



COMMONWEALTH OF PENNSYLVANIA
OFFICE OF THE GOVERNOR
HARRISBURG

THE GOVERNOR

October 9, 2009

The Honorable Camille Bud George
PA House of Representatives
Room 38B East Wing
Harrisburg, PA 17120

Dear Representative George:

I appreciate the extraordinary leadership you have shown over these many years with respect to protecting the environment. I share your deep commitment to appropriately regulate natural gas drilling so that the quality of our water ways, forests and other lands are not undermined. I also agree with you that natural gas extraction should be subject to a severance tax.

As you know, in September I recommended a delay of the implementation of such a tax until the beginning of the next fiscal year. I did so because since proffering to tax on natural gas extraction last February, new economic realities affecting this market have emerged. Over the last four months a significant glut in the natural gas market developed, forcing the price of natural gas down. The glut is so severe that the nation is nearly out of storage capacity for all the gas already drilled. As a result, companies are drilling less and focusing that reduced drilling activity where they can drill for the lowest cost. In addition, the big Texas and Oklahoma firms that are drilling in the North are making significant finds and pulling out a good quantity of product in West Virginia. It costs these companies money to expand or shift operations to the newer gas deposits in Pennsylvania, and given the market conditions I just described, any additional costs simply decrease the pace at which these firms are willing to expand into Pennsylvania.

I write today to give you my assurance that I will work with you and other members of the House and external stakeholders to enact legislation that ensures that an extraction tax on natural gas is in effect by July 1, 2010. I am pleased that with your leadership, half of the work to get this tax in place is already done. The House is on record with its desire to get this tax in place. We must now turn our attention to the Senate and ensure their concurrence. I will work in partnership with you to help make that happen.

Sincerely,

A handwritten signature in black ink that reads "Edward G. Rendell".

Edward G. Rendell
Governor