The Daily Item, Sunbury, PA

*February 16, 2011*

# Professor: It is the boom years for Marcellus Shale industry

## Keeping the dollars local is key

*By Evamarie Socha*
**The Daily Item**

— LEWISBURG — While Pennsylvania's Marcellus Shale industry is valued now at $1.46 trillion in recoverable natural gas, it's the boom years — about 15 years that a well is in development — that make the most money before the funds start falling off. What comes next is what all Pennsylvanians need to think about, a Penn State professor who studies the industry told a gathering Tuesday in Lewisburg.

Keeping the dollars local is key, said Timothy W. Kelsey, professor of agricultural economics and rural sociology in Pennsylvania State University's College of Agricultural Sciences. But so is deciding a tax situation for the gas industry and devising a plan that lets the state ride the ebb and flow of the business so it's not left with a boom-then-bust situation.

"The more money that stays local, the more impact there is on the economy," Kelsey told the crowd of about 80 at a luncheon sponsored by the League of Women Voters of the Lewisburg Area. "The challenge is how do we make sure the dollars stay local."

There are three phases to gas drilling: development, production and reclamation, Kelsey said.

Development is the most critical, a fast and labor-intensive time that includes everything from well-pad construction to drilling to fracking to partial land reclamation, he said. The most money occurs during the drilling phase.

This time involves the most people, and the jobs required during development spike, Kelsey explained. The benefit lies in getting that money spent locally, he said.

The production phase, when wells produce gas, and the reclamation phase, when a well is done and dismantled, are less labor intensive; therefore, there's less money to move.

"Right now, communities are dealing with an influx that won't last forever," Kelsey said.

About 2,300 wells were drilled in Marcellus Shale between 2008 and 2010, according to the state Department of Environmental Protection. Bradford County has the most at 482. Second is Tioga County with 383.

Both counties are in the state's Northern Tier, which has seen such side effects as a lack of housing and a sharp rise in rents that rival those of large cities. Small businesses from dry cleaners to local construction companies have seen staggering revenue.

But "if you build for the boom, how do you handle building for the bust?" Kelsey said. "How do you plan up-front without that difference in income later on?"

For instance, about four new hotels were built in 2010 in Towanda in Bradford County, fueled partly by the lack of housing. If and when the people go away, there will be a lot of empty space to fill.

Community developers have to decide during drilling how to proceed, Kelsey said.

The most significant production from a gas well is in its first few years, Kelsey noted. For those who've leased their land, the royalties aren't finite; their checks get smaller as a well's production eases.

"Total royalties into the community grow with wells being drilled," Kelsey said. When the well's production slows or stops, so do the royalties.

While there are tens of thousands of wells drilled in Pennsylvania, no one knows exactly how much land statewide has been leased, Kelsey said. Each county does its own accounting, but that is not required.

The two with known estimates are Bradford County with about 93 percent of leasable land accounted for. In Lycoming County, about 76 percent of nonpublic land has been leased.