/Deal</u>	<u>Type of Deal</u>	<u>\$ Lost in Deal</u>	<u>Direct Diversion</u>	<u>Date</u>
½ acre prime tower site for \$1	Verizon Donation for release from contract			Jan 08
4,968 acres of land in Horton Twp, Elk Cty, adjoining State Game Lands No. 44	Purchased for \$400/acre not \$2,000/acre 10 Year Timber for land deal - \$400/acre 4,968 a. sold to PGC for \$1,987,200 PLUS timber	\$9,936,000 @ \$2000/acre <del>-\$1,987,200 @ \$400/acre</del> <b>\$7,948,800 timber sales</b>		Jan 08
1,555.6 of land in Horton Twp, Elk Cty, adjoining State Game Lands No. 44	Purchased for \$400/acre not \$2000/acre + settlement simultaneously includes the sale & payment for timber growing on property in the amount of \$1,322,260 – Deal changes in Jan 2009	\$3,111,200 @ \$2000/acre <del>- \$ 622,240 @ \$400/acre</del> <b>\$2,488,960</b>	<b>\$1,322,260</b>	Jan 08
45.74 of land in Eldred Twp, McKean Cty, adjoining State Game Land No. 301	46 acres purchased by Dominion Transmission for pipeline construction mitigation.	<b>Right-of-way ???</b>		Jan 08
Clear Lake Timber is trading 120 acre for SGL 276 Burrell Twp, Indiana Cty	\$150,000 cash credit for 120 acres is paying \$1250 per acre in timber for land deal.		<b>\$ 150,000</b>	Jan 08
Dominion Transmission, has agreed to a land exchange involving an easement for a new 24-inch pipeline right of way on SGL 215, LackTwp, Juniata Cty	Dominion is paying \$475,00 to buy 1000 acres in Fermanagh Twp, Juniata Cty, for SGL 177	Land purchase ??? Partial Payment	<b>\$ 475,000</b>	Jan 08
Consol PA Coal coal lease for SGL 245 In Washington Cty	9,060 tons of coal for \$120,000 to be put in Interest Bearing account		<b>\$ 120,000</b>	Jan 08
SGL 239 gas lease containing 670.96 acres with EOG Resources	EOG paid \$125/acre gas bonus + a fixed yearly rental rate of \$20 per acre – this is a deferred signing bonus. \$20/acre = \$13,419 X 20 years = DCNR Gas Lease got all this money up front	<b>\$ 268,380</b>		Jan 08
SGL 75 Gas lease containing 1748.2 acres with Range Resources	Range paid \$125/acre gas bonus + a fixed yearly rental rate of \$20 per acre – this is a deferred signing bonus. \$20/acre = \$1748.2 X 20 years = DCNR Gas Lease got all this money up front	<b>\$ 696,880</b>		Jan 08
		<b>Total Revenue Diverted</b>	<b>\$2,067,260</b>	<b>Jan 08</b>

**Pennsylvania Game Commission Revenue  
Diverted from the Game Fund - April 2008 Board Minutes**

<u>Resource Contract/Deal</u>	<u>Type of Deal</u>	<u>\$ Lost in Deal</u>	<u>Direct Diversion</u>	<u>Date</u>
Coal Lease on SGL 77 in Clearfield Cty. P & N Coal Co. will remove 79,450 tons of coal from a 121-acre tract of land	Lease has a coal royalty value of \$218,500 \$100,000 into Interest Bearing Account \$118,500 into the Game Fund P& N will do \$800,000 free work – WHY? Timber will be single and double stumpage rate & money goes to ???		\$ 100,000	Apr 08
Oil and Gas lease, land exchange, on SGL 223, Greene County	Atlas America, LLC owns mineral rights on 841 acres and PGC owns the rest on 2031 acres. Atlas will drill on adjacent private land. 17% Royalty from adjacent private land wells. Signing Bonus of \$125/acre on ??? acres will go to Game Fund. <u>Atlas will do a land transfer of 139 acres as an additional signing bonus @ \$900/acre =</u> Land for cash deal		\$ 125,100	Apr 08
	<b>Total Revenue Diverted</b>		<b>\$ 225,100</b>	<b>Apr 08</b>

**Pennsylvania Game Commission Revenue  
Diverted from the Game Fund – June 2008 Board Minutes**

<u>Resource Contract/Deal</u>	<u>Type of Deal</u>	<u>\$ Lost in Deal</u>	<u>Direct Diversion</u>	<u>Date</u>
Oil and Gas lease offering on SGL 75, Lycoming Cty containing 2615 acres. Chesapeake Energy won bid	Bonus Payment of 2,615 acres X \$2000/acre = Within the last six months, the Commission has approved several large tracts of land for acquisition. This bonus/rental will be used and applied to assure the Commission meets its outstanding obligations on these tracts. 26.1% Royalty + Well fees + Free gas		\$5,230,000	June 08
Amended coal lease on SGL 75, Lycoming County. with Fisher mining	Fisher Mining Company to remove an additional 311,490 tons of coal. \$1,000,000 will be put into a CD and be used to buy more land and the other \$383,015 will be put into the Game Fund.		\$1,000,000	June 08
	<b>Total Revenue Diverted</b>		<b>\$6,230,000</b>	<b>June 08</b>

**Pennsylvania Game Commission Revenue  
Diverted from the Game Fund – October 2008 Board Minutes**

<u>Resource Contract/Deal</u>	<u>Type of Deal</u>	<u>\$ Lost in Deal</u>	<u>Direct Diversion</u>	<u>Date</u>
SGL 302, Greene County. 125 acre land donation	Consol PA Coal Company donating 125 acres worth \$125,000 to \$250,000 to protect Indiana Bats? Why?			Oct 08
SGL 86 in Warren County., with Tony L. Stec Lumber Company	Timber for Land Deal Commission and Tony L. Stec Lumber Company, Inc., have agreed to the value of \$170,000 for the parcel. Tony L. Stec Lumber Company, Inc., has offered to transfer the 100 acres in Deerfield Twp, Warren Cty, The value of \$170,000 would then be credited against the blocks to be cut on the timber sale listed above until the value has been exhausted. 100 acres traded for \$170,000 of timber		\$ 170,000	Oct 08
SGL 49 753.32 acre Gas Storage Lease in Bedford County	Game Fund nets \$48,460 + Annual rental			
<p><b><u>Steckman Ridge, LP, is converting 1,906 acres of the now depleted Oriskany sandstone formation to a natural gas storage field of which 82.36 acres is under the Commission ownership. In exchange for the lease amendment Steckman Ridge, LP, will make a one-time bonus payment of \$48,460 to the Game Fund. Steckman Ridge, LP, will also pay the Commission an annual rental of \$15,067 per year or a storage fee rate of 3 cents per MCF of the storage field proportionally owned by the Commission, whichever the greater. When the shallow gas is gone, the PGC gets gas storage fees of \$48,460 + \$15,067 per year and at 20 years this lease pays \$301,340 or \$349,800. What is the total value of the rest of this 753.32 acre oil &amp; gas lease with Steckman Ridge LP?</u></b></p>				
		<b><u>Total Revenue Diverted</u></b>	<b><u>\$ 170,000</u></b>	<b><u>Oct 08</u></b>

**Pennsylvania Game Commission Revenue  
Diverted from the Game Fund – January 2009 Board Minutes**

<u>Resource Contract/Deal</u>	<u>Type of Deal</u>	<u>\$ Lost in Deal</u>	<u>Direct Diversion</u>	<u>Date</u>
SGL 44 in Elk County, timber lease With New Shamut Timber	Extend previous timber lease for 10 additional years if we give PGC 376 additional acres. 376 acres @ \$1700/acre =	20 years lost Timber Revenue	\$ ???????	Jan 09

New Shawmut Timber company previously conveyed 4,968, more or less, acres in Horton Township, Elk County to the Commission. At the time of conveyance, New Shawmut Timber reserved timber for 10 years. New Shawmut Timber Company also previously conveyed 1,555.6, more or less, acres in Horton and Fox Townships, Elk County, to the Commission. At the time of conveyance, New Shawmut Timber retained ownership of an additional 376, more or less, acres adjoining the 1,555.6 acres, which the Commission is interested in acquiring. New Shawmut Timber Company has agreed to convey the additional 376 acres to the Commission in return for an extension to their existing timber reservation for an additional 10 years, or 20 years total, on the 4,968-acre property.

SGL 168, Monroe County Court Settlement with CBS	1100 acres of land instead of a CASH settlement. 1100 unspoiled forest and fields in Poconos Is it ? 1100 x \$5,000/acre = Is it? 1100 x \$10,000/acre = <b>What was the sale price of King's Manor?</b> <b>Federal Court determined the value at \$8.72 Million + \$\$\$ from another settlement account</b> \$9,875,000 PGC will share this money with DEP, DCNR, PFBC, NOAA, NPS, & USF&W \$8,720,000 King's Manor with ALL Mineral Rights for PGC use only <u>\$2,500,000</u> Damage Assessment Costs		\$ 5,500,000 ? \$11,000,000 ?	Jan 09
---	---	--	----------------------------------	--------

The Pennsylvania Game Commission is a participating trustee in a Natural Resources Assessment case filed with regard to the Palmerton Zinc site in Northampton and Monroe Counties. The current owner of the Palmerton site, CBS, has agreed to a proposed settlement with the participating parties. As part of that settlement, the Commission would receive as compensation and mitigation for the damage a 1,100-acre property known as King's Manor in Ross and Eldred Townships, Monroe County, near to State Game Land No. 168).

King's Manor Settlement <http://www.istockanalyst.com/article/viewiStockNews/articleid/2980136>

SGL 317, Union County, Private land sale to PGC	Gerald L. Shoop of Milton, Pennsylvania, is offering 397 acres in Hartley Twp and Hartleton Bor. Union County. The purchase price is \$1,976,300.	\$1,976,300		Jan 09
Game Commission does not own the land. PGC does own the mineral rights. Westmoreland County	Coal mining on private land, but PGC owns the coal estimated to be 7,020,000 tons in place \$7,020,000 X \$2/ton = \$14,020,000 +\$3,510,000 with advanced rentals			

**Game Fund will get \$3.5 to \$17.5 million**

**The next item for action is the Deep Mining Coal Lease, Commission Owned Coal Reserves in Westmoreland County. Kingston Coal Company of Wexford, Pennsylvania, has requested a lease to deep mine and remove all of the economically available Freeport coal seam (estimated to be 7,020,000 tons in place)**

This coal reserve was a gift from Loyalhanna Coal & Coke Company deeded to the Commission in December of 1969. **The coal reserve area contains no surface land under Commission ownership and is located near the city of Latrobe.** Currently, Kingston Coal Company has acquired the majority of the privately owned coal reserves contiguous to this area. It is the staff's conclusion that this lease arrangement negotiated with Kingston represents the best opportunity for the Commission to maximize recovery of its coal reserve. The potential accumulated **coal royalty value of the proposed mining acreage has been estimated at approximately \$3,510,000.** This projected royalty value is based on a 6 percent F.O.B. selling price for each ton of coal sold at current market conditions over a 25-year recovery period.

In exchange for the deep mining lease, Kingston Coal will pay the Commission an annual delay rental of \$15,000 until such time as coal is removed from the premises, and thereafter a \$25,000 annual advance royalty. **Once the advanced royalty is exhausted, Kingston Coal Company will make monthly payments based on the actual tons mined from the lease area at 6 percent F.O.B. portal selling price or minimum \$2 per ton, whichever the greater. All monies will be deposited into the Game Fund.** Mining will be regulated by the Commonwealth's Coal and underground mine regulations and the Commission's standard deep mine lease agreement. The lease will be for a term of 25 years, provided that coal removal is initiated within eight years of the execution date of the lease.

<u>Resource Contract/Deal</u>	<u>Type of Deal</u>	<u>\$ Lost in Deal</u>	<u>Direct Diversion</u>	<u>Date</u>
SGL 250 Gas Lease in Bradford County containing 443.54 acres	With a onetime bonus/rental payment of \$1,250 per acre. 443.54 acre X \$1250/acre = \$554,425 <u>No indication where money is deposited.</u> No Company and NO Royalty is specified in these minutes for SGL 250 Royalty ? + Well fees + Free Gas		\$ 554,425	Jan 09
SGL 289 Gas Lease in Bradford County Containing 1529.9 acres	Chesapeake Appalachia, won bid with highest royalty at 27.5% <u>No indication where money is deposited.</u> Bonus payment is NOT the same as SGL 250 Bonus payment of \$1000/acre + \$50/acre/year		\$ 1,529,190	Jan 09
	<b><u>SIGNING BONUS</u></b> SGL 250 <b>Signing Bonus</b> 443.5A @ \$1250 per acre = \$554,425			
	SGL 289 <b>Signing Bonus</b> 1529.19 A @ \$1000 per acre = \$1,529,190 PLUS \$50 per acre <b>annual rental</b> 1529.19 A @ \$50 per acre = \$76,460 X 20 years = \$1,529,190			
	<b>Please review gas bid analysis of SGL 250 and SGL 289 in attachment.</b>			
Fisher Coal Mining Lease on SGL 75	Cash for Coal deal \$3,500,000 surface damage royalty <b>for land</b> + \$6,954,545 for coal		\$3,500,000	Jan 09

+ timber \$165,602 X 2 = \$ 331,004

**Fisher Mining Company, Inc. will pay the Commission an advanced acceptable to the Commission or to be directly deposited into the Game Fund, surface damage royalty payment of \$3.5 million to be deposited into an interest bearing escrow account for future purchase of lands. All remaining coal royalty revenues generated from the proposed operation will be deposited directly into the Game Fund. The accumulated coal royalty value for the proposed mining acreage has been estimated to be \$6,954,545.**

MR. BECHTEL: The next item concerns a Surface Mining Coal Lease Offering on State Game Land 75 in Lycoming County. Fisher Mining Company, Inc. of Montoursville, Pennsylvania, has requested a lease to surface mine and remove all of the available and economically recoverable coal within a 254-acre tract of land being part of State Game Land No. 75. The proposed mining lease operation will remove an estimated 1,525,100 tons of coal from a portion of State Game Land No. 75 (shown on Exhibit OGM-4 on page 63 of your agenda). The proposed lease will utilize approximately

185 acres for actual mining and an additional 69 acres for erosion and sedimentation controls, wildlife habitat compensation and operational support. **All merchantable timber within the proposed lease area was valued by the Northcentral Regional Office's forestry staff at \$165,602. This timber has already been harvested and paid for at single stumpage value by a separate contractor through the Commission's standard timber bid process.** Fisher 6 Mining Company, Inc. will be assessed an additional single stumpage value, or \$165,602, for the habitat value of that merchantable timber due to the proposed surface use of the State Game Lands.

In exchange for the surface mining lease, **Fisher Mining Company, Inc. will pay the Commission an advanced surface damage royalty payment of \$3.5 million to be deposited into an interest bearing escrow account for future purchase of lands acceptable to the Commission or to be directly deposited into the Game Fund.** Such payment shall be due upon the final execution of the lease and the issuance of a mining permit from the Department of Environmental Protection.

The advanced royalty payment is based on 12 percent of the current F.O.B. pit price/ton of coal or \$4.56 per ton, whichever the greater. The advanced royalty payment will be subject to additional review by the Commission and, if applicable, Fisher Mining Company, Inc. will make future royalty payments to the Commission based on the average F.O.B. pit price realized from the mining area after approximately five years of future coal sales. **All remaining coal royalty revenues generated from the proposed operation will be deposited directly into the Game Fund. The accumulated coal royalty value for the proposed mining acreage has been estimated to be \$6,954,545.**

<u>Resource Contract/Deal</u>	<u>Type of Deal</u>	<u>\$ Lost in Deal</u>	<u>Direct Diversion</u>	<u>Date</u>
Gas and Oil Lease on SGL 60, 108 & 158, Clearfield, Cambria and Blair Cty on 16,669.05 acres	Private Gas Lease on these game lands is expiring in 2014 on 16,669.05 acres <u>50% Royalty &amp; PGC does not own the mineral rights</u> \$3,500,000 for land \$1250/acre signing bonus		\$3,500,000	Jan 09

**\$3,500,00 of the projected revenue will be made available toward acquisition of a tract or tracts of land to be approved by the Commission at a future meeting or to be directly deposited into the Game Fund.**

MR. BECHTEL: Page 64 concerns an Oil and Gas Lease/Land Exchange, State Game Lands No. 60, 108 and 158, Clearfield, Cambria and Blair Counties. The Commission acquired 16,669.05 acres, more or less, in Clearfield, Cambria and Blair Counties from Park Corporation and General Waterworks Corporation by deeds dated December 7th, 1985. As part of the transaction, General Waterworks Corporation reserved oil and gas until December 31st, 2014. By various conveyances, mergers and consolidations, the interest owned by General Waterworks is now owned by United Water. United Water desires to offer its oil and gas ownership under a portion of State Game Lands No. 60, 108 and 158 for lease, but desires to offer a term five years longer than the reservation which ends December 31st, 2014. **# of acres not identified, but \$1250/acre bonus + 50% Royalty even though Commission does not get mineral rights until 2014.**

If United Water is successful in entering into a lease agreement with a prospective lessee, they will structure their lease to allow for a 10-year lease term and for the Commission to receive 50 percent of all lease proceeds. To compensate the Commission for the surface use of the 16,669.05 acres of State Game Lands, \$3,500,00 of the

projected revenue will be made available toward acquisition of a tract or tracts of land to be approved by the Commission at a future meeting or to be directly deposited into the Game Fund.

The lease to be granted by United Water will provide a minimum onetime bonus/rental payment of \$1,250 per acre as full consideration for the 10-year primary term, and a 16 percent minimum royalty. Additionally, the lease offer provides the Commission well site location fees of \$20,000 per each deep well sights drilled, \$20,000 for each horizontal well pad site, and \$5,000 for each shallow vertical well drilled within the leased premises. The

area to be exchanged to United Water and exposed for lease is shown on the attached map on page 65 of your agenda. # of acres not identified

Oil/Gas development will be regulated by the Commonwealth's Oil and Gas Regulations and will include the Commission's standard wildlife and environmental protection measures, and further limits the subsequent well development to a total of 100 shallow wells and 50 deep well pad sites, unless additional written approval is obtained from the Commission. Each well pad can include up to 12 wells.

COMMISSIONER DELANEY: Madam President, the vote passes on the oil/gas lease exchange on State Game Lands 60, 108 and 158.

<u>Resource Contract/Deal</u>	<u>Type of Deal</u>	<u>\$ Lost in Deal</u>	<u>Direct Diversion</u>	<u>Date</u>
SGL 78 Oil & Gas Lease on 720.7 acres With Little Pine Resources	Game fund gets gas bonus money of \$360,500 on 721 acres. Wells are on private land 4000 ft away & give PGC 16.5% royalty from those wells. 10 acres of land instead of cash. 10acre/\$2000 =		\$20,000	Jan 08

The proposed lease tract 27 078A-09 containing 720.7 acres is located in Graham Township, Clearfield. Little Pine Resources currently controls a strong oil/gas lease position on private lands adjacent to State Game Land No. 78, and when developed will effectively withdraw portions of the Commission's oil/gas reserve. The staff has negotiated with Little Pine Resources in an effort to safeguard the prudent development of the Commission's oil/gas reserve and simultaneously protect the wildlife resources and recreational use of State Game Land No. 78.

In exchange for a non-surface use oil and gas lease, Little Pine Resources will pay the Commission a bonus of \$500 per acre, or \$360,350, within 45 days of executing the lease agreement; such payment to be deposited into the Game Fund. Little Pine Resources also has agreed to utilize wells located within 4,000 feet of the Commission's boundary and will pay the Commission a 16.5 percent royalty of the wellhead price per Mcf of gas produced and sold from each utilized well. The Commission's royalty shall be prorated based on the fractional portion of the drainage area of each well within the Commission's reserve.

The proposed lease agreement also provides an option for Little Pine Resources to conduct exploration and development operations on the Game Land surface. If a gas well development occurs on State Game Land surface, Little Pine Resources will pay an additional \$500 per acre bonus, or \$360,500, and well location and surface damage fees of \$20,000 per well pad site. All monies will be deposited into the Game Fund. Royalty amount not specified. Total Bonus Payment is 2 X \$360,500 = \$721,000. Commission gets \$360,500 any day now.

Further, Little Pine Resources will provide 300,000 cubic feet of free gas annually for the Commission's use. Little Pine Resources will adhere to the reclamation and revegetation requirements as specified by the Commission's Land Management Group Supervisor.

52 As additional bonus, Little Pine Resources will also convey a 10-acre parcel of land to the Commission as depicted on the attached map (Exhibit 2 OGM-6), page 68 of the agenda. This parcel will provide public access to a portion of the State Game Land in which the Commission currently has no legal access. Commission gets 10 additional acres.



**Summary of  
 Pennsylvania Game Commission Revenue  
 Diverted from the Game Fund – January 2008 – 2009  
 All Leases Approved in Official Board of Commissioner’s Minutes**

**Total Revenue Diverted for January 2009**

**\$5,500,000 ? Or \$11,000,000** 8/7/09 Update **Federal Register** said **\$8.72 Million**

**Federal Register Notice of Palmerton Settlement**

**Federal Register** /Vol. 74, No. 151 / Friday, August 7, 2009 /Notices **39713**

**DEPARTMENT OF JUSTICE**

... Under the terms of the Amendment, the Defendants will make a payment of \$9.875 million to be used to restore, replace, or acquire the equivalent of natural resources injured as a result of releases of hazardous substances at the Palmerton Zinc site. The Defendants will also pay \$2.5 million for damage assessment costs. In addition, the Defendants will transfer twelve hundred acres of valuable property to the Pennsylvania Game Commission and discharge a mortgage on a nature center located at the Lehigh Gap.

**\$9,875,000** PGC will share this money with DEP, DCNR, PFBC, NOAA, NPS, & USF&W  
**\$8,720,000** King’s Manor with ALL Mineral Rights for PGC use only  
**\$2,500,000** Damage Assessment Costs

**\$ 554,425** deposit not specified  
**\$1,529,190** deposit not specified  
**\$3,500,000**  
**\$3,500,000** for land deposit unsure?  
**\$ 20,000**

**Total Cash Revenue Diverted** **>\$ 9,020,000** **Jan 09** **May be greater than \$ 14,603,615**

**Total Revenue Diverted** **\$2,067,260** **Jan 08**

**Total Revenue Diverted** **\$ 225,100** **Apr 08**

**Total Revenue Diverted** **\$6,230,000** **June 08**

**Total Revenue Diverted** **\$ 170,000** **Oct 08**

**Total Revenue Diverted** **>\$ 9,020,000** **Jan 09**

**Total Cash Revenue Diverted** **>\$17,712,360** **Jan 08 – Jan 09** **May be greater than \$23,295,975**