

# Marcellus Shale/Natural Gas: Monthly Roundup/March 2010

## Report of the Public Education Committee/Potter Co. Natural Gas Task Force

### Public Sees Pros/Cons In Marcellus Shale Gas Industry



Pennsylvanians see economic benefits from Marcellus Shale gas production, but are worried about environmental and social impacts. Those are some of the early findings of Penn State researchers. They say organizations such as the Potter County Natural Gas Task Force are critical as sources of reliable information. Many people are excited about the economic prospects. However, they have some reservations:

- jobs going to people from outside of the area, due to lack of training locally;
- a reduced sense of community as transients move in;
- economic polarization between those who directly benefit through leasing and business opportunities, and those who feel left out;
- higher costs for housing and many goods and services;
- damage to infrastructure such as roads and bridges;
- added burdens for the criminal justice system and human services;
- negative impact on water, wildlife and natural habitat;
- aesthetic compromises.

### Marcellus Shale: Here Come The Heavyweights



A *New York Times* story forecasts consolidation and mergers of independent gas producers, with international heavyweights staking their claim in the Marcellus Shale. Exxon Mobil's \$31 billion purchase of XTO Energy confirmed the potential to many. Mitsui & Company of Japan bought an interest of almost one-third in Andarko Petroleum, an independent with 712,000 acres of mineral rights in Potter, Tioga, Bradford, Clinton, Lycoming, Centre and Sullivan counties. Statoil (Norway), Total (France), BP and Royal Dutch Shell have also acquired assets. "Companies are focused on buying fast-growing small companies, or on acquisitions that expand their reserves in an era when it is hard to find new places to drill," the *Times* reported. "There are more to come." A BP executive said Marcellus "probably transforms the US energy outlook for the next 100 years." Bankers and energy consultants expect deals to pick up this year. Companies that are potentially on the market include EOG Resources, Southwestern Energy, PetroHawk Energy, the Encana Corporation, Chesapeake Energy, and Devon Energy.

### PUC Boosts Enforcement In Shale Region



Pa. Public Utility Commission (PUC) has increased enforcement in five northeastern counties connected to Marcellus Shale gas drilling. It's a result of complaints involving transporting commodities without a PUC certificate or in violation of the hours of service regulations. Increased inspections are taking place in Tioga, Bradford, Sullivan, Wyoming and Susquehanna counties. Trucking companies are required to have a property certificate and proof of insurance if transporting commodities related to the drilling operation, such as water, sand and stone.

## Plans in place for March 17-18 Natural Gas Expo



Hundreds of people are expected at the Potter/Cameron/McKean County Natural Gas Expo, which will be held in Coudersport on Wednesday and Thursday, March 17-18, at the Gospel Tabernacle. The event is open to anyone who is interested in the industry. Expo hours are 10 am to 7 pm each day.

Seminars to be presented include: natural gas careers and future needs; how to get servicing contracts with major gas companies; how to market your business to the gas industry, and water resources and natural gas well drilling. Get details at [natural-gas-expo.com](http://natural-gas-expo.com).

## Commissioners Assn. Takes Stand On Tax Issues



County commissioners don't believe the state should collect and spend all of the revenue derived from any tax on extraction of natural gas in Pennsylvania. County Commissioners Association of Pennsylvania believes local governments should receive a share to offset local costs incurred. CCAP also believes a share of lease/royalty payments on state forest land should go to local governments, and that oil and gas rights should be taxable as real property, which they were until a 2002 court decision. "Many are aware of the damage to township roads, but impacts are occurring to county-provided services as well," CCAP reported. "These include the need to provide access to titles, deeds, and ownership of mineral rights . . . workers who create increased demands on the court system and county jails, drug and alcohol and child welfare services. Without taxation of oil and gas interests, an undue tax burden is placed on local residents who own property and pay taxes in impacted communities. Currently, those property tax payers are disproportionately forced to fund the operations of schools, counties, and municipalities."

## 'Webinars' On Natural Gas Issues



Penn State Cooperative Extension is offering access to past programs as well as a live one-hour webinar on Marcellus shale issues set for 1 pm on **Thursday, March 18**. It's entitled, "Marcellus Shale: Economic Impact Studies"; presenter is Dr. Timothy Kelsey of Penn State.

Go to <http://naturalgas.extension.psu.edu/Events.htm>. Previous webinars, which covered water quality, legal questions, leasing considerations and implications for local communities -- can be viewed at

<http://naturalgas.extension.psu.edu/webinars.htm>. For more information, call 570-278-1158 or e-mail [jmk20@psu.edu](mailto:jmk20@psu.edu). Meanwhile, Potter County Education Council's Coudersport Office will host a natural gas seminar on **Wednesday, March 24**, from 6-8 pm, entitled "Minimizing Impacts to Forests and Wildlife." Speaker is Robert S. Hansen, an expert on agriculture and forestry. Registration deadline is March 23. Call 274-4877.

## Cooperative Extension Starts Water Quality Newsletter



Penn State Cooperative Extension has launched a quarterly water quality newsletter, *Water Currents*. Cooperative Extension encourages those who would like to see the newsletter to access it on the internet or to sign up to receive it by email.

The agency's water management/issues website is at [water.cas.psu.edu](http://water.cas.psu.edu). To sign up for the newsletter by email, send a note to Jim Clark at [jac20@psu.edu](mailto:jac20@psu.edu).

## DEP Adds Inspectors, Rewriting Construction Standards



DEP wants to strengthen well construction standards and define a drilling company's responsibility for responding to gas migration issues, such as when gas escapes a well or rock formation and seeps into homes or water wells.

Proposals recently released by the department would:

- Require the casings of Marcellus Shale and other high-pressure wells to be tested and constructed with specific, oilfield-grade cement;
- Clarify the drilling industry's responsibility to restore or replace affected water supplies;
- Establish procedures for operators to identify and correct gas migration problems without waiting for direction from DEP;
- Require drilling operators to notify DEP and local emergency responders immediately of gas migration problems;
- Require well operators to inspect every existing well quarterly to ensure it is structurally sound;
- Require well operators to notify DEP immediately if problems such as over-pressurized wells and defective casings are found during inspections.

## DEP Locates 125 Abandoned Wells In Potter County

Department of Environmental Protection  
Bureau of Oil and Gas Management  
Abandoned & Orphan Wells



About 260 abandoned oil and gas wells were plugged in 2009 under a state program. None was in Potter County, where DEP has located 125 abandoned mines. Fifty of the mines are in Sharon Township, 42 in Hebron Township, and 11 in Eulalia Township.

Abandoned wells create passageways for pollution to enter and contaminate drinking water or enter other water supplies. Regulations now require that wells be cased properly during

use and sealed when taken out of service, but Pennsylvania has documented more than 8,600 wells that were abandoned prior to passage of modern oil and gas drilling regulations.

Many wells addressed in 2009 were leaking oil, acid mine drainage or natural gas. Plugging costs vary, depending on terrain and age/depth of the well. In most cases, once DEP receives landowner permission, contractors clear a site and clean or remove the well. Old casings are removed, the well bore is cleared and filled with grout or cement and other fill materials.

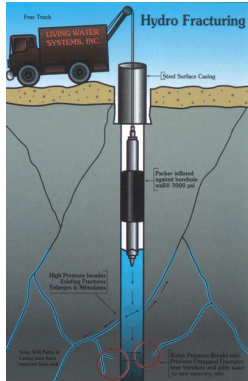
## County Improves Natural Gas Website



Potter County's website, [pottercountypa.net](http://pottercountypa.net), features a Marcellus Shale/Natural Gas section, which includes a complete record of the Natural Gas Task Force, links to numerous information sources and details of coming events.

The Task Force section includes notes from each of the organization's monthly meetings. The site, which is programmed by the Public Education Committee of the Task Force, will be regularly updated.

## Finied For Illegal Frac Water Disposal



The Department of Environmental Protection has fined the borough of Jersey Shore \$75,000 for operation and discharge violations at its sewage treatment plant.

During a June 2009 plant inspection, DEP discovered that the borough had exceeded the maximum allowable load based on chloride concentrations in gas well wastewater. The borough also processed more than the maximum 50,000 gallons per day of gas well wastewater on more than 10 occasions. The other violations included not receiving or maintaining records of additives used by gas well operators that disposed of wastewater and of analytical pollutant data to be submitted by the gas well operators. DEP ordered the borough to stop accepting gas well wastewater.

## Local Gas Pipeline Plan Moves Forward



A Texas natural gas company has moved closer to breaking ground for a major pipeline expansion and a compression station upgrade. Construction could begin as early as July and the equipment could be on line by late 2011. Federal Energy Regulatory Commission (FERC) has approved the initial filings of El Paso Corp. to expand the Tennessee Gas Pipeline, which runs from the Mexico border to Canada. The expansion will help meet demand for the increased Marcellus

shale natural gas deposits.

Expansion will occur in six Pennsylvania and New Jersey counties, involving 128 miles of new 30-inch-diameter pipeline. Plans also include two new compression stations and expansion of four others. One of the latter is in Hebron Township, between Coudersport and Coneville.

The pipeline route will follow an existing pipeline corridor where possible. Looping segments will be built through Hector, Ulysses, Allegany and Hebron townships in Potter County.

El Paso has been contacting landowners to acquire easements for the project, known as the "300 Line Expansion." Tennessee has established a website for public information on its plan at: <http://www.elpaso.com/tgp300lineproject>

## Congressional Committee Probing Hydrofracturing



The U.S. House Committee on Energy and Commerce is launching an investigation into potential environmental impacts from hydraulic fracturing. Because the process is exempt from most federal oversight, it is overseen by state agencies that are spread thinly and have widely varying regulations. Committee leaders sent letters to eight companies, including Halliburton, B.J. Services and Schlumberger, asking for more information about the drilling process and the chemicals it requires. The five others -- Frac Tech Services, Superior Well Services, Universal Well Services, Sanjel Corp. and Calfrac Well Services -- are smaller companies that make up a growing share of the market. The committee asks for documentation of all wells hydraulically fractured from 2007 to 2009, proximity of those wells to underground drinking water sources, volumes and types of chemicals used, and any health and environmental effects of the drilling.

## Frack Water Treatment Plant Planned



A project to treat Marcellus hydrofracture flowback and production brine wastewaters has been announced by ProChemTech International of Brockway. Blue Valley Hydrofrac Plant will be owned and operated by Flowback Wastewater Development Group. It will use technology from ProChemTech for a sequential precipitation process treatment of the hydrofracturing water. In its first phase, seven new jobs will be created, with other spinoff jobs resulting from water, wastewater and sludge transportation. After DEP issues a permit, construction should take about 14 weeks, and cost about \$10 million. Engineering is completed.

A permit for interbasin water transfer must be issued by the Susquehanna River Basin Commission. That is expected in June.

## Texas Mayor Issues Warnings To Pa./N.Y.



Calvin Tillman, the mayor of tiny Texas town of Dish, visited the region to caution area residents about pollution problems associated with production of natural gas from shale. His controversial comments reflected his town's experiences with air pollution (benzene) in the North Texas town where gas wells, compression stations and pipelines are concentrated. Tillman argued that companies could reduce emissions by using modern technology but they resist due to cost. Tillman also said residents should push for more control at the

local level about where drilling could occur. "My main purpose was to let people know that there's more to natural gas exploration than a signing bonus, and a monthly royalty check," Tillman said. "I think there were many that began to think about this for the first time after listening to the story of the town that was sacrificed for the good of the shale . . . If this extraction of natural gas is going to take place, it must be tightly regulated." Mayor Tillman can be reached at (940) 453-3640

## State Oil/Gas Associations To Merge; Coming Soon: PIOGA



Two state organizations representing energy companies large and small are nearing a merger. Pennsylvania Oil and Gas Association (POGAM) and the Independent Oil and Gas Association of Pennsylvania (IOGA), will become the "Pennsylvania Independent Oil and Gas Association." IOGA-PA has at least 500 members. POGAM, one of the nation's oldest oil and gas trade organizations, formed in 1918, has between 200 and 250 members. POGAM observed, "Marcellus Shale drilling has attracted the attention of landowners, regulators and legislators — not to mention radical environmental activists — to our operations. Never before has our industry so needed a strong unified voice advocating for our cause." Veteran industry leader Lou D'Amico will initially serve as president and executive director. For details on the merger:

<http://www.pogam.org/news/view.asp?PID=1330>

## Local Governments Hope To Get In On The Act



help fracture rock to release gas.

Local governments are looking to cash in on Marcellus Shale. The Sierra Club says Luzerne County Commissioners don't have legal authority to allow natural gas drilling at county-owned Moon Lake Park. The organization argues that lands acquired through state and federal recreation grants must be used for recreation, conservation and historical purposes. The commissioners have been negotiating with EnCana Oil & Gas USA Inc. of Denver to drill at the park and tap lake water needed to

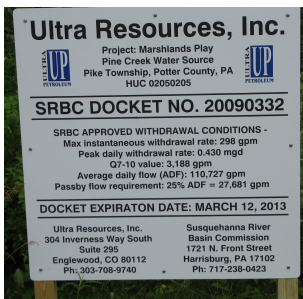
## Scarnati Hears Of Impact On Roads; Opposes Severance Tax



for local government," the senator said. Scott Majot, maintenance manager for the PennDOT in Potter/Cameron counties, told the senator that his budget is underfunded, especially now that state highways are being damaged by heavy truck traffic related to gas drilling.

Senator Joe Scarnati got an earful during a recent visit to Potter County. Wherever he went, the conversation inevitably turned to issues involving natural gas. Scarnati, who is lieutenant governor and Republican leader of the Senate, held his ground in opposition to a severance/production tax. He said higher taxes would likely drive energy companies out of Pennsylvania, since Marcellus Shale can be found in West Virginia, Maryland, Ohio and New York. If a tax is imposed, Scarnati added, funds that go to local government should be limited to reimbursement for actual expenses incurred from gas drilling. "This should not be seen as a windfall

## SRBC Installing Water Quality Monitors



electricity). Thirty stations are planned in Pennsylvania and New York by summer. More will follow this fall.

Susquehanna River Basin Commission (SRBC) has announced that data from initial remote water quality monitoring stations are now available on a website, [srb.net/programs/remotenetwork.htm](http://srb.net/programs/remotenetwork.htm). SRBC is deploying water quality monitoring stations in regions where natural gas drilling in the Marcellus shale is most active.

Stations are now located on Meshoppen Creek in Wyoming County; Sugar Creek and Tomjack Creek in Bradford County; Hammond Creek near Millerton in Tioga County, and Trout Run in Clearfield County. Each station continuously reports water temperature, pH, dissolved oxygen, turbidity, water depth and conductance (ability to conduct

## Environmental Groups Call For Well Standards



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coalition is urging the federal EPA to study how hydrofracturing affects surface water and groundwater. "We have significant concerns not only about contamination of our water, but also depletion of the water table," said spokesperson Tracy Dahl.

Environmental advocates are calling on state officials to enact standards for oil and gas well construction. Earthjustice, on behalf of the Sierra Club and 10 state organizations, has made 47 recommendations to DEP for strengthening regulations. The suggestions include requiring a 24-hour deadline for DEP's initial response to complaints about drinking water contamination. "The law now allows DEP 10 days to begin investigation," said Earthjustice attorney Deborah Goldberg. "In that time, drilling rig operations could be completely packed up and moved." A separate

### **Dirt, Gravel Road Session March 23 In Smethport**



McKean County Conservation District will hold a training course on environmentally sensitive maintenance of dirt and gravel roads on Tuesday, March 23, from 7:30 am to 4 pm at the Courtyard Restaurant in Smethport. This event is open to anyone who maintains unpaved roads, including municipalities, oil and gas operators, timber operators and landowners. Emphasis will be on practices which reduce maintenance costs while reducing sediment pollution. For more information, call 887-4001 or email [sdthompson@mckeancountypa.org](mailto:sdthompson@mckeancountypa.org).

### **Texas Energy Services Haulers Fined For Weight Violations**



Truck drivers for an energy industry services company were fined for weight violations over two consecutive days in Wysox. State police in Towanda issued more than \$26,000 in fines to drivers from 5J Oilfield Services LLC of Palestine, Texas. Police determined that a truck on Route 6 in Wysox weighed 66.4 tons, making it 26 more tons than it was allowed under its 40-ton registration. Police fined the driver more than \$16,000. The next day, complaints from the public led troopers to stop a convoy from the same company on

Route 6 in Wysox. Police found two trucks with oversized load violations and issued more than \$10,000 in fines to the drivers.

### **Landowners Continuing To Form Pools**



Many property owners who are considering leasing mineral rights are pooling their acreage to get a better return. The phenomenon is growing in Potter County. Many energy companies prefer these drilling units, since they allow access to contiguous acreage and create economies of scale. At the same time, mineral rights owners can potentially receive higher per-acre lease payments and royalties. Some property owners may not be aware of the fact that they do not own the mineral rights on their land; others may not be aware that they own mineral rights acquired by ancestors or others. Determining ownership stakes has resulted in steady

work for area title searchers, lawyers and land agents.

One of the organizations, calling itself the 4-County Gas/Oil Leasing Group, has been meeting for about two years. Those property owners are now thankful that they did not sign with energy companies earlier, when leasing and royalty offers were considerably less. Leasing groups such as the 4-County Group have been investigating their options for environmental addendums and reclamation clauses. The 4-County Group plans to meeting again at 11 am Saturday, March 27, at the Shinglehouse Baptist Church.

## More State Forest Land Likely To Be Leased For Drilling



Despite some opposition in Harrisburg, there will likely be more leasing of state forest land in Potter County for gas drilling in 2010. A limited staff in the Bureau of Forestry's Mineral Section has been preparing for the drilling that will take place as a result of the 2009 leasing, while setting the stage for another round of bidding this year. As a result of last year's auction, natural gas drilling will go forward on 11,000 more acres of state forest land in Potter County. Seneca Resources of Houston, Texas, was high bidder at \$23.3 million to lease 7,440 acres between Denton Hill and Fox Hill.

Lease on a separate tract of 3,640 acres in Eulalia and Roulette townships went to Penn Virginia Corp. of Radnor for \$13.9 million. The state will limit development to 29 well pads and 145 disturbed acres in the Denton Hill/Fox Hill parcel, and 14 well pads with about 70 acres in the Eulalia/Roulette leases (acreage does not include road access and pipelines). Private interests own all or parts of the mineral rights on other sections of state forest land, so additional drilling is inevitable. The Pa. House of Representatives is considering a bill that would put a five-year moratorium on leasing additional state forest land for natural gas drilling. House Bill 2235 is a response to the revelation of an agreement between budget negotiators to raise another \$180 million for the 2010-11 budget by leasing additional state forest land. HB2235 would halt the process and give DCNR sole discretion after 2015 to determine if state forests can withstand additional natural gas exploration. The act also would require DCNR to issue a report every year about the effect of natural gas exploration on water, soil and air quality, plants and wildlife, tourism, fishing and hunting. About 1.5 million acres of state forest is above the Marcellus Shale. Of that total, more than 690,000 acres have already been leased for natural gas drilling.

## Schools Seek Grant To Involve Students In Environmental Monitoring



Students and teachers from all five public schools in Potter County would be involved in a water quality monitoring project tied in with the upsurge in natural gas drilling — if a federal grant application is approved. The environmental education project is being put together by school administrators from Austin, Northern Potter, Galeton, Oswayo Valley and Coudersport. Federal funds would be used to buy water quality monitoring equipment and train teachers and students how to use it; to prepare teachers to integrate the nationally recognized "Project Wet" environmental education program into the classroom; and to set up and implement the water quality assessment and reporting processes. More than 1,000 students and 70 faculty members would be involved.

**Thank you for your interest in the Potter County Natural Gas Task Force. Anyone with news or other information to share with the Public Education Committee of the Potter County Natural Gas Task Force should contact committee members: Paul Heimel ([paulheimel@yahoo.com](mailto:paulheimel@yahoo.com)), Curt Weinhold ([cwphoto@zitomedia.net](mailto:cwphoto@zitomedia.net)), Mary Anne Heston ([hestonmt@hotmail.com](mailto:hestonmt@hotmail.com)) or Ron Doughtie from the Pa. Bureau of Forestry/Susquehannock District.**