

An Open Letter to the Citizens of New York

As the State of New York ponders the merits of developing the Marcellus Shale gas play, let's take a minute and see how we got to where we are.

It has been known by geologists for a long time that a significant portion of the state of New York is underlain with Marcellus Shale. Through technological advances by the oil and gas industry, the means to extract the natural gas that is bound inside the shale has been perfected in recent years. So a couple of years ago, numerous companies began to lease large portions of the private minerals where the Marcellus is present across New York, with the intention of drilling and producing Marcellus natural gas.

Out-of-state interest groups who oppose development, anywhere, moved in with claims of vast areas of contamination in western states due to the process of hydraulic fracturing. These claims were picked up by certain media outlets who printed stories with claims that there are over one thousand contamination cases in western states.

Then the politicians got involved, and the City of New York cautioned Albany not to allow something that might contaminate the cities' drinking water supply. The state then issued a moratorium on drilling permits and decided to conduct a supplemental environmental impact statement. It took better than a year, but the state has now issued a draft impact statement that was open for an extended period of public comment.

The result of the state's effort (in the draft supplemental environmental impact statement) has been to produce the most onerous state rules on hydraulic fracturing in the country. While all of this has been going on in New York, the press around the country seems to enjoy fanning the flames of hydraulic fracturing and groundwater contamination claims.

So, the debate continues in New York about development of the Marcellus Shale gas and this month's front page article was distributed by NARO to NY media outlets in early January in an attempt to inject some rational thinking into the process. J.S.

To my friends in New York: With all of the recent discussion about development of the Marcellus Shale gas, and the idea that this will lead to dire environmental consequences in your state, realize the true discussion should be about energy consumption versus production in the Northeast. And the question you should be asking is: where is the origin of the energy you are consuming . . . your state? . . . another state? . . . a foreign country? Where do you want to spend YOUR energy dollars – boosting New York State's economy or that of Texas?

We will get to the environment question in a minute. But first let's take a look at sources of electricity generation in New York State. My assumption is all of you use electricity in some form: at home, work, school etc.; for lighting, heat, traffic signals, phones, TV, cooking, computers, life support; and on and on and on -- a form of energy which is familiar to all of us.

Take a look at the electric energy generated in your state and where it comes from.

The following information is from the Energy Information Administration's (EIA) (www.eia.gov) Annual Electric Power Generation by Primary Energy Source Report for 2007, the most recent year reported. We also assume that most of this generated electricity is utilized in-state, though some obviously moves across state lines in both directions. The EIA information goes back years, and the 2007 numbers are representative of the trend of the past decade. The % numbers total more than 100%, but .5%, as pumped storage, is a negative number that makes the total = 100%.

Energy Source	2007 Megawatt-hours	% of Total
Natural Gas	45,633,631	31.3
Nuclear	42,452,854	29.1
Hydroelectric	25,252,555	17.3
Coal	21,405,542	14.7
Petroleum	8,195,109	5.6
Other: Renewable*	2,775,054	1.9
Other**	932,292	6

* Includes: biogenic municipal solid waste, wood, black liquor, other wood waste, landfill gas, sludge waste, Ag by-products, other biomass, geothermal, solar thermal, photo voltaic and wind.

** Includes: non-biogenic municipal solid waste, batteries, chemicals, hydrogen, pitch, purchased steam, sulfur, tire-derived fuels and miscellaneous technologies.

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I can hear you asking . . . what's the point? Well, let's see. The number one source for electric power generation in New York State is natural gas . . . natural gas that has been produced outside the state of New York.

According to the New York State Department of Environmental Conservation, geologists estimate that the entire Marcellus Shale formation contains between 168 trillion to 516 trillion cubic feet of natural gas throughout its entire extent. Other experts have estimated as high as 1,300 trillion cf. Although it's not yet known how much gas will be commercially recoverable from the Marcellus in New York, the state ranks about third in the amount of acreage underlain by the formation. To put this into context, New York State uses about 1.1 trillion cubic feet of natural gas a year.

Yet there is currently a raging debate in New York about the safety of developing a significant source of natural gas within your state.

You, no doubt, have heard that there are hundreds, if not thousands, of drinking water contamination cases across the country. A claim of contamination is not proof of contamination.

In every instance, state and federal regulatory agencies investigate the claim and utilize the power of state and federal laws to ensure any problem has been addressed and is not a risk to human health and the environment. Numerous studies have been conducted. To date, the processes of horizontal drilling and hydraulic fracturing have not been proved to have resulted in contaminating an underground source of drinking water.

Make no mistake, oil and gas drilling and production are industrial operations and accidents can and do occur. The question is, just as with any other industrial operation: are sufficient safeguards already in place to protect health and the environment.

New Yorkers . . . ask those of us living in the states where thousands of gas wells have been drilled, if we are being harmed by the development of the resource. Ask us if our water is safe to drink. Ask us if our children live normal healthy lives or are somehow adversely affected by natural gas. Ask us if our rivers, streams, forests, farms, ranches or urban areas have been decimated by the drilling and production of natural gas. Ask how many of us have heard of, or been adversely affected by, the drilling, fracturing and completion of a natural gas well. Ask us "regular Americans" -- not representatives

of some group that is anti-development, or paid consultants involved in law suits.

Let's be honest. Looking at the numbers from EIA . . . are you guys building any new nuclear plants? Didn't think so. How about new dams for hydro? Nope? Well, shucks. Want more coal- and oil-fired plants? You've got lots of coal close by.

Ahh . . . renewables!

You could burn a bunch more trees (I mean a big bunch). Put up more wind and solar, right? Let's be generous and say the entire 2% of renewable electricity generated currently in New York is all wind and solar. Can you double the number of windmills and solar panels? Heck let's quadruple (FOUR TIMES) the number of windmills and solar panels in place today. How long will that take? You are now at 8% of your electric generation needs, and I hope the sun shines and the wind blows non-stop -- otherwise you will need a back up for that 8% (most likely using fossil fuels) or a mega storage system that does not yet exist.

As you can see, in electricity generation alone, New Yorkers manage to use more than a little fossil fuel energy. Think of your total energy usage when you include transportation fuels, industrial processes, etc., that are not electric. By the way, if everyone in New York had electric cars, about 50% of the electricity used to recharge their batteries would come from fossil fuels.

In the end, as its citizens debate development of New York shale gas, it might be prudent and practical to cut through the environmental scare rhetoric and renewable energy dreams not yet achievable, to consider the following: Do you want to have responsible development of an available and valuable New York natural resource; collect the associated taxes; employ New York people and keep the lights on if there's a disruption in supply?

Or, if you prefer, your state can continue to use gas from elsewhere and let others benefit from the production revenue, employment and taxes. We don't really care what you decide. We have been supplying your energy needs for decades and those northeast dollars sure do bolster our economies in the "Oil Patch."

-- Jerry R. Simmons, Executive Director
The National Association of Royalty Owners, Inc.