From the desk of
TOM WOLF
102 N George St York, PA 17401

October 18, 2013

Robert D. Lawler
Chief Executive Officer
Chesapeake Energy
Oklahoma City, Texas

Hal Kvisle
President & Chief Executive Officer
Talisman Energy
Calgary, Canada

Jeff Ventura
President & Chief Executive Officer
Range Resources
Fort Worth, Texas

R. A. Walker
President & Chief Executive Officer
Anadarko
The Woodlands, Texas

Peter R. Voser
Chief Executive Officer
Royal Dutch Shell
The Hague, Netherlands

Kathryn Klaber
Chief Executive Officer
Marcellus Shale Coalition
Pittsburgh, PA

Dear Board Members of the Marcellus Shale Coalition:

As a fellow Chief Executive Officer and as a lifelong resident of Pennsylvania, I believe the Marcellus Shale must be a key component of any plan for our state's economic future.

I believe we all have an obligation to get this new energy era right, and unlike Governor Corbett, I will make sure state agencies tasked with environmental oversight are adequately funded, staffed, and supervised to prevent reckless drilling, and that irresponsible companies are held accountable.

And I will also make sure that if Texas, Wyoming, Louisiana, New Mexico, West Virginia, and Oklahoma and most other states in the country currently benefit as oil and gas companies cash in on those states' environmental resources, that Pennsylvania does, too.

I believe this because when my wife and I bought back my kitchen and bath products business, we turned it around by investing in people, innovating, and thinking about the future differently.

We turned the business from a wholesale distributor of other people's products, into a company that sources our own American made kitchen cabinets and other building products that compete directly with products made in China. And we did it the right way

-- treating workers fairly and providing good benefits. We even return twenty to thirty percent of all of our company's profits back to the workers -- because their work is what truly makes my company successful.

I have no doubt that the natural gas operations of your companies are likewise successful because of the leadership of your management teams, the innovation of your engineers, and the hard work of your employees who work the drilling rigs.

But what also makes these operations successful is access to abundant recoverable natural gas and direct access to the biggest markets in the world -- and only Pennsylvania offers businesses both. That's what makes us the Keystone State.

If done right and if its benefits are broadly shared, continued development of natural gas is a bridge to a clean energy future and will allow Pennsylvania to have good-paying energy jobs; a safe and secure environment; and the ability to make critical investments in education, health care, and safe, reliable infrastructure.

Texas, Wyoming, Louisiana, New Mexico, West Virginia, and Oklahoma are just a few of the places that use a severance tax to ensure that a fair portion of the profits from their natural resources are used to fund key priorities.

In fact, Pennsylvania is the only major gas producing state that doesn't accomplish this with a severance tax.

Unfortunately, the Marcellus Shale Coalition recently issued a press release that misrepresents basic economic facts about a severance tax, while also stoking unwarranted fears about job loss in a state that is too slowly recovering from the economic recession.

While it is true that Pennsylvania's corporate tax structure and corporate net income tax is one of the highest in the entire country, and we need to make our tax system fairer, few companies engaged in natural gas drilling pay corporate taxes thanks to loopholes.

According to a recent *New York Times* article, more than two-thirds of the companies in the Marcellus Shale Coalition are registered to a single address in Wilmington, Delaware. And in 2008, the *Pennsylvania Budget and Policy Center* found that only 15 percent of gas companies actually paid Corporate Net Income taxes to the Commonwealth.

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In addition to avoiding corporate taxes, it has also been alleged in the *Pittsburgh Post Gazette* that Marcellus Shale Coalition members have been picking the pockets of landowners by drawing up leases that deduct impact fees from royalty payments in direct violation of Pennsylvania law.

While many Marcellus Shale Coalition members act responsibly and want to share in the benefits of this remarkable natural resource, it seems that others may be more interested in cutting corners to increase profits at the expense of taxpayers, landowners, and the environment.

From January 2009 through June 2012, the top five fracking operators in Pennsylvania were Chesapeake Energy, Range Resources, Shell Western, Talisman Energy, and Anadarko -- all of which are headquartered outside of the state. And according to *NPR's StateImpact Project* these five companies were responsible for 1,786 environmental violations totaling $2,548,156 in fines -- or fifty-two percent of both the total number of violations and total dollar amount fined for all operators.

So let's end the empty rhetoric that gets us nowhere -- and let's get to work on how best to share in the benefits of the Marcellus Shale to move both business and Pennsylvania forward.

And if you think differently about a severance tax, it's easy to see how it will help boost demand for natural gas products -- and thus increase profits for gas companies such as yours -- by providing the state of Pennsylvania with the incentive and the revenue it needs to help build the natural gas infrastructure of tomorrow.

Sincerely,

Tom Wolf

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