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Senate of Pennsylvania

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**TO:** All Senators

**DATE:** August 15, 2011

**FROM:** Senator John P. Blake

**SUBJECT:** Marcellus Shale Leases – Surface Owner Consumer Protection

In the near future, I will introduce legislation to ensure that property owners who have negotiated mineral rights leases with drilling companies are properly informed on future credit-related issues pertaining to such leases.

Gas companies will typically use company assets – including mineral rights leases with landowners – to finance company operations. These companies will then mortgage the mineral rights leases on properties to secure credit.

Landowners are often unaware of the mineral rights mortgage until they attempt to use their land to secure financing of their own and a title search reveals the drilling company's mortgage.

It is then up to individual lending institutions to accept or reject a landowner's loan application. Some institutions may reject their loan applications because of the existing mortgage on the property's sub-surface rights.

My legislation will amend the requirements for these leases by providing for the following:

- Any lease agreement for the purposes of granting mineral rights shall include a specific provision notifying the owner or lessor that such a lease agreement may be the subject of a mortgage by the drilling company
- Within 30 days of the recording of any mortgage of these leased properties, the company shall notify the landowner

I was alerted to the issue by the article I've attached for your information. This is a consumer protection matter I ask you to consider separately and apart from any ongoing Marcellus Shale policy debate or discussion.

If you would like to co-sponsor this legislation, please contact my office at 717-787-6481. If you have any questions, please contact Kyle Mullins at [kmullins@pasenate.com](mailto:kmullins@pasenate.com).