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Fracking coming to Illinois

By Jim Nowlan

Environmental groups and the oil and gas industry in Illinois have reached a fragile agreement on legislation that would regulate hydraulic fracturing (fracking) for oil and gas in Illinois.

If the legislation is enacted, as is generally expected, exploratory drilling may begin in the state in the coming year. Attention will be focused primarily on the New Albany oil field in southeastern Illinois (and Indiana).

The decision by environmental advocates and industry to negotiate reflected the political reality that neither side was likely to achieve its fondest objectives—a moratorium on drilling for the environmentalists and light regulation for the oil interests—on its own efforts.

Here was a situation where two interests, roughly equal in strength, could each gain more from sitting down to bargain than from battling it out to unknown consequences.

According to Jennifer Cassel, who negotiated for the Environmental Law and Policy Center, “The present regulations are wholly inadequate, leasing was going on, and the moratorium effort was going nowhere.”

Illinois is surprisingly rich in carbon-based natural resources. Two-thirds of Illinois lies over coal deposits, which some day could be mined for methane gas. During the World War II, Illinois was the third or fourth largest producer of oil in the country, at 400,000 barrels a day. That has dwindled to about 25,000 barrels a day at present.

But rapidly improving drilling technology now makes it possible to drill down vertically and then “build a curve” that can drill, horizontal to the surface, for a mile or more through seams of shale rock potentially rich in oil and gas.

As a result of these advances, the U.S. is now the leading producer of natural gas in the world and will in about five years become the leading producer of oil as well, surpassing Saudi Arabia.

Fracking has been met with emotional opposition elsewhere in the U.S. from people who contend it has polluted drinking water and wreaked surface damage as well.

So the environmental negotiators have had a high bar to clear to satisfy critics of the process, and only time will tell if their work has justified the collaboration with industry.

“We have some of the strongest protections in the nation in the bill,” contends Cassel. She cites provisions that waste water from the drilling process be stored in tanks rather than in ponds, which have overflowed elsewhere.

And the well casings used in the drilling must meet much higher standards than in Wyoming, where there may have been problems with water pollution.

Further, abandoned wells near new drilling must be capped.

Significant public participation in the permitting process is also required, and there are requirements for disclosure regarding the chemicals as well as the water used in the process—how much and where from.

“The major amount of information ‘capture’ required in the bill,” says Cassel, “will be valuable in the future when we can revisit this issue. We’re not done with this issue.”

On the other hand, the setback of wells from buildings and homes is only 500 feet, which sounds rather close to me.

But as Cassel says, “This bill is the result of compromise.”

And then there are fees and taxes. State taxes on oil would be 3 percent of gross revenue and after two years could go up as high as 6 percent, according to Brad Richards, executive director of the Illinois Oil and Gas Association.

If ever production again reached World War II levels, which is mere speculation on my part, that could mean about \$750 million a year in tax revenue.

Although more than \$200 million has already been spent by the industry leasing mineral rights across broad swaths of south-central and southeastern Illinois, nobody seems to know how effective and successful the lateral fracking process will be in Illinois.

“Our geology is different from Ohio and Pennsylvania,” notes Richards. And the play in Illinois will be primarily for oil rather than for gas, as in the East and North Dakota.

The economic benefits from fracking could be major. A study by Illinois State University professor David Loomis finds that new jobs created from fracking could range from 1,000 to 47,000. The latter figure is probably over the top, as it equates Illinois to Pennsylvania, Texas and Louisiana, where the shale fields are much bigger than in Illinois.

I think it better to have the best possible regulatory legislation in place before the fracking begins, and the bill hammered out by environmentalists and industry representatives sounds like a product that is in the public interest.