



Friday, August 30, 2013



CRAIN'S
SHALE REPORT

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And we're off

Blog entry: February 1, 2013, 10:55 am

At the Statehouse, Gov. John Kasich's executive budget is due in few days, and seasoned insiders abound with "the" inside scoop on what is to come; as always, the first one you hear might be in complete contradiction to the next. I liken this week to that brief moment in time at the beginning of the Kentucky Derby, when the horses are being jammed in their chutes; they are bucking, and snorting and waiting for that bell to sound and gates to open.



Jim Samuel is founder and principal of Capitol Integrity Group a fellow of the Levin College at Cleveland State University and a founding partner of the Ohio Shale Consortium. He has worked extensively in the economic development and public policy arena and serves as a consultant to the energy industry.

It is a certainty that the budget proposal will include changes to the tax code on the emerging oil and gas industry resulting from shale development. What will be proposed will not be revealed in its entirety until next week, but it likely will involve many moving parts that will complicate a message that some would prefer to keep simple. A myriad of tax and fee increases have been rumored, along with a number of proposals that would reduce the tax burden on Ohioans. But how the overall proposal will impact businesses on the whole will have to be assessed once the many moving parts of a state budget are known.

One thing that is known is that shale development in Ohio continues to move forward, some may say too rapidly and others not fast enough. Around the holidays, Ohio crossed the threshold of two hundred horizontal shale wells and the most recent data confirms 223 wells have been horizontally drilled into Ohio's Utica and Marcellus shale deposits and a total of 522 permits for horizontal shale drilling have been issued.

In addition, according to the most reliable open source, Ohio averaged 30 operational drilling rigs in January 2013. By way of comparison, there were 70 averaged in Pennsylvania over the same period. Looking back one year, Ohio averaged 15 rigs in operation in January 2012 and Pennsylvania averaged

114. Add to the rig count the \$7 billion of announced investments in the midstream network that will take the hydrocarbons from the wells to the marketplace, and clearly the shale play continues to grow exponentially in Ohio.

As we prepare to assess the coming changes in public policy, this column has frequently relied on good sources of credible studies. Studies are to public policy wonks what a hit of heroin is to an addict. New sources of data and information are constantly needed to confirm or debunk proposed policies. But as people clamor for data and information on shale drilling and specifically hydraulic fracturing or fracking, the reports are often attacked and bias (pro or con) — it's all too obvious in some cases.

In that light, part of a key study was recently released (some might say leaked) to *The New York Times*. In full acknowledgement of the bias issue, *The Times* has not exactly been a fan of the fracking industry, but even they could not ignore the comments in the eight pages of the report that were provided to them.

The basis of *The Times'* story comes from a study produced by the New York State Department of Environmental Conservation and the New York State Department of Health and included the eye-popping statement that "significant adverse impacts on human health are not expected from routine

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HVHF.” (HVHF is high volume hydraulic fracturing.)

Much has been made of the high-profile moratorium on hydraulic fracturing imposed by New York Gov. Andrew Cuomo. The moratorium just celebrated its fourth anniversary, and for his continued support Gov. Cuomo has been a darling of environmental circles.

Lest I be accused of taking a single sentence out of context, further commentary from the report says; “By implementing the proposed mitigation measures [...], the Department expects that human chemical exposures during normal HVHF [high volume hydraulic fracturing] operations will be prevented or reduced below levels of significant health concern. Thus significant adverse impacts on human health are not expected from routine HVHF operations. When spills or accidents occur, the Department has identified numerous additional mitigation measures, including emergency-response planning, setbacks and buffers, so that significant exposures to people and resources on which they rely are unlikely.”

(And a link to the released section of the report can be found [here](#))


Interestingly, or rather I should say entertainingly, the Gov. Cuomo's state agency spokespeople were quick to say that the report was outdated, but perhaps that is because the comments should have been made public almost a year ago as the department has had a draft of this report since early in 2012.

For now, at least, it looks like Ohioans and Pennsylvanians can continue to thank the governor of New York for those 100 rigs that are currently creating jobs and investments without being bothered with additional acreage to drill in New York.

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