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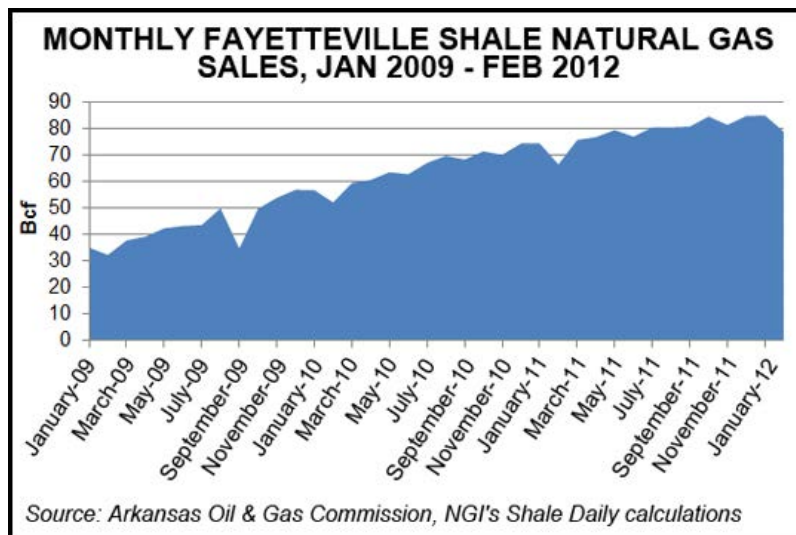


Study: Fayetteville Shale Saved Arkansas from 'Lost Decade'

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The bloom has been off the dry gas rose for a while now, but the Fayetteville Shale continues to provide Arkansas with a bouquet of economic activity and job creation, according to a new study.

The economic impact of gas production in the Fayetteville has exceeded projections made in 2008, despite sharply lower gas prices and indications of lower expenditures in the area in 2012 than in 2011, according to a study conducted by the Center for Business and Economic Research (CBER) in the Sam M. Walton College of Business at the University of Arkansas and sponsored by the Arkansas State Chamber of Commerce.



Researchers project that the economic impact of Fayetteville Shale activities in a nine-county area in 2012 alone will include \$4 billion in total economic activity and more than 16,000 jobs.

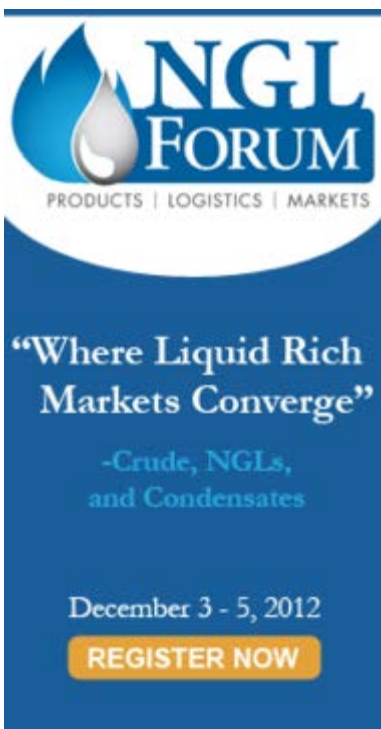
The study follows up on a 2008 study by CBER and indicates that companies initially made conservative estimates for their Fayetteville Shale expenditures and that natural gas production in the Fayetteville increased more than projected despite lower-than-expected gas prices over that time.

In 2008 companies planned to invest almost \$9.9 billion in Fayetteville activities from 2008 to 2011. According to the study, companies said they invested more than \$12.7 billion during that time -- 29% more than had been 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," said CBER Director Kathy Deck. "Natural gas prices were in the \$6-10 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."

According to CBER's 2012 report, exploration and production activities related to the Fayetteville from 2008 to 2011 generated more than \$18.5 billion in economic activity,



exceeding the 2008 projections of \$14.2 billion. Total annual state employment from Fayetteville 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.

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 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.

February 2012 production in the Fayetteville was down 7.3% month-over-month, but that is likely because of seasonal weakness. February Fayetteville production turned in month-over-month declines of 7.9% in 2009, 8.2% in 2010 and 10.7% in 2011, only to rebound to respective March month-over-month gains of 17.0%, 14.1%, and 13.9% in those years.

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. 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% due to sustained lower natural gas prices. However, projected expenditures are still 5.8% higher than the level for 2012 that companies estimated in 2008.

Lower spending has been evident in the Fayetteville play for a while, according to [NGL's Shale Daily Unconventional Rig Count](#). The number of rigs active in the play was down 27% to 22 as of June 8. One week prior there were 23 rigs active in the play.

Additionally, 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. Mineral leases and royalty payments provide additional income to Arkansas residents.

"To put this in perspective, from 2001 to 2010, the state of Arkansas experienced only tepid growth in employment," Deck said. "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."

The [study](#) is available at <http://cber.uark.edu>.

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