

Landmen, drill rigs herald tough decisions in Washington County

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Below its 864 square miles of cow pastures and horse farms, urban centers and small towns, Washington County harbors a vast and thriving underground economy.

It's so deep, in fact, that a new wave of 21st-century energy barons is plying its trade a mile or more beneath the Earth's surface, drilling through the abundant Marcellus Shale formation to free precious natural gas trapped eons ago in the black rock.

For the past several years, energy companies large and small, Wall Street investors, and laborers from other states all have flocked to shale operations in 32 southwestern and northeastern Pennsylvania counties in search of new wealth.

And nowhere has that search been as productive, extensive and intense in this region as in Washington County, where derricks, pipelines, valves, tanks and trucks sprout, snake and roam over the countryside.

In 2009 and 2010, the [state Department of Environmental Protection](#) spit out more total well permits (458) in Washington County than anywhere else in this part of the state. More wells have been drilled over those two years [in Washington County \(274\) than in any neighboring county.](#)

Southpointe, a sprawling office park off Interstate 79, boasts more than 50 tenants related to the energy industry, including the county's biggest player, [Range Resources-Appalachia LLC](#).

Graduating classes of commercial truckers from Western Area Career and Technology Center in Chartiers Township are quickly finding work with shale-related companies and earning upward of \$60,000 a year.

- [Interactive map: Leases in Washington Co.](#)
- [FracTracker.org analysis on the area](#)
- [Are more accidents on the way?](#)

And a group called the Washington County Energy Partners has launched a marketing campaign to attract Marcellus-related industry from out of state and overseas with a branding slogan that bills the 230-year old county as the "energy capital of the east."

"It's phenomenal. We are absolutely booming here," said Lawrence O. Maggi, chairman of the Washington County Board of Commissioners, who is awestruck by the energy potential locked underground. "Trillions -- that's billions with a 'T'-- trillions of cubic feet of gas down there."

Once a vibrant coal and steel center blessed with river access, Washington County and its 207,000 residents, Mr. Maggi hopes, are poised for a rebirth of economic activity thanks to the Marcellus boom.

"We've been told that with the easy access to cheap energy, that same dynamic will probably happen," he said.

But there is a sharp counterpoint to Mr. Maggi's optimism. While the burgeoning network of Marcellus Shale infrastructure in the county translates to dollar signs and prosperity for some, others take a decidedly more skeptical approach.

"We definitely think there are a lot of dangers from extracting natural gas from the Marcellus Shale. We also definitely think that Pennsylvania's laws and regulations are not adequate to protect people," said Myron Arnowitt, state director of [Clean Water Action](#).

"We are essentially talking about an industrial operation sometimes in close proximity to people's drinking water wells, their private wells," Mr. Arnowitt said. "There are definitely risks there."

Changing the landscape

Drilling itself -- with all its requisite land-clearing, truck traffic, site preparation and attendant noise -- has attracted the most scrutiny.

Hilltop rigs climbing 150 feet into the sky can be seen from miles away. The towering derricks, however, are hardly the only pieces of equipment involved with extracting natural gas, as a drive through several Washington County municipalities quickly demonstrates.

When the actual drilling ends and the rigs move on to the next well, plenty of hardware is left in their wake.

Dull yellowish pipelines carrying wastewater parallel roads, crossing under them and following the undulations of the hilly terrain. Condensate tanks serve as a backdrop to grazing cows. Fences pop up frequently, cordoning off valves and pipes. Huge, rectangular ponds used to store water play host to regular visits by transport trucks.



Stephanie Hallowich monitors activities near a Range Resources facility Feb. 4 in Hickory Township. Ms. Hallowich is one of the most-vocal and well-known Marcellus Shale drilling critics in southwestern Pennsylvania. Lake Fong/Post-Gazette

Parked recently outside MarkWest Liberty Midstream Resources LLC's massive gas processing plant in Houston, which strips valuable products such as propane from the so-called "wet" gas found in the region, Stephanie Hallowich of Mount Pleasant said she fears that the facility is merely a harbinger of development to come.

"It started out as a little, green building, and it just keeps growing," Mrs. Hallowich, a mother of two, said. She speculates that change for the worse is coming to the region. "It's going to look like 'Cancer Alley' in Louisiana, with refinery after refinery."

She was referring to a stretch between New Orleans and Baton Rouge packed with industrial sites and people who believe emissions are linked to high cancer rates.

One thing quickly evident about Marcellus Shale is that it is a polarizing issue. This hunk of rock formed nearly 400 million years ago and underlying three-quarters of the commonwealth has spurred deep divisions and heated conflicts over its every aspect.

Opponents clash over the environmental impact of its drilling, the health effects of its byproducts, the size of its economic benefit, how to tax gas extraction, even whether elected officials should permit the public to attend closed-door meetings with industry members.

State Rep. Jesse White, D-Cecil, summed up the difficulties in finding middle ground this way:

"The industry was giving us this utopian view that nothing could ever possibly go wrong, and the environmental activists were telling us Armageddon was coming."

Mr. White has little patience for activists who distort facts or who demonize legislators for not agreeing with their every argument. But he is not dismissing some constituents' fears.

Expressing "concerns going into the new administration" in Harrisburg of Republican Gov. Tom Corbett, Mr. White wondered what changes in enforcement of environmental laws would stem from the "pro-industry" governor.

"All industry is going to make a mess to some extent. There's no denying it," Mr. White said. "We tell [companies], 'You're writing your own history right now, so how you conduct yourselves will be the template by which you're judged in the future.'... I don't feel comfortable saying I know for certain there's no [environmental] issues here. But how do you stop it without evidence or proof?"

The gas rush begins

Regardless of whether Washington County maintains its status as the regional Marcellus drilling hotbed, it has secured its place in history.

The first Marcellus well, a test hole called Renz No. 1 and drilled for Range in 2004, is in Washington County.

"It was enough to say, 'I think we have something here,' " Range spokesman Matt Pitzarella said. "It was a eureka moment."

By December 2007, the company had obtained enough information and quietly acquired enough cheap land leases to be ready to go public.

Around that time [Penn State University geologist Terry Engelder](#) crunched the numbers to estimate the amount of natural gas that could potentially be recovered from the Marcellus formation.

His projection, while purposely conservative, was still startling: 50 trillion cubic feet, or enough to supply the country for more than two years. Penn State published his findings in January 2008.

Both events were enough to spark a land rush, and gas exploration companies flooded the area. Landmen began door-knocking, mailing and cold-calling campaigns in Washington County and elsewhere to secure surface and underground rights for their operations.

In the early days, they bought on the cheap, for mere dollars to a few hundred dollars per acre in one-time leasing payments.

"That was pretty much an all-you-can-eat buffet for those guys. In all fairness to them, they didn't even know what they had," said Toby Z. Rice, chief executive officer of [Rice Drilling B LLC](#).

Among those who said they sold their lease rights cheaply for a single, upfront payment were farmers Ron and Beverly Romanetti of Mount Pleasant, who are featured in a [Range Resources TV commercial extolling the virtues of Marcellus Shale](#).

In the spot, Mrs. Romanetti, 64, calls it a "godsend." Months after the shoot she said she feels the same -- despite the fact that she and her husband leased about 150 acres to Range for \$50 an acre, a pittance by today's standards, and receive only a few hundred dollars a month off production from the single well on their property.

"We were just glad to see them, and we've never had a problem," Mrs. Romanetti said. "We think it's a good thing for the whole county."

Her farming neighbors who had been struggling before the advent of Marcellus drilling, feel similarly, according to her.

"They never had money to fix up anything. The farms were all kind of going to pot. You go around now and you can tell the ones that got a good well. They got new barns, they got new fences," she said.

The 'big boys' move in

As Marcellus wells became the "it" find of the energy industry, the value of leases spiked, hitting a high point of \$6,000 an acre around 2008 and 2009 with royalty payments rising to 19 percent, compared with the state-mandated minimum of 12.5 percent, according to lawyer John M. Smith of [Smith Butz LLC](#).

By then Wall Street was well aware of the nascent interest in the Marcellus formation.

Energy analyst Subash Chandra, a managing director of [Jefferies Group](#), a New York City investment banking firm, estimated that up to \$50 billion in Wall Street capital has found its way to companies involved in Marcellus Shale drilling, primarily in Pennsylvania. That money shows up in the financing of corporate acquisitions, purchases of corporate debt, and institutional investments in company stock.

One sure sign that the shale play has hit the big time is the buzz generated among the industry's giants. Several of the so-called "majors" -- [Chevron](#), [ExxonMobil Corp.](#) and [Royal Dutch Shell Plc](#) -- have gobbled up smaller interests through multi-billion-dollar deals and moved into local Marcellus drilling.

Some business leaders, public officials and homeowners with land atop the lucrative gas deposits have embraced the energy industry and its trickle-down impact on the economy.

"From an economic impact, it is life-changing for the state of Pennsylvania," said Barron "Pat" McCune Jr., a banker and chairman of the [Washington County Energy Partners](#).

Armed with anecdotal information, Mr. McCune and other Marcellus boosters tout high hotel occupancy rates in the county thanks to visiting gas industry workers, bustling restaurants, employment growth and the overnight nouveau riche -- average county residents who have made a small fortune by leasing to gas companies the rights to drill on, or run pipeline under, their acreage.

As upbeat as Mr. McCune is about the county's economic outlook, he acknowledges that no hard data exist supporting oft-cited, bullish projections about how big a boon Marcellus Shale could be for the economy. That rosy future is merely a guess -- a promise that has yet to be fulfilled.

Among the many trying to sort through the mountains of information about Marcellus Shale drilling has been a consortium called the [Scenery Hill Land Owner's Group](#).

Comprising 55 parcels and more than 1,000 acres in the Washington County communities of North Bethlehem, Somerset Township and West Bethlehem, the group spent months researching its leasing options and hiring a lawyer.

Group members last month spoke of horror stories involving some fast-talking, truth-distorting landmen trying to secure leasing rights.

"We had never had such an experience of people boldfaced lying to you," said Nina Catanzarite, 44, the group's spokeswoman.

"The misinformation is heavy on both sides," said her husband, Chris, 51, a member of Scenery Hill's executive committee.

After a series of meetings with guest speakers and with guidance from their attorney, Mr. Smith, members of the group are drawing steadily closer to signing lease deals.

The group notes that while members are excited about the prospect of income from the gas company, they are well aware of the potential for environmental damage. They consider themselves pro-environment; the Catanzarites, for instance, grow hay and have horses on their 63 acres. The key, they believe, is for increased staff and stronger laws for the Department of Environmental Protection to enforce.

"We all live here, and we all plan to live here for the rest of our lives," said member Frank Pilarcik, 40, who owns 10 acres. "We want to take care of the land."

Just as time will tell if the upside to Marcellus Shale is as great as some say, it remains to be seen whether drilling opponents' gloom-and-doom scenarios about environmental devastation, tainted water and harm to state forests will pan out.

"It can be a bridge to a clean, renewable energy future for our state and for our nation. It also has the potential to provide significant employment opportunities for Western Pennsylvania," said David Levdansky, former longtime state representative for the 39th District, which includes parts of Washington and Allegheny counties.

"But we need to first and foremost be cognizant of the environmental challenges that natural resource extraction imposes. There is no such thing as a risk-free extraction of natural resources. I don't care if it's coal, oil or gas. There are environmental impacts that need to be addressed."

One of the regularly cited examples of environmental harm is [a Range spill at Cross Creek County Park in Hopewell in May 2009](#), when a coupling on a pipe carrying drilling wastewater leaked. There was evidence of a "fish kill," according to the DEP, and the company was fined \$23,500.

Mr. Pitzarella, the Range spokesman, acknowledged that the spill should not have occurred. But he said the damage to fauna was not quite the fish kill described by the state or the media. Instead, he said, it amounted to the death of a pound or two of "micro-aquatic species" -- things like horse fly larvae and crayfish.

Energy companies claim that hydraulic fracturing, or fracking, a high-pressure injection of water, sand and chemicals into the earth to break apart the shale, is harmless.

Not everyone is convinced. Some believe vapors and fluids associated with drilling have wreaked havoc on their property, making them sick, blackening water and killing vegetation.

"It is a nightmare. I mean, I didn't ask for this," said Mrs. Hallowich, the Mount Pleasant mother, who has spoken with [National Geographic](#) and the ["CBS Evening News"](#) about her belief that Marcellus Shale activities around her 10 acre-plot have sickened her family. "You shouldn't dread going up your driveway."

From a hilltop above her homestead, Mrs. Hallowich pointed out the four forest-green gas wells, meter station, compressor station, impoundment pond and gas processing plant on adjacent land - - all within a stone's throw of her children's play set.

"This is beautiful, rolling farmland. We built in the center of a hay field," Mrs. Hallowich, 39, said. "Now we're kind of stuck with an industrial site literally surrounding our property."

Mrs. Hallowich and her husband, Christopher, have filed paperwork in Washington County Common Pleas Court in preparation for a lawsuit against [Range](#), [MarkWest](#) and the [Williams Cos. Inc.](#)

Another high-profile local property owner is Ron Gulla, who sold his land but then rebelled against Range. He said he made \$1.5 million off the deal.

"All the crap on that well site was running into my pond," Mr. Gulla said. "I was fighting with Range left and right, but you might as well be beating your head against a tree. ... I got nowhere with the DEP."

Range denies any wrongdoing in both cases, which are complicated and fraught with claims and counterclaims, and it says state regulators' findings support its position. Mr. Pitzarella said neither Mrs. Hallowich nor Mr. Gulla has scientific proof to back up their claims, and he said both appeared to be motivated, at least in part, by money.

Controversy grows

Most nights in southwestern Pennsylvania one can find a meeting of supervisors or zoning board members taking place in a community grappling with Marcellus Shale issues. People turn out in droves, braving snowstorms and icy roads, to engage in the debate.

Lawyers have found plentiful work advising companies, landowners and municipalities drafting local zoning rules to permit them some say about drilling.

One of the hot spots has been Mount Pleasant. Range estimates that more than 95 percent of the township land is leased.

- [Drilling Downtown: City Council's Call](#)
- [Taxing natural gas a political football](#)
- [Landowners faced with tough leasing questions](#)

Ill will hangs over the relationship because of perceived early missteps by Range in terms of ruining roads and housing temporary workers. The two sides are still trying to come to terms with language of an ordinance governing zoning issues and drilling.

"We kind of caught the brunt of everything here in Mount Pleasant Township," Supervisor Larry H. Grimm said. "We told industry we were kind of the guinea pig, and the surrounding municipalities are doing better by our experience."

With Mount Pleasant residents facing an unprecedented onslaught of truck traffic associated with drilling, out-of-state workers flooding into the area and money raining on Marcellus lessors like drops from an oil gusher, the community has changed, Mr. Grimm lamented.

"They've stolen the innocence out of our township," he said. "It was kind of a sleepy town. Then with all this drilling activity, you get hundreds of trucks coming into one drill site. But when you have multiple drilling sites ... it's rather disturbing to a lot of people. It's shattered their peacefulness, the tranquility."

Mr. Maggi, the county commissioner, takes a more balanced view. He is happy to see hardscrabble farmers or residents with multiple jobs profiting from leasing their land to gas companies. And he recognizes the need to effectively monitor environmental impacts.

Ultimately, while he concedes that drilling activities are bothersome, he believes the inconvenience is worth it.

"I have a well close to my house," said Mr. Maggi, a Buffalo Township resident. "Trucks are rolling on the road. I don't like to see them there, but that's the price of living in the country and being part of an economic boom."

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