

Statement of the  
Pennsylvania Independent Oil and Gas Association  
Before the  
House Consumer Affairs Committee  
March 10, 2011

Good morning Chairman Godshall, Chairman Preston and Committee members. My name is Louis D'Amico, President and Executive Director of the Pennsylvania Independent Oil and Gas Association (PIOGA). PIOGA is an industry trade association representing oil and natural gas producers, service companies and associated businesses in Pennsylvania. Our producer members include shallow oil producers, conventional natural gas producers, coalbed methane producers and Marcellus Shale producers.

Although most Americans are familiar with Pennsylvania's historic birth of the oil industry with the drilling of the Drake Well in 1859, few are aware of Pennsylvania's historic role in the natural gas industry. On November 3, 1878 the industry was born with the discovery of the Murrysville gas field. On that date the drillers "drilled-in" to the Haymaker well, producing an estimated 30 to 40 million cubic feet of gas naturally. In 1883, Pittsburgh became the first major city to be served by natural gas from this well and others in the Murrysville field.

As pressure declined in the field Joseph Newton Pew is credited with conceiving the concept of a natural gas compressor station to assist transportation of this gas to Pittsburgh, another first for the industry in Pennsylvania.

The gas fields of western Pennsylvania and West Virginia largely met the needs of natural gas customers in the region until after World War II, when natural gas demand increased and transmission lines first brought Gulf Coast gas to the Commonwealth. In order to meet seasonal demand, natural gas storage fields were developed in Pennsylvania to make best use of the supply from the southwest. Pennsylvania has the third largest volume of natural gas storage behind Texas and Michigan.

For the last decade local production has averaged approximately twenty-five percent of the Commonwealth's consumption. That has changed with the development of the Marcellus Shale. Although a Penn State University study predicted that PA would be a net exporter of natural gas by 2014, the industry has it would seem today already met

that level. This is a far cry from the days in the 1970s when many felt that we had exhausted our natural gas supplies in this country and industrial customers had fears of major curtailments to their supplies.

In western Pennsylvania, local conventional gas production in many cases is tied directly into the Local Distribution Companies' (LDCs) pipeline system. In general this will not be the case with Marcellus gas. Most of this gas will find its way into the LDCs systems via interstate pipelines. Generally, the LDC systems lack the capacity and deliverability of accepting this gas directly. Interstate pipelines have the capability to handle the large volumes as long as capacity is available.

Because of the impact of LDC policies on conventional gas, PIOGA has been active at the Public Utility Commission in general rate cases, purchase gas cost cases, and any cases regarding natural gas transportation and marketing. PIOGA has been very active and a national leader on gas competition issues. We believe strongly that competition in gas supply is in the best interests of rate payers.

The future of the natural gas industry in Pennsylvania is a bright one. Our impact on the future viability of manufacturing and industry will contribute to significant growth in this sector. As industries such as glass manufacturing thrived as a result of the development of natural gas in PA in the past, new industrial development will do likewise with the abundance of Marcellus gas supply.

We believe Pennsylvania should be active in developing new markets for natural gas such as increased electric generation and CNG and LNG for transportation. Not only will this benefit the Commonwealth in job creation and economic growth, but also improve the air quality of our home state. Greater throughput on LDC systems to meet these new demands should help lower costs of natural gas to residential consumers heating their homes and meeting their hot water needs. This will be a huge benefit to consumers and the economy.

There is no doubt that the actions of this Committee today and in the future will have a major impact on how this industry will develop in Pennsylvania, and how well we reach our goals in developing this resource for our consumers. PIOGA stands ready to assist in advising the Committee whenever needed on issues on natural gas and the Marcellus and Utica shale development in the Commonwealth.

That concludes my statement and I stand ready to address any questions you may have.