

GAS SPURS BOOM IN STEUBEN TOWN

Huge increase in tax base allows Caton to fix roads, build cash reserves and lower taxes.

May 31, 2007

G. Jeffrey Aaron

Star-Gazette

The town of Caton, in the southeast corner of Steuben County, is realizing a direct benefit from the town's natural gas wells -- the town's tax base is growing by leaps and bounds.

Caton's 2006-07 town budget, totaling about \$66 million, includes an additional \$7.7 million in gas well assessments. For the 2007-08 town budget, the gas well assessments will increase by \$13.4 million, to \$21.1 million, and raise the value of the town's tax base to \$79.4 million, Town Supervisor Scott Van Etten said.

"It's like someone coming into town and building a \$13 million factory, but that will never happen here," Van Etten said.

While Van Etten said the Town Board has not jointly discussed how to use the windfall, he'd like to see it used next year the same way it was used this year; finance road projects, cut taxes and bolster the town's surplus fund. He'd also like to see more gas wells.

"I had no idea that we are sitting on the amount of natural gas that we are; we've been fortunate," he said. "We hope they drill more holes and make Caton look like a prairie dog town."

Natural gas deposits bring more value to the land because real property values also include what's under the ground, New York State Office of Real Property spokesman Joseph Hesch said.

"Local assessors can also assess the pipes and the actual hardware," he said. "That part is normally done with a cost approach, which means replacement costs minus any depreciation."

But the assessed value of the gas deposits, far more valuable than the equipment used to extract it from the ground, is based on the production rate of a well. In Caton's case, four producing wells pumped out about 5.3 million cubic feet of natural gas last year, according to Steuben County's Office of Real Property Tax Services. There are three other wells that are ready to be connected to transmission lines and potentially boost production even more.

The production figure used in the calculation for the current tax year is from the previous year's production. That figure, in this case provided by Fortuna Energy in Big Flats, is then multiplied by a state-determined value, \$5.95 per million cubic feet, and again by the town's equalization rate of 0.67 percent. All of the figures used can change from one year to the next, town officials said, which is why they are reluctant to use the new taxes to create programs that the taxpayers will have to finance out of their pockets when the gas tax payments decline.

But road repair projects, which don't have carry-over costs from year to year, are a different story. Caton, population 2,154 residents according to the 2005 census, is a 36-square-mile town made up of undeveloped rural land, farms and small pockets of residential areas. The town's

highway department, supervised by Michael Card, maintains about 66 miles of roads.

The highway department is operating this year on a \$428,600 road repair budget, up from a 2005 budget of \$393,100 that did not include gas tax money. The additional money available for next year is a question mark until the town begins putting its budget together this fall.

"We are working with (East Resources) on roads that they damaged, and they are paying to fix a lot of the roads," Card said. In Caton, East Resources drilled the wells and turned them over to Fortuna when the drilling was completed.

"We have a lot of dirt roads in the town that we want to put oil and stone on, after we stabilize the base. This gas is going to make a lot of people wealthier," said Card.

Those who aren't lucky enough to be included in a well field and don't receive royalty payments will indirectly benefit from lower taxes and improved roads, Van Etten said.