



**Associated Petroleum
Industries of Pennsylvania**

A Division of API

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REMARKS OF ROLF HANSON
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BEFORE THE SENATE REPUBLICAN POLICY COMMITTEE
JANUARY 26, 2011

Chairman Erickson, members of the Committee:

Thank you for the opportunity to speak with you today. I am Rolf Hanson, Executive Director of Associated Petroleum Industries of Pennsylvania. We are a division of the American Petroleum Institute. API is the only national trade association that represents all aspects of America's oil and natural gas industry. Our 450 corporate members, range from the largest major energy company to the smallest of independents and come from all segments of the industry. They are producers, refiners, suppliers, pipeline operators and marine transporters, as well as service and supply companies that support all segments of the industry.

API is a standards development agency that is accredited by the American National Standards Institute (ANSI). Since being established in 1919, API has

developed more than 500 standards and recommended practices covering all segments of the oil and natural gas industry to promote the use of safe, interchangeable equipment and proven, sound engineering practices. API standards are used worldwide and are cited over 270 times in the U.S. Code of Federal Regulations. Numerous federal agencies, including OSHA, EPA, DOT and BOEM, use API technical standards for regulatory purposes.

API member companies continue to actively explore for natural gas and develop natural gas wells in the Marcellus Shale areas of Pennsylvania.

As I am sure you know, the Marcellus shale reserves underlying Pennsylvania present the Commonwealth with a tremendous economic development and job-creation opportunity.

Future shale gas development depends upon the economics, geology, public policy and several sources of uncertainty affect the outlook for Marcellus drilling and production. Tax and regulatory policies at local, state, and federal levels have an important bearing on the costs and returns from drilling. New York currently has a de facto moratorium on horizontal drilling. Pennsylvania has been debating the relative merits of a severance tax on Marcellus gas production. The eventual outcome of these policy debates is unknown. Economic uncertainties also prevail as natural gas producers continuously reassess the rates of return from drilling in the Marcellus relative to other shale gas plays.

Increasing domestic energy production and employment comes at an opportune time when our nation faces record budget deficits and many states are struggling with fiscal solvency.

Let us not lose sight of the fact that communities throughout the Marcellus region have been building their tax base as the industry continues to grow. Some communities are seeing gas companies locating within them, some are seeing new development in the form of hotels, restaurants and other businesses that are a direct result of Marcellus development, some are seeing residents benefiting from increased revenue deriving from lease payments and royalties and some are seeing all of the above.

These benefits depend upon the Marcellus maintaining its relative competitive position. There are at least four other major shale gas plays competing for investment capital with the Marcellus, including the Barnett, Haynesville, Fayetteville, and Eagle Ford formations.

Policy makers need to keep in mind the uniqueness of unconventional gas Production. Maintaining production growth is like running on a treadmill, slowdown drilling and production quickly slips back. Societal welfare is improved with policies that encourage the growth of the industry, the economy, and ultimately the tax base.

(Timothy J. Considine, 2010)

The availability of substantial volumes of natural gas from Marcellus development should also attract gas intensive manufacturing industries to expand capacity from the Middle Atlantic and Northeast regions into Pennsylvania. New industrial development spurred by the availability of abundant natural gas supplies should generate additional gains in employment, output, and tax revenues. (Timothy J. Considine, 2010)

Earlier today, there was a press conference announcing the formation of the Keystone Energy Forum. The Keystone Energy Forum is an extremely diverse consortium of Pennsylvanians who recognize the potential this industry has for their communities and want to help educate their neighbors and fellow citizens on natural gas development within the Marcellus Shale region. The Forum, which includes members from all corners of the state with interests as varied as sportsmen and farmers to bankers, hopes to generate open dialog, expand knowledge and educate Pennsylvania's diverse communities on the natural gas industry in Pennsylvania.

As I have traveled to various communities within the Marcellus fairway, it has become very evident that the local impacts vary from community to community. When meeting with other special interest groups it has become evident that communication is the key. These groups have commented that they have not had a place to go to discuss issues as they arise. Our hope is that the Keystone Energy Forum will serve as a forum for dialogue between industry, local units of government and various interest groups to find workable solutions to issues they have identified.

Industry has been working with communities and organizations in the areas of emergency training, workforce development to name a few, but without question, there is still much work to do.

APIP and our members are committed to work with communities around the Commonwealth to find reasonable, workable solutions.

This concludes my remarks. I would be happy to answer any questions that you may have. Again, thank you for the opportunity to appear before you today.