

## Ensuring All Pennsylvanians Benefit from Our Natural Gas Resources

Pennsylvania sits atop much of a geologic formation believed to hold immense natural gas resources that has attracted unprecedented interest from developers. This formation, the Marcellus Shale, underlies much of Pennsylvania and portions of New York and West Virginia at a depth of 5,000 to 8,000 feet.

As part of his proposed fiscal year 2009-10 budget, Governor Rendell is proposing a small tax on the natural gas resources extracted from the Earth.

This proposed severance tax is identical to the one that has been on the books in West Virginia since 1987. According to West Virginia Governor Manchin, the severance tax approach did not inhibit gas extraction and that it is continuing at a record pace and is reaping critically needed revenues so the state can provide services to its citizens.

West Virginia has experienced a more than 20 percent increase in natural gas production from 2002 to 2007.

The proposed tax rate is 5 percent of the value of the natural gas at the wellhead, plus 4.7 cents per 1,000 cubic feet of natural gas severed

The tax would be remitted to the Department of Revenue on a monthly basis as of Oct. 1, 2009, and is projected to generate more than \$100 million in FY 2009-10 and up to \$631.9 million in FY 2013-14.

<b>Projected New Tax Revenue</b> From Severance Tax on Natural Gas (Dollars in millions)	
<b>Tax Year</b>	<b>NG Severance Tax</b>
2008-09	\$0
2009-10	\$107.2
2010-11	\$236.0
2011-12	\$353.5
2012-13	\$490.7
2013-14	\$631.9

According to Pennsylvania State University, the Marcellus Shale is believed to hold nearly 363 trillion cubic feet of natural gas. If we can extract just 10 percent of the natural gas that exists below ground in the Marcellus, it would be enough to supply the natural gas needs of the entire United States for two years.

Penn State estimates that the economic value of the Marcellus Shale formation is \$1 trillion.

The Department of Environmental Protection issued a record 7,792 drilling permits in 2008—up from barely 2,000 in 1999—with more than 4,100 wells being drilled throughout the state.