



## Land conservation bank fills niche

By: Sarah Terry-Cobo The Journal Record April 19, 2018 0



Workers at a site of a pipeline under construction along state Highway 75 north of Horntown. (Photo by Brent Fuchs)

HORNTOWN – Wayne Walker and Preston W. Smith found an opportunity to fill a niche in a relatively underdeveloped market. They’re conserving land to help protect endangered and threatened species.

They’ve made great gains since forming their businesses in late 2012, including documenting the increase in black bears, a species that had been rarely spotted in Pittsburg County.

But getting startup money wasn’t easy, in part because their niche product isn’t well-known and carries tremendous risks. Some conservation banking programs, such as those with wetlands, haven’t worked out well, said Smith, managing partner with Wildwood Credits.

“It is a tough sell to do a conservation bank for any species, even with sophisticated investors who know about wetlands markets,” Smith said. “There are a million things that could go wrong and a few things that could go right.”

Smith and Walker work together to run a land conservancy program in eastern Oklahoma. Walker is the CEO and principal of Common Ground Capital. They buy land and improve the habitat, which is part of a conservation bank and mitigation credits program for the American burying beetle, an endangered species.

Anyone who disturbs the land in the insect’s habitat must do one of two things before moving any dirt: survey the area to determine if any American burying beetles actually reside in that tract; or buy conservation credits from Smith and Walker. Buying credits is generally faster, because the surveys can be done only in certain seasons.

Nathaniel Harding said his oil and gas exploration company, Antioch Energy, purchased beetle bank credits. It was relatively simple to obtain the credits; he pays per acre of disturbed land. That equates to about \$15,000 per well, about 1 percent of the well’s cost, depending on how it is drilled and hydraulically fractured.

“It is in our interest to have permits and credits everywhere we’re operating, so we can develop our assets without any delay,” he said.

His company is a private-equity-backed company, so he will find the sweet spots and then sell the land leases and producing wells as a package to another company. They have to operate diligently so there’s no lingering risk, endangered species or otherwise, when Antioch gets ready to sell.

“There is a balance; do we have all the land reviewed or just the land we’ll develop in the near-term?” Harding said. “If you judge the wrong way, it might cause a delay later down the line.”

Drilling in the Arkoma Woodford play, also called the East Arkoma STACK, has increased in the last few years. In Hughes and Pittsburg counties, there were 59 drilling permits approved in 2016, 129 approved in 2017 and 27 approved from January to April 5, according to data provided by the Oklahoma Corporation Commission.

Smith said he couldn't make a direct correlation between increased drilling activity and higher demand for the program's credits; that would be speculation. But the program has made it more efficient to purchase credits than to do the beetle surveys, which could have led to the increased demand.

"It's not necessarily dollar-for-dollar cheaper, but it is a time savings and efficiency savings, so it justifies the cost," Smith said.

The conservation easement for the insect has grown to more than 7,000 contiguous acres that will be preserved in perpetuity. That's helped re-establish corridors so that animals can move freely without having to cross roads, neighborhoods or other human development. Walker said that they've improved both the flora and the fauna in the conservation tract. Prescribed burns have helped native grasses thrive. The black bear sightings are important, because when an apex predator is present, it's a sign of a healthy ecosystem.

There are other places where adding predators can help the habitat for all the creatures living there. Wolves were reintroduced to Yellowstone National Park in the early 1990s, after being absent for nearly a century. Though both wolves and grizzly bears prey on elk, the elk carcasses have been an important food source for bears in years when food was low. Preliminary data show wolves' recovery in the park will likely lead to improved biological diversity in the greater Yellowstone ecosystem, according to the National Park Service.

But for Smith and Walker, conservation credit banking is a risky business, because they must improve the land first before they can sell the credits. So they have to judge how much the market will grow, make an investment and hope their prediction is accurate.

They can't go to traditional lenders, either. Big banks just don't have enough information about nascent markets with lots of risk. Any other physical structure, like an electric transmission line, an oil well, or a wind farm has established markets that attract major investors.

They started their business with money earned from prior careers and from investors who are looking for alternative investments. But they've got to do a lot of education first. Land Legacy Executive Director Michael Patton said his conservation easement organization has purchased several American burying beetle credits in Pittsburg County.

He said he's in favor of mitigation banks like theirs, even though there have been abuses in some wetland banking systems. But Walker and Smith's program has well-documented evidence of the beetle and its habitat preservation.

Patton said he understands why traditional investors are hesitant to put money into a conservation program; they want improvements they can document and show value in the county's land records. He's seen land value double in a year because a new road or new shopping center was built.

"With ag land, it is so speculative; land is truly the great frontier," he said. "The American burying beetle is site-specific; they have plenty of documentation and proven this is the critter we're protecting."

Smith said he and his colleague believe the work is a private investment in a public good. There are tangible and intangible benefits from preserving land from development.

"When you see folks in industries who maybe don't like having to pay for these externalities, well this is new and fundamentally different. Change is hard," Walker said. "Change is inevitable, too."



***The Journal Record's 2018 Earth Day report focuses on conservation, from trees and insect habitats to keeping stuff out of the landfill that could be reused or recycled. [Click here to read more.](#)***

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