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Gas drilling boom pumping cash into W. Va. Coffers

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West Virginia's gas- and oil-producing lands gained almost \$3 billion in value since 2005 as a result of increased production and prices, a spokeswoman for the state Department of Revenue said Wednesday.

"West Virginia is one of a handful of states that is not having budget shortfalls," noted Kimberly Osborne, the department's director of communications. "We're actually in very good standing," in large part because of the recent gas drilling boom in Appalachia.

Part of that boom is a direct result of a surge in interest in developing gas from the Marcellus Shale, which underlies most of the state's 55 counties. Many areas of the state that have no history of gas or oil production have suddenly become hot properties because of the presence of shale gas, Osborne noted.

The department's figures show that the value of producing lands has increased to \$6.48 billion last year, up from \$3.5 billion three years earlier. Osborne added the department is expecting to see an increase next year as well.

"It is fair to say that the state has benefited from the new drilling," she said.

Wyoming County, situated along the state's southern border with Virginia, has the most valuable oil and gas lands, according to the department. They were valued at \$555 million for the 2009 tax year.

Next is neighboring McDowell County, whose oil and gas lands were valued at \$547 million. Kanawha County, located near the center of the state, came in third with lands valued at \$526 million.

Two-thirds of the tax revenue from those lands is allocated to county school systems. Counties and municipalities receive 26% and 7%, respectively, and the state keeps 1%.

The increase in land values has not yet manifested in an actual increase in drilling activity. Jim Martin, director of West Virginia's Office of Oil and Gas, said that as of Tuesday the state had issued 3,132 permits for working wells this year.

In 2007, the state issued 3,239 permits and in 2006 it issued 3,044 permits, he said.

The interest in developing the state's Marcellus Shale resources has prompted some concern among residents, especially people who live near the headwaters of the state's rivers and streams, Martin noted.

"Some people are concerned about the amount of water used to fracture Marcellus wells," he said. While the office is not required to monitor that development, "that is something we are looking into." – Rodney White