

 [Click to Print](#)

[SAVE THIS](#) | [EMAIL THIS](#) | [Close](#)

Posted on Sun, Oct. 24, 2010

# Shale gas industry survived tax debate, but image suffered

## Pa. drillers act to distance themselves from BP, Cabot Oil.

By Andrew Maykuth

Inquirer Staff Writer

Gov. Rendell called it quits last week on his yearlong effort to enact a Marcellus Shale natural gas tax. But Rendell was not the only loser in the tax debate.

The natural gas industry survived Rendell's effort to enact a severance tax on gas production, but its image has been badly battered by a confluence of negative publicity, starting with the tax debate and magnified by the BP oil spill in the Gulf of Mexico.

"As an industry, we're just doing a horrible job on communication until recently," said Matt Pitzarella, spokesman for Range Resources Corp., a Texas gas operator that has launched an aggressive Pennsylvania advertising campaign to differentiate itself among Marcellus drillers.

"If people don't know who Range Resources is, they think we're all BP," Pitzarella said.

The industry could see this coming.

A year ago, when Marcellus drilling companies were riding a euphoric wave, boasting that they were producing a clean-burning domestic fuel that would turbocharge Pennsylvania's economy, a Washington consultant named Steven A. Shapiro advised drillers to gird themselves for an inevitable public backlash.

Shapiro, a partner in a conflict-resolution consultancy called Certus Strategies, suggested a host of "outrage-management strategies" to "protect" the majority of the population from being influenced by anti-drilling activists. He made the presentation in November at the Pennsylvania Natural Gas Summit in State College.

His presentation - "Managing Stakeholder and Community Resistance to the Marcellus Shale

Gas Extraction Project" - has gotten renewed attention in the wake of recent controversy about the state homeland-security director's tracking of protests by activists, including anti-drilling groups.

Some Internet commentators suggested that Shapiro's presentation was an Orwellian attempt to manipulate public opinion. But the consultant's pitch seems to be as much about enlightening a maladroit industry that has an underdeveloped sense of community outreach.

"I think to some degree the industry has a certain bit of arrogance, sort of a take-it-or-leave-it attitude," Shapiro said in an interview. "That attitude exists across the industry because they're not used to being told no. They just don't have the training and capacity to deal with these local issues."

In his formal presentation, Shapiro's advice for dealing with fearful communities could have come straight from Dr. Phil: He suggested that the industry "engage and involve local stakeholders early" and "promise and demonstrate transparency, inclusiveness, fairness, accessibility, consistency, responsiveness, and trustworthiness."

Jan Jarrett, executive director of the environmental-advocacy group Citizens for Pennsylvania's Future, said she did not view the presentation as sinister, but as one part of a well-financed lobbying and public relations campaign.

"They're flooding the market with whatever they've got," she said, noting that one company had published a pro-drilling coloring book. "They're trying to influence public opinion."

In March, Rendell warned an industry conference in Dallas that "public opinion has begun to turn against shale drilling" and suggested that the industry accept a severance tax to placate the public.

"I don't think the industry's done a great job of public relations, number one," Rendell said. While opposition from environmental groups in Southeastern Pennsylvania was predictable, he said, "we're starting to lose the support of counties where the people are making the most money from the shale, where all the jobs are being created."

Regina Hopper, executive director of America's Natural Gas Alliance, who participated in the Dallas roundtable with Rendell, acknowledged that "a lot of energy companies were not quite prepared for the pushback on shale."

In the months to come, the opposition became even more energized.

The release of the HBO anti-drilling documentary *Gasland* presented a devastating, though factually challenged, industry portrait.

"Whatever you think of the film, it's had a huge impact," said PennFuture's Jarrett.

The April 20 Deepwater Horizon explosion in the Gulf of Mexico inspired international hand-wringing over all fossil-fuel development, including onshore gas drilling.

"In this industry, everyone is guilty by association because of these incidents," said Rolf W. Hanson, executive director of the Associated Petroleum Industries of Pennsylvania.

The Rendell administration stepped up regulatory pressure on Marcellus operators after the Gulf of Mexico spill. The Department of Environmental Protection escalated enforcement actions for drilling violations. State police launched crackdowns on illegal and overweight trucks. Each news release provided a new opportunity for administration officials to call for enactment of a severance tax.

In June, the blowout of a well in Clearfield County provided another backdrop to portray the industry as greedy and indifferent.

The administration's favorite target became Cabot Oil & Gas Corp., whose Susquehanna County operations were blamed for contaminating the private water wells of more than a dozen homes in Dimock Township.

As recently as March, in his remarks in Texas, Rendell referred to the Dimock incident as "relatively minor" and one of two "blown out of proportion a lot by the media."

But a month later, after the Gulf of Mexico disaster, DEP called for heavy fines on Cabot and ordered it to plug three wells to stop natural gas from leaking into residents' well water.

And then last month, dissatisfied with Cabot's remedies, DEP ordered the drilling company to pay for a \$11.8 million water main to provide clean water for 18 residents.

Cabot says DEP's actions are unfair and denies it caused the contamination. But in many ways Cabot set itself up as a target by failing to manage the outrage at the outset. Since residents first began to complain about contamination, Cabot has denied responsibility and treated the residents like potential plaintiffs, which, in fact, they have become.

Last week, DEP and Cabot were still trading shots.

On Wednesday, Cabot released a report that it said proved its wells were properly constructed and that gas was naturally occurring in water wells before it began drilling in 2006.

DEP Secretary John Hanger responded with an "open letter" to Dimock residents, saying the evidence against Cabot was overwhelming.

"Perhaps next time Cabot will do the job right the first time and avoid expensive repairs," Hanger said.

The end of the tax debate hardly spells an end to the politics. Rendell plans an appearance Tuesday in Philadelphia to sign an executive order banning further leasing of state forest for gas development.

And everybody is watching next month's election to determine Rendell's successor.

"None of us knows what the political landscape is going to look like after Nov. 2," Jarrett said.

For a consultant's report on "outrage management" - suggestions for heading off Marcellus Shale backlash before it starts, go to <http://go.philly.com/outrage>

---

Contact staff writer Andrew Maykuth at 215-854-2947 or [amaykuth@phillynews.com](mailto:amaykuth@phillynews.com).

**Find this article at:**

[http://www.philly.com/philly/business/20101024\\_Shale\\_gas\\_industry\\_survived\\_tax\\_debate\\_\\_but\\_image\\_suffered.html?viewAll=y&c=y](http://www.philly.com/philly/business/20101024_Shale_gas_industry_survived_tax_debate__but_image_suffered.html?viewAll=y&c=y)

 **Click to Print**

[SAVE THIS](#) | [EMAIL THIS](#) | [Close](#)

Check the box to include the list of links referenced in the article.

© Copyright | Philly Online, LLC. All Rights Reserved. Any copying, redistribution or retransmission of any of the contents of this service without the express written consent of Philly Online, LLC is expressly prohibited.