

**Pennsylvania Senate Majority Policy Committee Hearing  
Thursday, April 9, 2009**

**Testimony  
Of  
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**Good morning Chairman Pippy and distinguished members of the Senate Majority Policy Committee. My name is Dave Spigelmyer, Vice President of Government Relations for Chesapeake Energy and Legislative Subcommittee Chairman for the Marcellus Shale Committee. Thank you for the opportunity to participate in this hearing and engage in a dialogue on such an important matter to this Commonwealth and our Nation—development of our domestic energy reserves, specifically production of clean-burning natural gas from the Marcellus Shale.**

**Let me begin by telling you a little more about Chesapeake Energy. Chesapeake is America's largest independent natural gas producer, producing 2.13 bcf/day in 2008—or roughly 3.5% of total U.S. production. Chesapeake is the largest leaseholder in the Marcellus Shale with approximately 1.2 million net acres leased and available for development—this includes not only Pennsylvania but also New York and West Virginia. We currently have 5 rigs running in the Commonwealth and plan to add up to 9 more rigs into Pennsylvania by the end of the year. Chesapeake is one of the few operators in the United States that has extensive operations within all 4 of the shale plays within our country—1) the Barnett in Texas that you have all heard about; 2) the Haynesville in Louisiana and Texas; 3) the Fayetteville shale in Arkansas; and, 4) the Marcellus here in Pennsylvania, New York and West Virginia. I raise this point because it is important for all of you, and your colleagues, to understand that, while development of a vast shale play may be new to Pennsylvania, it is not new for many of the participants in this room, including Chesapeake.**

**Why is Marcellus Shale development important to each of you, and most importantly your constituents?**

**Economic Development Opportunity During Difficult Recession**

**At this time of economic downturn, there is no brighter star in PA's sky than the economic development opportunities and job growth that has and will continue to spawn from development of the Marcellus Shale. The Pennsylvania Marcellus Shale Committee has estimated approximately 150 employees or jobs are needed to support each operating rig.**

While some of the skilled professionals operating our technical equipment may come from outside the region, we have already seen 19 Pennsylvanians graduate from our rig training school in Searcy, Arkansas. As our drilling activity ramps up and as the pool of skilled labor grows within the region, those jobs and other jobs – such as excavation, rock hauling, water transportation, road maintenance, timber management, landscaping and other services – will become permanent Pennsylvania jobs. In fact, the majority of our subcontractors working in Bradford County are from Pennsylvania or the southern tier of New York.

Coupled with the use of local hotels, restaurants, hardware and supply stores, gas stations and vehicle service centers, just to name a few—the economic plume for Marcellus Shale development is extraordinary. As the Marcellus shale play grows, and it is imperative that it does in order for our industry to have affordable support services here in the region, there will be a vital need for local labor to perform much of the technical work that will be required to grow this industry. The PA Marcellus Shale Committee is currently working with the Department of Labor and Industry, as well as several community colleges to begin developing curriculum that will support the Marcellus industry.

Today, the Marcellus Shale industry has fewer than 300 wells operating in the Commonwealth. We are in the infancy of this development. Our industry is investing in the infrastructure necessary for the future of this play—securing leases, building pipelines, developing plants to process and compress the natural gas for transport—all totaling more than \$4 billion invested to date. But if we are to grow this industry, we need to change the way we think about Marcellus development.

## **Energy Independence**

Currently, Pennsylvania produces roughly 180 BCF of natural gas per year through a fleet of conventional shallow natural gas wells (primarily in central and western Pennsylvania)—we drill approximately 4,000 of these conventional wells each year in Pennsylvania. On the demand side, Pennsylvanians use roughly 810 BCF for industrial, commercial and residential applications. So, roughly 75% of the natural gas used in this Commonwealth comes to Pennsylvania from outside our State—primarily from the Gulf of Mexico and from the Midwest.

If we are able to change the way we think about this play, and move this development to just 2,000 Marcellus wells each year, within 6 years Pennsylvania can produce as much gas as it consumes and become natural gas independent. Why is that important to you and your constituents? Moving natural gas from the Gulf of Mexico to Pennsylvania is costly. Most utilities providing natural gas service, as well as, electric generation suppliers providing gas-fired electricity, are required to haul gas into Pennsylvania through long pipelines, store it in depleted natural gas production reservoirs or “storage fields”, and deliver it to consumers during periods of high demand. On average, those costs can near

**\$2/MCF added to your constituent's utility bill, which at today's prices, could add as much as 20 percent to consumer costs.**

**If we are able to become a natural gas net exporter we would have a clear, strategic advantage to develop manufacturing and industrial job growth throughout the Commonwealth. Most importantly, we will be producing and supporting a clean-burning domestic energy product with enough natural gas right here in Pennsylvania's Marcellus Shale to fuel our Nation's demand for natural gas for at least 10 years.**

**Many of you in the audience enjoy the benefits of heating your home, cooking your food, drying your clothes and heating your water with clean-burning natural gas. But did you know that natural gas is the primary fuel used in such manufacturing processes as steel, glass, plastics, chemicals, fertilizers and even generating our electricity during periods of peak demand? With the memories of \$4 gasoline prices still fresh on everyone's mind from last summer, let's shift our attention to one energy solution that has yet to be fully realized--using Pennsylvania produced natural gas in our vehicles and fleets. According to the Department of Energy, more than 80% of the pollution in our cities is attributable to motor vehicle emissions. We have the proven technology at our fingertips to fuel our vehicles with this environmentally clean domestic fuel. With your help, we hope to one day be a leader in fueling our bus fleets, our delivery vehicles, postal vehicles and other mobile sources with clean-burning natural gas. Pennsylvania can and should be a national leader in converting regional transportation fleets to natural gas, which would inevitably pave the way to expanding natural gas solutions for personal transportation.**

## **Environmental Benefits**

**Beyond the obvious economic advantages, using natural gas provides significant environmental advantages. Natural gas is by far America's cleanest burning fossil fuel. By using natural gas over other conventional fuels, we would cut carbon emissions by as much as 40%, nitrogen oxide emissions by as much as 35%, drastically cut sulfur dioxide emissions and emit virtually no particulate matter. Most importantly, natural gas can be—and should be—our choice to offset our Country's requirements for foreign sources of oil.**