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Introduction

Good morning. My name is Mark Smith, Chairman of the Bradford County Commissioners. Thank you for the opportunity to be here this morning, to share with you the issues in regards to the development of the Marcellus Shale in our county.

Current Status of Natural Gas Exploration

Bradford County is located in northeast PA and is of great interest in the development of Marcellus Shale. It is home to nearly 63,000 residents, the second largest county within the commonwealth at 1,152 square miles.

In 2008 over 5,000 gas and oil leases were filed in our Register and Records office. Drilling permits issued in Bradford County for all of 2008 stood at 63 with 23 of those wells drilled, whereas in 2009, in just three months, 35 permits have been issued out of 94 applications.

County Response

The level of natural gas exploration taking place has prompted us to get involved in many different issues, some expected and some that we did not foresee.

We have taken steps to educate ourselves as well as our residents, formed an advisory board, taken an exploratory trip to the Barnett Shale region of Texas and we have been working closely with Penn State Cooperative Extension to further educational opportunities for our residents.

Economic Impacts

The development of the Marcellus Shale in Bradford County is on pace to be the most significant economic impact ever presented to our county. Already hotel rooms are scarce. In fact, our county hotel tax revenue for 2008 was the highest ever with nearly a 20% increase over 2007.

Restaurant business also seems to be improving. Local hiring into the industry is slow, but it is taking place. A local college has begun offering training courses in gas industry related fields. We had a report recently from our regional development commission that 58 people were hired by an industry contractor through PA CareerLink. Our local economic development authority has been working to develop local business

opportunities in relation to the gas industry. It has recently received grants to do both an alternative energy study as well as an economic impact study.

Local Impacts

Even at the early stages of development the effects are apparent and issues arise at a constant pace in some form or another. The social, economic, environmental and infrastructure impacts of the industry are well documented in other places across the country. It can be expected here.

One of the more significant problems local governments face is the stress the industry has on our roads and bridges. The majority of roads in our townships were never built to withstand the heavy and constant truck traffic that horizontal well drilling and injection wells require. One well drilling operation may involve over one thousand truck loads.

County government, although not responsible for the maintenance of roads, is responsible for many bridges. Bradford County has 52 bridges. As the industry increases their operations we can only expect a negative impact on our bridges.

The industry will likely include social impacts as well. Current social services budget constraints at the state level and the cuts our county has recently received from the state make it difficult to comprehend how local taxpayers can afford to absorb any added burden in our already stressed situation. This will likely be the case in the county's criminal justice system as well.

Regulatory Issues

There are areas in terms of regulation that local governments are struggling with. In some cases Pennsylvania regulations and regulatory agencies are in transition. It is unclear if the challenges of balancing industry and public safety are being met.

There is great local concern that D.E.P, even with their proposed increased staffing has no chance of keeping up with the pace of the drilling activity, let alone the increased responsibilities D.E.P. is taking away from conservation districts.

D.E.P. has instructed local Conservation Districts that they are no longer responsible for Erosion and Sedimentation permits or Stream and Wetland permits. Our conservation district was also told to turn over all gas industry related records. This move takes away the last true form of local control of the industry's impact on our county's environment. With this change there will no longer be a formal notice issued to local governments of when and where drilling will occur. The local nature of our conservation districts working with the industry in local areas, concerning local interests will disappear.

There are concerns about the of regulation for "drilling pits" or ponds, disposal of what is known as "drilling mud," which in some cases is being encapsulated in the pond's liner and buried on the land owner's property after drilling ceases. Injection wells are an increasing topic of discussion throughout the county. Water quality and possible contamination is also of concern.

Legislative Issues

Legislatively we, at the local level, are left with more questions than answers for our residents. In Bradford County we have struggled with the implementation of Clean

and Green regulations. Testimony on the need for revised legislation has been heard previously by the Senate and the House of Representatives. To date none of the issues regarding acreage exemption for a gas well or the surface and mineral right owner issue has been resolved.

Another important issue to be dealt with by the legislature is the requirement of companies to report the output of gas at the well. Currently the reporting requirement is 5 years.

The way counties are to produce or receive revenue to deal with the impacts of this industry needs to be resolved with the utmost urgency. There are several proposals which are the severance tax, reinstating assessment capability for gas as property or using the leasing of state land to pay for the impacts. In any case the legislature needs to provide local governments with appropriate financial resources beyond their local taxpayers. The local taxpayers cannot afford to bear the financial burden of this industry.

Conclusion

In conclusion, I would like to state the importance of economic growth in our county, especially as we all face difficult economic circumstances. I would like to add that local government is seen as being responsible for all issues concerning our local lifestyle. However, we are increasingly at the mercy of regulatory and financial decisions made at the state level.

I wish to encourage action on the number of issues previously mentioned. We must balance economic growth with the needs of local communities. The cumulative impacts on our county's economic, social, infrastructure and environmental well being will be long term, long beyond the lifetime of many of us. We must learn from the past to ensure a positive future for both the industry and our residents.

I would urge the D.E.P to reconsider its fast track approach to permitting and reinstate local responsibilities to county conservation districts and to take into consideration looking at other aspects of the industry that may require D.E.P. attention to ensure public safety and environmental protection.

I would urge the legislature to allocate funding to local governments, to clarify the Clean and Green program and to move legislation regarding reporting of well production.

The development of Marcellus Shale and the many issues local governments are facing in regards to it are substantial and action taken at the state level on these issues could not come soon enough. Thank You.