

Thousands join shale drilling conference

Thursday, November 04, 2010

By Elwin Green, Pittsburgh Post-Gazette

Interest in the Marcellus Shale continues to grow, if attendance at an annual conference on natural gas development is any proof.

The Developing Unconventional Gas East conference opened Wednesday at the David L. Lawrence Convention Center with 2,500-plus attendees -- compared to 1,450 last year -- and hundreds of drilling opponents assembled outside to protest. The conference was organized by Hart Energy Publishing of Houston, Texas.

In the keynote speech, David L. Porges, president and CEO of EQT Corp., highlighted four lessons his Downtown-based energy company has learned since venturing into the Marcellus: that improved technologies increase productivity and reduce costs, that preserving the environment is good business, that natural gas is the new kid on the block, and that "to thrive we MUST create demand."

Mr. Porges said exploration of the natural gas reserves that underlie much of Pennsylvania has both relied on and spurred innovation, but producers "need to remember the need to keep going" and to develop a culture of innovation, something that he admitted was not always in place at EQT, formerly Equitable Resources.

He also urged attendees, who represent all aspects of the industry from drilling to marketing to engineering, make sure their companies work to prevent environmental damage and, if it happens, to mitigate it and remediate it. They also need to hold each other accountable.

"The industry earns much more credibility if we embrace the notion of punishment for bad actors," he said.

In support of his third point, he noted most residents who live atop the Marcellus are unfamiliar with natural gas drilling. The new phenomenon, for them, raises multiple concerns that the industry must recognize as valid.

"We do cause inconveniences for the places in which we operate," he acknowledged.

While answers to concerns about pollution or about jobs being created for outsiders may be obvious to producers, they aren't obvious to residents and need to be communicated.

On the point about creating demand, he asserted, "We have solved, as an industry, the supply problem" regarding natural gas. It is now possible to recover so much of the substance that the challenge is finding uses for it all.

The place to do that, he suggested, is in the transportation sector, which now uses less than 1 percent of the nation's natural gas production.

While 225 million U.S. vehicles run on gasoline, only 120,000 run on natural gas. Using natural gas instead of gasoline in transportation would save the nation \$256 billion, he said, while reducing imports 68 percent.

Increased attendance at the three-day conference, which organizers dubbed DUG East, was more than matched in percentage terms by the increase in exhibitors.

Some 250 companies have booths, compared to 50 last year.

One new exhibitor was Champion Technologies. Headquartered in Houston, Texas, the company has been active locally for about 2 1/2 years, said Jamie Roush, whose business card reads, "Sales Engineer." It's a title that makes sense in an industry and at a gathering where a lot of what is being bought and sold is, in fact, engineering.

Brochures at Champion's booth touted "sustainable water treatment solutions." Mr. Roush needed little prompting to launch into a mini-dissertation on how untreated water can calcify and plug drilling equipment, or how bacteria in untreated water will produce hydrogen sulfide.

Champion provides oil and gas producers with chemical solutions to combat those problems by treating the water used in

hydraulic fracturing.

Martin V. Fleming was returning to the DUG East, having attended the first conference last year.

Mr. Fleming is senior vice president of Noble Royalties Inc. of Dallas, a privately-owned firm that buys royalties.

If a landowner has a deal with a producer to receive royalties from natural gas but would rather have a lump-sum payment, Noble is ready to make that deal.

That is, if it's large enough -- Noble typically deals in multi-million-dollar placements.

Having attended last year's conference, Mr. Fleming had a larger contingent of Noble representatives with him this year to capture what he sees as a still-growing opportunity.

"We have completed a transaction in the Marcellus Shale that was fairly significant," he said. "It has given us interest in doing a lot more."

Elwin Green: egreen@post-gazette.com or 412-263-1969.

First published on November 4, 2010 at 12:00 am