

Marcellus official addresses challenges facing industry

# Down Time

## UP CLOSE

A room full of community bankers recently got to hear the shale gas industry's economic outlook in Pennsylvania, and it wasn't overly positive.



Dave Spigelmyer

After nearly a decade of bustling activity, declining prices for natural gas and an uncertain regulatory environment are driving producers to scale back and, in some cases, look elsewhere.

Dave Spigelmyer, president of the Marcellus Shale Coalition, spoke Feb. 26 during the Community Development Corporation of Butler County's annual

Bankers Breakfast at the Pittsburgh Marriott North in Cranberry Township.

The coalition, headquartered in North Fayette Township, Allegheny County, is a trade association that represents businesses working in the shale plays of the Appalachian region.

Members range from small independent businesses to multinational corporations.

Spigelmyer of Cranberry Township said many coalition members already have revealed plans to roll back drilling activity and signifi-

### Marcellus Shale Coalition

**SERVICES:** Nonprofit trade association that works with organizations involved in the development of shale gas in the Appalachian Region, providing information, advocacy and policy recommendations

**ADDRESS:** 24 Summit Park Drive, 2nd Floor, Pittsburgh

**PHONE:** 412-706-5160

**WEBSITE:** <http://marcelluscoalition.org>

**PRESIDENT:** Dave Spigelmyer

cantly reduce capital expenditures.

"We've already seen for 2015 about \$9 billion of capital leave Pennsylvania," he said.

"We're going to see a bit of a tightness here in 2015. You'll see fewer rigs active. You'll see fewer supply chain jobs generated."

For example, Rex Energy, which is the largest producer of natural gas in Butler County, in its February report detailing 2014 operations and financial performance, estimated 2015 capital expenditures in the range of \$180 million to \$220 million. That is down from the State College-based producer's original estimate of about \$350 million to \$365 million.

Spigelmyer said in some ways the industry has been a victim of its own success.

Companies are producing vast quantities of gas — Spigelmyer said Pennsylvania has gone from producing about

25 percent of the state's supply to producing about 20 percent of the U.S. supply — and becoming more efficient at the process.

This has led to declining prices for both producers and consumers.

According to the U.S. Energy Information Administration, prices have steadily declined at the Henry Hub, which is a major natural gas interconnect in Louisiana used to set pricing points for natural gas futures on the New York Mercantile Exchange.

In February 2008, prices were about \$9 per million Btu. When Spigelmyer spoke at the

**HAHN - VORBACH & Associates LLC**  
Collector Car Restoration & Services

Full/Partial Restorations and Repair of Classic Cars

**Our Services:**  
Restoration/Preservations  
3D Scanning and Design Center  
Collector Car Repairs  
Custom Builds, Concept Cars, Kit Car Builds  
Nostalgia Dragsters & Funny Cars

**HAHN - VORBACH & Associates LLC**  
Collector Car Restoration & Services  
321 Perry Hwy. Harmony, PA 16037  
(1 mile off I-79 exit 88)  
Business Hours: 9am - 5pm Mon. thru Fri.  
**724-452-4329**

HAHN - VORBACH & Associates are proud members of: The Society of Automotive Engineers, AACA, MBCA, GTOAA, POCI, Gullwing Group, Goodguys Rod & Custom, SEMA and The Zelienople-Harmony Chamber of Commerce

**Concordia Lutheran Ministries**

With one of the broadest networks of care in the region, odds are we have the senior and health care services you're looking for.

- Home and Community Services
- Hospice Services
- Independent Living
- Personal Care, including Adult Day Services
- Rehabilitation Services
- Skilled Nursing

**Concordia**  
Lutheran Ministries  
*We put our Faith in Caring*

134 Marwood Road • Cahot, PA • 16023 • 1-888-352-1571  
[www.concordialm.org](http://www.concordialm.org)

breakfast, those prices were about \$3.20 per million Btu.

The Citygate price, which is the point at which a distributing gas utility receives gas from a natural gas pipeline company or transmission system, in February was about \$5 per thousand cubic feet (Mcf) of gas. That is down from about \$9 per Mcf in February 2008.

Also, for residential consumers during the same time frame, prices fell from about \$12.60 per Mcf to \$10 per Mcf.

Spigelmyer said the state also is creating challenges that are further stalling development, first by repealing portions of Act 13 of 2012 that amended the state's oil and gas code and now Gov. Tom Wolf's proposal to impose a severance tax.

## UP CLOSE

### Community Development Corporation of Butler County

**SERVICES:** Nonprofit economic development organization that works with businesses and government to create and retain jobs in the county through site selection, development, financing and other resources

**ADDRESS:** 112 Hollywood Drive, Suite 102, Butler

**PHONE:** 724-283-1961

**WEBSITE:** www.butlercountycdc.com

**E-MAIL:** butlercdc@butlercountycdc.com

**EXECUTIVE DIRECTOR:** Ken Raybuck

Spigelmyer said Pennsylvania already is losing business to Ohio, where the severance tax of 2.5 cents per thousand feet of extracted natural gas is more appealing

to producers than the impact fee in Pennsylvania.

Wolf's proposal follows West Virginia's tax model of a 5 percent severance tax on the value

“ We've already seen for 2015 about \$9 billion of capital leave Pennsylvania.

We're going to see a bit of a tightness here in 2015. You'll see fewer rigs active. You'll see fewer supply chain jobs generated.

— Dave Spigelmyer, Marcellus Shale Coalition president

of gas at the wellhead plus 4.7 cents per thousand cubic feet of gas extracted.

He claims it could generate as much as \$1 billion for the state in its first year.

Spigelmyer said if Gov. Wolf's proposal is approved, Pennsylvania will lose more business to Ohio, as well as shale plays around the world.

“It makes us uncompetitive with every other shale play across the U.S.,” he said. “We will see job reduction. We will see economic deterioration in the shale region.”

Pennsylvania has collected more than \$632 million during the first three years of the impact fee, according to the state Department of Environmental Protec-

tion, which regulates drilling.

The revenue goes to various state agencies, as well as proportionally to counties and municipalities in which the most gas production takes place.

Spigelmyer said Wolf's \$1 billion revenue estimate would fall far short because drillers will do more business outside Pennsylvania.

He said the industry also would continue to decrease its investment in infrastructure here — development that is needed to carry gas to the most profitable markets, which includes the Northeast and exporting.

Spigelmyer said now is the time to encourage companies to spend capital because infrastructure will help support other industries across the state. ♦

MANUFACTURING SOLUTIONS. ABSOLUTE INTEGRITY. EMPLOYEE OWNED.



- DESIGN FOR MANUFACTURING
- DIE SIMULATION SERVICES
- PROTOTYPING
- AUTOMATED EQUIPMENT
- PRECISION MACHINING
- REEL-TO-REEL PLATING

- ADDITIVE MANUFACTURING
- TOOLING
- HIGH PRECISION STAMPING DIES
- METAL FINISHING SERVICES
- CARBIDE MANUFACTURING
- TUNGSTEN & SILICON CARBIDE

- PRECISION GRINDING
- METAL STAMPING
- ASSEMBLY
- CARBIDE & METAL ASSEMBLIES
- PARKER MAJESTIC GRINDERS
- MANUFACTURING TRAINING

VISIT US ONLINE AT:



Penn United Technologies, Inc. 799 North Pike Road Cabot, PA 16023  
 Phone: (724) 352-1507 www.pennunited.com sales@pennunited.com