



## Parks, Recreation and Historic Preservation

*March 13, 2015*

### *Allegany State Park Gas Storage Lease Summary*

*Parties: New York State and National Fuel Gas Supply Corporation*

The Limestone Storage Field located in Allegany State Park has operated since 1964 under a lease, originally issued by New York State to the Felmont Oil Company and acquired by National Fuel Gas Supply Corporation in 1990. The storage field currently contains 14 storage wells which provide gas service to several Western New York counties. For the last several years, New York State Parks and National Fuel Gas Supply Corporation have been negotiating the terms of a new lease that will extend this agreement.

The New York State Office of Parks, Recreation and Historic Preservation will hold a public information meeting on the proposed lease with NFG on Monday, March 16 from 7:00 p.m. – 9:00p.m. at the Salamanca Senior High School located at 50 Iroquois' Drive in Salamanca. An extended public comment period will allow for further comments until Tuesday March 31, 2015. For those interested in submitting comments regarding the natural gas storage lease may do so by e-mailing their comments to [Alleganylease@parks.ny.gov](mailto:Alleganylease@parks.ny.gov).

This lease renewal reduces the underground footprint, doesn't allow for expansion and provides all the benefits of the previous agreement including annual payments and usage of natural gas free of cost to the largest acreage state park in the system.

Under this lease, there will be no changes in operations and therefore, no additional impacts to the park.

The new lease between the State of New York and National Fuel Gas Supply Corporation (NFG) include the following key terms:

- NFG acknowledges that the leased area is within a New York State Park which is open to the public and is available for all forms of outdoor recreation during all four seasons of the year, even within portions of the area subject to the new lease;
- The term of the new lease shall be fifteen (15) years and shall commence on July 1, 2015 and terminate June 30, 2030, which is substantially shorter than the previous 50-year lease;
- The acreage subject to NFG's storage rights is reduced by 1,608 less acres from the prior lease;
- The lease authorizes NFG to continue to maintain and operate the existing underground storage facility, which includes 14 well locations. However, the lease prohibits expansion of the facility. The lease includes the following provision: "Lessee is prohibited from: a) creating new well locations or injection point locations beyond existing well area clearings; b) constructing new access roads; c) expanding the width of existing access roads, other than de minimis clearing

necessary for maintenance of existing facilities; d) cutting or clearing vegetation, except for de minimis clearing necessary for maintaining existing facilities; e) increasing the maximum pressure under which the gas is stored (over and above the average maximum pressure attained under the 1964 Lease); or f) introducing into, under or on the Affected Land any additional pipelines or other infrastructure”;

- Annual lease payments paid to the State under the new lease will increase substantially and will range between \$84,000 and \$101,000;
- Allegany State Park will be entitled to supply of natural gas for park use free of cost with allocations not to exceed 2,000 Mcf;
- NFG will be subject to all applicable statutes, laws, rules, and regulations, including, but not limited to, the regulations of the New York State Office of Parks, Recreation and Historic Preservation and those regulations applicable to the operation of the underground storage facility;
- NFG will assume all risks in the performance of all of its activities under the Lease and will insure, defend, indemnify and hold harmless the State of New York and the Office of Parks, Recreation and Historic Preservation against any and all claims, suits, losses, damage or injury to persons or property; and
- NFG must obtain approval from State Parks regarding the times and routes to be used to move machinery, equipment and supplies within Allegany State Park.

Once approved by the Office of the State Comptroller, the final lease agreement will be made available for public viewing on [www.nysparks.com](http://www.nysparks.com).