

# Marcellus Shale gives some small economies a big boost

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Chambersburg Public Opinion

The boom in northern and western Pennsylvania isn't coming just from drilling for natural gas.

Businesses across the board are benefiting from the exploration of Marcellus Shale, according to Timothy Kelsey, Penn State professor of agricultural economics.

Kelsey spoke to two packed houses at the Greater Chambersburg Chamber of Commerce on Friday.

"My sense is people aren't paying a whole lot of attention (outside the Marcellus Shale region,)" he said.

The fracking for natural gas has changed lackluster county economies almost overnight. People have been spending money. State sales tax revenue increased by 11 percent in counties with more than 150 wells during the recession, between June 2007 and June 2010. Sales tax revenue declined in the rest of Pennsylvania.

Bradford County banks had too much money at one point during the national banking crisis, and were uncertain where to invest it outside the county, Kelsey said. Property owners earning money from the drilling companies had paid off their loans and mortgages.

"There's a lot of uncertainty" Kelsey said. "We talk anecdotes. We simply don't know what's going on. We don't know what the risk is, who benefits and who bears the cost."

Some people are getting rich. Some aren't.

n Land owners are paid about \$2 million per well. Royalties paid to property owners are subject to state income tax, but not local income tax.

n Rents have doubled and tripled in Bradford County.

"They price gouge," said Susan Hockenberry, office manager of Valley Directional Drilling Inc., Shade Gap. "There are no motel rooms in Galeton."

She attended Kelsey's talk to find out a little more about the economies of Marcellus Shale. All seven crew members of Valley Directional Drilling are in Potter County. They work six days a week boring horizontal holes under roads and streams for gas distribution lines up to 60 inches in diameter. Three stay in motels. Four have slots in a modular housing complex known as a "man camps."

But even with the high cost of living in a boom town, the job is worth it, Hockenberry said.

Perry Crouse had experience working on a pipeline and in 2000 started Valley Directional Drilling. The two employees drilled under roads and streams for local utility lines. Word of mouth got around. He had the equipment, skills and reputation. The company operates four rigs in the Marcellus Shale region and recently purchased a new million-dollar drill.

Hockenberry said she has no idea how long the company will work up north.

"As long as they need it, we're going to do it," she said. "As long as it lasts."

Robert Bush, a surveying supervisor with Triad Engineering Inc. of Hagerstown, Md., was also among the 60 who came to hear Kelsey. The rough economy heightened the company's awareness of the Marcellus Shale potential. By signing agreements with energy companies, Triad is on deck for future surveying, engineering and development of well sites.

Kelsey said the rush of cash and jobs in an energy boomtown lasts just a few years, then drops off suddenly as drilling drops off. Pennsylvania may see 50,000 wells in less than 25 years.

There's talk of a direct flight from the airport in Williamsport to Houston, Texas, Kelsey said. A third of the people flying to Lycoming County airport are associated with the gas industry.

"At some point the resource will be gone," Kelsey said. "We want to make sure communities will be as well off, if not better off, when the gas is gone."

Over the next quarter century, drillers can recover natural gas, worth an estimated \$1.2 trillion, in the largest hardwood forest east of the Mississippi.

Local entrepreneurs are adjusting to the new economy. A Towanda jeweler cannot keep on hand enough \$1,000 diamond broaches shaped like drilling rigs. A lunch truck also offers aspirin and socks to workers on the drilling pads.

"Are there other businesses that can be attracted to Pennsylvania because of the gas supplies? That has not been explored fully," Kelsey said.

Meanwhile, government has just a few years to come to grips with other issues:

n Courts are considering what municipal governments can regulate.

n The state does not own mineral rights under most state parks. In many cases the original owners of the land still retains the rights, and the state cannot cut off access to the resource.

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