



# O.U.E.

*A Publication of Organizations United for the Environment*

*Update*

## The Gas Drilling Industry Comes to Watsonstown

Watsonstown in Central Pennsylvania has a population of about 2,800 people, and a struggle is going on there related to gas drilling in the Marcellus Shale. On one side is an ambitious company whose owner declares himself motivated by noble intentions. On the other side are citizens who see a threat to the health and welfare of their community. The company is called Moran Industries (M.I.), owned by John Moran of nearby Lewisburg. The resisters are Warrior Run Residents for Responsible Development (WRRRD), and they have mounted a spirited challenge to John Moran's plan to transform Watsonstown into a gas drilling service center, with his transport company as the hub.

Likely to no one's surprise, the OUE Board takes the side of WRRRD, as we took the side in our last issue of the Responsible Drilling Alliance and its call for a moratorium on gas drilling in the state. Since the early 1990s, OUE has repeatedly stood beside citizens whose neighborhoods have been threatened by unwanted corporate polluters. We are standing in that spot again. ♦

### Moran Industries and its Subsidiary, JDM Consultants

Moran Industries (M.I.) provides storage in several locations and shipping services to destinations nationwide. In 2008, the company added a subsidiary, JDM Consultants, to provide in-house consulting services for land development and construction projects. In 2010, and with the support of Merle Phillips who was still in the State House, M.I. streamlined its operations by using a \$1 million grant from the state, and \$400 thousand of its own money, for a flood management program and for improving its warehouses' access to the Norfolk Southern Railroad. The rail tracks run through town and connect to major hubs in Harrisburg to the south and others to the north. The lynx eyes of the gas drilling companies must have brightened when they fell upon Watsonstown, with its large transport company within a few miles of three major highways, U.S. Rts. 15, 80, and 180. Apparently, neither Moran nor his eventual drilling service clients considered it a problem that much of the land to be leased was inside a small town, in a residential area that included a nursing home and an elementary school, and some was on a flood plain or on wetlands.

M.I. has continued to buy land for leasing to the service companies, and already two such firms, SWACO and CCS, that supply equipment and maintenance to drillers, are operating on Matthew Street next to the large residential neighborhood. A

third company, National Oilwell Varco (Varco) seeks a permit to operate a "drilling mud" mixing plant, next to the other two companies. M.I. also bought ten acres of land in Montgomery, fifteen miles north of Watsonstown, and leased part of it to the Halliburton Company for storing hydrochloric acid in Montgomery and explosives in neighboring Clinton Township, both to be shipped off to the drillers north of the area. M.I. leased two other plots in Montgomery to two Canadian drilling service companies, Peak Energy and Newalta.

M.I. also recently purchased the remains of the old Celotex plant in Sunbury, seventeen miles south of Watsonstown, and throughout the day on January 18 it sent a steady stream of trucks down the main street carrying what it called "rock chips" and dumping them into train cars for transport to Ohio. That angered many local people and town officials because they had not gotten the advance notice that had been promised and because there was liquid spillage from some of the trucks. Jeffrey Stroehmann, VP of operations for M.I., fueled the fire when he justified the action by telling a reporter, "We are in compliance to everything and we don't need any permits to do what we are doing." And, that the DEP is "aware of everything we are doing." (Francis Scarcella, *Daily Item*, 1-19-11). Moran officials have suggested to the press that the Celotex site might be used for gas drilling service operations.

Naturally, John Moran sees himself as doing good works. There's no doubt that, at least in the short run, he typically generates jobs and income where he converts brownfield areas into productive firms. For instance, last September he stated, "That's what we're here to do. We make a successful business, find opportunities, and turn central Pennsylvania around. I'm just trying to do the right thing for the area." (Joseph Deinlein, *Daily Item*, 9-18-10). In Montgomery, a number of people challenged Halliburton's plan to store hydrochloric acid and munitions. But others, including local politicians, hailed it as a desperately needed boost to a declining local economy. Moran stated that his bringing the drilling service companies their way would lead the townspeople down "the new path to prosperity."

Indeed, John Moran seldom misses a chance to brag about the jobs he will bring to the area, as in his statement last May that the state grant to refurbish the rail siding had already created 180 jobs and would bring 40-50 more (Marcia Moore, *Daily Item*, 5-4-10). However, industry claims about job creation are seldom explained when made public, and Moran did not explain his in this case. In fact, it is exceedingly difficult to determine

with precision how net jobs are created as a result of such projects as this one. Who did the counting, and how? How many people who took the new jobs had just left jobs elsewhere in town? How many of the jobs were given to out-of state residents? How long will these jobs last? And, so on.

Sometimes the industry's claims are simply fraudulent. A report published by Penn State in 2009 and written by two ex-Penn State professors promised 175,000 gas drilling jobs in the state by 2020. For a short while, this fantastical tall tell became widely influential. Then critics, such as the Pennsylvania Budget and Policy Center, dismissed the report's predictions as wildly inflated because they were based on industry data and calculated with software that was known to allow you to reach any conclusions your desire. A detailed critical review of the Penn State report and related issues can be found in John Bogle's "Lies and Broken Promises," in the "Economics" section of the Responsible Drilling Alliance website. Also there is reference to a recent article by Laura Fisher, of the Allegheny Conference on Community Development, estimating that 70 percent of the current gas drilling workforce in Pennsylvania is from out-of-state.

There is yet another way that the benefits from the gas drilling "boom" are being wildly overstated. Such figures need always be discounted by what are called "external costs." If Watsonstown does become a hub for drilling services, determining the long term net gains means you need to subtract from the alleged benefits some estimate of those costs of industrial activity that always go unmeasured and unreported. These include, as prime examples in this case: the physical dangers to the neighbors of a drilling service industry that mixes, stores, and ships hundreds of thousands of gallons of a potentially dangerous fluid; the emotional costs of living in a noisy town overrun by rail and truck traffic carrying dangerous cargo; and the economic recession and abandoned debris that most townspeople believe will be the last chapter of the gas boom. Anyone who can't make these calculations will only misinform you about what real net benefits the drilling service hub would bring. ♦

## Moran Industries and the Politics of Gas Drilling

When Republican Tom Corbett was elected state governor, the owners of the gas drilling companies must have done a happy jig. They had donated about \$900,000 to his campaign, and he has responded gratefully: he opposes a gas severance tax, promises to allow drilling in those state forest lands not yet leased, and during his campaign said that the best regulation policy is to "sit down with the drillers and work out something reasonable." Corbett being the governor reflects how friends of gas drilling now dominate the state government. Additionally, for almost a decade the gas and drilling companies have been subject to fewer federal and state laws regulating their activities than any other major industry. How has John Moran adapted to this political environment?

Last year, Moran gave \$35,000 to Governor Corbett's campaign and \$2,000 to that of (now) Congressman Tom Marino. He also has given Merle Phillips \$10,000 in past years, and Phillips now serves as a commissioner in Northumberland County, where local drilling service companies must get at least one of their permits. Moran describes his political ambitions with insights such as these: "The more successful you get, the more attractive you

are. It's like a snowball." (Delein, *Daily Item*, 9-18-10). And, "The country is going in the wrong direction and we want to help people who are like-minded Republicans. There's nothing to hide. I am politically motivated for change." (Moore, *Daily Item*, 5-4-10).

Moran's attractiveness has enabled him to add to JDM Consultants a number of people who have attractive political backgrounds. In September, he hired Robert Yowell, who had recently retired from the DEP in Williamsport where he led the department overseeing oil and gas exploration. Last year Moran also hired Lynda Schlegel Culver, who previously had been the principal aide to Merle Phillips when he was still in the State House. Moran hired Culver understanding that she might resign if she wanted to run for Phillip's position; she did make the run and was elected. Last February, when asked about regulation of the gas drilling, she revealed a brave confidence by saying that we "need to rely" on experts at the DEP. She also said that her work for JDM "was not involved with the Marcellus Shale end of M.I." (Evamarie Socha, *Daily Item*, 2-16-10).

JDM consultant, Jason Fitzgerald, though still employed by JDM, ran Tom Marino's successful campaign for a Congressional seat. Fitzgerald remains at JDM, and he will be joined by another JDM consultant, Lachele Gretzula, to work with their client, Tom Marino. For their work with Marino, "JDM will be paid by 'Marino for Congress,' and will not receive any taxpayer money for their services. [Their] primary responsibility will be raising money, representing the Congressman at political events, and forming a grassroots network of local supporters." (Delein, 1-10-11). Also on board at JDM is Jeffrey Stroehmann, who until recently chaired the Lycoming County Republican Committee. JDM's web site says that he is a member of the State Transportation Board that "studies state transportation issues and their impact on economic development and makes reports to the state legislature and the governor." Last year, Moran added to his own community service by accepting an appointment to the U.S. Federal Judicial Nominating Committee. This Committee makes recommendations to the state's U.S. Senators regarding appointments to the federal courts.

To help achieve his goal of delivering prosperity to Watsonstown, Moran and his clients must, of course, seek permits from the DEP, Northumberland County, and the Borough Council. Is it possible to know about his JDM consultants and not conclude that these appointments provide M.I. and its drilling service clients an enormous advantage in the permitting process? Or, asked differently, what would be the outcome of the struggle in Watsonstown over drilling services if, rather than John Moran, it was WRRRD that had two members running political operations for the local Congressman, another a recently retired gas drilling regulator, another a member of the state transportation board, another just elected state representative, and another who is one of three county commissioners who approve permits for the drilling service companies? ♦

## The Opposition: Warrior Run Residents for Responsible Drilling (WRRRD)

Last fall, about a dozen people from Watsonstown, concerned about John Moran's plans for their town, contacted OUE, and we invited them to our monthly board meeting. We were already working with the Responsible Drilling Alliance, and the

group from Watsonstown seemed like natural allies. Since that time, this group has become WRRRD, is now recruiting members, organizing public information programs, such as showing the film "Gasland," and bringing their point of view to public officials, including the DEP. To give an idea of this group's view of Moran's plans, we will turn to a recent public presentation by their two leaders, Trish James and Bev Staman. With their permission, we have abridged it for use in the newsletter.

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## **Trish James and Bev Staman, Watsonstown Borough Council, March 7, 2011**

In 2007, the Watsonstown Borough Council submitted a "letter of consistency" for a permit application by Moran Industries to DEP that allowed Moran's expansion of activities in the floodplain. Subsequently, structures were built in the area with apparent authorization of the Borough, although we have not been able to uncover any permits for either demolition or building. Documents show that in August, 2010 Jeff Stroehmann was confronted by both the Mayor and the DEP about the disruption and intentional filling of wetlands in the town, and he laughed and responded "What wetlands?"

In response to early activity on the site, a citizens group, The 9<sup>th</sup> Street Neighbors, and the Borough Planning Committee directed questions to the Borough Council regarding M.I.'s activities. No responses came back to the group, and because the demolition and building continued, eventually we in WRRRD came together and directed our own written questions to the Borough Council, in November, 2010. The questions regarded such matters as demolition, building, sedimentation-erosion, storm water and runoff, flood plain and wet land concerns, truck idling, and the entire permitting process. Again the Borough Council ignored the questions, responding only with the news that "We have been given a tour of Varco, and we feel it is a clean operation." Further, the Council denied our request for a public hearing to discuss concerns of residents, stating that the regularly scheduled public meetings were sufficient. And, its zoning officer has not returned our calls to find out what, if any permits, the drilling service companies have received.

After M.I. received its grant to establish a storm damage program and refurbish the rail siding, the company built more warehouses, and soon CCS, SWACO, and Varco were conducting business, or preparing to do so, on Matthew Street. In January, 2011, Varco submitted a required information handout to the Watsonstown Borough Council with questions and answers regarding their planned mud mixing plant in Watsonstown. The handout is misleading throughout, giving a watered down version of the chemicals used in drilling mud (referring to them as "components" rather than as "chemicals") and fails to provide the MSDS sheets for these chemicals. This is by design: these required handouts are supposed to be thorough discussions of the hazards and toxicological characteristics of the chemicals that will be used to produce the drilling mud, some of which in this case can cause cancer. It also fails to mention that Varco's plant is located within 1,000 feet of a nursing home and within 1,400 feet of an elementary school, as well as in the middle of a residential neighborhood. Any incident, including an accident involving a truck hauling these mixed chemicals, or a flood in the floodplain where these tanks are housed, could make

necessary a dangerous and frightening evacuation.

In the end, the Borough will be ultimately responsible should events occur where local residents are endangered by the hub of drilling services that John Moran wants to develop. If harm does occur, there will be adequate evidence that Moran Industry had ongoing disregard for the guidelines established by the DEP to protect the safety, health and welfare of this community, and that the Borough Council regularly ignored it.

What is the Borough gaining besides more truck traffic? Yes, Varco promised a donation of athletic equipment, and Moran gave \$750 for police radios, and filled in the town pool. Yes, Mayor Hontz mentioned that the Borough budget in excess of \$4 million was passed without a tax increase due in large part to the M.I. development. Are these benefits worth the risk to community safety?

In conclusion, we ask the Borough Council to continue your research on the gas support industries and independent of what the industry spoon-feeds you to gain your support. We ask that you ignore the political influence of politicians like Merle Phillips, Lynda Culver and Tom Marino who seek only to stay in office by serving such big donors like John Moran and the gas industry. You have the responsibility to make decisions that will affect the future of your children and grandchildren if they continue to live in this community. For their welfare, you should consider the potential risks and hazards associated with anything you approve.◆

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## **The Rest of the Case Against the Moran Plan for Watsonstown**

**W**e will focus this section on Varco, to this point the key plant in the drilling hub and the potentially most hazardous one. What would the company do there? Trucks would bring the necessary ingredients to make the drilling mud, and workers would mix it on a platform and pump it into storage tanks. These ingredients include water, barite, clay, and (to us) unknown chemical additives. Trucks or rail cars would take the finished mud to the drilling pads where it is pumped down the wells in order to cool the drill bit, lubricate the drilling assembly, and ultimately to bring bits of rock and other matter from the drill hole to the surface. Whatever mud would return to the surface – which would include rocky material and other debris, some of it toxic – would be returned to such plants as Varco's to be reprocessed and "re-leased" to another gas company.

Originally, Varco applied to the DEP to build a site with 24 storage tanks and a mixing pad, both tanks and pad outside. WRRRD responded with a letter writing campaign resisting the permit, and for whatever reasons, Varco withdrew its permit. Soon, though, the company applied for a new permit that moved the operations inside and had fewer storage tanks. As we write (in Mid-March), the DEP is now considering this new plan. It has the approval of the County and, as far as we can tell, the Borough Council is, with us, waiting to see what happens. WRRRD and its supporters have sent to the DEP seventeen letters and a petition with seventy names on it asking that the Varco permit be denied. Of the many hazards of the Varco plant mentioned in these appeals, we see the following two as most serious.

## Mixing and Storing Drilling Mud

The drilling industry has worked diligently to keep the public in the dark about what these muds contain. The Energy Act of 2005, a gift from VP Dick Cheney (and Halliburton's ex-CEO), explicitly exempted drilling companies from having to reveal the mud's chemical components. Recently, the truth of these matters is being wrested from the control of the drilling companies, but it's still better to find your sources outside the industry. We reached our conclusions based on key articles in the principal reference book about drilling mud, American Society of Chemical Engineers, *Drilling Fluids Processing Handbook, 2004*, and Broni-Bediako and Amrorin, "Effects of Drilling Fluid Exposure on Oil and Gas Workers," *Research of Applied Sciences, Engineering and Technology*, 2010.

Broni-Bediako and Amrorin reflect the consensus of this literature, as we read it, and their principal finding is that all varieties of drilling mud have ingredients in them that pose the following potential dangers from contact, swallowing, or inhalation of fumes: skin inflammation (the most common), neurological effects, cancer, blood diseases, and damage to the immunological, lymphatic, and pulmonary systems. *Broni-Bediako and Amrorin also point out that there are no scientific bases on which to set health exposure limits or determine the long term health effects of exposure to drilling mud.* We recommend you do your own research and afterwards ask yourself if you want to live next to a plant mixing and shipping such a concoction.

## Traffic Hazards

The town's Borough Council has not replied to WRRRD's repeated requests for information about how many more huge trucks will be lumbering through town if Varco joins M.I., CCS and SWACO with its own fleet. Varco provided the bad news in the handout provided to the Borough Council:

"By the nature of our business there will an increase in local truck traffic. The trucks may be carrying a variety of equipment, fluids, and other materials to support our facility operations....Standard operating hours for our facility are 7am-5 pm, M-F. However, we support customers who may operate outside of these times and truck traffic could occur at any time during a 24 hour day or on weekends. Varco will try to minimize truck traffic after normal operating hours."

Our best estimate is that each day Varco would add some 25-30 big trucks going in and out of town, bringing in ingredients of the mud to be mixed, then carrying some of it to the drillers. The

rest of the mixed mud will be shipped out by rail cars, so that residents can also anticipate an increase in traffic on the tracks that run the length of the town. Without question, Varco's operations will add dust and noise and exhaust pollution. Another danger here is that these trucks must take one of three routes in and out of town toward the big highways (U.S. Rts. 15, 80, and 180). If, as they say they will do, follow the routes now most frequently taken by M.I., Varco trucks will either:

- Go down five blocks of Main Street and over the town bridge on the way to Rt. 15 and Rt. 80.
- Go out 8<sup>th</sup> street toward Rt. 180, and pass by the Kramm Nursing Home and the Warrior Run High School.
- Go north on Rt. 405, to Rt. 44 towards Rt. 15 and pass by the elementary school.

In assessing the dangers implicit here, we need to remember that the town streets are relatively narrow; they are already congested; the trucks will be carrying a toxic fluid; and it likely is a matter of time before there is a spill from one of the trucks, a collision with another vehicle, or both. Concerned especially about students at the local schools, WRRRD asked the Borough Council if the truck traffic would be planned to avoid school bus traffic, but never received an answer. ♦

## Conclusion

The story of gas drilling in our state to this point is one about the spread of two kinds of corrosive pollution. The first of them fouls the air, the water, and assaults the forests and lakes and streams, but is only the most obvious. The second, also pernicious, is the contamination of our political system at every level. In Watsonstown, the political playing field is grossly unequal, somewhat of a budding fiefdom for John Moran, who has – openly and proudly – stacked the decks. Such a political environment means that a final crucial barrier to our being absorbed as an outpost of the gas drilling industry is the work of people like those in WRRRD. We believe that they deserve hearty thanks for putting themselves in the way of the dangerously hazardous, dangerously unregulated, gas drilling industry. ♦

The OUE Board meets the first Monday of every month, 7:00 p.m., at the Meeting Room of the Mondragon Co-op Bookstore, 111 Market Street in Lewisburg. The public is welcome to attend these meetings and to join us in our work.

**OUE Publications Committee:** Editor, Charles Sackrey; Associate Editors for this issue, David Laidacker, Susan Laidacker, and David Young.

## Organizations United for the Environment

P.O. Box 1, Lewisburg, PA 17837 Phone and Fax (570) 523-0010

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