



THE EDWARD L. ROSE CONSERVANCY



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Natural Gas Impact on E.L. Rose

As you may know, the Edward L. Rose Land Conservatory receives a modest royalty for natural gas that is transported in a pipeline that crosses our property. While we are not proponents of fracking, we are not above cashing the small checks that come our way as a result of that activity, nor are we in a position to demand the pipeline be re-routed away from our property, even if we hold our noses while making the deposits. Recently, the check we received was a bit higher, which got us thinking about whether that represents a broader barometer of how the industry is doing in Pennsylvania.

Sure enough, according to an [online NPR story](#), natural gas production and prices in Pennsylvania are up. According to the state's Independent Fiscal Office's production report (to "drill" down to all the details look [here](#)) Susquehanna County led the way. The increases are a result of greater production from existing wells rather than a concerted effort to start new ones.

Statewide, the production rate of natural gas grew by 6.8 percent in the third quarter of 2021 yer-over-year, while the growth of new wells did not increase. Although Texas still accounts for the most volume of natural gas extracted, the trend shows that Pennsylvania (#2 nationally in volume) is growing at the fastest rate in the nation.

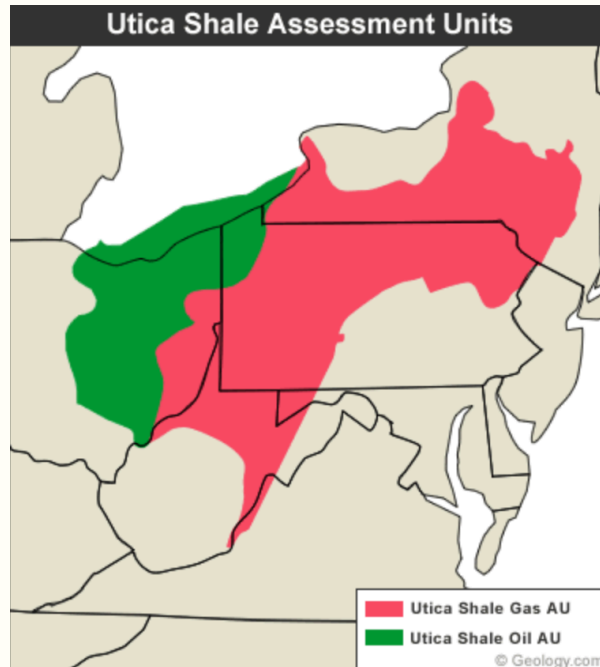


Table 3: County Production Comparison

Rank	County	Production Volume				Producing Wells			
		Year-to-date		2021 Metrics		Year-to-date		2021 Metrics	
		2020	2021	Share	Growth	2020	2021	Share	Growth
1	Susquehanna	1,224	1,197	21.4%	-2.3%	1,578	1,681	16.2%	6.5%
2	Washington	880	1,029	18.4%	16.9%	1,683	1,794	17.3%	6.6%
3	Bradford	694	846	14.3%	21.9%	1,312	1,395	11.7%	6.3%
4	Greene	764	803	15.1%	5.1%	1,159	1,209	13.5%	4.3%
5	Lycoming	333	365	6.5%	9.7%	875	917	8.8%	4.8%
6-10	Next 5 Counties	944	932	16.6%	-1.3%	1,800	1,868	18.0%	3.8%
	All Other	409	427	7.6%	4.3%	1,436	1,500	14.5%	4.5%

Note: Horizontal wells only. Production in billion cubic feet. Next 5 Counties includes Wyoming, Tioga, Butler, Allegheny and Sullivan Counties.

Volume is one reason why our royalty check was higher. The other factor, of course, was price. Pennsylvania Q3 gas price was 187% higher than the same quarter last year (\$3.54 per metric million British thermal units versus \$1.23). As you can see below, as of 1/28/22, the spot price for gas is now much higher still, and the sky's the limit if war breaks out in Ukraine.



We look at our royalty checks as a modest payback the industry is making to promote conservation.

A PSA on Bats



And now, a few words from the bat constituency.

Long thought of as a nuisance, a scary nuisance at that, the bat lobby is hard at work trying to impress upon us ignorant humanoids that they don't deserve the reputation they've acquired.

Did you know that bats make up one out of five mammals on the planet? 20% is a big number to just write off as unwanted or insignificant. In fact, bats act as useful barometers of ecosystem health. When they are under stress, it's a warning sign for the rest of us. They've been swooping and swarming for 50 million years and if you had the time and inclination, you could identify more than 1,400 different species of the critter.

"Blind as a bat?" Not true. The result of alternative facts, perhaps. Bats can see just fine. But their preference for nocturnal activity and reliance on their proprietary radar—echolocation—works best for preying on insects that also tend to emerge at night. And the amount of insects they ingest defies the imagination. Knowledgeable bat aficionados have determined that the well-known colony of bats that congregate under Austin Texas' Congress Avenue Bridge every summer—numbering about a million—rid the area of 20,000 pounds of insects. Each night! Do the math—each bat is ingesting roughly half its body weight in bugs. And the pregnant ones are literally feeding for two; they ingest 100% of their body weight. Each night!



By picking off such prodigious amounts of pests they directly save farmers on the order of \$23 billion each year in pesticide savings. And they don't work on commission.

But they are not just insect ingesting stations. They are critically important dispersers of seeds and pollination of plants. Are you a fan of tequila? You can thank bats every time you sip— that agave plant that sourced your tequila was most likely pollinated by a sympathetic bat. Although they “fly by night” don't assume bats are here today and gone tomorrow. Some species live into their forties. That's a long time to fight off habitat destruction, climate change, invasive species, and a pernicious little-understood disease that has been ravaging bats since 2006, called White-Nose Syndrome, or WNS. It's a fungal growth that results in the “white nose” and its spread has biologists spooked.

WNS has been particularly tough on little brown bats which face extinction from this disease. Without bats, restoration of clear-cut forests would be a taller task. Their propensity to defecate seeds in flight does a better job of re-populating open space than most other contributors, like birds.

Our Conservation Specialist, Kristi Sullivan, tells us, “There's a big brown bat maternity colony of over 100 bats at the farm where we are hoping to place an easement. Big brown bats have fared the best when it comes to fending off WNS. The Conservancy has placed several bat boxes on our fee simple properties over the years.”

Bottom line in this Public Service Announcement: Bats got a bad rap. Let's give them a second look. The E.L. Rose Conservancy is already on board.

A Few Thoughts on the Case for Conservation Easements



Did you know there are nearly 15,000 registered non-profits in this country whose mission is protection of the environment or animal welfare?

And there are countless others that are unregistered. Between saving coral reefs, the snail darter, the proliferation of micro-plastics, climate change—the list is endless—the amount of time, energy, money, and advocacy expended in the name of making our home a better place now and in the future is stupendous.

While we are a tiny contributor, it takes the collective efforts of so many to move the needle on managing the health of this planet. Not all non-profits are created equal in terms of how much of their donations are devoted to overhead as opposed to programmatic expenses.

The Better Business Bureau Wise Giving Alliance set a standard that a non-profit needs to dedicate no less than 65% of its expenditures on program. To earn an A Rating the organization needs to be in the 75% or higher category. The classic non-profit scammer devotes significant amounts of their revenue to raising more revenue, not furthering the aims of the organization. That does not mean that the larger organizations necessarily are less focused financially on their mission. The Sierra Club, for example, devotes nearly 90% of its revenue to program efforts. While we have not sought a rating from the BBB we would be comfortably in the highest category as well, were we to do so.

The Partnership for Conservation is a private non-profit organization that lobbies for expanded use of conservation easements. Shamelessly stealing from them, here is a quick summary of why what we do at E.L. Rose deserves your support.

Why Are Easements Important?

In a nutshell, easements are legally-binding agreements that property owners voluntarily pursue to limit the future development of their land. The easement is given to a non-profit entity such as ours—one of 2,483 such organizations in the United States. The impact of such land-use decisions is to ensure that communities preserve environmental sustainability.

The Tax Code Encourages Conservation Easements

It is no surprise that altruistic behavior, like preserving open space, woodlands, and farmland, is enhanced when there is a financial incentive to do so, probably the biggest boost to such decision-making occurred in 2015 when Congress made conservation tax easement deductions permanent.

As we have discussed in previous newsletters, under Section 170(h) of the Internal Revenue Code, landowners deduct the appraised value of their easement donation up to 50% of their adjusted gross income. If you're a farmer or rancher and more than half of your annual income is derived from agri-business, your conservation easement deduction may offset ALL of your adjusted gross income. Given the current state of politics in our country today, you will already know there is heightened scrutiny as to the legitimacy of "appraised values" of property whose easements generated claims of enormous tax deductions.

How Much Is A Conservation Easement Worth?



If you are in a position to donate land easement to the E.L. Rose Conservancy make sure that your appraisal is done by a reputable qualified appraiser who is familiar with land values in your area, is authorized to do so, and has no conflict of interest that could impact their assessment.

What You Can and Cannot Do With Your Donated Land

Here is a quick summary of the impact an easement donation will have:

Landowner Rights Before Donation

- the right to build homes and other structures,
- the right to farm
- the right to minerals
- the right of access
- the right to timber
- the right to exclude others from the property
- the right to rent or sell the property
- the right to subdivide the property
- the right to restrict use of the land in certain ways

Landowner Rights After Donation

- the right to a home
- the right to use existing farm buildings
- the right to farm under certain conditions
- the right of access
- the limited right to timber
- the right to exclude others from the property
- the right to sell or rent the property

Conservancy Rights After Donation

- the right to limit construction of homes and other structures
- the right to limit or require certain farming practices
- the right to limit mining
- the limited right of access
- the right to limit tree removal
- the right to limit subdivision of the property

Easement Gifting Has Value to the Donor but isn't Cost-free

It takes resources to provide stewardship to land that has been donated to a land trust. The land must be monitored each year, a cost the land trust assumes when it accepts a parcel. We go through a rigorous process of determining what those costs will be to add such a gift to our portfolio. And we expect the donation to come with the appropriate dollars to take on that responsibility. That's all part of the negotiation we undergo with a prospective donor.
