



pennsylvania
DEPARTMENT OF ENVIRONMENTAL PROTECTION

Oil and Gas Management



Final Oil and Gas Well Permit Fee Amendments

Environmental Quality Board

Harrisburg, PA

January 21, 2014

Statutory Requirements

- 2012 Oil and Gas Act, 58 Pa.C.S. § 3211(d):
(d) Permit fee.--Each application for a well permit shall be accompanied by a permit fee, established by the Environmental Quality Board, which bears a reasonable relationship to the cost of administering this chapter.

Regulatory Requirements

- Permit Fees Last Amended October 2009
- 25 Pa.Code § 78.19(f):

“At least every 3 years, the Department will provide the EQB with an evaluation of the fees in this chapter and recommend regulatory changes to the EQB to address any disparity between the program income generated by the fees and the Department’s cost of administering the program with the objective of ensuring fees meet all program costs and programs are self-sustaining.”

Oil & Gas Program Funding

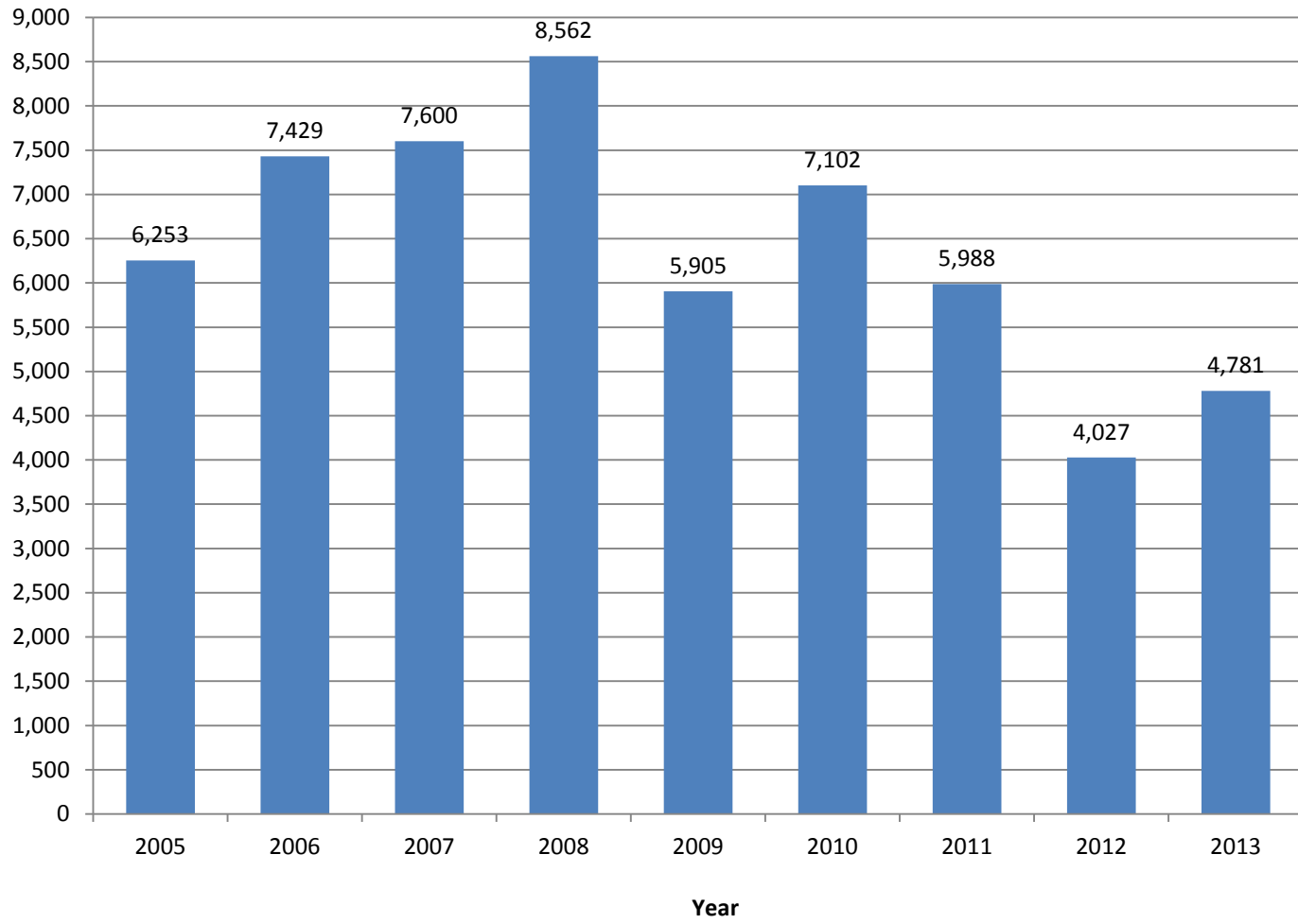
- Well Permit Fees
- 2012 Oil and Gas Act Impact Fees
- Civil Penalty Assessments/Bond Forfeiture
- No General Fund Moneys

Three-Year Report to EQB

- Declining Well Permit Applications
- Increased Workload/Expenses
 - Staff Complement Increases
 - 2012 Oil and Gas Act Requirements
 - Infrastructure Permitting (Chapters 102/105)

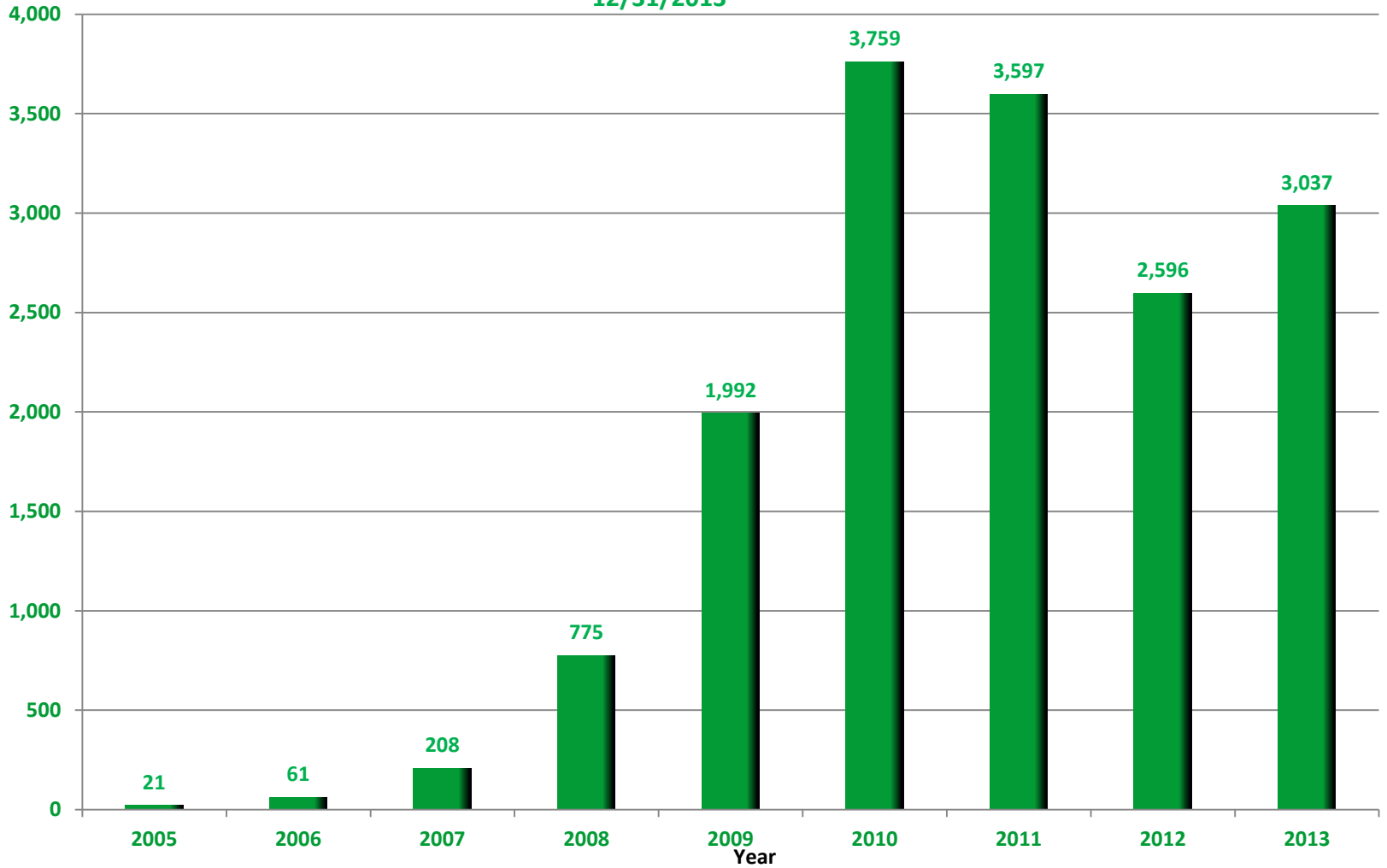
Total Well Applications Received

12/31/2013



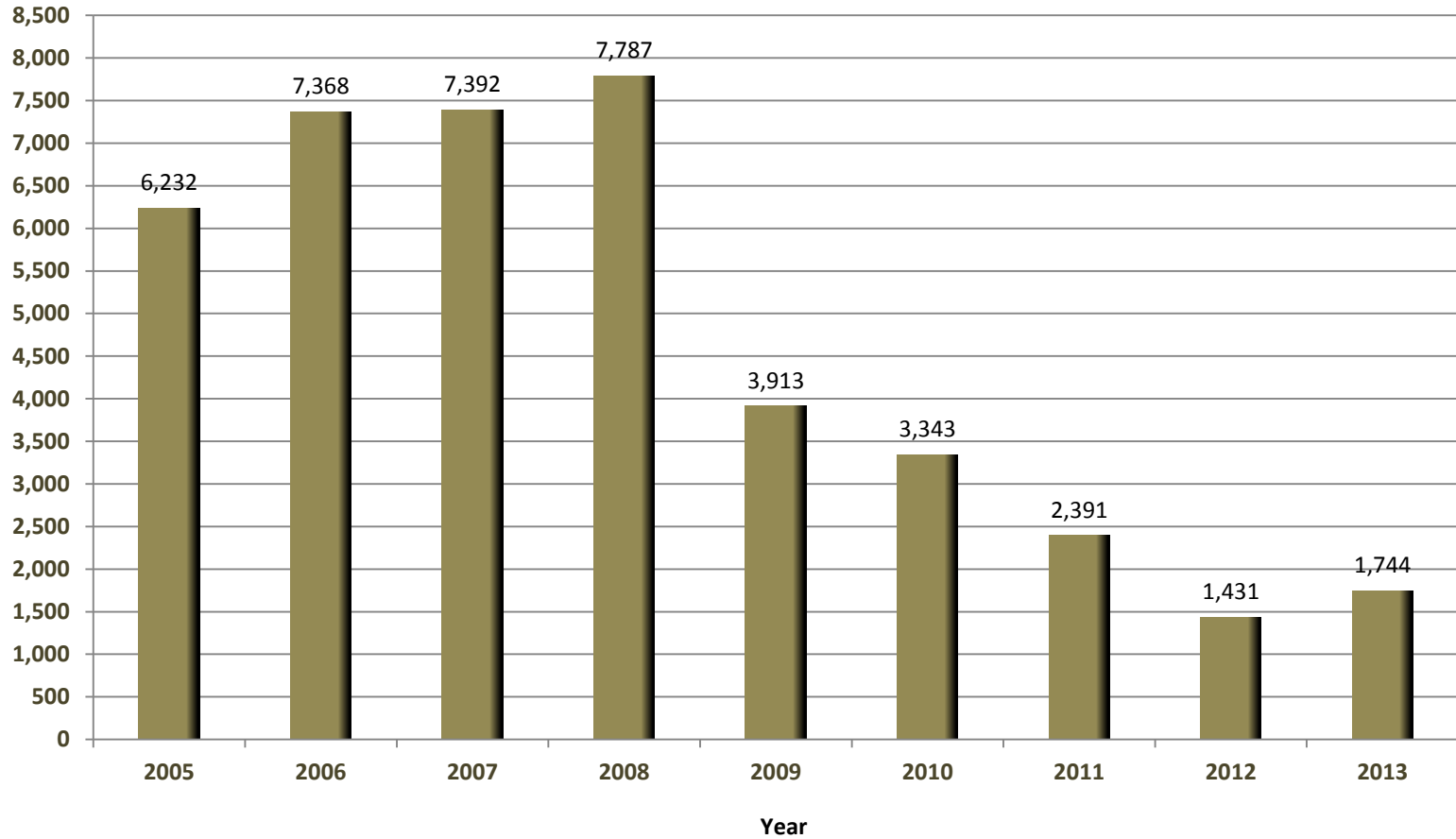
Unconventional Shale Well Applications Received

12/31/2013



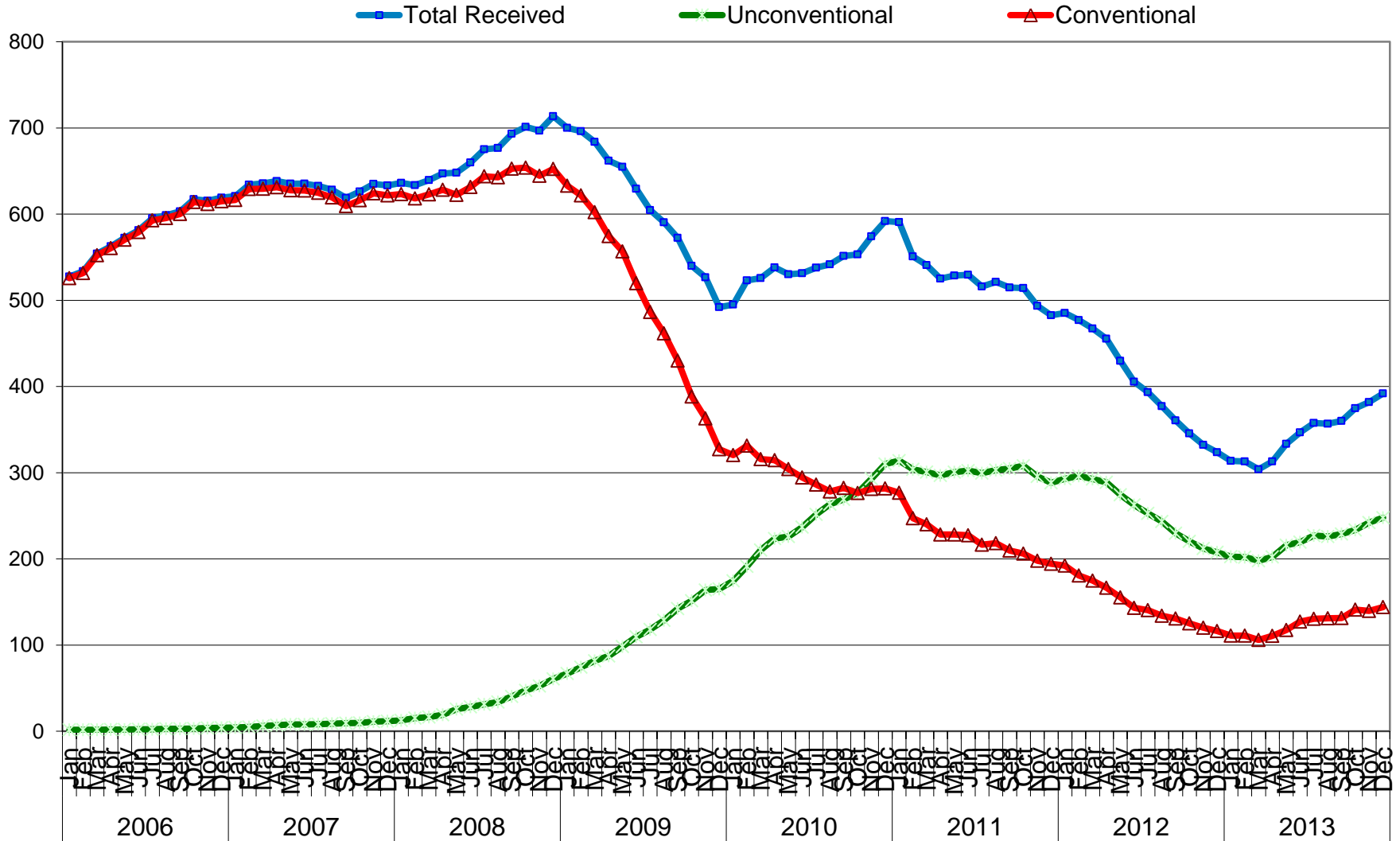
Conventional Well Applications Received

12/31/2013



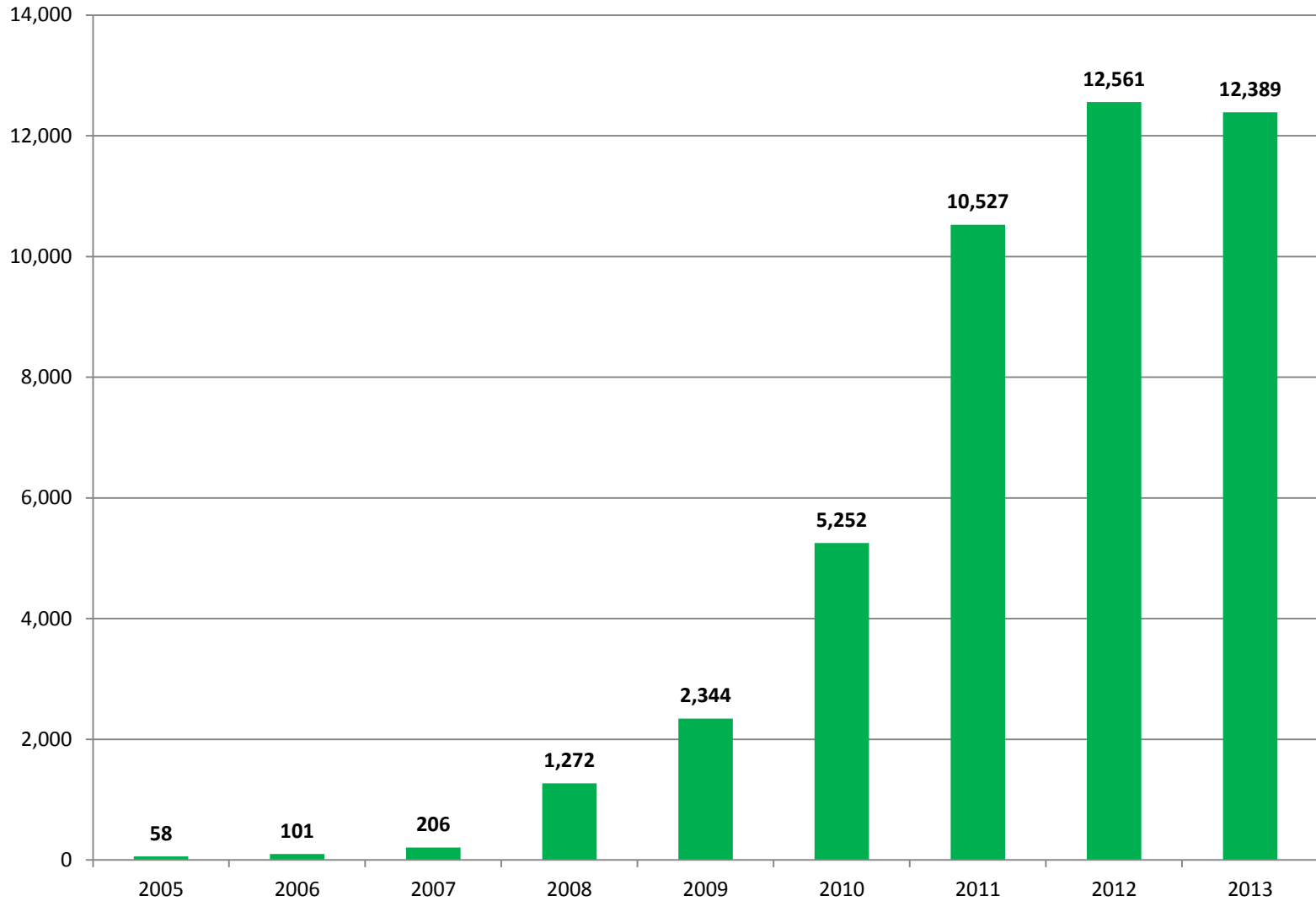
Well Permit Applications Received - 12 Month Average

12/31/2013



Unconventional Shale Compliance Inspections

12/31/2013



▶ Three-Year Report to EQB (Cont'd)

- Current Anticipated Revenue is Not Adequate to Meet Future Program Operation Needs
- Well Plugging Fund Insolvent By End of Fiscal Year 2015-2016
- DEP Recommends Revision of Permit Fee Structure to Ensure Continued Solvency and Meet Future Program Needs

COMPARATIVE FINANCIAL STATEMENT
DEPARTMENT OF ENVIRONMENTAL PROTECTION
WELL PLUGGING FUND
(in thousands)
BASED ON SPEND PLAN

Updated thru December 31, 2013 Revenue and Expenditures

FUND: 001 Restricted: 60083	TWO YEAR	TWO YEAR	ONE YEAR	ONE YEAR	AVAILABLE	BUDGET	PLAN YR.1	PLAN YR.2	PLAN YR.3	PLAN YR.4
	PRIOR	PRIOR	PRIOR	PRIOR						
	BUDGETED	ACTUAL	BUDGETED	ACTUAL						
	FY 2011-12	FY 2011-12	FY 2012-13	FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19
Beginning Balance	\$2,979	\$5,836	\$2,276	\$2,975	\$11,093	\$9,485	\$5,727	\$1,575	(\$2,979)	(\$7,943)
Revenue:										
Fines and Penalties	\$900	\$2,287	\$1,900	\$2,347	\$1,586	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000
Registration Fees	0	0	0	0	0	0	0	0	0	0
Permit Fees	15,370	11,317	12,500	9,465	9,574	9,000	9,000	9,000	9,000	9,000
Trf to Environmental Ed Fund	(45)	(189)	(95)	(114)	(117)	(50)	(50)	(50)	(50)	(50)
Bond Forfeiture	0	50	0	0	0	0	0	0	0	0
Automobile/Vehicle Sale	0	6	0	8	15	0	0	0	0	0
Miscellaneous Revenue	0	0	0	157	0	0	0	0	0	0
Impact Fees	0	0	0	12,000	6,000	6,000	6,000	6,000	6,000	6,000
Total Receipts	\$16,225	\$13,471	\$14,305	\$23,863	\$17,058	\$15,950	\$15,950	\$15,950	\$15,950	\$15,950
Funds Available	\$19,204	\$19,307	\$16,581	\$26,838	\$28,151	\$25,435	\$21,677	\$17,525	\$12,971	\$8,007
Expenditures:										
Well Plugging	\$18,058	\$16,634	\$16,917	\$16,371	\$19,807	\$19,708	\$20,102	\$20,504	\$20,914	\$21,333
Uncommitted Ending Balance	1,146	2,673	(336)	10,467	8,344	5,727	1,575	(2,979)	(7,943)	(13,326)
Plus: Commitments Carried Forward	Not Est.	302	Not Est.	626	Not Est.	Not Est.	Not Est.	Not Est.	Not Est.	Not Est.
Ending Balance	\$1,146	\$2,975	(\$336)	\$11,093	\$8,344	\$5,727	\$1,575	(\$2,979)	(\$7,943)	(\$13,326)

**ATTACHMENT 2 - COMPARATIVE FINANCIAL STATEMENT
DEPARTMENT OF ENVIRONMENTAL PROTECTION
OIL AND GAS WELL PLUGGING ACCOUNT
(Fund 001 - SAP Fund 60083)**

Assumption 2,600 unconventional permits @ \$5,000 flat permit fee in FY 2014-2015

FUND: 001 Restricted: 60083	TWO YEAR	ONE YEAR	AVAILABLE	BUDGET	PLAN YR.1	PLAN YR.2	PLAN YR.3	PLAN YR.4
	PRIOR	PRIOR						
	ACTUAL	ACTUAL						
	FY 2011-12	FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19
Beginning Balance	\$5,836	\$2,975	\$11,093	\$9,485	\$8,629	\$8,355	\$7,895	\$7,245
Revenue:								
Fines and Penalties	\$2,287	\$2,347	\$1,586	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000
Registration Fees	0	0	0	0	0	0	0	0
Permit Fees								
Unconventional	10,362	8,881	9,384	-	-	-	-	-
Conventional	955	584	649	-	-	-	-	-
Total Permit Fees:	11,317	9,465	10,033	-	-	-	-	-
Unconventional Permit Fee (Horizontal)	-	-	-	13,260	13,525	13,796	14,072	14,348
Unconventional Permit Fee (Vertical)	-	-	-	750	750	750	750	750
Conventional Sliding Permit Fee (Vertical)	-	-	-	692	678	664	651	638
Trf to Environmental Ed Fund	(189)	(114)	(117)	(50)	(50)	(50)	(50)	(50)
Bond Forfeiture	50	0	0	0	0	0	0	0
Automobile/Vehicle Sale	6	8	15	0	0	0	0	0
Miscellaneous Revenue	0	157	0	0	0	0	0	0
Impact Fees (Act 13)	0	12,000	6,000	6,000	6,000	6,000	6,000	6,000
Total Receipts	\$13,471	\$23,863	\$17,619	\$21,652	\$21,903	\$22,160	\$22,423	\$22,686
Funds Available	\$19,307	\$26,838	\$28,712	\$31,137	\$30,532	\$30,515	\$30,318	\$29,931
Expenditures:								
Well Plugging								
Personnel:	\$14,190	\$13,049	\$15,838	\$15,789	\$16,142	\$16,464	\$16,794	\$17,124
Other Operating:	\$2,444	\$3,322	\$3,969	\$3,919	\$3,179	\$3,243	\$3,308	\$3,373
Total Expenditures - Well Plugging:	\$16,634	\$16,371	\$19,807	\$19,708	\$19,321	\$19,707	\$20,102	\$20,497
Additional Staff (28):	\$0	\$0	\$1,400	\$2,800	\$2,856	\$2,913	\$2,971	\$3,029
BIT O & G Support:	\$0	\$0	\$1,000	\$0	\$0	\$0	\$0	\$0
Plus: Commitments Carried Forward	302	626	Not Est.	Not Est.	Not Est.	Not Est.	Not Est.	Not Est.
	\$16,332	\$15,745	\$22,207	\$22,508	\$22,177	\$22,620	\$23,073	\$23,526
Ending Balance	\$2,975	\$11,093	\$6,505	\$8,629	\$8,355	\$7,895	\$7,245	\$6,405

Current Well Permit Fee Structure

- Sliding Scales Based on Total Well Bore Length
- Vertical, Nonvertical and Marcellus Wells
- Nonvertical/Marcellus Well Fees

Approximately Two to Three Times Vertical
Well Fees

Final Well Permit Fee Structure

- Conventional vs. Unconventional
 - Parallels 2012 Oil and Gas Act Definitions
 - Conventional: Former Vertical Well Scale
 - Unconventional: Flat Fees
 - Nonvertical - \$5,000 Per Application
 - Vertical - \$4,200 Per Application

Final Fee Program Impacts

- Unconventional Well Permit Fee Increases from \$3,200 (avg.) to \$5,000
- Continued Solvency of Well Plugging Fund to Support Oil and Gas Program Through End of FY 2017-18
- Allows Department to Meet Future Resource Needs Regarding Staff Levels and Information Technology Development/Implementation

Fee Goals - Staffing

- Oil and Gas Inspectors
 - 2012 Oil and Gas Act Notification Response
- Infrastructure Permitting
- Central Office Policy Analysis and Development

➤ Fee Goals – Information Technology

- ePermitting
 - Electronic Application Submission
 - Electronic Permit Review
 - Efficiency and Right to Know Law
 - Electronic Reporting Universe
- Mobile Inspection Platform

Other States' Oil and Gas Fees

- New York - \$290 base fee plus \$190 for every 500 feet in well bore length (\$5,230 for a typical Marcellus well in Pennsylvania)
- Ohio - \$500 to \$1,250 depending on rural or urban locations.
- West Virginia - \$10,150 for the first horizontal well and \$5,150 for subsequent wells on the same pad.

Technical Advisory Board

- Proposed Rulemaking Presented to TAB on April 23, 2013
- Non-technical rulemaking, so no formal TAB action on the proposal.

Public Comment Period/Changes

- 16 individual comments from six commentators and the Independent Regulatory Review Commission (IRRC)
- Generally supportive of changes
- One clarification to definition of “conventional well” made based on comments from PIOGA and IRRC; otherwise unchanged on final

Requested Action

DEP recommends that the Board approve the final-form rulemaking to increase unconventional well permit fees to support DEP's Oil and Gas Management Program.



pennsylvania
DEPARTMENT OF ENVIRONMENTAL PROTECTION



Oil and Gas Management

Thank you.

Scott R. Perry, Deputy Secretary
Office of Oil and Gas Management

Jeffrey M. Logan
Executive Deputy Secretary
Administration and Management

Trisha Salvia, Assistant Counsel
Bureau of Regulatory Counsel