



MARCELLUS

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Trust and large sums of money

Where large sums of money are concerned, it is advisable to trust nobody.

— Agatha Christie

By R. BROCK PRONKO
Regional Business Analyst

Since 2008, Pennsylvania farmers have dealt with a drought, record fuel prices, an unprecedented milk price collapse, grub infestations and flooding from torrential rains.

These events have caused many fiscally conservative farmers to put off purchasing new equipment. Then one day, they get a call from a lawyer who tells them that an oil & gas company wants to buy their mineral rights to drill for shale gas.

The bonus signing offer is staggering, as is the promise of future royalties from gas coming out of the wells.

Managing sudden wealth will require a crash course in financial planning and tax preparation. Who are they going to call for advice?

In Washington County, a trusted name is Garrett Hoge (pr. hoag), certified financial planner, and president and CEO of



Hoge

H Financial Management, which is located at Southpointe Office Park in Canonsburg.

Southpointe hosts the offices of the Marcellus Shale Chamber of Commerce and more than 50 Marcellus-related companies including Halliburton, Range Resources, Consol Energy, DPS Property, Chesapeake Energy, Columbia GAS, EOG Resources and Cameron Equipment.

Hoge's proximity to Marcellus companies and his vast knowledge of the gas industry are not the reasons he's earned the farmers' trust, but rather his reputation for honest business, and the fact that he grew up on a farm and his family's name is well known in the county.

The Hoge family founded and laid out the plans for Washington, Pa., in 1781 and later donated the property where the Washington courthouse now stands.

"I've been in business for over 30 years and have built relationships with many landowners, but you have to be

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Huntingdon chamber event drills into questions

By TERESA MULL
(Huntingdon) Daily News Staff Writer

HUNTINGDON — Issues surrounding the extraction of natural gas from the Marcellus Shale formation have been a matter of hot debate recently, and though Huntingdon County is not an area of high-impact drilling, residents still have questions.

"This is a national conversation," said Chuck Allen, Penn State Cooperative Extension senior educator, whose overview of the history and development of Marcellus Shale drilling was the first of three presentations at the Huntingdon County Chamber of Commerce seminar, titled, "Legislative and Legal Aspects of Marcellus Shale," held April 26.

A majority of the legislative and legal ramifications stemming from Marcellus Shale drilling is concerned with unconventional gas wells. To make clear what is meant by an "unconventional gas well" Allen offered



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very careful in those relationships because a single misstep can ruin your reputation overnight," said Hoge.

One would expect "hands-on-wallet" farmers to put away a good portion of their newfound wealth for a rainy day, but surprisingly, Hoge finds the opposite is true.

"A lot of farmers think their windfall is such an enormous amount of money that it can never be exhausted, whether that's half a million dollars or two million dollars.

Typically, they pay off their mortgages, repair or replace aging barns and silos, buy a top of the line tractor, a luxury pickup truck or car, and then give a lot of money to their children and grandchildren.

"When farmers come into large sums of money they have a hard time dealing with the fact that they're suddenly in a 35-percent tax bracket, and after adding up the spending and taxes, there's sometimes not a whole lot left over."

Hoge's job is to persuade the nouveau riche farmers to think long term and to plan their estate as carefully as they used to budget their money before the windfall so there's enough money left after taxes to provide for their families when the wells have run dry.

"You can't blame the farmers for



Montanye

being skeptical about letting other people manage their money, and they should be skeptical," said Hoge.

"I laugh when I'm driving on the road and read the signs of attorneys, CPAs and

stock brokers all saying "We specialize in Marcellus shale gas leases" — suddenly everybody's a gas lease expert!"

In Williamsport, Nancy Montanye, CPA, CFP, prepares taxes and does financial planning for Marcellus landowners, gas workers and Marcellus-related companies.

Montanye is a member of the Marcellus Shale Task Force of the Pennsylvania Institute of Certified Public Accounts.

"We formed the task force because we believed it was necessary to have a group of CPAs in Pennsylvania that were knowledgeable in tax matters and other financial issues facing Marcellus clients," said Montanye, who's conducted Marcellus seminars for CPAs and for the public through Penn State Extension.

"My clients have gotten their bonus checks and in some cases the wells have already been drilled, but their royalties won't start rolling until later

this year," said Montanye.

Their main concern now is taxes, because estimated taxes have to be paid quarterly.

"I'll start by looking at the legal entity they selected for their estate, because unless otherwise specified the IRS has automatic defaults for different set-ups such as LLCs, which can affect how much tax they have to pay.

"A landowner's tax situation becomes a lot more complicated when he goes from an individual filing to filing as a business entity, because there are many options to consider, and I explain those carefully to my clients so they can choose which best fits their situation," said Montanye.

Many of the gas workers she's prepared taxes for have moved into the state from Louisiana, Texas, Colorado and Wyoming.

"Whether or not they are here to stay is up in the air right now," said Montanye.

"One of my clients told me that he's moving back to Texas with his company because the impact fee is lower in Texas and there's very little opposition to the drilling.

"Some of the other gas workers told me the reason they're leaving is due to the low price of natural gas. So I don't know what to believe, but it looks like I'll be losing some of my clients soon."



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