



Shale Play Impact In Arkansas \$4 Billion In 2012

The Center for Business and Economic Research in the Sam M. Walton College of Business at the University of Arkansas has put a new price tag on the financial impact of the Fayetteville Shale Play — \$4 billion.

Today (June 5), the university released the study, which was sponsored by the Arkansas State Chamber of Commerce. The report is a follow-up to a 2008 study. Also, as a note of disclosure, the state chamber is actively opposing a measure that could raise the natural gas severance tax in Arkansas.

The study shows that the \$4 billion in economic activity in a 9-county area of central Arkansas accounts for 16,000 jobs. It also indicated that since 2008, exploration and production companies have invested about 29% more than originally planned.

From 2008 to 2011, gas companies said they expected to invest about \$9.9 billion in Fayetteville Shale activities. According to the new survey, companies said they invest more than \$12.7 billion during that time.

"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 Kathy Deck, director of the Center for Business and Economic Research.

"Natural gas prices were in the \$6 to \$10 range, whereas in 2012, natural gas prices are 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 to the overall economic health of Arkansas during the national recession and recovery," Deck said.

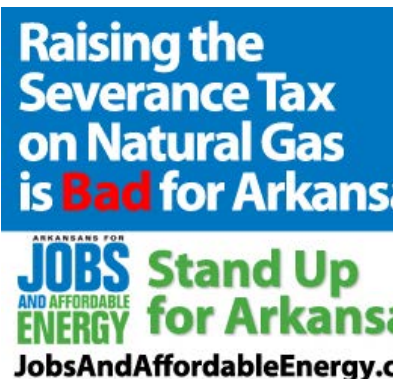
The nine Arkansas counties included in the Fayetteville Shale area by the report are Cleburne, Conway, Faulkner, Franklin, Independence, Jackson, Pope, Van Buren and White.

Deck said the ripple effect from exploration and production activities related to the Fayetteville Shale from 2008 to 2011 actually generated more than \$18.5 billion in total economic activity, exceeding the 2008 projections of \$14.2 billion.

Total annual state employment from Fayetteville Shale activity increased from 14,500

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more than 22,000 from 2008 to 2011, higher than the 2008 projection of between 11,000 and 12,000, she said.

Other highlights from the report:

- 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. The study says that over the 2008-2011 period more than \$1.2 billion in mineral lease and royalty payments were made to mineral owners in all 75 counties.
- 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 percent from 3,855 to 8,358 payroll employees, while overall employment in the state increased by 0.6 percent, or 6,920 employees.

“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 said.

The complete Fayetteville Shale economic impact study can be found [here](#).

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.

Michael Tilley with our content partner, The City Wire, is a contributor to this report.

