

## **Report bullish on longevity of shale gas**

*Economic impact to rise to \$52B a year, area research firm says*

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More research is suggesting that shale gas will be an important source not just of energy for the United States, but also of work for individuals and businesses in Ohio.

The state, which fast is becoming an energy industry hot spot, is starting to get a handle on what that status could mean to its economy. The latest source of optimism comes from Cleveland based research firm The Freedonia Group, which last month published a report finding that demand for goods and services related to shale gas in the United States will rise to \$52 billion a year by 2015.

“While shale gas drilling will slow from the rapid buildup of the 2005-2010 period, the industry will bring more than 8,000 new wells online through 2015” across the nation, Freedonia reports.

“Increasing demand for drilling and completion products and services for new shale gas wells will be accompanied by growing markets for workover, restimulation and well site reclamation services in those regions where production is maturing,” it continued.

According to Freedonia, about \$38.7 billion of the annual expenditures will go toward contract drilling, pressure pumping and other services, many of which directly are related to the construction of wells.

The energy industry also will spend \$7 billion a year on drilling equipment and consumable items, including steel pipe made by Ohio manufacturers. Those expenditures don't include pumps, compressors, valves or other drilling rig components, which were not part of the Freedonia study.

The energy industry's appetite for drilling equipment has ramped up quickly. It jumped from \$650 million in 2005 to last year's \$7 billion, and it should rise to nearly \$9.4 billion by 2020, the Freedonia report states.

Ohio steel producers such as Canton-based Timken Co., Youngstown's V&M Star and the U.S. Steel plant in Lorain already are seeing a boost in business, and all recently have made major investments totaling hundreds of millions of dollars in order to keep up with drillers' demand for tubular steel products.

Freedonia also notes that demand is rising for related products, such as proppants, which also are produced by Northeast Ohio companies. Proppants can be anything from raw or specially treated sand to man-made materials. They are used in a process known as fracturing to create and hold open fissures in shale rock, allowing the gas trapped in the rock to be extracted.

Locally, Chardon-based Fairmount Minerals and Columbus-based Momentive Performance Materials, which has operations in Strongsville, Willoughby and Richmond Heights, are big participants in the proppants sector, Freedonia said.

Those companies already are benefiting from a market for proppants that grew from \$32 million a year in 2005 to more than \$1 billion in 2010. That growth only will continue, Freedonia predicts, to \$2.2 billion in 2015 and \$3.5 billion a year by 2020.

Finding out more from Freedonia will cost companies or observers. The group's latest report costs \$4,900 and, though it will begin selling individual pages and tables from the report in October, manufacturers, investment groups and others already are buying the entire report, Freedonia reports.

### **Interest rises in Columbus**

While Freedonia notes that the growth of shale gas development will slow in the nation as a whole, that isn't what's predicted for Ohio, where the industry is just getting started.

In August, the CEO of Chesapeake Energy Corp., the largest driller to start buying up mineral rights in Eastern Ohio's shale beds, predicted that his company and others like it will invest an estimated \$20 billion a year in Ohio's shale gas and oil industry each year over the next decade.

Meanwhile, the shale gas sector is receiving more notice in Columbus: Regulators are trying to determine how to handle the industry, the governor is touting its potential for economic development, and businesses are clamoring for more information.

It's all prompted the Ohio Chamber of Commerce, which last month formed the Ohio Shale Gas Task Force from a loose-knit coalition of interested parties, to pay for its own research. The chamber has tapped Cleveland State University, Ohio State University and Marietta College to conduct a separate \$125,000 study on the economic impact of shale gas and oil exploration on Ohio specifically.

“Knowing that we had a broad interest from our membership in it, we decided to step forward,” said chamber president Andrew Doehrel. “It has a broad impact and a lot of people understand this could be beneficial to them.”

While some Ohio manufacturers already are selling to the industry and the economy as a whole is benefiting from lower prices for natural gas, Mr. Doehrel said he hopes the state will find an even broader positive economic impact — which he said has been the case in Pennsylvania, where far more drilling has taken place to date than in Ohio.

The chamber's study also should help Ohio identify and better serve the supply chain for materials needed by drillers, natural gas processors and others connected to the shale gas business, said Jim Samuel, a fellow at Cleveland State, a consultant to the natural gas industry and one who pushed for the study now under way.

“What is the kind of purchasing they're going to be doing? That's what's really going to be important, particularly to Ohio's manufacturing sector,” Mr. Samuel said. “That's when we really start to get into jobs and spending and also taxes — generating sales taxes and generating property taxes.”

Ohio is getting into the game later than some — Pennsylvania, for instance, did a similar study in 2009. But that's appropriate, Mr. Samuel said. While there already have been thousands of the new horizontal fracking wells drilled in Pennsylvania, only a handful have been drilled so far in Ohio, he said.

But the tip of the iceberg is pushing its way into the Buckeye State, say Mr. Samuel and others — and the rest of the ice is coming fast behind.

“It's very expensive to drill a well, these horizontal fracking wells are \$3 (million), \$5 million or \$6 million per well,” Mr. Samuel said. “It's going to take time for the play to develop here, but it will — just like it has in Pennsylvania.”