Mitchell Lavine -- 719 Ringwood Rd, Ithaca, NY 14850

Gas Drilling Economics Is a Sham*

Will drilling bring us a large infusion of new jobs to benefit our state's economy? Will the economic benefits of gas drilling outweigh the considerable risks? Those of course are the major questions that the SGEIS's economics sections are intended to help us answer. However the info there assumes that the gas extraction business has been reporting it's info accurately and that the business will continue to grow accordingly. According to recent reports, those are poor assumptions.

The still commonly touted wisdom is that the Marcellus will provide America with a 100-year supply of natural gas. However the Federal government recently lowered it's estimate of the amount of gas in the Marcellus by 80%. Therefore the assumption that all this activity in the Marcellus will supply us for a very long time is no longer accurate.

Moreover, recently revealed data on the economics of the gas drilling companies shows that their commonly touted rosy economics is a sham. It turns out that only a relatively few wells, primarily those in the limited sweet spots of the shale gas areas produce sustainable profits, and thus sustainable jobs. Even for wells in the sweet spots, production drops off rapidly between year one and year two. The short term profits from that early production is evidently being used to pay for the large debt service that the gas companies carry. So they have to keep drilling new wells for each new well's early production to cover their debt service. Unless the price

of natural gas goes up massively, this just creates a "drilling treadmill" with no lasting economic benefit.

Nonetheless, the gas industry uses data from the early production in the sweet spots to report that their reserves are large and growing. Those reports have been sufficient to act as security for new loans. And of course with the new loans, the "drilling treadmill" continues.

So will inviting this kind of gas extraction into New York bring us lots of new jobs? Not unless the industry can get off the "drilling treadmill." And thus far, there's no signs that that's likely to happen. Even the commonly touted rosy jobs numbers that the industry is theoretically creating are based on false assumptions. All of the independent economic studies show that the claims of large jobs benefits are way overstated. And other studies show that what small economic booms are produced by some drilling in the sweet spots are virtually always followed by long-term busts for local economies. In the long term, these brief boomlets are outweighed by the long-term busts.

The SGEIS's economics sections fail to consider any of these facts, and thus it provides a very poor basis for deciding whether gas drilling's benefits will outweigh it's very considerable risks. If it's based on such poor data, let's not let New York State "bet the farm." Instead we should certainly say "Nay" to fracking.

*** A good and much more detailed explanation of the points made here is found in Deborah Rogers recent presentation on the financial anomalies seen in many of the publicly traded shale gas companies.** ***http://energypolicyforum.com/?p=172***