

**House Democratic Policy Committee
Hearing**

**Remarks by John Quigley
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Chairman Sturla, committee members and guests. Thank you for this opportunity to talk about natural gas leasing on our state forest lands.

Since its inception – and certainly during this Administration – the Department of Conservation and Natural Resources has been committed to conserving and sustaining Pennsylvania’s natural resources for present and future generations’ use and enjoyment. That’s our mission, our obligation, and our record.

That mission – and that record – are built on closely held values of conservation and the recognition of the need for a complex balancing of resource management and uses. As you know, DCNR manages 2.2 million acres of state forest land containing not only the most wild and beautiful forests in the eastern United States, but also some of the most highly valued hardwood timber in the world. Our expertly managed state forest system provides clean air and clean water and a host of other environmental benefits to the citizens of the Commonwealth. We maintain thousands of miles of state forest roads and trails; protect and conserve native plant communities; inventory and analyze forest conditions; and provide an array of public forest recreational opportunities such as hiking, hunting, wildlife watching and snowmobile riding.

Our state forest also provides a steady, continuous supply of quality timber to the market, supporting Pennsylvania's wood products industries while maintaining a difficult-to-achieve third party certification as being sustainably managed.

And starting long before this Administration, that balancing of multiple forest uses has also included mineral extraction. DCNR has a 63-year history of leasing state forest land for natural gas and oil exploration. Over 1600 wells dot state forest land, of which some 750 are still in production.

Throughout history, Pennsylvania's oil and gas industry has experienced several "boom" periods. The recent scramble to access the Marcellus Shale is simply the latest. Clearly, the scale and potential of this boom present challenges to the continued sustainable management of Pennsylvania's public forests. But they are challenges that I am confident that we can meet with a continued application of the stewardship principles that have guided my agency since its founding.

Our experience with Marcellus Shale exploration and drilling is of course quite new. Nine deep Marcellus wells have been drilled on state forest land to date; but, as you know, industry interest in further natural gas exploration in the whole Marcellus area is intense.

Let me be very clear about this. At Governor Rendell's direction, DCNR's approach to natural gas drilling has been to limit its impact, to the greatest extent possible, on the forest itself, and on the uses of the forest. It's our value system – and our responsibility to conserve and balance the use of our resources.

In keeping with that intent, in 2008 DCNR changed the focus of our drilling policy from shallow to deep gas drilling. Reaching deep and medium reservoirs requires fewer well pads and thus fewer roads and other disturbances to the land than do shallow wells.

At the same time, we overhauled our natural gas lease document to aggressively protect the environment. We added provisions to limit the number of and spacing between well pads and therefore the amount of trees that need to be removed. The lease keeps drilling at a set distance from water resources; addresses habitat restoration post-drilling; and instructs lessees on how to prevent the introduction of invasive species. The lease further excludes drilling that impacts viewsheds, state parks, dark sky areas and wild and natural areas due to their high ecological value. And as part of our environmental review in advance of a lease sale, we delineate the environmentally sensitive areas of the tracts for lease and prohibit these areas from surface development.

Over the course of six decades of natural gas leasing prior to this Administration, over one half million acres of state forest were made available for exploration. In 2008 and 2010 DCNR made available an additional 106,000 acres for gas exploration in a manner that is wholly in keeping with our historical management of natural resources. We are currently carefully reviewing available acreage for future leasing to meet the Governor's request that \$180 million from the Oil and Gas Lease Fund be transferred to the General Fund in FY 10-11.

Obviously, the recession has severely impacted the state's fiscal position. In confronting the \$2 billion deficit in the current fiscal year, there was agreement among the caucuses that a revenue target from leasing state forest lands be established for two years. That agreement,

frankly, arose out of a no-tax-increase atmosphere, and a reliance on a deep spending cuts and a series of one-time budgetary fixes. The leasing of state forest lands was intended to be such a one-time fix, and is viewed by the Administration as such.

The alternative to leasing more state forest land is simple -- raise new revenues elsewhere. The Governor has proposed a series of such measures, including the imposition of a severance tax on natural gas. I commend the members of this committee who support that measure, and I urge that it, and other necessary revenue enhancements, be approved. There would not be a need to lease one additional acre of state forest if those revenue enhancements were adopted.

Two-thirds of our state forest remains untouched by gas drilling. This remaining land represents our most wild and natural, and highest recreational value areas. One-and-a-half million acres of our state forest are in the Marcellus Shale geologic formation; of that, 700,000 acres are already available for drilling. Of the remaining unleased state forest land in the Marcellus, all of it is environmentally sensitive. While some acreage falls in several categories, consider that of the unleased state forest land in the Marcellus fairway:

- 180,000 acres are in wild and natural areas;
- 200,000 acres are old growth forest areas;
- 90,000 acres are in the Poconos, which are highly valued for recreation, water resources, and adjacent to many housing developments;
- 20,000 acres are in the Laurel Highlands ecotourism region
- 300,000 acres are primitive or semi-primitive, non-motorized recreation zones affording peace and solitude opportunities similar to those found in the Western U.S.; and
- 130,000 acres are of significant environmental and recreational value: including lease camps, riparian areas, wetlands, viewsheds, vistas, steep slopes, threatened and endangered species, unique habitats, and special recreation zones.

We will be very careful about any further leasing of state forest land that involves disturbing the surface. We will conduct comprehensive monitoring to evaluate the large-scale impacts of oil and gas activities.

Oil and gas extraction is a part of DCNR's history and will likely continue to be a part of its future in some form. We will continue to manage the Commonwealth's irreplaceable state forest in a sustainable manner that balances all of its many uses and values. We are mindful that we are borrowing these irreplaceable lands from our children and grandchildren. We will stay true to our mission.