



A TAXING CONCERN FOR PENNSYLVANIA

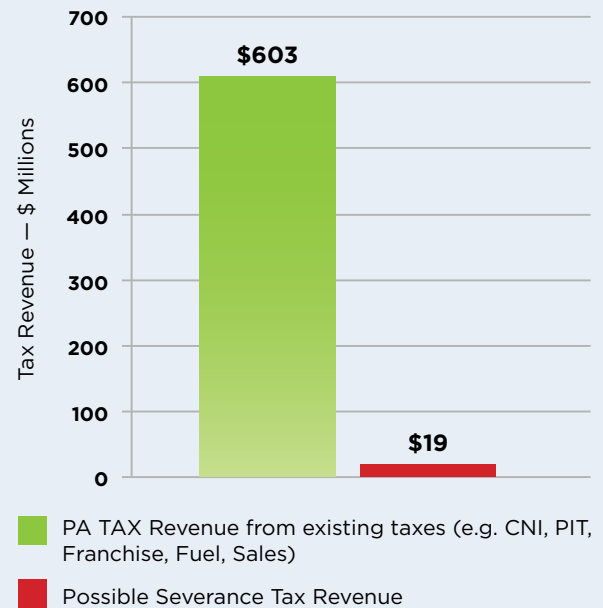
Marcellus producers are sending \$1 billion to Harrisburg this year. A severance tax could greatly diminish that sum.

As efforts continue to responsibly convert the promise and opportunity of the Marcellus Shale into jobs, revenue and opportunity for Pennsylvania, it's sometimes easy to forget that this campaign is still very much in its infancy. Indeed, as recently as 2006, fewer than 150 Marcellus wells were in operation statewide – representing only a fraction of the more than 50,000 conventional natural gas wells found in the Commonwealth.

More than 1,200 Marcellus wells have now been drilled in Pennsylvania and will enable the industry to produce trillions of cubic feet of clean-burning natural gas, all while sending back to the state and local governments billions of dollars in annual tax revenue. While the initial economic benefits and returns to Pennsylvania taxpayers have been significant, and continue to be, a severance tax could stifle this growth and ultimately slow job creation across the state. Paradoxically, the tax could also have the effect of significantly diminishing the amount of revenue available to the state. Further, landowners will also be subject to new taxation.

Clearing Roadblocks to Marcellus Development Will Bring In Millions More than Proposed Severance Tax

2010 PA Tax Revenue Analysis from Marcellus Shale Development



Source: Penn State University, July 2009

Notable States That Do Not Impose a Severance Tax:



New York



Ohio



California

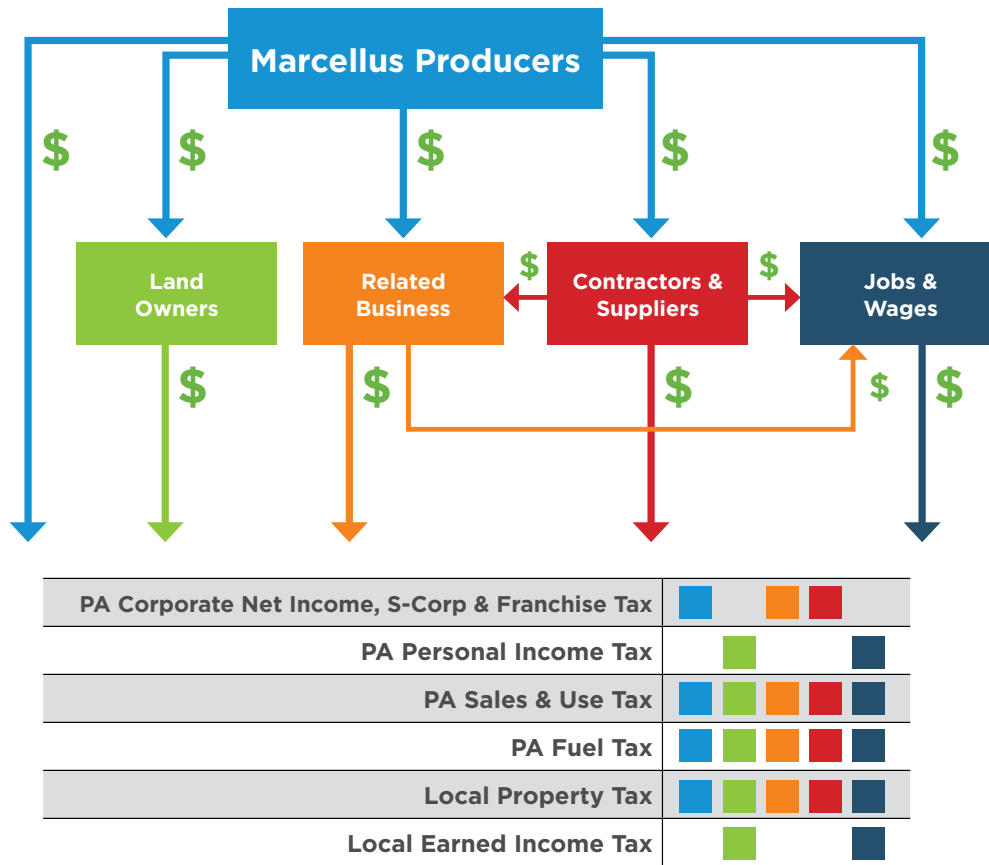


Virginia

“The study by Penn State... predicted that Rendell’s severance tax proposal would cause a 30 percent decline in drilling activity.”

— *Pittsburgh Tribune-Review*, 1/15/10

Taxes? We pay them all. In addition to paying business taxes, Marcellus producers and their employees pay personal income taxes, sales & use taxes, fuel taxes, property taxes, local earned income taxes, and, of course, all our federal taxes as well. And our contractors pay them too. The chart below provides a basic snapshot of how it all comes together:



More on the Way: Continued Development of the Marcellus Slated to Generate Thousands of New Jobs, Billions in Future Tax Revenue

	2008	2009	2010	2015	2020
Jobs Created – thousands	29	49	89	161	212
Value Added – \$millions	2,263	3,755	8,039	14,415	18,853
State & Local Taxes – \$millions	239	396	785	1,417	1,872
Production Rate – BCFE/Day	.04	.17	1.0	7.6	13.5
Wells Drilled	364	621	1,743	2,900	3,587
Landowner Royalty – billions	\$0.02	\$0.05	\$0.22	\$1.23	\$1.75

Source: Penn State University, May 2010