



Senate Environmental Resources and Energy Committee

Senator Mary Jo White
Chairman

Patrick Henderson, Executive Director

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April 3, 2009

Kurt Leitholf, Executive Director
Conservation & Natural Resources Advisory Council
9th Floor Rachel Carson Building
Harrisburg, PA 17105

Dear Mr. Leitholf:

I appreciated receiving a copy of the Conservation and Natural Resources Advisory Council's (CNRAC) letter to Governor Rendell regarding additional leasing of state forest land for Marcellus Shale natural gas development.

To be honest, I was disappointed in the position taken by the Council. I would like to share some thoughts regarding two issues which I think are interrelated: the use of the lease payments received by the Department of Conservation and Natural Resources (DCNR) from last September's lease sale, and the question of whether it is appropriate to lease additional state forest acreage.

I fully understand that the Oil and Gas Lease Act, which was passed in 1955, directs royalties, rents and lease payments derived from activities on state forest land to the Oil and Gas Lease Fund. However, it was never envisioned that a fund which generally receives about \$4-6 million annually would one day receive an infusion of \$190 million. This money, like the state forest lands itself, belongs to the taxpayers of Pennsylvania and should be used to help keep taxes in check as the state struggles with a deficit in excess of \$2 billion. We must also be cognizant of the significant funds which taxpayers have invested in our state park and forest system since 1955, most recently through the Environmental Stewardship Fund, Growing Greener Bond and the Key '93 program.

There is a tremendous misconception that development of the Marcellus Shale deposit will degrade our forest, pollute the land and water and leave a landscape in need of significant reclamation in the future. There have even been comparisons to the unregulated coal mining practices that were all too common as recently as 50 years ago. These comparisons are absurd. The oil and gas industry is heavily regulated and inspected and has one of the highest compliance rates of any industry. Permits and inspections are prevalent throughout the development process, and bonds are required to ensure reclamation of the developed site.

In CNRAC's letter to the Governor, a significant portion of the rationale for leaving the money in the Oil and Gas Lease Fund is to: develop and maintain well pad sites; construct new transportation routes; repair damage to existing transportation routes; expand pipeline

infrastructure and other impacts. In fact, I believe it would be inappropriate to use these funds for these purposes. These costs should be borne by the developer of the natural gas field, not taxpayers. Additionally, any costs to reclaim or repair damage that might be inflicted by natural gas drilling should also be the responsibility of the developer.

The horizontal drilling technology which is becoming commonplace in the Marcellus Shale and other shale deposit areas will also significantly reduce the concerns over forest fragmentation. Indeed, my understanding is that a horizontal drilling pad extracting gas from the Marcellus Shale deposit can have a surface land disturbance of about 2% of the drained acres (ie only 10 acres disturbed out of 500 drained), while a comparable development using conventional vertical drilling technology could impact up to 20% of the developed area (100 acres disturbed out of 500 drained).

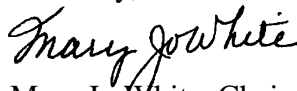
There is a perception by some that each acre leased is an acre which will be developed or disturbed. As demonstrated above, this perception is not accurate. For example, of the 74,000 acres bid last September, approximately 22,000 acres are protected due to wild and natural, viewshed and steep slope, or recreation designations – meaning thousands of acres will not see any surface disturbance. Other areas of special consideration are afforded additional safeguards to ensure that any development is consistent with the multiple uses of the forest. Given the average disturbed versus developed acres ratio, it is probable that the 74,000 acres leased last fall will result in disturbing less than 2,000 acres – much of which will be reclaimed after the wells have been drilled and placed into production.

I think it is prudent for the General Assembly and the Governor to look at additional lease offerings. This can be done while protecting special areas of the forest, and in balance with other uses of the forest. DCNR has the ability to impose strict standards and safeguards over any development, as evidenced by its lease criteria from the September 2008 offering. The legislature and Governor can also establish minimum bid amounts to ensure that the maximum amount of revenue is generated for the Commonwealth.

I appreciate the perspective of CNRAC and its members. It is important that there be careful oversight of drilling, particularly on public lands. Should additional leases be offered, I am hopeful that CNRAC, DCNR, the Governor and General Assembly can work together to ensure that it is done properly.

I appreciate the time, dedication and expertise of the Council's members on this and other important conservation issues. Thank you for the opportunity to share my thoughts with you.

Sincerely,



Mary Jo White, Chairman
Senate Environmental Resources
& Energy Committee