

May 1, 2009

House Republican Policy Hearing

Oil and Gas Exploration in the Allegheny National Forest

Testimony of James Decker, President/CEO
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Good morning.

My name is James Decker and I serve as the President/CEO of the Warren County Chamber of Business and Industry (WCCBI). The WCCBI was formed in January 2003 to serve all of Warren County as both the Chamber of Commerce as well as the County's designated Economic Development Agency. As such, we are charged with the responsibility of safe-guarding our existing economic and employer base as well as the development of programs, services and community assets necessary to encourage expansion in our existing economic sectors as well as fostering growth in new sectors within the community.

We recognize the Oil and Gas exploration, development and processing activities within Warren County and surrounding region to be one of the key foundation blocks and cornerstones of our community's economy. This has been the case for the past century.

With the Allegheny National Forest consuming roughly 30% of the land mass of Warren County, our concern relative to the managerial attitude imposed upon activities within the ANF is obvious.

There are 3 economic sectors in which the Allegheny National Forest provides the Warren County region with significant opportunity for support. They are timber, tourism and oil and gas activities. Each of these sectors face significant challenges and restrictions in the region's ability to fully capitalize on the economic impact the resources within the ANF offer. In recognition of today's agenda and time limitations, I will limit my comments strictly to the oil and gas arena.

There are currently approximately 80 individual companies operating in the oil and gas arena within the ANF. These companies range from sole proprietors to large, national operations. For many of the smaller operators, the ANF represents their only location of operation. Inherent with shallow oil wells throughout this region, the maximum production yield from each well is experienced very soon after the well is first brought into production. Long-term production yields taper off very quickly and remain quite low for the life of the well, typically a 10 year life-cycle. It is this precipitous decline in well production which requires the continual development of new wells within a region to maintain a steady and dependable stream of product into the marketplace.

A typical 10-year cost/revenue breakdown for a shallow well on the ANF is;

Well drilling/completing costs	\$150,000 (“up-front” costs)
Ongoing operating costs	\$120,000
Service taxes	\$22,500
Total revenues from sale of product	\$450,000
Income	\$157,500.....an average of \$15,750 per year.

Completion of a single well requires roughly 3,200 man hours. This represents 1 ½ full-time positions for one year.

The ongoing delay in releasing well projects on the ANF, which have been fully reviewed and permitted by the Pennsylvania Department of Environmental Protection, represents reportedly in excess of 500 new well sites. Based upon the manhours per well, the equivalent of 1,600,000 manhours have been eliminated from the regional economy. Even at a minimum wage of \$7.00 per hour, this represents \$11,200,000 in gross salary that will be removed from our economy.

This represents only the direct labor involved in the well development process which includes excavation contractors, timber contractors as well as the actual well drillers and fracture teams. This does not take into account the further negative impact on other jobs throughout the community that provide goods and services to both these employees as well as the businesses themselves. Penn State University performed a study in 2008 on the impact of oil and gas production activities and found that for every 100 jobs in the oil and gas sector, an additional 23 direct support jobs, as well as 40 residential/retail support jobs are created. Thus, a loss of 150 oil and gas jobs could result in an additional loss of almost 100 indirect jobs within the community.

As you can see, the impact of the oil and gas industry within Northwest Pennsylvania and Warren County is profound.

Continuing to assess the impact of oil and gas coming from the ANF, let us look at the impact this oil has on the operations of the American Refining Group refinery in Bradford.

- **20% of the refineries feed stock of crude comes from the ANF.**
- **At \$50 per barrel, this represents \$100,000 per day flowing from the refinery out to the individual producers**
- **Approximately 4,000MCFD of natural gas is drawn from the ANF. At a average price of \$6, this represents another \$48,000 per day in capital being inserted into the regional economy.**
- **Elimination of the ANF crude from the ARG facility could result in a staff reduction of up to 40 full-time employees. Once again, this does not include the commensurate reduction in community-based businesses supporting these direct workers.**

These are economic losses which this region and this Commonwealth cannot allow to occur.

We recognize that some progress has been made in releasing the log-jam of Notice to Proceed decrees emanating from the Milwaukee office of the Forest Service. While this is a positive step it is far from an appropriate resolution to what will most definitely continue to be a challenging situation.

I feel that it is important for us all to recognize that the managerial attitude which we are addressing within the ANF is not one which has been developed by the individuals working within the ANF for the Forest Service. Rather, this managerial attitude is one which is being imposed upon them from a much higher level within the national bureaucracy.

The ANF is a crucial element in our regional economy. We must continue to pursue all activities through which the ANF can make positive and sustainable contributions to the regional economy through continued responsible and appropriate management oversight of these activities. We must also ensure that the individual rights of private property owners within the Commonwealth of Pennsylvania are not unjustly and irresponsibly violated.

Timber and Oil activities within the ANF over its 80 plus year history has served both the region and forest well. There is no reason to expect that this tradition will change over the next 80 years.

I thank Representative Rapp for her leadership in arranging for this hearing this morning and thank each of you for your involvement.

I would also like to thank Congressman Glenn Thompson for his dedication to obtaining appropriate and lasting resolution to these issues at the federal level.

Thank you.