

# **N.Y. Senate Approves Drilling Halt on Gas From Shale**

**Jim Efstathiou Jr., Bloomberg News Service, 8-4-10**

New York moved closer to a temporary state ban on drilling for natural gas from shale that would delay plans of Chesapeake Energy Corp. and other companies.

The state Senate approved a measure late yesterday that would prohibit new drilling permits until May 15 in the New York portion of the Marcellus Shale formation pending further environmental studies. The moratorium passed 49-9. The Assembly has yet to take up the measure.

To extract gas from shale, companies use hydraulic fracturing, or fracking, in which water, sand and chemicals are injected deep underground to break up rock and allow gas to flow. The New York-based Natural Resources Defense Council says greater safeguards are needed to ensure that fracking chemicals don't contaminate drinking water.

"Not only did they pass it but it passed overwhelmingly," Assemblyman Robert Sweeney, a Democrat from Suffolk County who sponsored his chamber's version of the bill, said in an interview. "That opens the way for us to do to the bill in the Assembly where I would expect it to pass with similar overwhelming numbers."

Drilling for gas using fracking has proven to be environmentally safe, said Brad Gill, executive director of the Hamburg, New York-based Independent Oil and Gas Association, which includes Chesapeake Energy and Talisman Energy Inc. New York will miss out on jobs, tax revenue and drilling fees if the suspension is approved, Gill said.

"It would be irresponsible to see lawmakers cave to scare tactics of radical opponents," Gill said in a statement. "It would be a slap in the face to landowners, New York taxpayers, all the people of the Southern Tier."

## **Drilling Revenue**

The suspension will give New York time to learn lessons about fracking from neighboring Pennsylvania, where more than 1,000 wells have been drilled in the Marcellus Shale since 2005, according to Senator Antoine Thompson, a Democrat who sponsored the bill. Drillers in Pennsylvania have been cited for 1,435 violations since 2008, 952 of which may affect the environment, according to a report this week from the Harrisburg-based Pennsylvania Land Trust Association.

Issues listed in the report include improper construction of waste-water compounds used to store fracking fluids and violations of the state's clean stream law. In addition, the state issued 669 traffic citations and 818 written warnings to trucks hauling drilling wastewater during three days of intensive enforcement in June, according to the report.

## **'Setting an Example'**

"New York can be the first state to protect residents' health and the environment before drills break ground, setting an example for the rest of the nation," Kate Sinding, senior attorney with the Natural Resources Defense Council, said in a statement.

The measure would postpone a potential revenue source for the state. Drilling revenue in New York could reach

\$1.9 billion in 2015, according to a study from Laramie, Wyoming-based Natural Resource Economics Inc.

“Chesapeake is drilling safely and effectively across the border in Pennsylvania, generating significant economic benefits to dozens of communities across that state,” Paul Hartman, Chesapeake’s director of state government relations for New York, said in an e-mail. “It is disappointing the Senate passed a bill based on misinformation and inaccuracies.”

Chesapeake, Calgary-based Talisman and closely held Vertical Resources Inc., based in Sugar Grove, Pennsylvania, have filed a combined 58 applications for drilling permits in New York. The proposals are on hold while the state Department of Environmental Conservation reviews guidelines for gas drillers.

### **New York City**

In April, the state agency said it would offer guidelines for drilling in the watersheds for New York City and Syracuse that are tougher than planned for the rest of the state. Water feeding both cities is so clear it is exempt from federal filtering requirements.

“There’s no such thing as 100 percent safe in anything, but you can do an extreme amount of due diligence to take as many safety precautions as possible,” Thompson said today in an interview. “We cannot leave that responsibility solely with the DEC.”

Since 2007, discoveries of unconventional gas including shale gas have more than doubled the estimate of North American reserves to 3,000 trillion cubic feet, enough to meet 100 years of demand, according to energy consultant IHS Cambridge Energy Research Associates in Cambridge, Massachusetts. The Marcellus Shale formation, which extends from West Virginia through Pennsylvania and into New York, may contain 50 trillion cubic feet of gas.

### **Pennsylvania, West Virginia**

Revenue from Marcellus Shale lease payments, royalties, taxes and pipeline and plant construction in Pennsylvania and West Virginia totaled \$5.8 billion in 2009, according to the July 14 study prepared for the American Petroleum Institute, a Washington-based group that represents oil companies.

New York City Mayor Michael Bloomberg has said drilling in the portions of the Marcellus Shale beneath the city’s watershed “must be treated differently.”

The most-populous U.S. city receives 1.3 billion gallons (4.9 billion liters) a day of water through a network of gravity-fed aqueducts from 19 reservoirs as far away as 125 miles (200 kilometers). It’s the largest unfiltered water- delivery system in the U.S.