



The Golden Egg in the Shale

Young industry still pushing

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Not many "golden eggs" have been laid in Pennsylvania since the days of Andrew Carnegie and Henry Clay Frick. That drought may end with the Marcellus Shale formation holding natural gas under most of the state.

And despite attempts by the state and various interest groups to slay the goose laying the egg, the gas will always be there, so it's simply a matter of "if and when" the current drilling and exploration expands or recedes.

Each time the governor or General Assembly mention the words "fiscal crisis" or "increased revenues", the words soon to follow are "Marcellus Shale severance tax."

State Department of Environmental Protection (DEP) Secretary John Hanger told a Pittsburgh audience Monday, "In private, the gas companies are practically laughing at their good fortune of not having to pay a severance tax in Pennsylvania. It's indefensible."

"No one's laughing when they are putting so much money into wells, construction and exploration," replied Kathryn Klaber, president and executive director of the Marcellus Shale Coalition (MSC). The gas exploration industry produced more than \$1 billion in state business and personal taxes, along with state leasing fees in this year alone, Ms. Klaber noted.

With thousands of new jobs created and being created around the state through Marcellus Shale drilling and exploration sites going 8,000 feet underground, in what is a nascent state industry, "the severance tax idea makes no sense," Ms. Klaber said. Ideas pending in state budget discussions would tap the industry for about \$160 million to \$180 million in the first year.

Mr. Hanger, along with other environmentalists and ecological gadflies, are also watching every move made by the gas explorers to guard against damage to earth and water. Mr. Hanger said the public must be better informed about potential damages to the state's environment. He noted a proposed regulation relating to the amount of total dissolved solids (TDS) being deposited into state waterways by drilling. If the regulation is approved, drilling affluent will have to be as clean as drinking water.

"The problem of TDS was well known in Pennsylvania, long before anyone ever heard of Marcellus shale," Ms. Klaber said. "To target Marcellus shale doesn't make any sense." The TDS problem can also be attributed to sewage, road salts, coal mines, agricultural chemical runoff and a number of other sources, she said. In Pennsylvania, about 40 percent of all water wells are contaminated by naturally occurring methane gas slightly below the surface of the ground, she added.



"Hydraulic fracturing (the method used in shale drilling) has never been linked to water contamination," Ms. Klaber said.

And, while Mr. Hanger called for toughening gas well construction standards, Ms. Klaber said the industry is far ahead of regulators in that area.

The Marcellus shale in Pennsylvania is one of several shale deposits being tapped around the country. Others are in Texas, Louisiana, and West Virginia. The exploration investments and start up costs, the availability of capital, the gas market and the business environment are factors that investors consider in looking at where and when to take their financial gambles, Ms. Klaber said.

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