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The financial woes plaguing the nation's second largest natural gas explorer, Chesapeake Energy Corp., have made for headline fodder recently, but some Pennsylvania energy attorneys said the company's problems are indicative of larger trends: the floundering price of "dry" gas and the ongoing shift of drilling operations from Northeastern Pennsylvania to the southwestern portion of the state and Ohio.

But attorneys on both the industry and landowner sides of the oil and gas practice said that while the shift has had some effect on the nature of the work they're seeing, it hasn't changed the volume of work much.

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"What puts Chesapeake in the news is largely the price of gas," said Kevin L. Colosimo, managing partner of Bureson LLP's Pittsburgh-area office. "But for the low selling price of gas, these issues with Chesapeake probably would have never reached the forefront."

Colosimo explained that Chesapeake, his firm's largest client, had been heavily invested in the exploration of dry gas — gas that is almost pure methane — but has recently begun shifting its natural gas investment toward "wet" gas, which is a combination of methane and other components such as propane, benzenes and ethane.

And, according to energy lawyers, the company is not alone in this shift.

The reason, according to Colosimo, is that dry gas has dropped in price to around \$2 per 1,000 cubic feet, while wet gas remains in the \$6 to \$7 range.

The gas found in Northeastern Pennsylvania, Colosimo explained, is more pressurized and therefore more "dry" than the gas found in the southwestern region of the state as well as in Southern Ohio.

According to Kenneth Komoroski of [Fulbright & Jaworski](#) in Pittsburgh, who does not represent Chesapeake, drillers are finding it more and more difficult to remain profitable in Northeastern Pennsylvania. As a result, lawyers said, drillers are moving their northeastern rigs south.

"I don't want to suggest they've all moved, because there is a cost associated with not drilling and losing leases. You have to drill at some level or risk the expiration of leases," Colosimo noted, but added that, in general, "rigs move to where the action is."

For law firms with diversified energy practices and the ability to also go where the action is, the shift has not disrupted business, attorneys said.

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"We're not seeing more work, just different types of work," Komoroski said, explaining that his firm has started to see more transactional work on the wet gas side than on the dry gas side.

But Komoroski also made it clear that while Chesapeake is not the only company to shift its focus from dry to wet gas, the companies' financial issues are not indicative of the health of the drilling industry as a whole.

The company has come under media scrutiny recently as its shareholders call for the ousting of Chief Executive Officer Aubrey McClendon in the face of mounting debt.

"We don't see any ripple effect [across the industry] from the travails Chesapeake has been experiencing," Komoroski said.

Meanwhile, Colosimo said Chesapeake continues to be Bureson's largest client.

He added that having a presence throughout the Appalachian Basin has helped his firm to remain busy, even as drilling in Northeastern Pennsylvania has slowed.

"We're fortunate that our work is diversified across the basin," he said. "If we just did work in the Northeast, we would be struggling right now, but the fact is that we have a lot of work in the southwestern part of Pennsylvania, as well as a lot of work in Ohio and West Virginia. As a result, we're able to move with the rigs."

Meanwhile, Colosimo said, meager gas prices have actually led to more transactional work for Bureson, as major companies that can afford to take risks in the short-term while prices are low in hopes of turning a profit in the future buy acreages from smaller companies that don't have the same luxury.

"What happens in a price environment like this one is certain people can't afford to be in anymore, so they sell [their acreage] or their strategy changes and that tends to favor the big guys, the Exxons of the world, because they can weather the price," he said. "Exxon, the biggest producer of natural gas in the world, can look out 15 or 20 years like it's nothing, whereas a smaller company may only be looking ahead quarterly or annually."


Steve Saunders, a Scranton-based oil and gas lawyer who focuses his practice on representing landowners, said he has seen a number of natural gas companies turn their attention away from Northeastern Pennsylvania in terms of new transactions, particularly in Bradford and Susquehanna counties.

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Saunders said he's had a number of clients who lost the leases they signed when the drillers simply decided to let them lapse.

"Given the low price of gas now, a lot of these companies are really looking closely at where their dollars would best be spent," he said, adding that it's "a real tricky call" for drillers to determine whether to hold onto acreage in the Northeast without immediately commencing production.

"If you're not in a real high-producing dry gas county or township, there's a good chance your property's going to sit if it's been under lease," Saunders said of landowners in Northeastern Pennsylvania. "If the property hasn't been under lease, you're probably going to have to wait awhile" for an opportunity.

But, according to Saunders, the shift in the industry away from dry gas and toward wet gas is likely to have "zero effect" on industry counsel in Northeastern Pennsylvania since there continues to be so much drilling-related litigation in the region.

Likewise, he said, the only attorneys on the landowner side who are likely to be affected by the shift are those with little expertise in oil and gas law beyond simple lease negotiations.

Now that the transactional work is slowing, Saunders said, what's left is a lot of mineral rights litigation and lease disputes, not to mention legal malpractice claims filed by landowners whose lawyers improperly represented them in lease negotiations.

"To be honest with you, I never looked at transactional work as anything that would be a very long play here for attorneys," he said. "You had to figure after two or three years leasing would dry up and, probably a year or two after that, so would a fair amount of the pipeline agreements. If you're not prepared to get into oil and gas law at a really deep level, in a year or so you'll find it's time to get out and go back to your real estate practice."

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