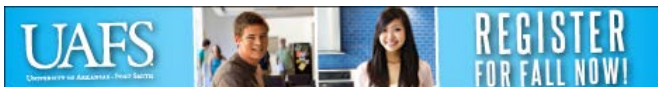




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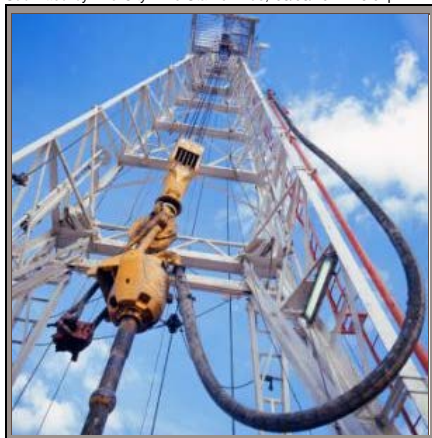
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## Fayetteville Shale Play impact revised upward

Submitted by The City Wire Staff on Tue, 06/05/2012 - 3:07pm



Job creation and investment related to the Fayetteville Shale Play have topped 2008 predictions of \$17.9 billion in economic activity between 2008 and 2012.

A study released Tuesday (June 5) by the Center for Business and Economic Research in the Sam M. Walton College of Business at the

University of Arkansas and sponsored by the Arkansas State Chamber of Commerce, updated the economic impact figures generated by the activities of the natural gas industry concentrated in the north central region of Arkansas. [cber.uark.edu/](http://cber.uark.edu/)

Study results suggest that activity in the nine-county area in 2012 resulted in \$4 billion in activity and produced 16,000 jobs. The activity comes "despite sharply lower gas prices and indications of lower expenditures in the area in 2012 than in 2011," noted a UA statement on the updated study. (The nine Arkansas counties included in the Fayetteville Shale area by the report are Cleburne, Conway, Faulkner, Franklin, Independence, Jackson, Pope, Van Buren and White.)

In 2008, exploration and production companies planned to invest almost \$9.9 billion in Fayetteville Shale activities from 2008 to 2011. According to the new survey, companies said they invested more than \$12.7 billion during the period, up 29% over what was planned.

"When we conducted our 2008 economic impact study of the effects of the development of the Fayetteville Shale, the industry participants were facing a very different economic environment," Kathy Deck, director of the Center for Business and Economic Research, said in the statement. "Natural gas prices were in the \$6 to \$10 range, whereas in 2012, natural gas prices hover around \$2. Despite this challenging price environment, the exploration and production companies invested even more in their Fayetteville Shale properties than their five-year plans indicated back in 2008. Our current study presents a retrospective and shows how important the economic impact of the natural gas industry in the Fayetteville Shale was for the overall economic health of Arkansas during the national recession and recovery."

### AVOIDING A 'LOST DECADE'

The updated report released Tuesday indicates that exploration and production activities related to the Fayetteville Shale from 2008 to 2011 generated more than \$18.5 billion in total economic activity, exceeding the 2008 projections of \$14.2 billion. Total annual state

Friday, June 8 2012



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employment from Fayetteville Shale activity increased from 14,500 to more than 22,000 from 2008 to 2011, higher than the 2008 projection of between 11,000 and 12,000.

"To put this in perspective, from 2001 to 2010, the state of Arkansas experienced only tepid growth in employment. Without the employment associated with the exploration and development of the Fayetteville Shale, Arkansas would have suffered a 'lost decade' where employment at the end of the period was lower than employment at the beginning," Deck explained.

Deck is scheduled to on Thursday (June 7) present the updated study results to members of the Arkansas Economic Development Commission. The Commission is holding its regular monthly meeting in Little Rock.

Overall, from 2008 to 2011, almost \$2 billion in state and local taxes from permit fees and severance, property, income, sales and other taxes were collected as a result of Fayetteville Shale activities. This is higher than the \$1.2 billion projected in the 2008 study, following higher than projected expenditures by companies in the area and higher total employment.

The current study says that from 2004 to 2011, 4,878 drilling permits were issued in Fayetteville Shale counties by the Arkansas Oil and Gas Commission, generating fees to the state of almost \$1.5 million, and the state received more than \$90.8 million in severance tax revenues from activity in the region.

According to 2012 responses, exploration and production expenditures are projected to be lower in 2012 than in 2011 by 23.8 percent due to sustained lower natural gas prices. However, projected expenditures are still 5.8 percent higher than the level of expenditures for 2012 that companies estimated in 2008.

#### NATURAL GAS POLITICS

The study also comes during a debate in Arkansas about severance taxes.

Sheffield Nelson, the former chief executive of Arkla Gas (now Centerpoint Energy), is in the midst of an effort to raise the severance tax to a flat 7% with proceeds from the increase being dedicated to improving roads in Arkansas.

Nelson contends that the gas companies are not paying their fair share and that higher taxes will not deter investment and drilling. The measure must still submit more than 62,000 signatures of valid Arkansas voters to qualify for the November ballot.

Opponents of Nelson's measure say it would cripple economic activity in the shale play at a time when the industry is already under pressure due to low natural gas prices and an overabundance of product in the market.

The Arkansas State Chamber of Commerce, the sponsor of Deck's study, is leading the effort against Nelson.

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#### OTHER STUDY FINDINGS

- Average annual pay in the oil and gas extraction industry was \$74,555 in 2010, twice the average pay of all industries in the state.

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- Mineral leases and royalty payments provide additional income to

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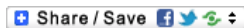
Arkansas residents. The study says that over the 2008-2011 period more than \$1.2 billion in mineral leases and royalty payments were made to mineral owners in all 75 counties.

- The higher average annual pay, income from leases and royalties and other factors result in higher personal incomes, which lead to larger personal expenditures, increasing sales tax collections.
- The mining, quarrying and oil and gas extraction industry had the highest growth rate in payroll employment among all industries in Arkansas. From 2001 to 2010, mining, quarrying and oil and gas extraction industry employment increased 116.8%, from 3,855 to 8,358 payroll employees, while overall employment in the state increased by 0.6 percent, or 6,920 employees.

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