

Pennsylvania Majority Policy Committee Hearing
September 20, 2011

Testimony Of Stacey Brodak
Director, Corporate Development
Chesapeake Energy—Eastern Division

Good morning distinguished members of the Majority Policy Committee. My name is Stacey Brodak, Director of Corporate Development for Chesapeake Energy. Thank you for the opportunity to participate in this hearing and engage in a dialogue on such an important matter to this Commonwealth and our Nation.

Western Pennsylvania has long been blessed with rich resources and here in Beaver County, natural gas development is now focused on the Utica Shale. Our comments today will reference the Marcellus Shale, and even though it is still early in the play's development, the data and economics for natural gas development are no longer purely speculative, but proven, valid and impressive. We point to the Marcellus as a reflection of what has occurred and a vision of what may yet come for the Utica Shale Play.

Already in just four short years of early Marcellus development, natural gas production has reinvigorated Pennsylvania's economy, as is very evident right here in south western Pennsylvania. In a short review of the Pennsylvania Marcellus Shale Coalition's member list, more than half of the producer members have a presence in communities in the Pittsburgh region. Of the 200+ Associate members who are members of the Marcellus Shale Coalition and support the industry, nearly all have offices in Pennsylvania. These companies represent thousands of family-wage sustaining jobs right here in our own neighborhoods. South western Pennsylvania is being called the "Energy Capital of the East."

In testimony issued by the Pennsylvania Department of Labor to the Governor's Marcellus Shale Advisory Commission, nearly 2.4% of Pennsylvania's entire workforce is working in the Marcellus industry—comprising more than 141,000 jobs. Most importantly, the industry has steadily grown jobs in Pennsylvania—more than 48,000 since the fourth quarter of 2009 and 9,000 new jobs since January 2011. More than 71% of the new hires are coming from Pennsylvania.

In north-central Pennsylvania, a rural county like Bradford County led the state in job growth last year and has the lowest unemployment rate in the Commonwealth at 5.2%. This is directly attributable to natural gas development.

Chesapeake Energy currently operates 33 rigs in the Marcellus, 25 of which are in Pennsylvania. As a result of that rig count, Chesapeake employs approx 1,500 Pennsylvania residents, all contributing to their state and local tax base. The average wage for beginning rig workers is between \$60,000-70,000 a year.

Chesapeake is partnering with Westmoreland Community College, Community College of Allegheny County, Lackawanna College, Penn Tech College and Johnson College on training programs and preparing students to enter the workforce. These partnerships have already resulted in many new hires as Pennsylvania employees for our company. As a result of these relationships and training programs, our rig floors are now staffed with over 75% local hires in our Nomac Office in Mt. Morris, Pennsylvania. We will continue to nurture these relationships and are committed to hiring local workers. We also work with local training programs for CDL drivers, equipment operators, diesel mechanics and welders, just to name a few.

As additional evidence of our commitment to hiring Pennsylvanians, Chesapeake Energy has participated in numerous job fairs this year to date:

Penn College – 3/22/11
Recruit Military – Philadelphia – 3/31/11
California University of PA – 8/16/11
Great Plains – Sayre – 9/7/11
Penn State – 9/29/11

In addition to the direct job growth this industry is providing here in Pennsylvania, the Marcellus industry is also creating opportunities for other industries as well. One such industry where there is extraordinary opportunity is the plastics manufacturing industry. In south western Pennsylvania, northern West Virginia and eastern Ohio, the shale is under-pressured and provides natural gas liquids (such as butane, propane and ethane) in the production process. These liquids can be a catalyst for the growth of plastics manufacturing, as several companies are looking to invest in ethane “cracking” technology that could provide the feedstock necessary for redevelopment of the plastics industry lost long ago in this region.

Development of the Marcellus and Utica Shale must be completed in an environmentally responsible fashion. We must have transparency in our operations and we must continually improve our processes as an industry, utilizing best management practices in our operations. We know we can have positive environmental and economic success stories. We can positively impact both by producing the cleanest burning hydrocarbon on the planet and continue to stimulate Pennsylvania’s economy in a truly remarkable way.

Finally, I would like to close our comments today by reminding you that with the development of the Utica Shale, we anticipate producing oil and natural gas liquids along with natural gas. The Utica Shale and other shale plays across the U.S. can provide America the opportunity to have its energy needs met 100% from home-grown energy resources. This new energy supply in the U.S. is so enormous that American manufacturers now enjoy natural gas costs that are the envy of the industrialized world. This industry, with your support, can grow a 21st century American economic renaissance, producing new jobs and improving our national security.

I appreciate the opportunity to share my comments with you today. Thank you.