

Public Testimony Submitted by Chief Oil & Gas LLC to the House Commerce Committee

March 11, 2010
Williamsport, PA

Good morning, Chairman Daley and distinguished members of the House Commerce Committee. Thank you for inviting us to testify on this important topic. My name is Terry Bossert and I am the Vice President – Government Affairs for Chief Oil & Gas LLC. With me today is Daria Fish, Public Affairs Manager for Chief who works right here in our Williamsport office.

It is our understanding that this Committee is holding a series of hearings on the vitally important topic of economic development and job creation. Chief, as a member of the Marcellus Shale Coalition, is pleased to be a part of your process. We are part of an industry that has been in the Commonwealth for over a hundred years that now, with the technology to develop natural gas from the Marcellus Shale, has the potential to be a “game-changer” when it comes to economic development and job creation.

Chief Oil & Gas is a privately held company headquartered in Dallas, Texas. We have our Appalachia operations headquarters in Wexford, just north of Pittsburgh and a significant field office here in Williamsport. We now have over 200 people working on developing the Marcellus Shale. Chief drilled our first Marcellus well in Pennsylvania in 2007, here in Lycoming County and we are the most active company operating in Lycoming County. We have leasehold acreage of nearly 60,000 acres in Lycoming County, over 250,000 acres in Northeastern Pennsylvania and more than 560,000 acres throughout the Marcellus area. We have drilled 50 Marcellus Shale wells, 16 in Lycoming County alone and have permitted twice that number. A similar number have

been permitted in Bradford County and slightly less in Susquehanna County. Chief has taps into the interstate pipeline in three NEPA counties and we are moving gas to market from Bradford and Lycoming. Here in Lycoming we now have more than 80 miles of pipeline ROW optioned and compressor stations on the east side and west side of the county. In a period of the last 2 ½ years, since we drilled the first well, this area has witnessed first hand the development of an infrastructure needed to drill, produce and sell natural gas and the economic benefits to the local community that have come with that development.

Turning more to the topic at hand, it has been recognized for some time that the Marcellus Shale gas reserves present a significant opportunity for economic growth for the Commonwealth. Most of you are no doubt familiar with the report prepared by the Penn State College of Earth & Mineral Sciences in August 2009. That Report found that the Marcellus gas industry had already generated 29,000 jobs in 2008 and added \$240 million in state and local tax revenues. The Report also projected that by the end of 2009 job creation would exceed 48,000 and tax revenues would exceed \$400 million. The industry experience in 2009 bears out these projections. The tax revenues themselves are a good demonstration of the economic stimulus from the Marcellus industry because they were paid for activities that equate to economic activity, outside the government sector. The taxes paid included hotel tax, sales tax, motor fuel tax and taxes on food and beverages – all indicators of purchases from local businesses. Added to those tax payments are payments of Personal Income Tax, Corporate Net Income Tax and Capital Stock and Franchise Tax. For 2010 it is projected that the number of jobs, both direct

and indirect, will exceed 107,000 and that tax revenue and lease payments to state and local governments will approach one billion dollars.

On a more regional level the Marcellus Shale Education and Training Center (MSETC), conducted a workforce assessment. This was a collaboration of Pennsylvania College of Technology, the Pennsylvania Department of Labor and Industry and the Penn State Cooperative extension. They examined the expected job growth in two Workforce Investment Board Regions – Central Pa and Northern Tier. They concluded that there was the potential for an additional 8,000 full-time direct jobs over the next 5 years and that most of those jobs would be “blue collar” jobs. They also concluded that to drill a single well required approximately 410 individuals and that an average of 20 to 30 contract companies are utilized. Significantly, these findings lead the Center to conclude that it was necessary to develop training programs for Pennsylvania workers to be able to meet the needs of the industry. Of course, creating and implementing new training curricula also creates new jobs. Indeed the need to train Pennsylvania’s workforce to meet the needs of the Marcellus gas industry has been widely recognized across the state and in this region. I have already mentioned Penn College of Technology. In addition, University of Pittsburgh at Bradford, Lackawanna College and Keystone College have begun programs for technical training for careers in the gas industry. The Marcellus gas industry supports these efforts and has made financial and in-kind contributions to support these efforts. Thus, the Marcellus Shale play is creating jobs not only in the gas fields, as one would expect, but also in academia.

One often hears the question “are these Pennsylvania jobs or just people coming up from Texas”? Actually, the answer is a very interesting combination. At present there

are very few Pennsylvania natives who have experience and/or training with the new drilling technology. Accordingly, skilled operators have come here from the Gulf Coast, Oklahoma, Texas and the Rocky Mountains. However, many of these employees moved here with their families and are now taxpaying Pennsylvania residents – reversing, in a small way, the population migration to the southern states. In addition, many of the Marcellus employees are Pennsylvania educated. Engineers and geologists with degrees from Penn State and Indiana University of Pennsylvania are now back in Pennsylvania. At Chief, our Senior Vice President for Geology is a Lehigh grad and here locally we have hired graduates from Pennsylvania College of Technology and Bloomsburg University. . Beyond this, however, Chief and all the Marcellus Shale Coalition members are committed to hiring locally as much a possible and are rapidly increasing the percentage of local residents in our workforce. The education efforts mentioned previously will greatly assist in this effort. A good example of hiring locally is Daria, who is a long time area resident. Another example is Rich Adams who for many years worked for DEP here in the Williamsport office and is now a Senior Environmental Advisor for Chief.

Moreover, economic growth does not come from just our direct hires but also from the local businesses with which we contract to carry out our exploration and development activities. As mentioned previously, MSETC concluded that 20 to 30 contractors were necessary to drill one well. These include surveying services, signage for drilling sites, construction contractors for excavation, earthmoving and pipeline construction, welders, water testing and treatment services, materials suppliers, trucking and engineers, geologists and environmental consultants – even a few lawyers! While

Chief is a major player in the Marcellus region we are by no means the largest. Nonetheless our experience is illustrative of the industry's contributions to the local economy. Chief contracts with more than 150 Pennsylvania-based vendors - 20 of those vendors have offices in Lycoming County. To date, Chief has spent more than \$150 million with local vendors. These statistics are for just one company and we have not even mentioned the money paid for lease bonuses and royalties. Those payments which run to the hundreds of millions of dollars in some counties also make a significant additional boost to the local economy.

You may have noticed that our testimony we use the word "potential" when describing job growth and tax revenues. The Penn State report and the Training Center assessment also use that word. That is because all those projections of job growth and tax revenues are based on certain assumptions regarding the continued growth of the Marcellus industry in Pennsylvania. Should circumstance arise that slow the growth of the industry then those projections will need to be revised downward.

The Marcellus Shale Coalition believes that Pennsylvania is blessed with a historic opportunity to significantly enhance the Commonwealth's economy. This resource should and can be developed safely and responsibly. With modern technologies such as horizontal drilling we have a unique opportunity to recover more gas with less impact than ever in our history. If we take advantage of this opportunity we will greatly enhance our economy, create thousands of jobs and bring wealth to portions of Pennsylvania that have not seen such opportunities for many decades.

I would be happy to address any questions the Committee may have. Thank you.