

New York Gov. David Paterson has signed Wednesday a bill that fast-tracks horizontal natural gas drilling in the state's Marcellus Shale, despite the opposition of environmental groups that claim the drilling technique could contaminate groundwater.

Over the past few years, natural gas companies including Chesapeake Energy (CHK), Range Resources Corp. (RRC) and EOG Resources Inc. (EOG) have bought up substantial acreage in the Marcellus Shale, a so-called "unconventional" natural gas reservoir in New York, Pennsylvania, West Virginia and Ohio. Gas plays like Marcellus require more expensive drilling techniques than conventional gas deposits do, but rising hydrocarbon prices have made such ventures economically feasible.

Geologists have said the Marcellus Shale could contain enough natural gas to meet U.S. demand for two years. But most of the Marcellus leasing activity has focused on Pennsylvania, which is thought to have the most potential for shale gas production.

Shale formations like Marcellus require a drilling technique known as "hydrofracking", which involves fracturing rock by injecting a mixture of water, sand and chemicals at high pressure into deep wells.

Environmentalists have argued that the chemicals used in hydrofracking are toxic and could leach into drinking water supplies.

The bill Paterson signed into law Wednesday allows such gas wells to be spaced more closely together. It also allows producers to obtain permits for wells in as little as 12 weeks.

In a statement, Paterson said the measure doesn't relax environmental safeguards.

"This new law will ensure greater efficiency in the processing of requests to permit oil and gas wells, while maintaining environmental and public health safeguards," he said. "Natural gas exploration has the potential to increase domestic supplies of natural gas, create jobs, expand the tax base and benefit the upstate economy."