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State Senator  
**Don White**  
41st Senatorial District



**Senate of Pennsylvania**

October 6, 2010

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Gentlemen:

Thank you for contacting my office regarding Marcellus Shale drilling in Pennsylvania. Your input is appreciated.

While I believe the development of the Marcellus Shale holds both economic and clean energy potential, I also understand the concerns and apprehension many have about drilling in the 41<sup>st</sup> District and across the Commonwealth. The size and scope of Marcellus Shale drilling is certainly different than conventional drilling activities, however it is important to recognize that fracking (the process for extracting natural gas from the shale) has occurred for years in Pennsylvania; over 300,000 wells have been fracked.

I am committed to ensuring drilling occurs in a manner which protects the environment and our citizens. Pennsylvania has adopted several revisions to its regulatory program in recent months, including higher permit fees to expand the number of inspectors, a new well reporting disclosure law, new wastewater treatment standards, and will soon finalize enhanced well construction and casing regulations.

The General Assembly is currently debating a severance tax on natural gas extraction. While I have not committed to supporting this tax, I am willing to look at the pros and cons of its impact to the industry, landowners, communities and the overall economy. Any proposal I consider would have to share a significant amount of any potential tax revenue with local governments in areas where the Marcellus Shale is produced, exempt small, marginal natural gas producers, and most importantly, ensure the industry remains economically viable well into the future. It may also be beneficial to direct a portion of the revenue toward environmental programs, especially those which have a role in making sure the industry operates safely and protects water quality.

In addition to how the money is distributed, I believe it is also important the legislature consider the overall tax rate in Pennsylvania when comparing it to other states. It is true Pennsylvania does not have a "severance tax" per se; however drilling companies are required to pay either the corporate net income (9.99%) or the personal income tax (3.07%). Several states, such as Texas, do not have either of these. Further Texas provides for capital recovery that lowers their 7.5 % tax rates to an effective rate of 1.5% for the first few years of a well's production. Texas has also suspended its severance tax in certain counties of the state. In context, therefore, some drillers are already paying a higher overall tax rate in Pennsylvania than other states.

A recently passed severance tax bill by the House of Representatives does not take these issues into consideration. Senate Bill 1155 sets the severance tax rate at 39 cents per thousand cubic feet (mcf) of natural gas at the wellhead and would direct the first \$70 million to the General Fund. Both the high rate of taxation and the distribution to the local municipalities (16 percent) make this legislation unacceptable, and I would not support Senate Bill 1155 in its current form.

Please know your views will be kept in mind as I work with my colleagues to ensure the development of Marcellus Shale is done safely and in a way that does not discourage the growing investment in Pennsylvania.

Sincerely,

A handwritten signature of Don White in black ink.  
Don White  
Senator, 41<sup>st</sup> District

DCW/ama