Act 13

DEP Webinar

March 27, 2012
AGENDA

1. Welcome
2. Review of the Act
3. Questions & Comments

Note: WebEx Technical Support is available at 866-229-3239
Black Shale Formations

- **Marcellus**
- **Utica**
- **Rhinestreet**
- **Huron**

- **Upper Devonian**
  - Dunkirk
  - Pipe Creek
  - Middlesex
  - Geneseo
  - Burket
Marcellus Shale Production Data (Base Map Depicts Thickness of Organic Rich Material in Target Formation)

Legend

Production Data (7/11 to 12/11)
Mcfpd (n = 2112 wells)
- >0 - 1000 (38.2%)
- 1000 - 2000 (23.3%)
- >2000 - 4000 (23.2%)
- >4000 - 8000 (14.3%)
- >8000 - 15,000 (1.0%)

Marcellus Shale Net Organic Rich Thickness (Feet)
- >250
- 225-250
- 200-225
- 175-200
- 150-175
- 125-150
- 100-125
- 75-100
- 50-75
- 25-50
- 0-25
Statutory Overview
Laws and Regulations

- Oil and Gas Act
  - 25 Pa. Code Chapter 78 (relating to Oil and Gas Wells)

- Oil and Gas Conservation Law

- Coal and Gas Resource Coordination Act

- Clean Streams Law
  - 25 Pa. Code Chapter 91 (relating to General Provisions)
  - 25 Pa. Code Chapter 93 (relating to Water Quality Standards)
  - 25 Pa. Code Chapter 95 (relating to Wastewater Treatment Requirements)
  - 25 Pa. Code Chapter 102 (relating to Erosion and Sediment Control)
Laws and Regulations (continued)

- Dam Safety and Encroachments Act
  - 25 Pa. Code Chapter 105 (relating to Dam Safety and Waterway Management)

- Waterway Resources Planning Act

- Solid Waste Management Act

- Storage Tank and Spill Prevention Act

- Air Pollution Control Act

- Environmental Laboratory Accreditation Act
Overview of Recent Regulatory Changes

- Well Permit Fee Increase
- Act 15 of 2010
- Chapter 78 Well Construction Standards
- Chapter 95 Regulation Revisions
- DEP’s Call to Operators
Well Permit Fee Increase

- Marcellus well permit fees were increased from $100 to an average of $3,220
  - The fee increases as the length of the well increases
  - The increased well permit fee allowed DEP to substantially increased the oil and gas program staff
- DEP Oil and Gas staff has increased from approximately 90 in 2008 to 202 in 2012
Act 15 of 2010

- Repealed the 5 year confidentiality of production reports
- Required production reporting from Marcellus operators every 6 months instead of annually
- Mandates that DEP post all reports online
Chapter 78 Well Construction Standards

• Goal – further prevent gas migration and protect water supplies

• Comprehensive update to well construction, casing and cementing standards

• Expanded well completion reporting requirements, including disclosure of hydraulic fracturing chemicals
Chapter 95 Regulation Revisions

- Limits the discharge of TDS from new or expanded facilities that take oil and gas wastewater to drinking water standards

- Does not allow for new discharges that exceed 250 mg/l for chlorides and also removes radium

- Increases the use of recycled water, promotes the development of alternative forms of disposal
DEP’s Call to Operators

• Called on Marcellus operators to STOP the delivery of wastewater to 15 water treatment facilities grandfathered in under Chapter 95 Total Dissolved Solids rulemaking (Aug. 2010)

• Public request was made April 19, 2011 and compliance achieved by May 19, 2011
Genesis of Act 13
Marcellus Shale Advisory Commission

- Executive Order 2011-01 Created the Marcellus Shale Advisory Commission

- March 8 – July 22, 2011

- Goal: outline a comprehensive plan with recommendations on the safe and responsible development of unconventional natural gas resources within Pennsylvania
A Comprehensive, Strategic Plan

- 96 Recommendations outlining a comprehensive, strategic plan for the responsible development of natural gas drilling in the Commonwealth.

- Every environmental protection recommendation that needed to be accomplished through legislation was included in the Act.

- Unanimously approved by the commission on Friday, July 15, 2011.

- Outlines first major update of Oil and Gas Act in nearly three decades.
A Comprehensive, Strategic Plan

- Culmination of four months of work by commission.
  - 21 public meetings.
  - 60 expert presentations.
  - 100 citizens offered public comments.
  - 650 emails and letters from public.
  - On-site visit to well sites and local businesses in Lycoming and Clinton counties.
ACT 13 of 2012 - Overview

- Consolidates the Oil and Gas Act (Act 223 of 1984) into 58 Pa.C.S. (Oil and Gas)
- Creates six chapters within 58 Pa.C.S.
  - Ch 23 – Unconventional Gas Well Fee
  - Ch 25 – Oil and Gas Lease Fund
  - Ch 27 – Natural Gas Energy Development Program
  - Ch 32 – Development
  - Ch 33 – Local Ordinances Relating to Oil and Gas Operation
  - Ch 35 – Responsibility for Fee
Chapter 23 – Unconventional Gas Well Fee

Annual Agency Distribution

• $6 m to DEP
• $1 m to Public Utility Commission
• $1 m to Fish & Boat Commission
• $1 m for Rail Freight Assistance
• $750 k to PEMA
• $750 k to Office of State Fire Commissioner
• $20 m natural gas vehicle incentives (3 year total)
• $7.5 m to Conservation Districts (budget offset)
Chapter 23 – Unconventional Gas Well Fee

Direct Local Share

• 60% distributed as follows:
  • $5 million annually to affordable housing
  • 36% of balance to counties with wells
  • 37% of balance to municipalities with wells
  • 27% of balance to all municipalities in counties with wells
Indirect Local Share

- 40% to Marcellus Legacy Fund
- Combined with transfers from Oil & Gas Lease Fund and distributed as follows:
  - 25% to local bridge improvement fund
  - 25% split between PENNVEST and H2O
  - 20% to Commonwealth Financing Authority
  - 15% counties for parks, recreation and open space
  - 10% to Environmental Stewardship Fund
  - 5% for refinery assistance and ethane processing for three years; thereafter to HSCA
Chapter 25 – Oil & Gas Lease Fund

- Establishes priority for use of funds for Department of Conservation and Natural Resources (first $50 million reserved for DCNR under state Fiscal Code)

- Authorizes following transfers:
  - 2013: $20 million to Environmental Stewardship Fund (ESF)
  - 2014 and thereafter: $35 million to ESF
  - 2015: $5 million to Hazardous Sites Cleanup Fund (HSCA)
  - 2015 and thereafter: $15 million to HSCA
Chapter 27 – Natural Gas Energy Development Program

• Creates 3-year, $20 million program to incentive vehicle fleet conversion to use CNG or LNG

• Administered by Department of Environmental Protection

• Reserved for vehicles of 14,000 lbs or greater

• At least 50% of funds to be available for mass transmit and other local transportation organizations
Chapter 32 – Development

- Codifies and enhances Oil and Gas Act
- Distinguishes standards between conventional and unconventional oil and gas wells
- Provides enhanced permitting, resources protection and enforcement standards
Permitting

- Permit notice extended from 1,000 ft to 3,000 ft
- Notice provided to host municipality and all adjacent municipalities
- Orphan well adoption permit
- Increased well permit denial authority
  - Evaluate parent and subsidiary compliance history
  - Failure to pay impact fee
Bonding

- Current $2,500/well or $25,000 blanket bond
- New: two bond schedules:
  - < 6,000 feet
  - > 6,000 feet
- Based on number of operating wells
- Maximum blanket bond increase to $850,000
Resource Protection

- Well setbacks extended:
  - From buildings and water wells: 200 feet to **500 feet**
  - From streams and water bodies: 100 feet to **300 feet**
  - From public water supplies: **1,000 feet**
- Expands rebuttable presumption distance from 1,000 feet to **2,500 feet** and duration from six months to **12 months** after well completion
Resource Protection

- Enhanced floodplain protection
- Establishes standards for containment on well sites
- Requires annual inventory of air emissions
Inspection and Transparency

• Requires on-site inspection after erosion and sediment controls in place but prior to drilling

• Enhances hydraulic fracturing chemical disclosure, including use of FracFocus.org

• Requires 24 hour notice to DEP prior to commencing critical drilling stages
Enhanced Enforcement

- Increases civil penalties from $25,000 to $75,000

- Permits DEP to assess civil penalties (currently Environmental Hearing Board)

- Requires DEP to post site inspections, violations and remedial actions taken online
For more information, including frequently asked questions, visit: www.depweb.state.pa.us

click on the graphic.
Upcoming Act 13 Webinars

Tuesday, April 3 – Permitting and Notifications
Tuesday, April 10 – Environmental Protections & Enhancements
Tuesday, April 17 – Inspection & Enforcement

All sessions 1 p.m.-2 p.m.

Registration information is available on DEP’s Act 13 website
Additional Questions?
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