

GOP victory could boost natural gas drilling

Marc Levy, Associated Press, 11-12-10

The Republicans' big election victories in Pennsylvania and on Capitol Hill could be Christmas-come-early for the drilling companies that are rushing to exploit the Marcellus Shale, the biggest known deposit of natural gas in the nation.

Republican Gov.-elect Tom Corbett is seen as a lot friendlier toward the industry than outgoing Democrat Ed Rendell, who has clashed with natural gas companies over both taxes and tougher new clean-water regulations.

Also, the GOP takeover of the U.S. House will almost surely doom efforts in Congress to impose federal regulation over gas drilling.

Among many Republicans, there is elation. GOP strategist Karl Rove told participants in an oil and gas industry conference in Pittsburgh last week that they can now expect "a period of sensible regulations."

"As a signal, is it good? Yes," said a more cautious-sounding William Garner, a Houston lawyer and former investment banker who specializes in the natural gas industry. "But will it make a difference? Time will tell."

Among other things, the incoming governor opposes any attempt to slap a gas-extraction tax on the industry. Pennsylvania is the largest gas-drilling state without such a tax, and Rendell tried and failed to persuade the Legislature to approve one. Corbett has also said he will lift Rendell's executive order preventing the issuing of any more drilling leases in state forests.

A drilling boom has been under way since 2008 in the Marcellus Shale, a vast underground geologic formation that extends from West Virginia and eastern Ohio through Pennsylvania into southern New York. Some geologists estimate it could yield enough natural gas to supply the entire East Coast for 50 years.

Its huge commercial potential was underscored earlier this week when oil giant Chevron struck a \$4.3 billion deal to buy Atlas Energy, a major Marcellus Shale driller.

Combining a new process of horizontal drilling with a technique known as hydraulic fracturing, or fracking, drillers are unlocking vast deposits there and in other formations around the U.S. such as the Barnett Shale in Texas _ a boom that could ensure cheap and plentiful natural gas for many years to come for homeowners, factories and power plants.

The drilling frenzy in the Marcellus Shale is also credited with enriching landowners and pumping new life into trucking companies, short-line railroads, quarries and steel-pipe makers, as well as the restaurants and hotels hosting out-of-state drilling crews. An industry-financed study by Penn State projected that the boom would generate tens of thousands of jobs and hundreds of millions of dollars in state and local taxes in the coming years.

However, the use of fracking _ in which millions of gallons of water, sand and toxic chemicals are injected into each well to break apart the shale and release trapped gas _ is raising pollution concerns across the Northeast.

While the industry maintains that fracking has been proved safe over the decades, homeowners are coming forward with tales of wells producing brown, foul-smelling water or water polluted with methane and chemicals.

In the northeastern Pennsylvania town of Dimock, a hotspot of Marcellus Shale exploration, some residents no longer use their polluted well water and can light their taps on fire because of methane they say seeped into their wells because of drilling.

The Rendell administration intends to bill Houston-based Cabot Oil & Gas Corp. the \$12 million cost of installing a water line to serve 14 families in Dimock. Cabot denies the methane is connected to its drilling.

The gas drilling business got what it wanted in the election of Corbett, who received nearly \$1 million in donations from the industry. Among his first actions this week was to name Christine Toretta, a national GOP committeewoman and owner of a Pennsylvania drilling company, as co-chair of his transition team.

Without giving specifics, Corbett on Wednesday promised a "reasonable" regulatory stand that protects the environment. He will be able to appoint a new head of the Department of Environmental Protection, which under Rendell has tried to aggressively deal with the problems brought by the gas rush.

"I look at this as an industry that's going to be here long after all of us in the room are gone," Corbett said. "It is going to be a great industry and we need to develop it properly. We need to develop it protecting the environment and growing jobs in Pennsylvania."

Congress exempted fracking from federal clean water regulations in 2005, but some lawmakers have been pushing to undo that.

Sen. Bob Casey, D-Pa., sponsor of a measure that would subject fracking to regulation by the Environmental Protection Agency, predicts a bleaker landscape now for his bill.

"If anything, there are more votes against it," he said Tuesday.

Whether events ultimately unfold to the industry's liking remains to be seen.

The election doesn't affect a web of state and federal regulatory bodies that could stand in the way of drilling, industry analysts said. The EPA, for example, could try to regulate fracking without congressional approval.

Rolf Hanson of the Associated Petroleum Industries of Pennsylvania, an industry lobbying group, said: "I for sure don't see this as, 'All of a sudden things are going to be rosy for the industry and we're going to get a free pass.'"