

COMMONWEALTH OF PENNSYLVANIA
DEPARTMENT OF ENVIRONMENTAL PROTECTION
ENVIRONMENTAL QUALITY BOARD

* * * * *

IN RE: PROPOSED REGULATIONS FOR OIL AND GAS SURFACE
ACTIVITIES

PUBLIC HEARING

* * * * *

BEFORE: BURT WAITE, Chair
Scott Perry, Member
Kurt Klapkowski, Member
Jessica Shirley, Member
John Ryder, Member
Gary Clark, Member
Staci Gustafson, Member

ORIGINAL

HEARING: Wednesday, February 12, 2014
6:04 p.m.

LOCATION: Warren County Courthouse
204 Fourth Street
Warren, PA 16365

Any reproduction of this transcript
is prohibited without authorization
by the certifying agency

WITNESSES: Kathy Rapp, Scott Hutchinson,
Martin Causer, Elizabeth Tipton,
Mark Cline, Sr., Kim Benjamin,
Ray Stiglitz, Jim Decker, Arthur Stewart,
Nathaniel Schmidt, David Clark, Eric Clark,
Michael Arnold, Dana Hennessey,
Joe Thompson, Doug Wingard,
Harvey Golubock, Bob Esch, Alex Grubbs,
R. Joseph Maney, Jay Curtis, Susan Oliver,
John Lendrum, Tim Weaver, Sam Harvey,
Harvey Stone, Dave Nuzzo, Kim Grindle,
Chuck Shrader, Brianna Howard,
Mark Cline, Jr., Patricia Miller,
Molly Lindahl, Solomon Clark, Tom Kirsch,
Tom Karg, Matthew Kropf, Robert Longnecker,
Don Coleman, Thomas Miller, Bonnie Elder,
Michael Miller, Al Lander, David Stein,
Samuel Slocum, Carey Snow, Susan Perry,
Garry Campbell, Joyce Cline, Glenn Weaver,
Linda Stiglitz, Tammy Elder

Reporter: Jacqueline L. Hazlett

I N D E X

1		
2		
3	OPENING REMARKS	
4	By Chair	9 - 13
5	TESTIMONY	
6	By Kathy Rapp	14 - 17
7	TESTIMONY	
8	By Scott Hutchinson	17 - 18
9	TESTIMONY	
10	By Martin Causer	18 - 21
11	TESTIMONY	
12	By John Peterson	21 - 24
13	TESTIMONY	
14	By Elizabeth Tipton	24 - 27
15	TESTIMONY	
16	By Mark Cline, Sr.	27 - 31
17	TESTIMONY	
18	By Kim Benjamin	31 - 33
19	TESTIMONY	
20	By Ray Stiglitz	34 - 36
21	TESTIMONY	
22	By Jim Decker	37 - 41
23	TESTIMONY	
24	By Arthur Stewart	41 - 45
25		

I N D E X (Cont.)

1		
2		
3	TESTIMONY	
4	By Nathaniel Schmidt	45 - 49
5	TESTIMONY	
6	By David Clark	49 - 53
7	TESTIMONY	
8	By Eric Clark	53 - 57
9	TESTIMONY	
10	By Michael Arnold	58 - 62
11	TESTIMONY	
12	By Dana Hennessey	62 - 65
13	TESTIMONY	
14	By Joe Thompson	65 - 69
15	TESTIMONY	
16	By Doug Wingard	69 - 73
17	TESTIMONY	
18	By Harvey Golubock	73 - 77
19	TESTIMONY	
20	By Bob Esch	77 - 81
21	TESTIMONY	
22	By Alex Grubbs	81 - 85
23	TESTIMONY	
24	By R. Joseph Maney	85 - 87
25		

I N D E X (Cont.)

1		
2		
3	TESTIMONY	
4	By Jay Curtis	87 - 90
5	TESTIMONY	
6	By Susan Oliver	90 - 93
7	TESTIMONY	
8	By John Lendrum	93 - 97
9	TESTIMONY	
10	By Tim Weaver	97 - 100
11	TESTIMONY	
12	By Sam Harvey	100 - 103
13	TESTIMONY	
14	By Harvey Stone	103 - 107
15	TESTIMONY	
16	By Dave Nuzzo	107 - 109
17	TESTIMONY	
18	By Kim Grindle	109 - 113
19	TESTIMONY	
20	By Chuck Shrader	113 - 117
21	TESTIMONY	
22	By Brianna Howard	117 - 121
23	TESTIMONY	
24	By Mark Cline, Jr.	121 - 124
25		

I N D E X (Cont.)

1		
2		
3	TESTIMONY	
4	By Patricia Miller	124 - 126
5	TESTIMONY	
6	By Molly Landahl	126 - 128
7	TESTIMONY	
8	By Solomon Clark	129 - 132
9	TESTIMONY	
10	By Tom Kirsch	132 - 136
11	TESTIMONY	
12	By Tom Karg	136 - 140
13	TESTIMONY	
14	By Matthew Kropf	140 - 145
15	TESTIMONY	
16	By Robert Longnecker	145 - 148
17	TESTIMONY	
18	By Don Coleman	148 - 151
19	TESTIMONY	
20	By Thomas Miller	151 - 156
21	TESTIMONY	
22	By Bonnie Elder	156 - 158
23	TESTIMONY	
24	By Michael Miller	159 - 163
25		

I N D E X (Cont.)

1		
2		
3	TESTIMONY	
4	By Al Lander	163 - 166
5	TESTIMONY	
6	By David Stein	166 - 168
7	TESTIMONY	
8	By Samuel Slocum	169 - 170
9	TESTIMONY	
10	By Carey Snow	170 - 171
11	TESTIMONY	
12	By Susan Perry	172 - 175
13	TESTIMONY	
14	By Garry Campbell	175 - 179
15	TESTIMONY	
16	By Joyce Cline	180 - 184
17	TESTIMONY	
18	By Glenn Weaver	184 - 186
19	TESTIMONY	
20	By Linda Stiglitz	186 - 189
21	TESTIMONY	
22	By Tammy Elder	189 - 192
23		
24		
25		

E X H I B I T S

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

		Page
<u>Number</u>	<u>Description</u>	<u>Offered</u>
	NONE OFFERED	

P R O C E E D I N G S

CHAIR:

I welcome you to the Environmental Quality Board public hearing on environmental protection for performance standards at oil and gas well sites proposed rulemaking. My name is Burt Waite. I am representing the Pennsylvania Environmental Quality Board. Joining me tonight are Scott Perry, Kurt Klapkowski, Todd Ellis, Kelly Bush, from the office of oil and gas management, Jessie Shirley from DEP policy office and Gary Glark, community license board manager for northwest regional office of DEP.

I officially call this meeting to order at 6:05. In the event of an emergency, there are exits to the rear of the courtroom and to the front of the courtroom. There are also restrooms out the rear of the courtroom to the left and handicapped restrooms through the exit sign in front of the courtroom.

The purpose of these hearings is to formally accept testimony on the proposed regulations of the environmental protection performance standards of oil and gas well sites. This hearing includes the public hearings for the proposed rulemaking.

1 Information about these are hearings is available on
2 DEP's website at www.DEP.state.pa.us. There are also
3 copies of the citizen guide DEP regulations available
4 for you here tonight. Inside this document you will
5 find descriptions of the environmental regulatory
6 process in Pennsylvania, the Environmental Quality
7 Board's role, how to submit comments and tips for
8 submitting effective comments.

9 The proposed rulemaking, which was
10 adopted by the EQB, the Environmental Quality Board,
11 on August 27th, 2013 would amend 25 PA Code Chapter 78
12 to update the requirements related to surface
13 activities associated with development of oil and gas
14 wells. EQB adopted the proposed rulemaking, the
15 recommendations for a 60-day comment period and at
16 least six hearings across the state. This represents
17 a heightened level of public participation as there
18 are usually a 30-day comment period held before a
19 typical department rulemaking.

20 Additionally, public hearings are held
21 on the basis of public interest. And for some
22 regulations, there are a few or even none that are
23 held if there's no request for hearings. Due to the
24 increased public interest in this rulemaking, EQB
25 initially scheduled seven public hearings and

1 increased the number of hearings to nine in order to
2 allow for ample opportunity for public comments on the
3 proposed rulemaking.

4 The proposed regulatory amendments would
5 address recent statutory changes in Act 13 of 2012 and
6 comment on the existing practices. This rulemaking
7 would allow the implementation of the provisions of
8 Act 13 including further consideration of impacts of
9 public resources such as parks and wildlife areas, the
10 prevention of spills, the management of waste and the
11 restoration of well sites after drilling. The
12 proposed rulemaking also includes standards affecting
13 the construction of gathering lines and temporary
14 pipelines and includes provisions for identifying and
15 monitoring abandoned wells of the proposed well sites.

16 In order to give everyone an equal
17 opportunity to comment on this proposal, I would like
18 to establish a few ground rules this evening. I will
19 first call on the witnesses who have preregistered to
20 testify at this hearing. We will begin by hearing
21 from members of the legislature, and then we will move
22 on to the list of the preregistered public witnesses.
23 After hearing from these witnesses, I will provide for
24 any other interested parties with the opportunity to
25 testify as time allows.

1 Testimony is limited to five minutes for
2 each witness. Please note that written and spoken
3 testimony both carry the same weight. If you should
4 run out of time for your spoken testimony, we will
5 read the rest of your comments in your written
6 testimony. I ask you to abide by the five-minute
7 rule. I do not want to be rude, but in the interest
8 of time and the interest of giving everyone an
9 opportunity to speak, I will cut you off at the end of
10 five minutes.

11 Each witness is asked to submit three
12 copies of his or her testimony to aid in transcribing
13 the hearing. Please place two copies in the box
14 marked public comment to my left, and please hand one
15 copy to our stenographer seated in the front of the
16 courtroom prior to presenting your testimony. Please
17 state your name, address and affiliation for the
18 record prior to presenting your testimony. EQB would
19 appreciate your help by spelling names and terms that
20 may not be generally familiar, so that the transcript
21 can be as accurate as possible.

22 Because the purpose of the hearing is to
23 receive comments on the proposal, the EQB or the DEP
24 staff cannot and will not address questions about the
25 rulemaking during the duration of this hearing. In

1 addition to and in place of verbal testimony presented
2 at today's hearing, interested persons may also submit
3 written comments on this proposal. Again, written and
4 verbal comments hold the same weight when considering
5 the finalization of a rulemaking. All comments
6 provided become a part of the official public record.

7 All comments must be received by EQB on
8 or before March 14th, 2014. Comments should be
9 addressed to the Environmental Quality Board, P.O. Box
10 8477, Harrisburg, 17105. Comments may also be
11 e-mailed to RegComments@PA.gov or submitted online to
12 the EQB regulatory comment system accessible from the
13 DEP webpage. All comments received at this hearing as
14 well as the written comments received by March 14th,
15 2014 will be entered as part of the formal record and
16 considered by the EQB and will be included in a
17 comment response document, which will be prepared by
18 the department and reviewed by the EQB prior to the
19 Board taking its final action on this regulation.
20 Anyone who's interested in receiving a copy of the
21 transcript of today's hearing may contact EQB at the
22 phone number listed on their webpage.

23 I'd like to now call our first
24 legislative member forward to speak, and that is
25 Congressman Kathy Rapp. Kathy here?

1 MS. RAPP:

2 Thank you. State Representative Kathy
3 Rapp. Thank you, Mr. Waite, for elevating me to
4 congresswoman. I represent the 65th legislative
5 district currently for Warren, Forest and McKean
6 County.

7 Good evening. It is my pleasure to
8 welcome the members of the Environmental Quality
9 Board, the state lawmakers and our many expert
10 testifiers to Warren County. You have already
11 received a letter dated February 4th, 2014 from
12 Senator Scott Hutchinson and signed by 14 other
13 legislators. We represent the area of western
14 Pennsylvania, known to us as the Pennsylvania oil
15 patch. This is due to the indisputable fact that this
16 area, particularly Titusville, Crawford County, where
17 Colonel Edwin Drake drilled the world's first
18 successful oil well, is the area where modern oil and
19 gas exploration production began more than a century
20 and a half ago. It is the well that saved the whale.

21 Before I begin my testimony, I want to
22 particularly thank my neighboring legislative
23 colleague, State Representative Marty Causer, for his
24 efforts to make sure that the Board scheduled a
25 hearing in the middle of Pennsylvania's oil patch, the

1 home of our conventional producers, and not just in
2 the areas of the Marcellus Shale.

3 Again, as most of our expert testifiers
4 will no doubt repeatedly emphasize today, the
5 conventional oil and gas industry is not just part of
6 our heritage, but also continues to have significant
7 direct and indirect impacts on our local and regional
8 economies.

9 When Act 13 was considered for passage
10 in the General Assembly, I and other legislators were
11 given assurances from the governor's office and the
12 leaders in the house that the regulations following
13 the legislation would not affect our conventional
14 wells. As a legislator, my intent was never to see
15 legislation pass that treated both conventional and
16 unconventional wells alike in the regulations. Never.
17 That was never my intent as a legislator, and I have
18 assurances from the governor's office and my
19 legislative leaders that these regulations would not
20 affect conventional wells.

21 Unfortunately, many of these proposed
22 regulatory and legislative changes do not adequately
23 account for the significant differences between
24 conventional and unconventional development and are,
25 thus, threatening the future survival of this

1 150-year-old homegrown industry that fueled a
2 worldwide industrial revolution and yielded the
3 Pennsylvania crude that allowed America to triumph in
4 two World Wars.

5 Unlike well-funded and well-established
6 multinational corporations, most of which are
7 developing unconventional Marcellus Shale formations
8 in a safe and responsible manner, smaller conventional
9 operators, many of which are still operating within
10 our surrounding Allegheny National Forest and western
11 Pennsylvania, are primarily multigenerational,
12 mom-and-pop, family-owned small businesses.

13 Since Pennsylvania's Regulatory Review
14 Act now requires the consideration and alternatives
15 for small businesses, at minimum, the Department of
16 Environmental Protection's proposed Act 78 regulations
17 impacting oil and gas activities should be revised in
18 a manner that establishes alternative technical
19 requirements for smaller conventional operations that
20 produce a few gallons of crude oil or natural gas on a
21 daily basis, as opposed to Texas-sized barrels
22 destined to fill a Super Tanker.

23 I appreciate the opportunity to testify
24 against these proposed regulations on our small
25 conventional wells that will significantly impact an

1 industry that has blessed the regions we represent
2 with considerable economic benefits. I am even more
3 proud to stand 110 percent behind our independent oil
4 and gas producers.

5 CHAIR:

6 Senator Scott Hutchinson.

7 MR. HUTCHINSON:

8 My name is Senator Scott Hutchinson. I
9 represent the 21st Senatorial District in Pennsylvania
10 which is the --- includes six counties, all of which
11 are considered the conventional oil patch of
12 Pennsylvania.

13 I want to take a few moments this
14 morning just to welcome everyone here, thank everyone,
15 thank EQB for scheduling this additional hearing.
16 You're in a place where so many hardworking families
17 are affected by these regulations. I have been able
18 to attend several of the other hearings, and I think
19 what we've seen is a groundswell of support for the
20 thing I'm going to talk about today. And that is a
21 separate regimen of regulations for the conventional
22 oil and gas producers. I think it's critical, and you
23 will hear tonight from many folks who will describe
24 the differences between the conventional and the
25 unconventional wells. And what we're really asking

1 for are separate commonsense regulations similar to
2 the way they were before we had the invasion of a
3 brand new, completely different industry, the shale
4 gas industry several years ago. So that's my purpose
5 today.

6 I have lots of opinions about other
7 things. And we have a group of 15 legislators
8 together with myself have submitted formal comments
9 previously. And as I said, I've been at several of
10 the other hearings, but I'm just here to make one
11 point today. We need to get the government out of the
12 way, allow the hardworking families of northwestern
13 Pennsylvania to operate their businesses as they have
14 for many, many years, 150 years plus here in
15 northwestern Pennsylvania and allow those who depend
16 on those hardworking folks to thrive and produce and
17 not overregulate them.

18 So I thank EQB for this opportunity
19 today. And I'd ask them to listen very carefully to
20 so many folks that are going to come forward next.
21 And I appreciate this opportunity. Thank you.

22 CHAIR:

23 Representative Martin Causer followed by
24 Congressman John Peterson.

25 MR. CAUSER:

1 Good evening, everyone. My name is
2 Martin Causer. I'm state representative in District
3 67. I represent McKean, Potter and Cameron Counties.
4 I want to thank the Environmental Quality Board for
5 being here this evening.

6 A few weeks ago I wrote to Secretary
7 Abruzzo asking for an additional hearing in the
8 northern tier of Pennsylvania. Because when I looked
9 at where the hearings were being held, one was being
10 held in Meadville and the other one wasn't being held
11 until you get to Williamsport. So I thought there was
12 a huge section of the northern tier of Pennsylvania
13 that was not having a hearing. And I was very pleased
14 that Secretary Abruzzo and the Environmental Quality
15 Board agreed to have two additional hearings actually,
16 one being here in Warren.

17 I also joined with the other 15
18 legislators in submitting written comments to the
19 Environmental Quality Board expressing our concerns
20 with the regulations. And I'm going to make a couple
21 of comments tonight. I have a number of concerns
22 about the regulations, but make a couple of comments
23 regarding that.

24 Representative Rapp touched on the
25 intent of Act 13. And I can tell you that the intent

1 of many of us in Harrisburg was never to have
2 regulations developed through Act 13 dealing with the
3 conventional operators. That was never the intent and
4 should not be part of this regulatory package. The
5 regulatory package should focus on the unconventional
6 regulations and the unconventional operators rather
7 than the conventional.

8 So tonight most of my comments center
9 around the need for separate regulations for
10 conventional versus unconventional. And those of us
11 that represent what's considered to be the oil patch
12 of Pennsylvania haven't had any problems in the oil
13 patch. And the need is there to have separate
14 regulations. And I know the Environmental Quality
15 Board is going to hear loud and clear tonight from
16 people who live in this region about the need for
17 separate regulations. And so I'm glad to join with
18 the independent producers and all the citizens that
19 are here tonight.

20 I know the Environmental Quality Board
21 is going to hear a great deal, but the message that I
22 want to send is a very strong message that we need
23 separate regulations and we need to make sure that we
24 do not impose burdens and regulations on our small
25 producers. So I'm pleased that the EQB is here

1 tonight. And the rest of my comments will be
2 submitted to the EQB in written form. Thank you.

3 CHAIR:

4 Congressman John Peterson followed by
5 Phyllis Wright.

6 MR. PETERSON:

7 Good evening. Is that coming across?
8 Is that better? I need to turn it up. When you
9 turned it down, whoever did that, you turned it down a
10 little too much. It was too high at the beginning.
11 Is that better? All right.

12 I'm former Congressman John Peterson. I
13 had the privilege of serving this area for 12 years at
14 the Pennsylvania State House as a senate member and
15 then as congressman. I grew up one mile south of the
16 world's first oil well. As I grew up, I spent a lot
17 of quality time in the beautiful Oil Creek Valley,
18 Titusville, Oil City and the Allegheny River. The Oil
19 Creek, Allegheny River Valleys became the beginning
20 and home of most of the nationally known oil companies
21 and refineries. The discovery of oil at Drake's Well
22 changed the world and fueled the industrial
23 revolution. It enabled us to become the most powerful
24 nation in the world.

25 The Oil Creek Valley oil was so intense

1 that the hillsides were covered with oil derricks,
2 dead trees and no vegetation, just oil-soaked ground.
3 As I was growing up 85 to a hundred years later,
4 nature had healed this valley. It was lush, beautiful
5 valley with abundant wildlife and great fishing. It
6 healed, and I don't mean this is in a derogatory way,
7 with no assistance from the DEP or an EPA or any
8 governmental agency. It healed because Penn Grade
9 Crude is not tar based like most oil. It's paraffin
10 based. The same material we use to make creams and
11 lotions and basic things. Western and Mid-East oils
12 are tar based. Their residue is used to make tar
13 products and blacktop coating for our roads.

14 As a young boy fishing for brook trout
15 was an exciting venture. When you find brookies, the
16 environment is very good. The forest land where are
17 today was filled with lines and oil tanks everywhere.
18 When oil prices would get low, the industries would
19 diminish. And then return again when oil prices
20 increased. This industry has been here for 153 years,
21 and our wildlife and fisheries are healthy. As oil
22 and well prices have risen and the oil industry has
23 grown, the Marcellus Shale gas deals have sprung up
24 across much of Pennsylvania.

25 As this has become the world's largest

1 gas station, Pennsylvania was forced to pass
2 legislation to regulate the Marcellus production and
3 establish rules to protect our environment. The
4 original Penn Grade Crude producers tried it. And it
5 should have been totally exempt. The regulations that
6 are moving forward in many cases being imposed on the
7 traditional oil and gas industry will eliminate them
8 if not pulled back. It's vital to develop separate
9 rules and enforcement for the Penn Grade Crude
10 industry. We have two refineries of crude. The
11 refinery in Bradford needs more crude, not less to run
12 wide open, as refineries are designed to do.

13 It's time for the Pennsylvania governor
14 to develop a comprehensive energy policy, to expand
15 and produce the abundant energy resources we are
16 blessed with. We need policies and regulations that
17 allow us to grow the volume of Penn Grade Crude to
18 allow refineries to grow and flourish. We need a
19 strong partnership between industry and the state to
20 develop an affordable solution for the productions
21 that are generated.

22 If Pennsylvania's smart and fair with
23 all energy producers, all energy producers, rural
24 Pennsylvania can rebuild its weak economy and produce
25 jobs for our unemployed. Everyone will benefit from

1 the sound and wise use of our natural resources. Just
2 to show you where we're at, a company in Oil City,
3 Pennsylvania just advertised six jobs. They had over
4 1,500 applications. That's where we're at, folks. We
5 need jobs. We need an economy. And if this country
6 is smart, energy is the one thing that can rebuild the
7 economy of America. And Pennsylvania can be the
8 leader, because we have all of it, every kind of
9 energy there is. We have it, and we have been leaders
10 in it one or time or another. I urge Pennsylvania
11 state government and the industry to join hands. And
12 let's do it and do it right and make Pennsylvania a
13 strong economic state again.

14 CHAIR:

15 Phyllis Wright followed by Mark Cline,
16 Senior.

17 MS. TIPTON:

18 For Phyllis Wright, I'm Elizabeth Tipton
19 and of the League of Women Voters of Warren County. I
20 reside at 15 West Third Avenue in Warren,
21 Pennsylvania. And this evening I'll be speaking on
22 behalf of the League of Women Voters of Pennsylvania.

23 Our constitutional right to clean, pure
24 water and the preservation of natural resources are
25 fundamental to League advocacy. Our members, based on

1 our statewide position, support the use of best
2 practices, comprehensive regulation and adequate
3 staffing across government agencies to provide the
4 maximum protection of public health and the
5 environment in all aspects of natural gas operations.

6 Tonight, we address the final sections
7 of the proposed regulations beginning with logs and
8 additional data. We suggest the following. Define
9 recompletion of drilling to clarify it. This includes
10 restimulation or superfracking. Change data to read
11 including not such as representative drilling
12 cuttings. Eliminate the word not in the final
13 sentence, so that the interpretation of data is
14 required to be filed and also to add including
15 significant changes in radioactivity readings,
16 chemical composition, pressure, et cetera. Shorten
17 the filing period to six months after completion of
18 the well, not no more than three years. An extension
19 of the deadline for up to five years should be no more
20 than one year from the date of the well completion.

21 Finally, all logs should be submitted in
22 a standard format designed by the department to
23 promote enforcement and use for statistical purposes.
24 To prevent taxpayers from paying the costs of natural
25 gas development, adequate bonding requirements are

1 essential. The following recommendations are
2 provided. One, increase bond amounts well beyond the
3 \$2,500 per well or \$25,000 for a blanket permit.
4 Adopt a scale consistent with Michigan that starts at
5 \$10,000 per well and \$100,000 for a blanket permit.
6 Incremental increases should be --- should correlate
7 with increasing depth. Provisions should be made for
8 review of additional bonding costs at set time
9 intervals as based on updated, projected costs, the
10 number and length of horizontal bores, superfracking
11 and other technological advances.

12 Require letters of credit from
13 operators. Not exceed the fair market value of their
14 assets. Enforce this by shutting down operations if
15 cash collateral is not forthcoming within 30 calendar
16 days. Eliminate and/or limit phased deposits of
17 collateral to small, private operators that are not
18 subsidiaries of large corporations. The amounts
19 specified are inadequate and need to reflect the
20 projected costs of potential consequences. Eliminate
21 phased deposits of collateral for individuals as
22 amounts of \$500 per week are insignificant and serve
23 to prompt reckless development. And protect taxpayers
24 by limiting replacement of existing bonds so that
25 transfers and accrued liability do not obfuscate real

1 risks and actual costs.

2 Updating citations in sections dealing
3 with gas storage, well integrity testing and maximum
4 storage pressure is useful. However, the final
5 statement regarding policy is problematic. The League
6 understands that policies cannot create a duty or
7 obligation to conduct a minimum or maximum number of
8 inspections per year or during a certain period of
9 time. However, we press you to join with us in
10 advocating for additional funding to provide adequate,
11 trained staff, resources to monitor, implement and
12 enforce those regulations given the rapidly increasing
13 impact of natural gas development in our Commonwealth.
14 Our public health and environment deserve more than a
15 regulatory document as an investment for our future.
16 Thank you.

17 CHAIR:

18 Mark Cline, Senior, followed by Kim
19 Benjamin.

20 MR. CLINE:

21 Good evening. My name is Mark Cline
22 from 1 Longfellow Avenue, Bradford, PA. I am a fourth
23 generation oilman and on the Board of Directors of the
24 Pennsylvania Independent Petroleum Producers, but
25 speaking for myself.

1 The regulation 78.56a6, which talks
2 about securing our tanks from third party access, has
3 no environmental benefits. There are around 150,000
4 tanks used in the conventional industry. There is no
5 history of problems. To equip 150,000 tanks with
6 secure lids and valves would be quite a dangerous
7 undertaking. They contain an explosive material. We
8 would have to empty the tank and then fill it with
9 water. Even then there is always a possibility for a
10 problem to happen. Then we would have to haul the
11 water that we used to the brine plant because now,
12 according to the DEP, it would be contaminated. That
13 in itself is another added cost. Securing tanks with
14 locks doesn't do much as they could be cut very
15 easily. Locking the doors on your home every day
16 doesn't keep people from breaking in. Just ask the
17 people from Bradford. This is just another burdensome
18 regulation that will do more harm than good.

19 Regulation 78.56 talks about pits. The
20 environmentalists are calling for no more pits because
21 they say our wastes are hazardous. The Environmental
22 Protection Agency says it is not a hazardous
23 substance. The environmentalists say there are
24 studies that say there may be harmful effects. They
25 can talk about studies all they want, but there is no

1 proof. There are 26,000 people working directly in
2 the conventional oil and gas industry. 26,000 people
3 working directly with this material on a daily basis.
4 Not one of us are sick because of it. I am 57 years
5 old. My brother is 59. We have worked with this
6 awful oil and gas since we were seven years old. My
7 father is 88 years old. He has worked with it for
8 about 80 years except for the time he spent overseas
9 fighting for our country. He still goes to work every
10 day. A friend of ours is 82 years old and still
11 working. He has fracked over 8,000 wells in his
12 lifetime. Between all the oil field workers in this
13 room there has been another 5,000 to 10,000 wells
14 fracked. We are all still healthy except for life's
15 normal little problems that come with age.

16 I keep hearing at these meetings that we
17 only do this for the money. May I ask why you
18 environmentalists go to work every day? I am pretty
19 sure without doing a study that you go to work for
20 money to support your families. Yes, we do it for the
21 money to support our families, but we also take great
22 pride in doing our jobs and protecting the
23 environment. Remember we live here and also have
24 children.

25 Almost everyone in the conventional oil

1 and gas industry were born and lived most of their
2 lives in Pennsylvania. We work in and around the
3 towns where we were born and raised. We have a vested
4 interest in the environment in Pennsylvania. Most of
5 the people in our industry also love to hunt and fish.
6 We don't have to travel to another state to do that,
7 as we have the best hunting and fishing right where we
8 are working.

9 Oil and gas are not found everywhere in
10 the world. There are 19 states in the United States
11 that have no oil. We must take advantage of this
12 resource whenever we find them. We are extremely
13 lucky to have these resources in our state.

14 Some of you are probably wondering what
15 this thick book is that I am holding. It is a copy of
16 the Pennsylvania Department of Environmental
17 Protection's Oil and Gas Operating Manual. I would say
18 that we have had a lot of regulations written for us
19 already. The conventional industry should not be
20 included in these regulations.

21 Before I finish, I would like to read
22 the first sentence of the DEP handout for these
23 hearings. In 2012, Governor Corbett signed the 2012
24 Oil and Gas Act (chapter 32, Act 13 of 2012), which
25 significantly revised Pennsylvania's oil and gas laws

1 to address unconventional well development in the
2 Commonwealth. We should not be in these regulations.
3 Thank you.

4 CHAIR:

5 Kim Benjamin followed by Ray Stiglitz.

6 MR. BENJAMIN:

7 Good evening. My name is Kim Benjamin.
8 I'm the Executive Director for Bradford City Water
9 Authority, 28 Kennedy Street, Bradford, PA. I'm a 30
10 year employee there. I appreciate the time and
11 opportunity to address this Board.

12 Bradford City Water Authority is a
13 purveyor of public water in McKean County and supplies
14 the needs of approximately 6,100 residential,
15 commercial and industrial customers. The service area
16 covers the City of Bradford as well as the surrounding
17 townships of Bradford, Foster, Lafayette and includes
18 sale of water to the Borough of Lewis Run. This
19 authority is unique, and it is also the steward of
20 12,000 acres of forested land holdings and enjoys
21 ownership and control of the bulk of the mineral
22 rights within its watershed boundaries.

23 In any conversation of ever-changing
24 regulations and oversight concerning extraction of oil
25 and gas, such as those being presented to the

1 Environmental Quality Board via Chapter 78 proposed
2 rules changes, our authority is a very concerned
3 stakeholder. Accepting input from all such
4 stakeholders is critical if the proper balance is to
5 be achieved of safeguarding our environment while not
6 creating an overburden of new regulations. It is
7 requested that the Environmental Quality Board
8 carefully consider all ramifications of the proposed
9 Chapter 78 rule changes and their direct impact on
10 conventional well producers.

11 Currently, we have approximately 300
12 conventional oil and gas wells incorporated on a lease
13 within Bradford's watershed. For the past 25 years,
14 this lease has operated under existing conventional
15 well standards of construction, production and
16 plugging including crude oil storage and
17 transportation without a single negative event.

18 Independent oil and gas producers and
19 stakeholders such as the Water Authority currently
20 operate under an already daunting multitude of
21 regulations. Chapter 78, as currently proposed, would
22 add redundant and harsh burdens more suited for
23 unconventional deep well operations than for
24 conventional well operations and operators that can
25 least afford it.

1 Like that of numerous small conventional
2 well operators in the region, the bulk of the crude
3 oil from the Water Authority's producing wells are
4 supplied to the American Refining Group. This local
5 refinery is a major employer and key contributor to
6 the economic engine of the Bradford area. Imposing
7 additional excessive and duplicative regulations on
8 the suppliers of crude to the refinery could have a
9 devastating effect.

10 The history of the Bradford watershed
11 providing quality water throughout the Tuna Valley
12 dates back over 125 years. It is also a successful
13 history of diversity of operations of all its
14 resources including water distribution, sustainable
15 yield forestry and conventional well extraction of oil
16 and gas with the regulations currently in place.

17 We believe this is to be a
18 representative example that natural resource
19 development and the existing standards can go hand in
20 hand with sound environmental protection practice. As
21 you seek the proper balance of regulations that
22 protects the environment, also consider the economic
23 impact these rules shall have on small business and
24 hundreds of conventional well operators. Thank you.

25 CHAIR:

1 Ray Stiglitz followed by Jim Decker.

2 MR. STIGLITZ:

3 Ray Stiglitz, 896 Victory Church Road,
4 Franklin, Pennsylvania. My thanks to the EQB for
5 providing the public with several more opportunities
6 to comment on the proposed regulations.

7 I've now attended three of these
8 sessions, and I think that several general conclusions
9 can be drawn from the comments thus far. The first
10 conclusion would be that many folks believe that there
11 is a substantial risk of groundwater pollution due to
12 the use of pits for drill cuttings or completion fluid
13 storage. The second conclusion can be drawn from the
14 number of comments insisting that the conventional and
15 unconventional wells are all --- are two altogether
16 different animals, and cannot and should not be lumped
17 together as one entity.

18 In regard to the first issue, I would
19 like to explain a little bit about how those of us in
20 the shallow well, conventional industry utilize pits.
21 First of all, in the early days of shallow oil well
22 drilling with cable tools, the drill cuttings were
23 mixed into a slurry by the drilling tools themselves,
24 and then removed from the well bore with a tool known
25 as a bailer. A laborious and time-consuming process.

1 Over the course of the several weeks that it would
2 normally take to drill the well to bottom, the drill
3 cutting slurry would be discharged to the ground,
4 normally on the downhill side of the well. Today, if
5 you take a shovel and dig around the downhill side of
6 one of these old wells, you may find evidence of these
7 cuttings, otherwise known in the industry as sand
8 pumpings. They will usually be found under years of
9 ground and leaf cover, with tree and shrub roots
10 growing all through them.

11 My reason for mentioning this is so that
12 you might understand that the drill cuttings removed
13 from our shallow conventional wells are a pretty
14 benign substance, mostly consisting of shale and
15 sandstone. Dry, uncontaminated drill cuttings are
16 harmless enough that many operators today apply for a
17 waiver that allows them to discharge them by a method
18 called dusting, and then land farming them into the
19 surrounding surface. Prior to the fracturing phase of
20 the well development, a small pit is excavated, which
21 would probably average about 10 feet wide by 25 feet
22 long by 8 feet deep. It is then lined with a 20-mil
23 plastic liner. For those who may not understand that
24 terminology, suffice it to say that a 20-mil liner is
25 a pretty tough piece of plastic.

1 Typically a frack job on a shallow well
2 takes from five to ten hours to complete. And during
3 this time, frack return water will be discharged into
4 this pit and recycled by means of a water pump back
5 into steel tanks on the well site. Once the frack
6 operation is completed, the liquid fraction in the pit
7 is vacuumed off. The remaining solids mostly consist
8 of frack sand. The liner is then folded in on itself,
9 encapsulating those frack sand returns. The pit is
10 then reclaimed using the dirt that was excavated from
11 it.

12 The point of this explanation is to
13 emphasize the difference between large scale pits
14 constructed for shale gas wells versus small scale
15 pits used by the shallow well folks. This, of course,
16 ties into the point that has been made by so many at
17 these hearings. Small pits versus large pits. Small
18 locations versus large locations. Small number of
19 trucks versus large number of trucks. Small amount of
20 drill cuttings versus large amount of drill cuttings.
21 Small amount of waste fluids versus large amount of
22 waste fluids, and wells costing thousands versus wells
23 costing millions. We're comparing apples to oranges
24 here, and one size does not fit all. Commonsense must
25 prevail. Thank you.

1 CHAIR:

2 Jim Decker followed by Arthur Stewart.

3 MR. DECKER:

4 Good evening. Jim Decker, President and
5 CEO of the Warren County Chamber of Business and
6 Industry, 308 Market Street, Warren, Pennsylvania. I
7 applaud you're here in Warren, Pennsylvania. I
8 appreciate you taking the time.

9 I'm here to speak and request your
10 rejection of the proposed amendments to Chapter 8 as
11 presented by the Department of Environmental
12 Protection. These amendments, as proposed, will
13 impose significant and unnecessary financial hardships
14 upon the conventional oil and natural gas operations
15 throughout the Commonwealth of Pennsylvania,
16 endangering countless business operations and
17 individual jobs. The following calculations of the
18 financial impact of the proposed amendments upon
19 conventional oil and gas operations have been
20 developed by the DEP. Changing of tank access lids
21 for \$53,360 to \$6,670,000. Secondary brine
22 containment, \$4,002,000. Removal of underground
23 tanks, \$1,334,000. A total annual cost projection
24 would run between \$5,389,360 to \$12,006,000.
25 Likewise, the department has calculated the annual

1 potential savings possibly to be seen by conventional
2 operators to be a mere \$36,680.

3 Based upon meetings with members of the
4 conventional oil and gas community, I believe that the
5 DEP's calculations dramatically understate the actual
6 costs of compliance. For example, the DEP's
7 calculations state that the responsibility of
8 identifying orphaned and abandoned wells will not
9 pertain to the conventional industry. Therefore, the
10 DEP does not attribute any cost. Nevertheless, the
11 proposed regulations do make this requirement
12 applicable to conventional operations. Obviously the
13 DEP's costs are understated.

14 Similarly, the changing of tank access
15 lids only considers tanks for new wells. But the
16 proposed regulations apply to the tens of thousands of
17 tanks already existing in the conventional oil and gas
18 industry. Using the DEP's own cost estimate per tank,
19 the DEP has understated the costs of compliance by
20 hundreds of millions of dollars.

21 The list of DEP omissions goes on and
22 on. For example, we know there are buried tanks in
23 use in the conventional industry, and we know that
24 there will be costs associated with the removal of
25 those and with the replacement of those tanks in

1 accordance with the new secondary containment
2 requirements. But because the DEP doesn't attempt to
3 estimate the number of buried tanks involved, DEP
4 attributes zero cost to this new regulatory
5 requirement. This is a remarkably inadequate
6 analysis.

7 Another place where the DEP does not
8 attribute any costs are the new requirements regarding
9 public resources. The proposed regulations refer to
10 special concern species. This is an open-ended term
11 that clearly means something more than the endangered
12 species now covered by law. But even though the term
13 means something more, with the associated additional
14 obligations that will go along with that something
15 more, the DEP does not attribute any more costs to
16 compliance.

17 To the extent the DEP analysis is
18 intended to help us make an informed decision as to
19 the consequences of the proposed regulations and their
20 impact on commerce, the DEP analysis is a failure.
21 Surely an informed vote cannot be taken on the basis
22 of such incomplete information. To the contrary, the
23 information I have related shows that the DEP must be
24 sent back to do the analysis over again and to take
25 into account the many factors that it missed.

1 When that process is redone, as I think
2 it must be, I also would ask that the DEP do a proper
3 analysis of the impact to small businesses that is
4 required under the Regulatory Review Act. All of the
5 businesses in my community are small businesses of the
6 type targeted for special consideration under the
7 Regulatory Review Act. That act requires that before
8 these new regulations are approved, there be a very
9 specific analysis done of alternatives, exemptions,
10 and impact upon small businesses. The DEP document
11 does not come close to satisfying the Regulatory
12 Review Act, and the new regulations cannot be approved
13 without the Regulatory Review Act being satisfied.

14 When the proper analyses are done, I
15 firmly believe that the facts will show that the costs
16 of initial compliance with these new regulations will
17 involve hundreds of millions of dollars, even to a
18 billion, and that annual compliance will also be in
19 the hundreds of millions of dollars. To believe that
20 this business community is capable of absorbing such
21 an egregious bureaucratic assault without being forced
22 to commensurately reduce direct operational expenses,
23 such as wages, employee benefits and capital
24 investments, is unrealistic. What is realistic is
25 that these businesses will be forced to close their

1 doors.

2 Adoption of the proposed amendments to
3 Act 78 will cost Pennsylvania jobs while providing no
4 meaningful or proven enhanced environmental
5 protections. Thank you.

6 CHAIR:

7 Arthur Stewart followed by Nathaniel
8 Schmidt.

9 MR. STEWART:

10 My name is Arthur Stewart, 7 Branch
11 Street, Warren, Pennsylvania. Good evening. I'm
12 Arthur Stewart, secretary of the Pennsylvania Grade
13 Crude Oil Coalition. PGCC was formed last year by
14 members of the conventional oil and gas industry.
15 PGCC welcomes you to our community.

16 Around us you'll find grand scenery,
17 natural resources and good people. But like most
18 rural counties in Pennsylvania, we face difficult
19 challenges. Over the last 40 years, this county's
20 population has dropped from 50,000 to 41,000. I am
21 president of our county's school board where a
22 generation ago we educated over 11,000 pupils. Today
23 it is less than 5,000. Our county is steadily losing
24 jobs and our property tax and earned income tax
25 revenues are not keeping up with increases in wages,

1 health insurance and pension costs.

2 One of the solutions to these challenges
3 is our natural resources. For over 150 years, the
4 harvesting of timber and oil and gas has anchored the
5 economy of this and the many surrounding counties.
6 Today, our conventional wells still produce that Penn
7 Grade Crude, putting over one-third of a billion
8 dollars directly into our local economies. Our
9 conventional gas wells generate another one-third
10 billion. Beyond that direct revenue, our conventional
11 oil and gas industry spurs thousands of support jobs
12 in refining, trucking, restaurants and so forth.

13 But conventional oil and gas is under
14 challenge. New casing and E and S regulations have
15 already increased our costs. These costs and the low
16 price of natural gas have strained the viability of
17 new well drilling. Ten years ago we were completing
18 over 4,500 new conventional wells per year. That
19 number has been steadily dropping last year to about
20 1,000.

21 Into this context come the proposed
22 Chapter 78 regulations. Tonight, we're here to meet
23 the legal obligation, to test whether there's a
24 compelling need for regulatory change, whether the
25 economic costs of the new regulatory requirements are

1 understood, and whether alternatives were properly
2 considered. Having carefully studied the DEP's
3 documents and having examined the DEP's underlying
4 research via right to know requests, PGCC concludes
5 the regulations fail all three tests.

6 As to compelling need, the regulations
7 combine conventional and unconventional oil and gas
8 operations. These are two entirely different
9 industries. And while there has been incredible
10 change in the unconventional industry, there has been
11 literally no change in the development and production
12 of conventional wells. Regulations governing the
13 conventional industry have been in place for 30 years,
14 and missing from the DEP documents is any description
15 of when, where or how the existing regulations have
16 proven inadequate. The new regulatory requirements
17 impose significant changes on a conventional industry
18 that's not broken.

19 The cost of the proposed changes is
20 enormous. The DEP's analysis fails in its fundamental
21 purpose of advising you about those costs. For
22 example, the new regulations require the removal of
23 certain storage tanks. However, the DEP states that
24 it does not know how many tanks will be involved, and
25 so it states no cost.

1 And even where it does state costs, the
2 DEP grossly underestimates the amounts. For example,
3 in considering changes to tanks, the DEP estimates ---
4 estimate includes 1,344 new tanks per year, but
5 forgets that the new requirement also applies to the
6 over 150,000 existing tanks.

7 As to the cost of all the regulatory
8 changes, the DEP analysis tells you that the total
9 burden to the conventional industry will be 5 to 12
10 million dollars. When PGCC corrects for the many
11 items overlooked by the DEP, we inform you that the
12 actual cost of initial compliance exceeds one billion
13 dollars. Thereafter, the annual cost is several
14 hundred million dollars per year. As to cost
15 analysis, the DEP document fails the test.

16 The final test is consideration of
17 alternatives. The DEP analysis fails to look at
18 alternatives that are currently in use as well as
19 alternatives that are permissible under federal
20 standards. And even though the Regulatory Review Act
21 requires that specific questions be addressed for
22 small businesses, the DEP analysis ignores those
23 questions. As to alternatives, the DEP's document
24 fails the test.

25 We have worked hard to assemble our

1 data. And while PGCC stands prepared to defend its
2 research in litigation, we would prefer resolution by
3 discussion. Thus, we have prepared a detailed
4 response to the DEP's analysis. In that document, we
5 point out what costs the DEP overlooked and the basis
6 for our cost conclusions. PGCC has also developed a
7 list of proposed alternatives and exemptions that the
8 law requires for small businesses. We will share
9 these documents as part of the comment process. On
10 behalf of PGCC, we hope to accomplish a solution by
11 informed discussion. In that spirit, we thank you for
12 scheduling this extra hearing in our community.

13 CHAIR:

14 Nathaniel Schmidt followed by Melissa
15 Troutman.

16 MR. SCHMIDT:

17 Good evening, members of the Board. My
18 name is Nathaniel Schmidt, and I'm General Counsel for
19 Pennsylvania General Energy Company, LLC, an oil and
20 gas exploration and production company based here in
21 Warren, Pennsylvania. PGE has been in existence for
22 over 30 years, during which time it has been active in
23 the exploration, production and development of oil and
24 natural gas in the Appalachian Basin. PGE has, since
25 its beginning, been active in conventional development

1 and has recently enjoyed a burgeoning success as a
2 Pennsylvania-based operator in the Marcellus Shale.

3 Like our industry partners, PGE opposes
4 the proposed amendments to Chapter 78 in their current
5 form. As articulated by other commenters tonight, by
6 those at previous hearings held by the EQB and by
7 comments submitted in writing in --- and in addition
8 to the comments that PGE submitted to EQB on January
9 9th, 2014, we note the following. That the costs of
10 alteration to water impoundments have been severely
11 underestimated. That the Regulatory Review Act has
12 not been complied with. That the rules impose
13 unreasonable standards upon conventional operators.
14 And that the standards, which require restoration of
15 water quality to greater than previously-existing
16 levels, are unfeasible.

17 In addition, the proposed rules
18 regarding public resources and species of special
19 concern are beyond the Department's authority to
20 promulgate under Act 13, especially in view of the
21 Pennsylvania Supreme Court's decision in the Robinson
22 Township case and the conditioning of well permits
23 regarding public resources fails to comport with the
24 legislative intent of Act 13, because the regulations
25 do not articulate any of the statutorily required

1 criteria for so doing. We ask the Board to vote
2 against passage of the amendment at this time.

3 We appreciate the EQB's scheduling of
4 the additional meeting and the corresponding
5 opportunity to comment and the commitment the Board
6 hereby demonstrates to its critical purpose.

7 As an attorney, and by necessity a
8 student of our language, I would not reach too far to
9 claim that the founding action of any civilization is
10 the writing of its rules. In a single composition, a
11 community states its values, competing interests are
12 arbitrated, duties and rights are meted out, and a
13 destiny of sorts is tendered to each party to be bound
14 to the social contract. The writing of rules is
15 irrefutably a creative, identity-forming act for its
16 intended audience. Like any other work, including
17 work in the oil patch, rules are also a window into
18 the clarity of mind and determination of purpose of
19 the writer. The rule itself judges the author and the
20 society to which the rules belong.

21 I'm often called upon and endeavor to
22 practice on the writing of agreements, which are
23 essentially the set of rules by which parties abide,
24 at first by choice, if not later, by the compunction
25 of law. As I've been told many times, and so believe

1 myself, there is limited use for a contract to which
2 no one will sign. An imposing set of requirements may
3 act as a statement of the author's values, indeed may
4 be issued with all seriousness, and at best may ward
5 off frivolous offers. The great risk then is there
6 will be no one to affirm, no counterparty acting as a
7 mirror in which those values can manifest. There's
8 further little value in a contract so one-sided so as
9 to impair or weaken the non-drafter, who yet maintains
10 the cyclical, tremulous decision whether to engage the
11 agreement.

12 In good faith, PGE does not want, nor
13 does it believe the Commonwealth wishes to render, an
14 unacceptable offer or a set of terms so onerous to any
15 interest that rights are not protected and frustration
16 is unduly fostered. PGE and many of our industry
17 partners believe that the common ground of reasonable
18 regulation and vital development of Pennsylvania's
19 natural resources exists. As one part of the chorus
20 in that discussion, we ask that when the industry's
21 comments are issued by men and women devoting their
22 lives to their gainful employ, when they speak from
23 the knowledge procured from personally fostered
24 expertise and when they resound in urgency about the
25 threat of these proposed amendments as written, that

1 those comments be duly noted and assigned their
2 merited credibility.

3 I hope not to presume upon the Board in
4 this comment, as though its members were unaware of
5 the gravity or nature of its task. We ask the Board
6 to consider these amendments unfinished and to enable
7 the realization of the governing body that much more
8 work needs done. The work of critical thinking that
9 closely tailors language to its least burdensome and
10 most effective mandate, the draftsmanship of avoiding
11 unintended consequences, the work of listening to the
12 critiques of the governed and the tireless calculation
13 of the elusive but attainable equilibrium of fairness,
14 which is the fuel on which consenting society is
15 powered. Thank you again for the opportunity to
16 provide these comments. We look forward to your
17 decision.

18 CHAIR:

19 Melissa Troutman followed by Joshua
20 Pribanic. Melissa Troutman. Joshua Pribanic.
21 Joshua. David Clark followed by Eric Clark.

22 MR. DAVID CLARK:

23 Good evening. My name is David Clark,
24 and I'm a second generation oilman. I am writing to
25 express my opposition to the passage of the Chapter 78

1 regs as proposed. I urge you to vote no to these
2 regulations as proposed and allow conventional wells
3 to operate under the effective regulations in place
4 before the passage of Act 13 of 2012. You have heard
5 and you will hear more facts that delineate clearly
6 two completely different industries with a need for
7 two different sets of regulations so both can flourish
8 in an environmentally sound manner. With the passage
9 of the Regulatory Review Act, also known as the Small
10 Business Act, last year by the legislature, the
11 regulators by statute must do the hard and arduous
12 work of determining the economic impact of the
13 proposed Chapter 78 regs on small businesses like ours
14 in the State of Pennsylvania. It has become clear
15 that the necessary level of due diligence to comply
16 with this statute was not done. I urge this Board not
17 to be apart of any regulation that breaks the existing
18 laws of Pennsylvania.

19 Conventional operators that by
20 definition are a small business and are now protected
21 by law against additional regulations without all
22 possibilities being explored, including the exemption
23 from these proposed regulations. We would have every
24 reason to expect the DEP and this Board to desire to
25 be in compliance with this Act and be willing to fully

1 comply with the laws of Pennsylvania as we the
2 conventional operators have been expected to do for
3 decades. The only reasonable course of action due to
4 your own non-compliance with this statute would be to
5 exempt all conventional activities from these proposed
6 regulations.

7 Next, I would like to talk to you about
8 the new standard for reporting brine spills under the
9 proposed Chapter 78s. The proposed reportable spill
10 quantity for production water would be reduced to 42
11 gallons. If I assume the weight, an average weight of
12 11 pounds per gallon, this would make the reporting
13 requirements of non-hazardous production water 462
14 pounds. This is an unjustifiable, ridiculous standard
15 in light that PennDOT spreads salts and brines in
16 granular and liquid forms on our roads and even
17 overtop of our bridges in quantities that can only be
18 accurately measured in hundreds of thousands of tons
19 every year. This fact is compounded with a look at
20 that the code of federal regulations concerning
21 reportable spill quantities of hazardous substances.
22 The code states in their reportable spill quantity
23 tables that the reportable spill quantity of
24 hydrochloric acid is 5,000 pounds and the reportable
25 quantity of sulfuric acid is 1,000 pounds. A

1 conversion of those weights calculate that the
2 reportable quantity of hydrochloric acid at a
3 concentration of 38 percent is 505 gallons, at a
4 concentration of 10 percent is 780 gallons.

5 Now, let's talk about sulfuric acid for
6 a moment, a normal concentration has a density which
7 is very similar to fresh water. An average
8 concentration for use in a battery will weigh ten
9 pounds per gallon. That would yield a reportable
10 quantity of 100 gallons. How did the DEP ever come up
11 with mandatory reporting requirements of our
12 non-hazardous production water from conventional wells
13 that is ten times more stringent than the EPA's
14 requirements for hydrochloric acid and twice as
15 stringent as that of battery acid? Where is the
16 science behind this ridiculous standard? Who were the
17 original drafters of this obscene requirement, and why
18 did they do it? Why would anyone try to give
19 production water the same apparent level of toxicity
20 as the worst listed on the HAZMAT table?

21 Who are those in our government that
22 have abused and misused the power granted to them to
23 such an outrageous extent? They were granted power to
24 promulgate needful regulations that protect our
25 environment using science and non-biased

1 professionalism. Instead, they've betrayed their
2 office to produce these proposed regs with no basis in
3 fact or in law to decimate an industry they deem
4 unwanted. I would suppose they're proud of their
5 work, even though they should be ashamed.

6 In closing, I ask that you assure the
7 full economic impact of the proposed rule and make
8 sure it's properly analyzed and that the final regs
9 fully comply with the Regulatory Review Act. Don't
10 put your good name and reputation on the line for
11 those who have not done their job. Thank you.

12 CHAIR:

13 Eric Clark followed by Michael Arnold.

14 MR. ERIC CLARK:

15 My name is Eric Clark. My name's still
16 Eric Clark. I present this on behalf of Gas and Oil
17 Management of Warren, Pennsylvania. I want to address
18 a few of the issues surrounding the DEP's proposed
19 Chapter 78 regulations. Upon review, it is apparent
20 that one simply cannot fit the needed regulations for
21 both conventional and unconventional drilling into the
22 same box.

23 I have spent most of my life working
24 around our shallow oil and gas wells. Through high
25 school, I worked summers as much as possible doing

1 whatever tasks I could. I now work full time in areas
2 of drilling, stimulation and maintenance. Our small
3 family business and dozens of others just like it have
4 maintained a track record of environmental
5 stewardship, proving our dedication to protecting our
6 environment, communities and homes.

7 Regarding the idea of separating
8 regulations of the conventional from the
9 unconventional, one has to ask why it is necessary and
10 how they differ. The two industries have striking
11 differences, such as, the amount of ground disturbed,
12 the vast differences in production pressures and
13 volumes. Even the drilling and stimulation techniques
14 are very different. There are also significant
15 differences in the area of controlling any integrity
16 problems that could possibly arise.

17 We all remember BP's Macondo well that
18 blew out in the Gulf of Mexico in 2010. As I read
19 these proposals, it appears that a catastrophe of this
20 nature is trying to be avoided. Everyone involved
21 must know that if the Macondo well was like the World
22 Trade Center of oil wells, then the unconventional
23 wells being drilled in our state would be like our
24 capitol building, and our shallow conventional wells
25 something like an Amish shed. Obviously, the same

1 building codes are not needed, nor applicable for
2 each.

3 Economically, the proposed regulations
4 would be nothing less than crippling to our industry.
5 The costs associated with complying could not be
6 absorbed by many, if any, of our conventional
7 producers. This would be a game changer for the way
8 we have done business for 150 years and continue to do
9 it today.

10 If these regulations come into effect,
11 it would mean the unnecessary and premature plugging
12 of many existing legacy wells. These wells truly make
13 up the backbone of our industry. The expense involved
14 in complying with the proposals is not justifiable,
15 meaning tens of thousands of wells would have to be
16 eliminated. Similar to the idea that no one would pay
17 \$3,000 to insure a \$3,000 car. If producers determine
18 that even 25 percent of leases are not economically
19 worth reworking infrastructures to come into
20 compliance, approximately 32,500 wells will be filled
21 with concrete. For no other reason than because
22 operations that were deemed safe even a few years ago,
23 have now been deemed unsafe and illegal regardless of
24 evidence to the contrary.

25 This idea alone, of wasting the millions

1 of dollars already invested into infrastructure,
2 thousands of acres of ground disturbance, hundreds of
3 thousands of trees cut and the countless man hours
4 involved is grossly unethical at best. It seems that
5 if the dollars have already been invested, the trees
6 cut, the ground disturbed and the well drilled, that
7 it would be poor stewardship of the highest magnitude
8 to do anything other than to continue to produce these
9 wells for as long as feasibly possible. As
10 environmental protectors, it must be among the
11 department's top priority that this goal is
12 accomplished. Otherwise, we would all experience the
13 epitome of the end, in no way, justifying the means.

14 The question then arises that perhaps it
15 is the department's intent to knowingly force
16 producers to plug these conventional oil and gas
17 wells, and over time, be a state solely producing from
18 the larger, higher paying unconventional wells. If
19 this is the case, and I hope it is not, we must ask
20 ourselves what the future could possibly hold for the
21 unconventional drilling industry over the next several
22 years.

23 With the increased success of producing
24 the more valuable liquids from the wet gas in the
25 Midwest and northern plains, the struggling gas prices

1 of the past years and the threat of increased
2 regulations, we must remember that these larger
3 companies can move out of our state just as quickly as
4 they moved in. Unlike the family-owned businesses
5 that make up our industry, the large unconventional
6 drillers hold no allegiance to any particular
7 geographic area. It would be a tragedy for our
8 children, communities and state if, at this point in
9 history, we chose not to work together to protect both
10 the conventional and unconventional producers within
11 the Commonwealth, while striving to maintain a clean
12 and safe environment in which to raise our families.

13 As a state, we are presented with the
14 option of out with the old, in with the new or of
15 treading slowly and cautiously while preserving two
16 industries that represent billions of dollars to our
17 area of the country. Please consider the impact we
18 could have and the precedents we could set by
19 demonstrating what is possible in allowing two very
20 different industries to thrive side by side. It is
21 imperative that you vote no to these proposals while
22 we work on alternatives that allow everyone involved
23 to operate at their full potential. Thank you very
24 much.

25 CHAIR:

1 Michael Arnold followed by Dana
2 Hennessey.

3 MR. ARNOLD:

4 Good evening. My name's Mike Arnold. I
5 live at 34 Shipmans Eddy here in Warren, Pennsylvania.
6 I am employed by Waste Treatment Corporation located
7 in the City of Warren. I have been with the
8 corporation for 27 years where I've been the vice
9 president of operations for the past 13 years. I'm a
10 managing member of ARMAC Resources, LLC, a well
11 servicing and oil producing company, also located in
12 the City of Warren. I'm also the president of the
13 Pennsylvania Grade Crude Oil Coalition, an industry
14 group founded last year to protect the interests of
15 local conventional oil and gas producers.

16 I have been employed directly and
17 indirectly in the oil and gas industry since I
18 graduated high school in 1978. Out of those last 35
19 years, I've been employed by some of the most highly
20 respected oil producers in the Warren area, I.L. Geer
21 and Sons and Mead Oil, for example. I have had the
22 privilege of providing services for local operators
23 and producers in the Warren area.

24 I also have been privileged to live on
25 the Allegheny River for the last 28 years, and I would

1 like to emphasis the phrase pristine. In the 1990s,
2 90 miles of the Allegheny River was designated as a
3 wild and scenic river, and I presume that is due to
4 its pristine nature. We have had Cabela's hold
5 national walleye tournaments, national canoe and kayak
6 tournaments and the Tidioute fishing tournament that
7 have been very successful for many years. The
8 Allegheny River also happens to run right through the
9 heart of a region that has been known for the
10 productive area of fossil fuel extraction in U.S.
11 history with its extensive deposits of coal,
12 petroleum, and natural gas.

13 Many people feel that the conception of
14 the Oil and Gas Act 223 of 1984 is the reason our
15 environment is in the condition it is today. I
16 disagree. It may have played a role; however, I
17 believe this industry is self-regulating. This
18 industry is geared by highly educated, hardworking
19 individuals. This industry has been here for many
20 years and has been given thorough consideration to our
21 environment and to their surrounding communities.

22 With the vast amount of testimony given
23 on the technical aspects of how Chapter 78 proposed
24 regulations will have devastating effects on our
25 industry, the future impacts it will place on our

1 economy and sustainable jobs in our community and the
2 incredible loss of tax base depended upon by our
3 municipalities, I will show how this effect has
4 already began.

5 Waste Treatments Corporation's annual
6 revenue increased an average of 30 percent between
7 2000 and 2010. During this same period wells
8 permitted in the Northwest Region increased 67
9 percent. This average has taken into consideration
10 and reflects the decrease of wells permitted due to
11 the Allegheny National Forest's conflict of interest
12 with the oil and gas industry between 2007 and 2010.

13 During 2000 and 2010, Waste Treatment
14 Corporation invested an average of 9.4 percent of
15 gross revenue annually in our facility. During the
16 period of 2010 to 2013, Waste Treatment Corporation
17 average annual revenue decreased by 13 percent.
18 During the same period, average wells permitted
19 decreased to a negative 18 percent. Waste Treatment
20 employed 27 people during 2010. And in 2013, Waste
21 Treatment Corporation, unfortunately, now employs only
22 23 with the potential to layoff some truck drivers and
23 potential plant operators. WTC now has 23 employees
24 mainly due to the hiring of office personnel to handle
25 the additional administrative concerns that the

1 regulations have established.

2 We have reduced our plant operations
3 from three shifts five days per week to two shifts
4 combined to cover 12-hour processing time. WTC now
5 has, by appointment only, weekend deliveries. Under
6 our NPDES permit, we are required to add additional
7 equipment at a great expense in order to continue
8 processing waste waters from the oil and gas industry.
9 Waste Treatment has committed to doing this upgrade in
10 order to maintain employment and serve our customers
11 as they have served us.

12 The impact of the new regulation has
13 already begun in the northwest region of Pennsylvania.
14 These regulations will not improve these situations
15 and I have yet to see how it will improve
16 environmental concerns when there have been very
17 insignificant impacts on the environment. I don't
18 believe in the proposed regulations; and they do
19 violate the Small Business Act, which hasn't even been
20 taken into consideration by the state.

21 There are answers to these problems, and
22 they can be solved. It will not be simple, but it can
23 be accomplished. PGCC is committed to making changes.
24 As I have quoted in the past, for the future of the
25 oil and gas industry to survive, failure is not an

1 option. Thank you.

2 CHAIR:

3 Dana Hennessey followed by Joe Thompson.

4 MR. HENNESSEY:

5 How you doing? I'm Dana Hennessey. I'm
6 here tonight representing my family company, Fox and
7 Sons Excavating, LLC. My brother, my grandfather and
8 I started this company in 1993. We employ about 30
9 people who provide complete oil and gas field
10 excavation. Our services include water hauling, well
11 hookups, moving and setting up frack and drill rigs.
12 We also provide support crews for fracking and
13 drilling operations.

14 Over 98 percent of our work involves the
15 oil and gas industry. We service new wells or
16 existing wells. We cut trees, build roads, lay
17 gravel, install culvert pipes, E and S control
18 systems, hydroseeding, mulching the disturbed areas,
19 digging ditches, laying and fusing pipelines, hook up
20 risers, set jacks, plumb, build tank batteries.

21 It's obvious that the proposed
22 regulations are going to hurt the conventional oil and
23 gas business. I operate excavation equipment for a
24 living, and I can tell you that the requirement to
25 slope pits two to one will cost thousands of dollars

1 at each new well site. This doesn't make any sense,
2 because you're going to have to clear more trees and
3 disturb more ground by making these pits bigger. It
4 would seem like the additional excavation would be a
5 good thing for my business, but when the additional
6 costs lead to fewer new wells being drilled, then
7 everybody's going to lose.

8 We also have a sister company that
9 builds water and oil storage tanks. The proposed
10 regulations talk about changing tank lids so that they
11 lock. This would mean drilling or welding on existing
12 tanks. You can't safely weld or drill on an existing
13 tank that has oil in it because it will explode. For
14 each tank, it would cost thousands of dollars to clean
15 out the tank so it can be welded or drilled. And why
16 do the regulations require this? If you're worried
17 about safety, the openings on the top of the tank are
18 purposely made small so that people can't fall in. If
19 you're worried about trespassers, a lock or fence
20 isn't going to keep anybody out. My granddad always
21 told me a lock only keeps the honest guys out. The
22 biggest risk to a tank is somebody that's going to
23 shoot at it.

24 These new regulations will add hundreds
25 of millions of dollars of costs to the conventional

1 oil and gas industry. I read the DEP's estimate of
2 costs. There's no mention of the cost of pits. The
3 DEP's estimate for tanks only talks about the new
4 tanks, does not include the costs of changing the
5 existing tanks. Tonight I only talked about tanks and
6 pits. There are lots of other costs in these new
7 regulations that I don't even have time to talk about.

8 It's obvious that these costs are going
9 to mean fewer new wells and the retirement of some of
10 the existing wells now. This means a lot less work
11 for my company. How many employees am I going to have
12 to lay off? How many pieces of equipment am I going
13 to have to sell so that I can survive financial
14 strife? And when I lay these people off, how are they
15 going to buy groceries or support their children or
16 pay their mortgage, put fuel in their vehicles? How
17 will this lack of work affect all local business?

18 None of these serious impacts are
19 discussed in the DEP estimate. Before new regulations
20 are passed, the costs need to be understood. The DEP
21 has missed many of these costs. This process has to
22 go back to the drawing board, because the documents
23 you have in front of you aren't adequate for you to
24 balance the costs with the benefits.

25 I also feel real bad that obviously my

1 grandfather's generation, who I grew up admiring so
2 well for their brains ---. Every day I went to work
3 with my granddad, my brother and I. We'd tag along.
4 We thought that him, and his buddies were so brilliant
5 at what they did. And they worked, and they ran on
6 the laws that we should still be running on today.
7 Thank you.

8 CHAIR:

9 Joe Thompson followed by Doug Wingard.

10 MR. THOMPSON:

11 My name is Joe Thompson. I work with
12 Devonian Resources in Pleasantville, Pennsylvania. I
13 am a third generation oilman. My grandfather Pete
14 started the business in 1947 down in the gulf course
15 of ---. Gulf course. Gulf Coast of Texas and moved
16 it up here to Pennsylvania in the '60s. And my dad
17 followed in his footsteps, and many of you know him as
18 well.

19 It is my honor to address you this
20 evening. I'm speaking, as I told you, from Devonian
21 Resources, Inc. We have been operating, doing
22 drilling, completing and --- conventional, shallow oil
23 well operations in Forest, Venango, Clarion,
24 Jefferson, Clearfield Counties beginning as early as
25 1967. This company grew out of the hard work and bold

1 entrepreneurism of my grandfather in post World War
2 Two Texas in 1947.

3 When operations moved north to our
4 beautiful Commonwealth, it was through the efforts of
5 my grandfather side by side with his son, my father,
6 and other members of our family that this company
7 grew, blossomed and thrived. We have always been, and
8 remain to this day, a business steeped in the values
9 of family and community.

10 To paint both the conventional and
11 unconventional oil and gas operations currently taking
12 place in the Commonwealth of Pennsylvania with the
13 same brush is a mistake. Without going into very
14 specific detail in the proposed regulation changes, I
15 would like to point out that the main area of concern
16 for operators of conventional oil and gas wells is not
17 to be lumped into a one size fits all regulation with
18 the unconventional operators. Just as a ma and pa
19 hometown hardware store would not be expected to meet
20 the same demands as the Home Depot, it is unrealistic
21 and unfair to expect small, family-operated oil and
22 gas to live up to the same expectations as a Shell or
23 Chevron.

24 We have a right to continue to earn our
25 living based on the regulations in place, which are

1 already burdensome. There is no reason the
2 regulations cannot be tailor made for each respective
3 aspect of the industry. The coal industry has been
4 doing it for decades.

5 Conventional, shallow oil and gas
6 operations have been taking place in Pennsylvania
7 since 1859. Take a walk in the lush wooded hills and
8 valleys of Venango, Forest, Warren and McKean
9 Counties, and one can see the traces of 150 years of
10 oil and gas operations, thick, moss-covered wooden
11 barrels once used for oil storage, vine-wrapped
12 shackle-rod lines, pump jacks and wellheads that have
13 been pushed aside by massive oak, cherry and maple
14 trees. The conventional oil and gas industry lives in
15 harmony with the countryside. We not only work here,
16 but we live here. We raise our families here and
17 nourish their needs with the waters of this
18 Commonwealth. We work hard to keep those same waters
19 pristine while plying our craft.

20 Operations in conventional oil and gas
21 plays have not changed dramatically in the last 55
22 years. The Oil and Gas Act was introduced in 1984 and
23 reworked as Chapter 78 in 2001. Virtually nothing has
24 changed in the conventional arena since these
25 regulations were instituted. Why suddenly are these

1 regulations no longer good enough?

2 As it currently stands, I cannot help
3 but believe it is the implicit desire of the PA DEP to
4 see the conventional oil and gas operations cease in
5 this Commonwealth. Am I, therefore, to believe that
6 the department is acting on behalf of the state? Does
7 the Commonwealth of Pennsylvania wish to see this rich
8 part of its industrial history disappear? Why this
9 would be troubles and puzzles me to no end.

10 The majority of the players in the
11 conventional oil and gas patches are small,
12 family-owned businesses not unlike Devonian Resources.
13 We employ members of our communities. We energize our
14 local economies through patronage of supply stores,
15 restaurants, auto parts stores, garages and other
16 local small businesses. We are members of our
17 chambers of commerce. We donate money to our
18 municipal outreach organizations. We donate our
19 voices, our votes and our dollars to the politicians
20 who fight on our behalf.

21 The crude oil we produce is essential in
22 the refining of Penn Grade Crude products that range
23 from lubricants to plastics to cosmetics. Am I to
24 believe that the above are no longer valued by our
25 great Commonwealth? Am I to believe Pennsylvania

1 would hang its own community-minded businesses out to
2 dry while the profits go out of state to massive
3 publicly traded corporations? Since 2007 the number
4 of conventional oil and gas wells permitted and
5 drilled in the Commonwealth has been in steady decline
6 from 4,836 in 2007 to less than 800 in 2013. I would
7 say seeing is believing. Numbers don't lie. I thank
8 you for the opportunity to speak.

9 CHAIR:

10 Doug Wingard followed by Harvey
11 Golubock.

12 MR. WINGARD:

13 Yes. Doug Wingard with Bradford Pipe
14 and Supply, 140 Chestnut Street, Bradford,
15 Pennsylvania. I'm the general manager at Bradford
16 Pipe and Supply. Bradford Pipe and Supply was founded
17 in Bradford, PA, in 1907. It was originally a machine
18 shop and supply house for the oil and gas industry.
19 Over 100 years later, Bradford Pipe and Supply
20 continues in the oil field business. The cornerstone
21 of our business is the supply of materials to the oil
22 and gas industry such as tools, tubing, pipeline,
23 tanks and so forth.

24 At our Bradford store, we serve over 400
25 oil and gas customers in northwestern Pennsylvania.

1 We employ 12 people. Bradford Pipe and Supply
2 believes in social responsibility. Our employees are
3 encouraged to make positive contributions to our
4 community. Through personal involvement and
5 contributions, Bradford Pipe and Supply supports the
6 Boy and Girl Scout programs, Chamber of Commerce,
7 social organizations such as the Rotary, Elks, and
8 Kiwanis, educational institutions and summer little
9 league athletic programs, plus many other activities.

10 Bradford Pipe and Supply is a small
11 business, and virtually every oil and gas customer
12 that we serve in northwestern Pennsylvania is a small
13 business. Tonight I want to talk about how the
14 proposed regulations fail in the small business
15 context.

16 I want to read these words about small
17 businesses. A vibrant and growing small business
18 sector is critical to creating jobs in a dynamic
19 economy. Small businesses bear a disproportionate
20 share of regulatory costs and burdens. Fundamental
21 changes that are needed in the regulatory and
22 enforcement culture of agencies to make them more
23 responsive to small businesses can be made without
24 compromising the statutory missions of the agencies.
25 That quote is from the Regulatory Review Act, which

1 became Pennsylvania law a little under two years ago.

2 The Act goes on to say this. The
3 process by which state regulations are developed and
4 adopted should be reformed to require agencies to
5 solicit the ideas and comments of small businesses, to
6 examine the impact of proposed and existing rules on
7 such businesses and to review the continued need for
8 existing rules.

9 To accomplish these goals, the Act
10 requires that a very specific economic impact
11 statement be prepared. The Act requires that the
12 statement identify the number of small businesses
13 subject to the regulation, the impact of the
14 regulation and a description of less intrusive or
15 costly alternative methods that could achieve the
16 purpose.

17 The Act also requires a regulatory
18 flexibility analysis which requires consideration of
19 less stringent compliance methods, alternative
20 performance standards, and even the exemption of small
21 business from all or any part of the proposed
22 regulations. The DEP analysis that is before you does
23 not do these things. Even though the law requires it,
24 you will not find regulatory flexibility analysis that
25 considers less stringent compliance methods,

1 alternative performance standards or the exemption of
2 small businesses from all or some of the proposed
3 regulations.

4 The proposed regulations, however,
5 impose exactly the kind of devastating threat that the
6 Regulatory Review Act worries about. From discussions
7 with our customers, from comments that we have seen
8 and from listening to testimony tonight, we know that
9 there are hundreds of millions of dollars of costs
10 that will be imposed on the conventional oil and gas
11 industry that are not discussed in the DEP documents.
12 I believe the initial costs of compliance alone is
13 over one billion dollars and that year in and year out
14 the proposed regulations will add hundreds of millions
15 of dollars of costs to the small businesses that make
16 up the conventional oil and gas industry.

17 These costs have not been properly
18 considered or presented to you as required by law.
19 And the alternatives and the analysis that are
20 required under the Regulatory Review Act have not been
21 performed.

22 I know the importance of a small
23 business. I work in one, and every business in my
24 community in Bradford, Pennsylvania is a small
25 business. These proposed regulations will have a

1 crushing effect on these small businesses. This
2 process has to go back to the beginning in order to do
3 the studies that the law requires for small
4 businesses. Thank you.

5 CHAIR:

6 Harvey Golubock followed by Bob Esch.

7 MR. GOLUBOCK:

8 Good evening. My name is Harvey
9 Golubock. I'm president of ARG Resources, a crude oil
10 producer owning and operating a 1,500 well waterflood
11 operation on approximately 40,000 acres in the
12 Allegheny Natural Forest. I'm also vice chairman of
13 American Refining Group, the owner and operator of the
14 ARG refinery in Bradford, PA. It is the only refinery
15 in Pennsylvania to operate solely on Pennsylvania
16 Grade Crude Oil.

17 You've heard a great deal tonight about
18 the Regulatory Review Act. My comments this evening
19 are directed toward that Act. The preamble to the Act
20 states, and I quote, the General Assembly has enacted
21 a large number of statutes and has conferred on
22 boards, commissions, departments and agencies within
23 the executive branch of government the authority to
24 adopt rules and regulations to implement those
25 statutes. The General Assembly has found that this

1 delegation of its authority has resulted in
2 regulations being promulgated without undergoing
3 effective review concerning cost benefits,
4 duplication, inflationary impact and conformity to
5 legislative intent. The General Assembly finds that
6 it must establish a procedure for oversight and review
7 of regulations adopted pursuant to this delegation of
8 legislative power in order to curtail excessive
9 regulation and to require the executive branch to
10 justify its exercise of the authority to regulate
11 before imposing hidden costs upon the economy of
12 Pennsylvania. To the greatest extent possible, this
13 Act is intended to encourage the resolution of
14 objections to a regulation and the reaching of a
15 consensus among the commission, the standing
16 committees, interested parties and the agency.

17 And it goes on. This Act is intended to
18 improve state rulemaking by creating procedures to
19 analyze the availability of more flexible regulatory
20 approaches for small businesses. Section 3 of the Act
21 lists 14 requirements of the regulatory analysis, some
22 simply administrative. Others are more substantive.

23 Section ten requires DEP to provide an
24 economic impact statement that includes, one,
25 identification of the number of small businesses

1 subject to the rule. Two, projected reporting,
2 recordkeeping and administrative costs of compliance.
3 Three, a statement of the probable effect on impacted
4 small businesses. And, four, a description of less
5 intrusive or less costly alternatives that could
6 achieve the purposes of this rule.

7 In my opinion, DEP has failed to provide
8 an adequate economic impact statement as it has failed
9 to identify ancillary businesses that will be impacted
10 by the rule, appreciate the administrative burdens
11 being placed upon very small producers, provide
12 factual data to support the assumptions of adverse
13 impact on tourism and harmful impacts to state parks
14 and provide less intrusive or less costly alternatives
15 as specifically called for in the Act.

16 Section 12.1 of the RRA requires DEP to
17 conduct a regulatory flexibility analysis in which it
18 must consider methods that would accomplish the
19 objectives of the applicable statutes while minimizing
20 adverse effects on small businesses. Such analysis
21 must include consideration of less stringent
22 compliance or reporting requirements, less stringent
23 schedules or deadlines for compliance or reporting
24 requirements, consolidation or simplification of
25 compliance or reporting requirements, establishment of

1 performance standards to replace design or operational
2 standards and exemption of small businesses from all
3 or any part of the requirements contained in the rule.

4 DEP failed to provide an adequate
5 regulatory flexibility analysis under the RRA for the
6 following reasons. DEP's proposed rule provides no
7 express accommodations for small businesses in any
8 section of the rule. Electronic reporting is actually
9 a requirement that will create new burdens and costs
10 for small businesses. New requirements for
11 certifications from licensed professionals and
12 scientists will add substantial costs to small
13 businesses where performance standards could easily be
14 substituted for this operational standard. DEP failed
15 to consider or provide an exemption for small business
16 from all or any part of the rule, even where such
17 exemption would not impede accomplishment of the
18 objectives of the applicable Act.

19 DEP's full compliance with the RRA would
20 likely have resulted in regulations that acknowledged
21 the impact on small business and provided
22 alternatives. This is not unprecedented. Several
23 other programs provide subsections of rules for
24 different aspects of operations within one industry.
25 This rulemaking is the perfect opportunity to draft

1 separate rules for conventional and unconventional
2 operations. In addition, alternatives and exemptions
3 for small business could be provided in both rules, as
4 some unconventional operators qualify for the
5 definition of small business under the RRA. Thank
6 you.

7 CHAIR:

8 Bob Esch followed by Alex Grubbs.

9 MR. ESCH:

10 I'm going to try it without the
11 microphone. Can everybody hear me? My name is Bob
12 Esch. I am the vice president with American Refining
13 Group in Bradford, Pennsylvania. And I need to take
14 this opportunity to really quickly clarify again the
15 number of refineries that are dependent upon Penn
16 Grade Crude. There are two, as mentioned earlier.
17 There is one in the State of West Virginia. There is
18 one in the Commonwealth of Pennsylvania. There are
19 only two.

20 Tonight represents the last scheduled
21 EQB public hearing held in the Commonwealth concerning
22 the proposed changes to DEP Chapter 78 regulations.
23 To date, hundreds of individuals representing both
24 sides of the issue have testified. I have hope the
25 EQB, during their final review of the documented

1 testimony, will separate the emotional testimony from
2 the factual testimony.

3 For the record, I'd like to review and
4 call to your attention some key issues that have been
5 identified during all of this testimony. And some of
6 my comments are open-ended questions intentionally,
7 because I believe that EQB has an obligation and a
8 responsibility to answer these questions based on
9 factual testimony.

10 How many times during the testimony have
11 the industries been identified as conventional and
12 unconventional as a single industry? How many
13 specific references have been directed at the Penn
14 Grade shallow oil and gas production? How many
15 directed their specific remarks specifically to the
16 shale gas production industry?

17 A great deal of testimony has been
18 presented about the economics of conventional oil and
19 gas production. The cost of well drilling, the
20 production technology, the maintenance of oil and gas
21 production, the return on investment for the
22 conventional industry has been presented over and
23 over. How much testimony has been submitted that
24 defines the same parameters for the unconventional
25 industry?

1 There's been a great deal of testimony
2 directed toward the environmental impact or
3 environmental consequences. Does the testimony
4 reflect an adequate understanding of the two
5 industries? Are the obvious differences from an
6 environmental footprint and the risk assessment
7 clearly understood?

8 Much has been said during the testimony
9 about the economic well-being of the conventional
10 industry and what it means to the Commonwealth's
11 producers and the Commonwealth's last remaining Penn
12 Grade refinery. It is clearly understood that those
13 that represent the Penn Grade industry, those
14 industries that have already addressed the EQB and
15 those that are here tonight are all Pennsylvanians.

16 Take a good look around the room. Take
17 a look at the people that are sitting here tonight.
18 These producers, these Penn Grade producers provide
19 family sustaining jobs. They invest in our
20 communities. They provide leadership to the many
21 boards. They provide charitable organizations to the
22 many non-for-profits that are operating in our
23 communities. They support our schools, and on and on
24 and on. I really want to call on the producers to
25 stand up, and there was a reason for that. I think

1 that the EQB needs to understand these people, look
2 across the room, do not represent big oil. They are
3 simply hardworking Pennsylvanians.

4 It's extremely important that the EQB
5 acknowledge and consider these important issues in the
6 final review process of the testimony. To those that
7 have presented testimony on both sides, it should be
8 clear to all involved the proposed changes to Chapter
9 78 regulations cannot be enacted or administered to
10 regulate the conventional oil and gas industry and the
11 unconventional oil and gas industry alike.

12 In closing, I'd like to quickly identify
13 an area of economic impact that has not been presented
14 to date. We've talked about the economic impact of
15 overregulation and how it will impact the Penn Grade
16 producers, our refineries and our communities. But
17 we've not identified the economic impact of a
18 reduction in Penn Grade Crude supply will have on the
19 market that our refinery supplies.

20 We produce 60 million gallons of
21 commodity fuels annually, gasoline, diesel fuel, home
22 heating fuel. We produce 25 million gallons of
23 finished lubricants, engine oil, hydraulic oil, gear
24 oils and other general lubricants. We produce 80
25 million gallons of specialty products, solvents,

1 naphthas, waxes and process oils that are used in
2 various manufacturing processes or upgraded by other
3 manufacturers to a consumer market. The decline in
4 the market availability of these products will
5 certainly have a negative impact on the markets we
6 supply and the residents of the Commonwealth.

7 Finally, our focus going forward. Those
8 on both sides of the issues must be directed toward
9 identifying and implementing reasonable solutions, not
10 overregulation and not the indifference that currently
11 exist. Thank you.

12 CHAIR:

13 Alex Grubbs followed by Joseph Maney.

14 MR. GRUBBS:

15 Alex Grubbs, Sheffield, Pennsylvania,
16 speaking on behalf of Cameron Energy in Sheffield.
17 Good evening. My name is Alex Grubbs, and I operate a
18 service rig for Cameron Energy where I have been an
19 employee for five years. I hope to continue to learn
20 and grow with the company.

21 I'm proud of my job. There are 23 of us
22 at our company and what we do serves all of us in this
23 room in a meaningful way. I'm sure none of us came
24 here tonight by horse and buggy. And the natural gas
25 that our company produces is fed into the very system

1 that is heating this room tonight and that heats this
2 room reliably day in and day out.

3 On a personal level, my job supports my
4 wife and I. In addition to my salary, my employer
5 pays for all my health insurance. I grew up in Warren
6 County, and I can tell you that a good job with
7 benefits is something to be appreciated.

8 On behalf of my family, the other
9 Cameron employees and for the benefit of our town and
10 community, I ask that any regulations that affect my
11 industry be thought out carefully before they are
12 proposed. I don't think that careful process has
13 happened here.

14 I've taken the time to read the DEP's
15 cost estimates. They are far off. I have been on
16 hundreds of new well locations, and I can tell you
17 that we take pains to squeeze our work onto a small
18 site, so that we only make a small disturbance. The
19 new regulations would require us to have huge pits.
20 The DEP doesn't give any reason for this, and I can't
21 think of any good reason myself. What we have now
22 works well, although what the DEP proposes will cost a
23 huge amount of money and will tear up land that
24 doesn't need to be disturbed.

25 The DEP wants us to put PPC plans at

1 every well site and tank battery. The DEP doesn't
2 include a cost estimate for this. But if the whole
3 industry has to put up storage units at over 100,000
4 well sites and make up individual plans for each site,
5 it will cost tens of millions of dollars. Talk about
6 a waste of money. Our well sites are all the same.
7 The generic plans we already have tell us where to go
8 and who to contact work fine. Our wells only produce
9 small amounts, so any spill that we ever have would be
10 small. All that a site-specific plan would do is cost
11 a lot of money. But it wouldn't give any more
12 protection.

13 In another section, the new regulations
14 would make us give three days notice before closing
15 our pits. We take pride in getting our rig moved and
16 reclaiming the location the next day after a frack
17 job. Usually by noon the pit is closed and the rig is
18 on the next location. And by the end of the day, the
19 prior location is ready to be seeded. If you make us
20 wait three days, what will we do while we wait for the
21 inspector? The equipment will sit idle, and it will
22 cost thousands of dollars in lost labor and idle
23 equipment. But the DEP report doesn't include any
24 cost estimate for this.

25 What the DEP has proposed will cost much

1 more than what they say. But apart from the cost,
2 what I really got to ask is why. Why are they
3 proposing changes to our regulations? What I do out
4 in the woods every day isn't broken. A lot of our
5 wells are in the Allegheny National Forest or right by
6 streams or in the middle of nice stands of timber.
7 The streams run clean, and the trees are healthy. Our
8 natural resources have to come from somewhere. We are
9 successfully harvesting those resources right here in
10 a county that is still a beautiful and healthy place
11 to live.

12 The truth is there are not a lot of
13 problems that need fixed. What has happened is that
14 everyone has seen the big well pads and the trucks
15 running the roads for the unconventional wells, and
16 there has been a panic reaction. The proposed
17 regulations are being applied to both conventional and
18 unconventional wells without stopping to think about
19 the differences between the two industries. And there
20 are huge differences.

21 But I have to think about myself and how
22 I'm going to support my wife and my family. So I'm
23 here asking you to think about me and the other 22
24 employees at my company. We're in the conventional
25 oil and gas business. And I'm asking you to think

1 about how much these new regulations will cost the
2 conventional business and whether any of these new
3 regulations are necessary. It will be the most
4 important decision you make not only in my life, but
5 my fellow coworkers' lives. And I think they should
6 stand, so you can see who they are along with me.
7 Thank you for your time.

8 CHAIR:

9 Joseph Maney followed by Jay Curtis.

10 MR. MANEY:

11 Good evening. My name's Joe Maney, 760
12 Beech Street, Warren, Pennsylvania. For those of you
13 that don't know me, my name's Joe Maney. My partner,
14 Lindell, Jake Lindell, and I own Lindell and Maney,
15 LLC. We are a locally run oil and gas production and
16 servicing company. We've been based in Warren County
17 for 32 years. Jake and I have always been working
18 partners and have grown to see our sons, my brother,
19 son-in-law work with us as well as my dad after his
20 retirement.

21 I got my start in the oil field in 1975
22 when my dad got me a job with a third generation local
23 producer, I.L. Geer and Sons. In 1982, a bank, local
24 bank took a chance on us, and we started our own
25 company, servicing and open-hole fracking for any

1 local producer that would hire us.

2 In 1993, we expanded into production,
3 buying PGE's interests in Brokenstraw and Pittsfield
4 Townships. Over the next 20 plus years, we have
5 continued to contract out open-hole fracking all
6 through Pennsylvania and New York, all the while
7 drilling and fracking our own wells and plugging more
8 than 220 of our own wells, depleted, within the last
9 four years. As most of you know, there is no money in
10 plugging your own wells. We just didn't believe it
11 was right to saddle someone else with our
12 responsibility when they needed to be plugged anyhow.
13 Like most of you out there we just want to do what we
14 do best. Produce the good ones and plug the depleted
15 ones correctly.

16 I've seen a lot of changes over the last
17 three decades, but none as severe as what we're
18 dealing with now. All of us here work hard and
19 responsibly, but it's getting harder and harder with
20 the constantly changing rules and regulations. I'm
21 not sure anymore what we will leave the next
22 generation. Maybe just the desire to take a chance
23 and the will and determination to see it through. But
24 if these new regulations are passed, I believe it will
25 take more determination and a cost I think I cannot

1 stomach. Thank you.

2 CHAIR:

3 Jay Curtis followed by Susan Oliver.

4 MR. CURTIS:

5 I'm Jay Curtis. I live in Sugar Grove,
6 Pennsylvania. This isn't really my cup of tea.
7 Myself and my four sons own and operate Curtis and Son
8 Oil and Curtis Well Service Company. Curtis Oil,
9 Incorporated, started in 1939, 85 years ago by my
10 grandfather, Howard Curtis, in Warren County. He and
11 my father worked around the clock drilling wells with
12 a cable tool rig. I remember going up on the
13 nightshift with my father as a kid and dressing a bit
14 with a hammer. He had about six swings to my two, but
15 I remember being out there with him in all the night
16 hours.

17 In those days, after the well was
18 drilled ---. Should have brought some glasses. They
19 used to use nitroglycerin to blow up the oil and gas
20 formation to give out more oil not with the best
21 results.

22 In 1961, my grandfather and father
23 hydrofractured their first oil well in the Sugar Grove
24 area. Being new technology, it was an expensive
25 gamble. It worked so well that my father decided it

1 would be more economical to build his own fracturing
2 equipment. He bought two piston pumps and six 1964
3 Ford cement mixers that were used to haul the cement
4 to the Kingswood Dam. Three of these trucks were
5 stripped and built frack trucks, two pumps and a
6 blender. The other mixers were used to haul the
7 silica sand that was used to start Curtis Well Service
8 Company.

9 Our companies, in addition to me and my
10 four sons, employ 20 men and women. Their salaries we
11 pay are very compatible --- competitive in our area,
12 and we are --- we also provide health insurance.
13 Other than employment in natural resources such as oil
14 and gas or timber, there are not a great many
15 opportunities for young men and women growing up in
16 Warren County.

17 Our county population is shrinking, and
18 we don't have the roads and the network or
19 infrastructure to attract large businesses. Thus, I
20 am proud that Curtis Well Service has grown over the
21 years. We need to appreciate that those jobs cannot
22 be easily replaced, and we need to remember that each
23 job supports someone's family.

24 I am very worried about the proposed
25 changes to Chapter 78. The new regs will impose huge

1 compliance costs. I am a member of PGCC, and we are
2 trying --- we are studying these costs. Their
3 calculations show that initial compliances will likely
4 cost over a billion dollars to the conventional
5 industry. Every year thereafter also will be several
6 hundred million dollars more.

7 I work for a dozen small conventional
8 oil and gas producers. I can tell you that all of
9 them small business, all of them run on a shoestring.
10 The cost will harm everyone in the industry and
11 results will be fewer and new --- fewer new wells and
12 retirement of existing wells. For my company that
13 will mean a lot of layoffs.

14 Why is this happening? The conventional
15 oil and gas industry has been consistently regulated
16 for over 30 years, and those proposed changes are not
17 due to problems. The changes are happening because
18 the DEP mixed the conventional industry. And all
19 these change are happening in the unconventional
20 industries, or they're meant to be for the
21 unconventional industry. I feel this is a huge
22 mistake.

23 Now that I'm not reading my paper, I'll
24 probably feel a little bit better. I do want to say
25 that I think there's been some statement that a third

1 generation ruins a company, and it's no longer in
2 existence. I am the third generation. My four boys
3 are the fourth generation. And if these rules and
4 regulations are imposed, there will be a fifth
5 generation. Thank you.

6 CHAIR:

7 Susan Oliver followed by John Lendrum.

8 MS. OLIVER:

9 I'm Susan Oliver. I'm the manager for
10 community relations and government relations for WPX
11 Energy. We're one of the top 25 producers of natural
12 gas in the United States. Our office is located at
13 6000 Town Center Boulevard in Canonsburg here in
14 Pennsylvania. WPX Energy has been in the Marcellus
15 since 2009. And our employees have --- many of our
16 employees have over 30 years experience in the natural
17 gas industry.

18 Our team of experts have been actively
19 involved in this process with the public review of
20 Chapter 78 and the proposed regulation changes. Along
21 with our trade associations, we've engaged with the
22 DEP, DCNR, TAB and all of the environmental working
23 groups involved in this labor-intensive process. We
24 respect and appreciate all of those who have given of
25 their time and energy and efforts in vetting this

1 proposed regulation and all of you here tonight giving
2 your input to the TAB.

3 Prior to providing comments on proposed
4 changes to Chapter 78, we'd like to encourage the
5 DEP to recognize their well-managed and professional
6 oil and gas regulatory program, one that is meeting
7 the Commonwealth's program objectives. This is not a
8 distinction just in words. This is a program
9 evaluation determined by an independent, national
10 non-profit organization called The State Review of Oil
11 and Natural Gas Environmental Regulations or STRONGER.
12 Upon the DEP's invitation, STRONGER conducted an
13 assessment beginning in May 2013 and released its
14 final evaluation of the Pennsylvania regulatory
15 program in September 2013. STRONGER commended the DEP
16 for many of its initiatives and regulations and
17 determined that the Commonwealth's oil and gas program
18 is one of the strongest in the nation. WPX asks this
19 Board to recognize STRONGER's assessment and not make
20 regulatory changes just for the sake of making
21 changes.

22 The one challenge that I will bring up
23 tonight is private water wells, especially the lack of
24 construction standards. Our experience with pre-drill
25 testing and several studies independent of natural gas

1 development have also found that a large number of
2 private water wells are poorly constructed. Many
3 contain iron, manganese, coliform, and methane, and
4 many do not meet the criteria of the Safe Drinking
5 Water Act. The Pennsylvania legislature needs to pass
6 legislation to require property owners to construct
7 private water wells properly and to test their water.
8 We request if an operator impacts a private water
9 supply, the DEP should require the operator to bring
10 the private water supply back to the pre-drill water
11 testing quality, whatever that might be.

12 We will provide written input to the DEP
13 and the TAB as to all the different other elements of
14 the proposed regulation rather than talk about all of
15 it tonight. We'd like to thank you for your effort
16 and desire to continue to seek better and more
17 efficient ways to regulate the oil and gas industry
18 and safeguard Pennsylvania's environment. Again we
19 ask that the STRONGER assessment be considered and
20 that change not be made just for change sake. WPX is
21 also committed to this regulatory review process, and
22 we appreciate and respect the communities in which we
23 operate and are dedicated to protecting Pennsylvania's
24 environment. We look forward to continuing to work
25 with the DEP and other interested parties to finalize

1 these Chapter 78 provisions. Thank you.

2 CHAIR:

3 John Lendrum. And then after John,
4 we'll take a ten-minute break.

5 MR. LENDRUM:

6 John Lendrum, L-E-N-D-R-U-M, 4573 Camp
7 Coffman Road, Cranberry, Pennsylvania, 16319. My name
8 is John Lendrum. I made a trip up from Venango County
9 tonight. We also have some shallow oil wells down
10 there too. I don't know if there's as many as Warren,
11 but it's pretty close.

12 And I'd like to thank the Board for
13 having a meeting in Warren tonight. And they've seen
14 a lot of faces around the country already. But if
15 they look really hard, they'll probably see faces that
16 are a little bit different here tonight, because this
17 is the first one of these meetings that's actually in
18 the oil patch. The rest of them about mostly in gas
19 country and different parts of the state.

20 Everybody has their right to say what
21 they need to do, so that we can all work together on
22 this. But to have a meeting in the oil business areas
23 like Venango and Warren, McKean, even Butler, they're
24 going to get a bigger dose of what they've already
25 heard, and that is the difference between the

1 industries, the conventional and the unconventional,
2 is so clear to us. How could the state ever lump us
3 all together not realizing what the inevitable outcome
4 would be to us?

5 And this is my second time to speak with
6 the Board. The last time I spoke in generalities, so
7 tonight I thought I'd take sort of one specific thing.
8 And I would say most all the producers here can
9 identify with the example that I'm going make tonight.
10 And that is what's the difference between proper
11 regulation and overregulation.

12 I remember back in the good old days
13 when I first started in the oil business back in the
14 early '80s after I graduated from Allegheny College.
15 And I am a native Pennsylvanian. The only time that I
16 have not lived in the state is when I had to chance to
17 work out in Oklahoma and Texas and North Dakota. And
18 I wish I would have known more about the Bakken shale
19 when I lived out there back in the '80s, but I didn't.
20 But I've been a lifelong resident. I am a third
21 generation oilman after my grandfather and my father.

22 And in the '80s, when I first started
23 working as a geologist for a company called
24 Petra-Tech, as an exploration geologist, they never
25 gave me all the money I wanted to go drill with. So I

1 had to be real careful where you put your wells. And
2 anybody in this business will tell you it's not
3 drilling one on two bad wells on a lease that will
4 kill you. It's when you go drill 20 or 30, and you
5 don't watch what you're doing.

6 In the old days, you used to be able to
7 take a map on one piece of paper, draw the lease, put
8 20 spots on it and then locate them with the plats.
9 And a two-page document ---. And I didn't bring an
10 example, but everybody probably can go to old records
11 and find them. A two-page document would be a blanket
12 permit for a lease. What was the cost of that?

13 Now, as a geologist, if I go out to a
14 lease and I drill one well here, and it's a good well.
15 And I drill one well here, it's a good well. Then I
16 drill a well over here that's not such a good well.
17 Hopefully I put all my permits where they needed to
18 be. Because if I had to sit back and sort of say,
19 jeez, we can't drill over there even though I got
20 permits, those wells aren't going to be as good. How
21 many months do I have to sit around waiting for the
22 permits to come back? Three.

23 And so that two-page document that was
24 free now has turned into this, a single permit to
25 drill one well on a lease, 32 pages. It's detailed.

1 It's got maps. It's got plats. It's even got the
2 green cards where we have to notify all landowners in
3 all townships around the county or the township that
4 we're going to drill in, which takes an extra couple
5 weeks. And if you ask anybody who works for the
6 townships, they don't want to see these things come
7 in. It's over and over again. So that one permit now
8 that's 32 pages, if I want to drill six or seven wells
9 on that lease, those 32 pages go in each time.

10 In addition, before I would even be able
11 to get a permit, I have to write to the Pennsylvania
12 Fish and Boat Commission to make sure that there's no
13 snakes or other things on there that we would
14 endanger. So there's a couple more weeks waiting for
15 this 20-page document to come back. And then to make
16 sure that I do not get myself into trouble and drill
17 in area, which is a wetland ---. And anybody knows
18 what we think of as wetlands isn't necessarily really
19 a wetland. If you find a piece of rush grass out
20 there, you better go and get a delineation done. This
21 is 74 pages.

22 Now, I don't mind paying the \$3,000 or
23 \$4,000 to do this. It's a guarantee that I won't get
24 into trouble later. It's a necessary thing. Then
25 after I have all of that in place, I can then get an

1 erosion sedimentation plan. Now this is something
2 that ---. My time is up. I'm sorry.

3 CHAIR:

4 John, we will read your testimony.
5 We're going to take a ten-minute break and start
6 promptly at 8:20. And Tim Weaver will be up when we
7 start again.

8 SHORT BREAK TAKEN

9 CHAIR:

10 Tim Weaver is up followed by Sam Harvey.
11 Tim Weaver. Is Tim here? Here he comes. Thank you,
12 Tim.

13 MR. WEAVER:

14 Thank you. My name is Tim Weaver from
15 Venango County. I'd like to thank the Board for
16 scheduling this meeting tonight, as I feel it is
17 important to have the people's voices heard. I'm
18 really not here tonight to condemn or condone the
19 drilling of unconventional wells, but to point out
20 some of the vast differences between them and why two
21 sets of regulations are not needed for these wells.
22 They need their individual set of regulations.

23 I'm the fifth generation of my family to
24 be involved in the oil and gas business. I have
25 personally been involved in the drilling and

1 production of hundreds of conventional wells over the
2 last 38 years. I've worked in Clarion, Jefferson,
3 Forest, and Venango County, the county that I live. I
4 hunt there. I fish there. I take my drinking water
5 from a well there and raise my children in proximity
6 to where I have my well.

7 I have had many employees and used
8 dozens of contractors and their employees in my 38
9 years in the conventional well operation. Now, I'd
10 like to show you, as it works better for me sometimes
11 to see things than just hear it. I'd like to show you
12 some of the differences in the well. First of all,
13 I'd like to do the water, if you don't mind, because I
14 think that's probably the most controversial issue and
15 probably well so. In an unconventional well, you can
16 that as much as five million gallons of water are
17 used. In a conventional well, if you can see it over
18 here, this represents 50,000 gallons of water, which
19 is typically used. I actually looked in my last well
20 that I did, and I used 43,600 gallons. So quite a
21 difference.

22 Now the drilling pad. This is just a
23 pad. Doesn't even take into consideration the roads
24 and the pond size for the pit. A typical
25 unconventional location pad is five acres represented

1 by the yellow. A typical conventional pad is only a
2 half an acre, and a lot of times even less when the
3 topography allows for it. Thank you. Also, one of
4 the differences in the unconventional well sites, as
5 many as 500 to 600 truckloads may come and go on the
6 location of various things being brought in and out.
7 A conventional well site, however, will only use 15 to
8 20 truckloads.

9 These are just a few of the differences
10 between conventional and unconventional wells. It is
11 clear that they are very different, and the same set
12 of regulations will not work for both. If these
13 regulations are passed into law, conventional well
14 drilling will be severely --- will suffer severely if
15 not put completely out of business. It will result in
16 the loss of employment, the loss of tax revenue and
17 the loss of royalties of landowners, who many depend
18 on the income as a supplement.

19 In conclusion, I have heard very
20 environmental and sportsmen group alike tote the fact
21 that in western Pennsylvania, we have some of the most
22 pristine waterways and high-quality streams and that
23 they need to be protected. I believe that this is
24 true, but one food for thought. Conventional well
25 operations have been on going in these areas for 150

1 years plus with tens of thousands of wells drilled
2 right in around these waterways and amongst them. And
3 I think that is an environmental record that speaks
4 for itself. Thank you.

5 CHAIR:

6 Sam Harvey followed by Harvey Stone.

7 MR. HARVEY:

8 Thank you for the opportunity to comment
9 on the proposed changes to the Chapter 75 (sic)
10 regulations. There is one proposed regulation that
11 I'd like to address specifically. The requirement for
12 locks on tank hatches and valves at tank batteries is
13 impractical and doesn't pass even a cursory cost,
14 benefit analysis. Anyone who is determined to cause
15 an oil spill can cause one with a set of bolt cutters,
16 an axe, a rifle or even a rock. The cost of
17 compliance for this regulation is high. The benefit
18 is nil.

19 As for the rest of the proposed changes,
20 it would be hard in five minutes to provide a
21 point-by-point rebuttal. I think that the PGCC and
22 PIPP have already covered this, so I want to focus on
23 the general impact of increased regulations and
24 reporting requirements on a small start-up company
25 like mine.

1 I didn't grow up in the oil patch, and I
2 don't come from a long line of oilmen. I don't have a
3 thousand or even dozens of wells. I'm an entrepreneur
4 who is trying to build a company. Prior to joining
5 the oil industry, I earned a Master's degree in
6 hydrogeology and had worked on groundwater projects
7 for the U.S. Geological Survey and the Department of
8 Energy. So I've worked on the other side of the
9 fence, and I care about clean water. Of course I
10 don't want to spill oil or get stray gas into
11 somebody's water well. There needs to be regulation;
12 however, these proposed regulations are unnecessary
13 when applied to conventional oil operators. All
14 industrial activities, including farming, pose some
15 risk to the environment. Proper regulation should
16 balance the needs of society to be protected from
17 these risks with the ability and liberty of businesses
18 to pursue their work and provide the goods and
19 services we all need.

20 These proposed regulations are
21 especially costly to small, actively drilling
22 operators. The DEP has not given due consideration to
23 the effect of these regulations on small business, or
24 adequately considered alternative regulations for
25 small businesses as is required by Act 76. The

1 Chapter 78 regulations currently in place are already
2 more burdensome than necessary and certainly adequate
3 to protect the environment.

4 My company has drilled four wells last
5 year, and I hope to drill ten or twelve this year. My
6 office is above my garage, and my work truck has car
7 seats in it because it's also our family truck. At
8 this point in the development of my company, I have to
9 watch every penny because there's very little room for
10 error. Perhaps even more importantly I need to watch
11 every minute.

12 I am a well pumper, construction
13 supervisor, development planner, geologist, land man,
14 bookkeeper, company man and, most relevantly, the
15 environmental compliance officer. In all honesty, I
16 do some of these jobs poorly and inefficiently;
17 however, I have no choice because I don't have the
18 scale in my company to hire additional employees.

19 Every regulation needs to be understood,
20 reports that need to be filed, plans that need to be
21 written, records that need sent, notifications that
22 need submitted on a non-functioning website. It all
23 has to be done by me. I can't contract out 15 minutes
24 here and two hours there to meet regulatory
25 compliance. It's not practical. Of course the DEP

1 isn't the only government agency that needs my
2 constant attention. There's also the EPA, IRS, OSHA,
3 PennDOT, Township Road Masters and many others. The
4 cumulative effect of all of these laws and regulations
5 is a tremendous burden not only in terms of dollars
6 spent but in efficiency.

7 In conclusion, I urge the EQB to perform
8 its required duty under Act 76 and evaluate the
9 disproportionate burden of these regulations on the
10 small businesses. This analysis should include not
11 only the additional dollars needed to, for instance,
12 buy thicker pit liners or locking tank hatches, but
13 also the hidden burden in unproductive time these
14 requirements put on the principal and sometimes only
15 employee of these businesses. Thank you.

16 CHAIR:

17 Harvey Stone followed by Dave Nuzzo.

18 MR. STONE:

19 I'm Harvey Stone. I live at 24 Crescent
20 Park in Warren. I am a licensed professional engineer
21 and a partner in BJS, LLC, a small conventional oil
22 well company that currently operates five wells in the
23 City of Warren. All our wells are 1,000 feet or less
24 in depth.

25 In the last three years, we have spent

1 more than a half million dollars on contracting and
2 equipment to drill and operate our wells. We have
3 used 36 local companies for various supplies and
4 services. We have paid the Commonwealth of
5 Pennsylvania more than \$5,000 in fees and considerably
6 more in taxes.

7 The Department of Environmental
8 Protection has proposed changes in regulations
9 affecting oil and gas business. We are very concerned
10 that there is not enough distinction being made in the
11 new regulations between conventional and
12 non-conventional wells. It is our concern that these
13 new and modified regulations will unnecessarily
14 increase costs for conventional oil and gas companies.
15 They will also significantly increase the amount of
16 time required to complete and submit well permits.

17 One area of concern is the revised
18 regulations in 78.61 and 78.62. Under conventional
19 well current practice, drill cuttings, from both above
20 and below the casing seat, are disposed of onsite
21 without any special notification requirements. Under
22 the new regulations, the conventional operator's
23 required to ascertain the groundwater table, using a
24 geologist or soil scientist, and provide three
25 business days notice to DEP before disposing of the

1 cuttings. This means the entire site will pretty much
2 have to shut down and wait for the soil scientist to
3 assess the ground water elevation and then wait three
4 business days before completing the well. The
5 regulations were proposed without addressing the
6 additional cost to the operator, for the soil
7 scientist or for waiting the three days, nor were
8 alternatives examined from small businesses of which
9 more than 90 percent of the conventional well
10 operators are.

11 As required by the Regulatory Review
12 Act, we have seen no environmental benefit cost
13 analysis. But we know that the cost for a soil
14 scientist and equipment needed elsewhere sitting for
15 three days will cost the conventional well operator
16 between \$3,000 and \$10,000 per well plus three days of
17 lost production.

18 The DEP, in its preparation of the
19 proposed regulations, has failed to comprehensively
20 assess the cost of the new regulation to the
21 conventional well community, nor has it addressed at
22 all the issue of providing alternatives to small
23 businesses, as is required under the Regulatory Review
24 Act.

25 In the Act, under 10.1, it requires that

1 for any proposed regulation that may have an adverse
2 impact on small businesses, the regulator prepare an
3 economic impact statement that includes an estimate of
4 the number of small businesses subject to the proposed
5 regulation, a project cost reporting, recordkeeping
6 and other administrative costs and a statement of the
7 probable effect on impacted small businesses.

8 Section 11 requires that a description
9 of any special provisions which have been developed to
10 meet the particular needs of the affected group,
11 groups or persons, including small businesses, should
12 be included by the regulatory agency.

13 Section 12 asks for a description of any
14 alternative regulatory provisions which have been
15 considered and rejected and a statement that the least
16 burdensome acceptable alternative has been selected.

17 And section 12.1 requires that, for
18 small businesses, a regulatory flexibility analysis be
19 completed that shall include the establishment of less
20 stringent compliance and reporting, less stringent
21 schedules, consolidation or simplification of
22 compliance and reporting requirements, the
23 establishment of performance standards to replace,
24 design or operational standards required in the
25 proposed regulation and an exemption of small

1 businesses from all or any part of the requirements
2 contained in the proposed regulation be considered.

3 As we have reviewed these new
4 regulations in the context of a conventional well
5 operator, we can find no environmental justification
6 for them that justifies the added costs and time
7 delays imposed on conventional well operators. There
8 is no analysis completed by DEP to show the affect
9 these proposed regulations will have on the
10 conventional well operators who are almost all small
11 businesses.

12 For these reasons, these new regulations
13 should not be passed in their current form. Please
14 vote no to the current regulations until they are
15 altered to account for the differences between
16 conventional and non-conventional well drilling and
17 they have met the requirements of the Regulatory
18 Review Act. Thank you.

19 CHAIR:

20 Dave Nuzzo followed by John Branch.

21 MR. NUZZO:

22 Good evening. My name's Dave Nuzzo.
23 I'm from Bradford, Pennsylvania. I'm here this
24 evening representing Hoover Oilfield Supply of Warren.
25 Hoover was started in 1986 to service the local and

1 area producers. We provided products needed to
2 complete and produce the wells that they drill.

3 I've personally been in the supply
4 business since 1975 with several companies, the last
5 ten with Hoover. I've been through the boom and bust
6 cycles that are a trademark of this industry and
7 somehow managed to survive. However, I fear that if
8 the Chapter 78 regulations are applied to conventional
9 well drillers and producers, our survival will be in
10 jeopardy, since we rely 100 percent on these companies
11 for our existence. Many of these companies are
12 family-owned businesses, not multi-million dollar
13 corporations, that will be forced out of business due
14 to the added costs of complying with the new
15 regulations.

16 We at Hoover are currently in the
17 process of opening a new branch in Bradford,
18 Pennsylvania and are relying on the support of
19 conventional well producers and drillers for our
20 success. The economies of many northwestern PA
21 communities would also be severely impacted by these
22 regulations.

23 Our industry, the conventional well
24 operators, has been complying with the Oil and Gas Act
25 of 1984 for 30 years. In that time, not much has

1 changed in the way these type of wells are drilled and
2 produced. The shale wells are a totally different
3 animal. And I believe they require a totally
4 different set of regulations. Thank you for your
5 time.

6 CHAIR:

7 John Branch followed by Kim Grindle.
8 John Branch. Kim Grindle. Chuck. I'm sorry. Kim.

9 MS. GRINDLE:

10 Good evening. My name is Kim Grindle,
11 and I am here this evening to testify as part owner
12 and employee of Oil and Gas Management, Incorporated.

13 Ten years ago, after much thought and
14 consideration, I closed the doors to my own business
15 that I owned and operated for 14 years and began to
16 work at Oil and Gas Management, Incorporated,
17 alongside with my husband and his partner. We now own
18 and operate approximately 300 conventional wells in
19 southwestern Pennsylvania and currently have a staff
20 of seven people. Our company was founded and
21 established in 1991 with very little financial
22 resources, and we have made many, many sacrifices
23 along the way. Nevertheless, it has provided for our
24 families up until now. We have a great sense of
25 security and great hopes for the future.

1 At Oil and Gas Management, I am the
2 first person you see when you walk through the door
3 and the first person you talk to when you call our
4 office. I can speak for myself and our employees when
5 I say that our security has been diminished by the
6 many challenges the industry has handed us.

7 The gas prices are very low and revenue
8 has decreased dramatically; however, the costs of
9 services and materials has not followed that curve.
10 The number of conventional wells drilled has dropped
11 from 4,836 wells in 2007 to a mere 1,000 wells drilled
12 in 2013. Pending regulations and revisions of Chapter
13 78, the Pennsylvania Code will create an environment
14 in which the conventional operators will not be able
15 to sustain. Simply, these revisions and regulations
16 will force us out of business.

17 The conventional oil and gas industry
18 has been a part of the Western Pennsylvania landscape
19 for over 150 years. Now, in an effort to regulate a
20 new unconventional industry, namely The Marcellus
21 Shale development, the department is imposing
22 inappropriate, onerous regulations on the conventional
23 operators with economic burdens that will devastate a
24 small business such as ours. The vast majority of
25 conventional oil and gas wells are drilled and

1 operated by small locally-owned companies and, in most
2 cases, are family owned.

3 A critical distinction of the
4 conventional industry is the cost to develop the
5 wells, lower production and smaller return on
6 investment compared to unconventional wells. The
7 unconventional operators may be able to comply with
8 these proposals without a devastating economical
9 outcome for their company, but the conventional
10 operators cannot. In accordance with the requirements
11 of the Regulatory Review Act, as amended on June 29th,
12 2012, the DEP is required to consider the impacts to
13 small businesses from new regulation, including legal,
14 accounting and consulting compliance costs that would
15 be incurred. Also noted in Act 76 of 2012, Act of
16 June 29th, 2012, under the statute, the DEP must
17 consider establishment of less stringent compliance
18 requirements for the small businesses throughout
19 Chapter 78.

20 I'm here to ask you to consider
21 alternatives for small businesses such as ours which
22 can include the establishment of less stringent
23 schedules, deadlines for compliance or reporting
24 requirements, the consolidation of compliance or
25 reporting obligations and exemptions. In addition to

1 excessive costs to comply with the proposed
2 regulations, the small oil and gas business owners
3 will find it necessary to reduce their current
4 workforce, which will result in higher unemployment,
5 lower tax revenue received by the state.

6 Small businesses are the economic engine
7 of our society. And with unending regulation, we find
8 ourselves fighting a daily battle to survive. Through
9 our drilling programs, we have enabled our landowners
10 to prosper from their land through lease bonuses,
11 royalty payments, free gas and right-of-way
12 compensation. We have purchased property on which to
13 drill and, in turn, paved roadways, installed water
14 lines, removed trash and helped improve the
15 communities in which we operate.

16 Our lessors have called and stopped in
17 our office to find out why their leases are being
18 surrendered or not renewed, only to find out that we
19 --- and to find out where we've been because they have
20 not seen our rigs coming into their area. These
21 people truly rely on the monetary income from their
22 royalties and the free gas they receive. If these
23 regulations are imposed on the conventional operator,
24 thousands of wells will be plugged and tens of
25 thousands of landowners will be deprived of this

1 income.

2 I've traveled three and a half hours
3 today, and I might add there's no good way to get
4 here, to express my concern with the proposed
5 regulations. I love what I do. As citizens of the
6 great State of Pennsylvania, we have been enriched
7 with the abundance of oil and natural gas that lies
8 beneath our land. I believe that it is our
9 responsibility to extract this source of natural
10 energy in a responsible, ---

11 CHAIR:

12 Finish the sentence.

13 MS. GRINDLE:

14 --- respectable and safe manner while
15 complying with the current regulations that have been
16 in place for 30 years. Thank you.

17 CHAIR:

18 Chuck Shrader followed by Brianna
19 Howard.

20 MR. SHRADER:

21 My name is Chuck Shrader. I live at 102
22 Brook Street, Warren, Pennsylvania. Two years ago, I
23 retired after 34 years in the local banking industry
24 where I served primarily as a small business lender.
25 Currently, I work as an independent contractor for SLT

1 Production, LLC, in Sheffield.

2 As I'm sure you're all aware, the
3 climate for small business has become increasingly
4 more difficult over the past several decades. One of
5 the heightened challenges to both large and small
6 business has been the substantial increase of new
7 regulations. These regulations have caused many small
8 businesses to reduce their workforce or just close
9 altogether. As stated earlier, I too was pleased when
10 in 2012 the legislature revised the Regulatory Review
11 Act to require agencies like the DEP to specifically
12 consider the impact of new regulation on small
13 business. Among other things, the DEP is now supposed
14 to consider the benefit of any new regulation in
15 conjunction with the associated costs.

16 Today, we're reviewing numerous proposed
17 regulations and requirements that will result in
18 substantial increases in costs to Pennsylvania's
19 conventional oil and gas industry. As you've heard
20 from a number --- many of the other speakers this
21 evening, the DEP has failed to show a compelling need
22 for many of these.

23 Take a few minutes to just talk about
24 the PPC plans to be imposed. Today, most conventional
25 operators employ a generic PPC plan that meets the

1 requirements of the existing 78.55. Among other
2 items, the generic plan lists the company contacts and
3 internal spill cleanup resources. And it also lists
4 the outside contractors that might be called upon to
5 assist in the response.

6 This information has been and is a
7 sufficient guide on how to handle materials and
8 respond to releases or threatened releases. Because
9 in conventional versus unconventional operations, well
10 and tank sites are smaller, the volumes of material
11 released or potentially released are smaller. And
12 certainly there are fewer types of materials to manage
13 onsite at conventional versus unconventional
14 operations.

15 The proposed regulations elevate the
16 burden by requiring site specific plans that meet the
17 requirements of 25 PO (sic) Code, Section 91.34.
18 Section 91.34 applies to locations where pollutants
19 are both produced and stored. And, therefore, site
20 specific requirements would require both individual
21 well and tank site locations.

22 When the DEP provided their analysis of
23 the new regulations to you, the DEP failed to
24 attribute any cost to this new requirement. They also
25 failed to discuss the need for such an additional

1 burden. I'm confident that the need doesn't exist.
2 In addition to containing smaller amounts of material,
3 conventional well and tank locations are highly
4 similar. Unique chemicals or other pollutants do not
5 exist from site to site. And the critical information
6 of who to contact and where to locate cleanup
7 resources are already contained in the existing
8 generic plan.

9 It's shocking that the DEP didn't
10 provide you a cost estimate for compliance with this
11 new proposed requirement. There's a reasonable
12 assumption of 200,000 discrete conventional well and
13 tank locations. And if we assume a reasonable cost of
14 \$40 for a PPC storage unit, a labor cost of \$25 and a
15 cost of \$100 to prepare the plan, that initial
16 installation cost would be \$33 million. Annual plan
17 and updates, repair costs will continually increase
18 cost of doing business.

19 So based on my 34 years of lending
20 experience, I can assure you that the small business
21 men and women, who make up our conventional oil and
22 gas industry, cannot and should not absorb these tens
23 of millions of dollars in increased costs. This is
24 especially true when the DEP has failed to show reason
25 why the existing generic plans are inadequate. The

1 costs of these new burdens are dramatically out of
2 balance with any benefits that might be achieved.

3 CHAIR:

4 Brianna Howard followed by Mark Cline,
5 Junior.

6 MS. HOWARD:

7 Good evening. My name is Brianna
8 Howard. I'm a senior at Smethport Area High School
9 and the daughter of Ted Howard, one of the owners of
10 Howard Drilling. My father's business has been
11 drilling, fracking and producing conventional oil and
12 gas in the heart of the Allegheny Mountains for the
13 last 50 years. He is the fourth generation to work in
14 the industry, and I'm hoping my brothers will be the
15 fifth.

16 Tonight, I am here not just to represent
17 my family, but my classmates, many of whom will be
18 joining this field upon graduation and for their
19 families who are dependant on the oil and gas
20 industry. The small community where my family lives
21 depends on the jobs that Howard Drilling provides.
22 Good jobs with benefits. Howard Drilling has always
23 been supportive of the community whether it be for
24 fundraising or monetary contributions for our local
25 fire department, schools, Boy Scouts, the food pantry

1 and many others. Our company, in turn, supports the
2 local supermarket, coffee shop, restaurants, bank,
3 hairdressers, auto supply stores, hardware store, and
4 gas stations. Without support from Howard Drilling
5 and companies like us, these small businesses would
6 not be able to survive.

7 Let's talk about this country and its
8 dependency on energy. What is Energy? Gasoline, what
9 gets me to school, you to work, produce to grocery
10 stores, powers our lawnmowers and snowblowers,
11 deliveries our Internet orders, enables emergency
12 personnel to respond and so many other important
13 things. Natural gas, a highly efficient source of
14 energy that we depend on in order to heat our homes,
15 run generators to provide electric to houses, schools,
16 hospitals, nursing homes and public buildings. Crude
17 oil provides numerous by-products to make tires,
18 asphalt, motor oil, makeup, plastics for packaging
19 everything from milk to medicine, helmets, sports
20 equipment and toys. I could spend a good part of
21 today just listing the by-products of crude oil, many
22 of which we take for granted.

23 My point is none of us would be here
24 without gasoline, natural gas or crude oil. Every
25 time we get in our cars or trucks, we are dependent on

1 these fascinating substances. If the water in this
2 building freezes and we had no heat right now or there
3 was a fire, who would you call, and how would they
4 respond? Horse and buggy? I don't think so.

5 We need to preserve the conventional oil
6 and gas industry, not add more regulations. To
7 include the conventional wells with the proposed
8 changes to Chapter 78 is just not fair. Even I, still
9 a student in high school, can clearly see that there
10 are differences between the conventional and
11 unconventional wells. Not only is the size of the
12 location for a conventional well considerably smaller,
13 but the equipment and manpower necessary to perform
14 the drilling and completion operations are a whole lot
15 smaller scale compared to size of unconventional well
16 locations. Needless to say, the production of our
17 conventional wells is a fraction of what
18 unconventional wells have produced. How can an
19 operator of a conventional well pay for these new
20 mandates? They clearly can't. These mandates will
21 cripple my family's business and further harm our
22 struggling community.

23 Being that I will soon graduate, I am
24 looking forward to continuing my education. I'm a
25 firm believer that education is a key to energy

1 independency. It's hard for me to believe that
2 liberal environmentalists in the southeast part of
3 Pennsylvania are so brainwashed by society that they
4 actually think by cutting a tree or seeing a pump jack
5 or a tank in the woods that our industry has had for
6 the last century and a half is a threat to our
7 environment. We need to be taught to think
8 independently, not what some celebrity has been
9 publicly preaching. I would like to know what degree
10 or what constitutes some of these celebrities to be
11 experts on the environment.

12 Our forefathers were all entrepreneurs.
13 They built this country with blood, sweat and tears.
14 There were no rules or regulations. And with all the
15 regulations we now are faced with, there's no
16 incentive for young people like me to be adventurous
17 and try to make it on their own. If the Environmental
18 Quality Board continues to treat the conventional
19 wells the same as the unconventional wells, we will
20 move backwards.

21 I urge that the proposed regulations be
22 rewritten and separate these clearly two different
23 types of wells, not just for the sake of my family's
24 business, but for the families that depend on
25 companies like ours to supply them with steady, good

1 paying jobs, for my friends who plan to join the oil
2 and gas industry and most of all for the blue collar
3 men, who work long hard days to provide us with the
4 energy that our lives run on. Thank you.

5 CHAIR:

6 Mark Cline, Junior, followed by Patricia
7 Miller.

8 MR. CLINE:

9 My name is Mark Cline, Junior. I live
10 at 1386 Parkside Drive, Limestone, New York, but I
11 work in Bradford, Pennsylvania for Cline Oil. And I
12 am the fifth generation of Clines to work in the oil
13 fields. There are three generations of Clines sitting
14 in this room tonight. And I have a son who is already
15 asking me when he'll be able to work for Cline Oil.
16 But if these regulations get passed the way they are
17 now written, there will be no more Clines in the oil
18 industry as there will be no oil industry.

19 I am against these new regulations for
20 many reasons. The main reason is the cost to comply
21 with them. The Marcellus industry makes millions of
22 dollars from their wells, while the conventional
23 industry only operates with a very small profit
24 margin. We are already spending money to comply with
25 these regulations that are unjust as having to haul

1 our production water for treatment. Our production
2 water doesn't hurt anything and was going into creeks
3 and pits for well over a hundred years without doing
4 any harm.

5 These new regulations for pits will make
6 us have to build bigger locations. And that means we
7 will have to move more soil and cut many more trees,
8 which is something that we try to avoid doing whenever
9 possible.

10 The water usage between the
11 unconventional and conventional wells is huge. The
12 unconventional wells use about 4,200,000 gallons of
13 water. The conventional wells use only about 42,000
14 gallons. The water used in both industries are needed
15 one time in the life of the well. While a golf course
16 uses the same amount of water as a Marcellus frack job
17 every 25 days in the summer. And there are 811 golf
18 courses in Pennsylvania. That equals 3,649,500,000
19 gallons of water every 25 days. Chesapeake Energy
20 says an average for a Marcellus well over its lifetime
21 will produce between 2 to 6.5 billion cubic feet of
22 gas. And an oil well will produce a small amount of
23 oil for nearly a hundred years. What useful thing
24 does a golf course produce?

25 We produce Penn Grade Crude Oil, which

1 is the best lubricating oil in the world. It is a
2 paraffin-based oil, and there are over 6,000 products
3 made from it. Medical products such as aspirin, band
4 aids, Pepto-Bismol, antiseptics, ChapStick, Vaseline
5 and heart valve replacements. Health and beauty
6 products such as cologne, perfume, deodorants, bubble
7 baths, lipstick, mascara, moisturizing cream and even
8 mouthwash. Almost every product in this world today
9 is touched by oil. It can't be as harmful as studies
10 say if it goes on and in our bodies every day.

11 There are over 7,000 conventional oil
12 and gas operators in Pennsylvania, and they employ
13 26,000 people directly. Most of them will be out of a
14 job if these new regulations pass the way they are now
15 written. The impact on other businesses indirectly
16 involved with our industry will be huge. Most are
17 already suffering from a lack of business since the
18 Act 13 passed and the decline in new wells being
19 drilled.

20 We have been doing our jobs for over 150
21 years and have perfected how to do it and protect the
22 environment at the same time. We cannot take on any
23 more burdensome regulations. We have been regulated
24 to the point where we are having a hard time surviving
25 now.

1 Most people in this state don't even
2 know what a conventional well is. It must be because
3 we are doing things right. If not, it would be all
4 over the Internet and the news the first time we did
5 something wrong. Our industry is not causing
6 problems, so please just let us do our jobs.

7 Here's an example of what our industry
8 contributes to a local economy. These are just the
9 city taxes that we pay. I believe that Pennsylvania
10 needs our jobs and the money that we put back into the
11 economy. Thank you.

12 CHAIR:

13 Patricia Miller followed by Molly
14 Lindahl.

15 MS. MILLER:

16 Good evening. My name is Patricia
17 Miller, and I live at 560 Route 16 South in Olean, New
18 York. I majored in chemistry in college and moved to
19 the area when I married. I'd never even seen an oil
20 well until I traveled to Saint Bonaventure University
21 for my initial visit. And I remember thinking how
22 cool it was to find that there were oil wells so close
23 to where I grew up in Horseheads, New York.

24 I ended up marrying a fourth generation
25 oil producer. After graduation, one of my first jobs

1 was in a laboratory analyzing produced water from
2 secondary recovery wells. So here was someone who
3 wasn't even from the area reaping the financial
4 benefits of a viable industry for both myself and my
5 spouse. Imagine the ties the people who have lived
6 their whole lives in the Pennsylvania oil region,
7 which does include southwestern New York, have to this
8 industry. Generations of families have benefited by
9 the presence of this industry, as has, directly or
10 indirectly, almost everyone living in the Pennsylvania
11 shallow oil field.

12 My husband has worked long backbreaking
13 hours on his oil properties with no benefits because
14 he is self-employed, because he loves what he does and
15 is proud to be producing a valuable resource. And
16 there have been some rough times. But as hard as the
17 physical work has been, it is the regulatory burden
18 that has broken his spirit. And we live in constant
19 fear of not knowing what will be coming next. His
20 one-man operation does not have a tiny fraction of the
21 impact that the deep non-conventional wells do. Each
22 well of his averages only gallons of oil per day, so
23 the economics to comply with regulations is finite.
24 Please allow him and others like him to continue to do
25 what they love to do.

1 We live in the country and appreciate
2 more than most city dwelling bureaucrats ever could
3 the beauty of the land we live on. We as well as our
4 oil producing friends would do nothing to harm the
5 environment, because that is where we live and work
6 and play. And we respect the land that has, in many
7 cases, been in the family for generations. Putting a
8 150-year-old industry out of business by promulgating
9 onerous and unnecessary regulations would have
10 devastating effects on the economy and the people of
11 this entire area. Thank you.

12 CHAIR:

13 Molly Lindahl followed by Solomon Clark.

14 MS. LINDAHL:

15 I'm Molly Popiel Lindahl. I live at 803
16 Bolivar Drive in Bradford, Pennsylvania. And I'm here
17 today to lend support to the Conventional Oil
18 Producers.

19 My connection to this industry began
20 with my maternal great-grandfather, who was an
21 employee of South Penn Oil in West Virginia at the
22 turn of the 20th century. My paternal grandfather
23 worked for Struthers Wells not long after immigrating
24 to the United States. In 1906, he married my
25 grandmother and moved to Bradford to raise a family.

1 He first made his living as a butcher, but most of his
2 working life was spent recycling bull rope, collecting
3 it with horse and wagon, then selling it to Gold Medal
4 Flour where it was used to make flour sacks.

5 His sons, my father and uncle, evolved
6 the business into an oil field rigging and hauling
7 business. My father and uncle were joined by my
8 brother after he completed high school. This
9 oil-affiliated business supported our families
10 comfortably for 55 years, all 14 of us.

11 My personal affiliation spans a nearly
12 30-year period working for the Kendall brand name as a
13 secretary, lab technician and purchaser of laboratory
14 supplies. For the past ten years, I've been an
15 employee and volunteer for the Bradford Landmark
16 Society, a non-profit historical organization,
17 becoming more aware of the importance of Pennsylvania
18 Grade Crude Oil and the role of the conventional oil
19 producers. Newspaper articles, books and files as
20 well as face-to-face contact with conventional
21 producers confirm this.

22 It's been my honor to become acquainted
23 with these producers, witness the respect they have
24 for the area in which they work and live and to know
25 firsthand the good they do for the community. They

1 work long hours to supply local refineries with
2 high-quality crude. They shop local stores. They
3 support non-profit organizations. They attend local
4 churches. They are family, friends and neighbors.

5 Their production is on a much smaller
6 scale than non-conventional producers. We're talking
7 gallons versus barrels. That's a significant
8 difference. Conventional well sites have a smaller
9 footprint and far less impact on the environment than
10 non-conventional well sites, several hundred square
11 feet versus five-acre tracts. Imposing
12 one-size-fits-all regulations on small producers would
13 hinder them at best, but drive them out of business at
14 worst. These proposed regulations are akin to being
15 punished for a crime not committed.

16 Don't fool yourself. The loss of these
17 conventional well producers will affect you. Where
18 will the refineries obtain the high-quality crude they
19 need? The refineries pay good wages, but if there's
20 no crude, there's no refinery throughput, and there go
21 the jobs. Stores, restaurants, local businesses will
22 all suffer. Our local economy already has enough
23 challenges. Please do not impose these regulations on
24 conventional producers. Thank you for allowing me the
25 time to speak.

1 CHAIR:

2 Solomon Clark followed by Tom Kirsch.

3 MR. CLARK:

4 My name is Solomon Clark, and I aspire
5 to become a third generation oilman. I am 16 years
6 old, and I have always dreamed of continuing on our
7 quote, unquote, family farm. But these proposed
8 regulations are a threat to my dream. I know from
9 working in our business that things like changing tank
10 lids and making huge pits will bring a lot of new
11 expenses to our business. How will we pay for these
12 new expenses? I think these new expenses will lead to
13 fewer jobs and even more cuts to my school.

14 I want to talk about schools because our
15 school district has already been forced to make
16 unprecedented cuts to our educational and
17 extracurricular budgets. In the last three years, the
18 school district has cut its extracurricular funding by
19 half, and the community now has to raise half the
20 money. Who in my community is currently paying to
21 field my football, basketball and track teams? I
22 personally invite members of this board to come and
23 see whose names are on the banners in my gym and on
24 the fence around my football field. It is the banner
25 that my family's business paid for. It along with the

1 other banners all around it were paid for by the other
2 small businesses in our communities, businesses that
3 are interwoven with our family's business and
4 represents the independent can-do spirit that has made
5 our country the best place in the world. No business
6 should have to deal with unreasonable regulations, but
7 unreasonable regulations are particularly hard for a
8 small business.

9 I call the regulations unreasonable
10 because they are fixing a problem that doesn't exist.
11 Our towns in the oil region are surrounded by
12 thousands of conventional wells. At the same time,
13 we're also surrounded by the highest percentage of
14 high-value trout streams in the state. The majority
15 of the wells around this community were drilled in the
16 last 30 years under Act 223. The most remarkable
17 change during the last 30 years is that the water
18 quality in the streams surrounding our communities
19 have increased in and around our part of the state.
20 This is just one way the conventional oil and gas
21 industry has already demonstrated we are adequately
22 regulated.

23 If the unconventional oil and gas
24 industry had not moved to Pennsylvania, we would not
25 be here tonight. Act 13 would have never been created

1 or adopted, and my future would not be in peril.
2 Please refuse to be a part of this misdirected,
3 unneeded and very damaging regulatory controls. The
4 regulations that were in effect before the
5 unconventional industry came to Pennsylvania already
6 contained some of the most strictest environmental
7 standards in the United States.

8 These new regulations are not needed to
9 protect my family, neighbors, and friends. What is
10 needed is to have you vote no so our communities can
11 be protected from these devastating regulations. They
12 were drafted for the unconventional oil and gas
13 industry, but they are not needed for shallow
14 conventional operators, operators who have already
15 provided the environmental stewardship necessary for
16 the sustained beauty you see all around you. Take a
17 look for yourself at the job my family and the other
18 shallow operators have done. Where is this horrible
19 list of irreparable damages that Pennsylvanians will
20 pay for, for generations?

21 You must possess such a list to be
22 willing to unleash such life-changing and damaging
23 regulations on my family, community and me. The
24 Regulatory Review Act requires the DEP to protect my
25 future and our small family business by providing

1 alternatives or even exemptions to new regulations
2 that they propose. This was not done. And I'm asking
3 you, the leaders whom we kids depend on, to rule
4 fairly and impartially, to be a good example and
5 comply with the existing laws of Pennsylvania. If you
6 would do this, it would allow my family to continue to
7 operate safely and profitably. Why can't you allow
8 small conventional operators to operate under the
9 proven regulations provided by Act 223 until separate
10 appropriate regulations can be legally drafted and
11 approved, if needed?

12 I learned in school that this shallow
13 conventional oil and gas industry provided oil that
14 saved the whales in 1859. The natural gas it has
15 provided saved our trees as we use it as the fuel
16 source to heat our homes. We need our shallow
17 conventional industry to be strong, now, more than
18 ever. It is helping to save our schools in my
19 community. Please think about what you are going to
20 do before you unnecessarily destroy the lives of
21 thousands of people living in small towns like mine
22 for no reason. Thank you.

23 CHAIR:

24 Tom Kirsch followed by Tom Karg.

25 MR. KIRSCH:

1 Hello. My name is Tom Kirsch, and I'm
2 speaking as an owner of Oil and Gas Management, a
3 Pennsylvania small business that incorporated in 1991.
4 Today, we are a successful independent producer of
5 natural gas that owns and operates about 300
6 conventional wells in southwestern Pennsylvania. In
7 addition to our in-house staff, we retain many local
8 small businesses to provide materials, labor and
9 professional services in the course of our business
10 operation. The principals of our company have
11 firsthand experience with the extraordinary efforts
12 made by Pennsylvania's conventional oil and gas
13 industry to be good stewards to the environment and
14 good neighbors in the communities where we live and
15 work.

16 Small businesses like ours have operated
17 conventional wells without incident under the current
18 regulations that have been in effect for 30 years.
19 This is why it's so difficult to understand why DEP
20 proposed revisions to Chapter 78-C to include
21 conventional oil wells.

22 In taking this one-size-fits-all
23 approach in drafting the proposed revisions, DEP
24 failed to consider significant differences between the
25 large footprint of the unconventional Marcellus Shale

1 wells developed since 2008 and the small conventional
2 oil and gas wells that have been part of the
3 industry's landscape for over a century. DEP also
4 failed to consider the impact of the increase in
5 compliance costs to small conventional oil and gas
6 businesses under the Regulatory Review Act as well as
7 the impact on local economies.

8 We are here tonight to ask for your
9 help. The threat to the conventional small businesses
10 is very real. Statistics show that in 2007, 4,836
11 conventional wells were drilled in Pennsylvania. By
12 2013 that number was under 1,000. The cost to drill a
13 conventional well is about \$250,000 American. You can
14 do the math. It's a 79-percent reduction in drilling
15 activity and billions of dollars when you consider the
16 residual costs to maintain and operate a well over its
17 life.

18 In today's business climate,
19 conventional businesses are operating on a very tight
20 budget due to low gas prices, pipeline delivery
21 constraints caused by large volumes of unconventional
22 gas flooding the market and increased general and
23 administrative costs. In short, our business is
24 stagnant and our profit margins are minimal.

25 If the EQB does not reject this

1 rulemaking as proposed, the cost of the proposed
2 revisions on conventional oil and gas businesses will
3 have a profound negative impact on our ability to
4 continue operations. And the ripple effect will be
5 felt by our communities as a local job provider,
6 patron of many businesses, contributor to schools,
7 local groups and charities and the lessors that rely
8 on royalties, free gas and delay rental payments under
9 oil and gas leases.

10 I wanted to cite one example in
11 particular, 78.51 entitled protection of water
12 supplies. This language needs to be revised to
13 require a water supply affected by an operator to be
14 restored or replaced to meet the quality of the water
15 that existed prior to the well development activities
16 according to the operator's pre-drilling water
17 testing, not the drinking water standards. Some
18 places can't meet that standard under any
19 circumstances.

20 Susan Oliver, the manager for community
21 relations for WPX Energy spoke to this and some other
22 matters much better than I can, but nonetheless, the
23 effect is real.

24 In summary, it's important that these
25 proposed new regulations should not be passed in their

1 current form. The DEP should consider regulations for
2 the conventional oil and gas industry. I spent an
3 hour last night trying to find everything I need to
4 cite in five minutes, but I think the DEP said it
5 better than anybody. When you came in tonight, this
6 letter was sitting out in the table out front along
7 with a little guideline pamphlet. Let me just read a
8 short piece of it.

9 In 2012, Governor Corbett signed the
10 2012 Oil and Gas Act, which significantly revised
11 Pennsylvania's oil and gas laws to address
12 unconventional well development in the Commonwealth.
13 It goes on in the next paragraph to say in ---.
14 Additionally, since 2008, the oil and gas industry has
15 developed new practices to extract natural gas from
16 shale formations. These new practices require
17 additional oversight. This tells me that DEP already
18 knows that there's a different between conventional
19 and unconventional drilling. Now it's time to act and
20 say no to the proposed regulation.

21 CHAIR:

22 Tom Karg followed by Jerry Auman.

23 MR. KARG:

24 Hello. I'm Tom Karg, and I'm from Oil
25 City. I'm a member of PIPP, and I manufacture a

1 pump-off control for oil wells. I'm not an oilman. I
2 am a manufacturer.

3 We have a substance known as crude oil,
4 and I don't know if everybody knew it was used by the
5 --- and traded by the American Indians. Crude oil was
6 skimmed off of the Oil Creek, Allegheny River. It was
7 a natural occurrence to have crude oil on our
8 waterways. It's also thought to come from pits dug in
9 various locations by the Indians to be traded with
10 other commodities to other tribes throughout at least
11 one area known as the New England states.

12 One of my personal examples of how it
13 might have been used. When we had our first daughter,
14 an elderly lady gave us a little one-ounce bottle of
15 crude oil. And she said if she ever gets the croup,
16 give her half a teaspoon. That's how dangerous that
17 stuff is.

18 We have a responsibility to protect our
19 natural resources given to us by God and use them for
20 the betterment of man. For 150 plus years, a group of
21 dedicated men and women have sweated, labored, bled,
22 even died, to preserve this natural resource while
23 make a living for their family.

24 Pennsylvania crude oil is a remarkable
25 substance. The paraffin base makes it quite unique.

1 Of course it's used for lipstick and cosmetics,
2 Johnson's baby oil, Vaseline and maybe 147 other uses
3 including the sealing wax my wife uses for her
4 strawberry jam.

5 With all the problems we have with the
6 new regulations, I think an independent value
7 engineering study by a certified value specialist
8 should be executed to study the regulations.
9 Certified value specialists are required on many
10 federal ---. Any contract over three million I think
11 requires one. And I don't know the way you guys are
12 talking about it. This could be an awful lot of
13 money.

14 Mother Nature is very effective in
15 cleaning up what we do to contaminate the environment.
16 Take this year. Millions of gallons of a 23-percent
17 brine solution have been dumped on the roads and
18 bridges and tons and tons of rock salt and other
19 chemicals poured on the public highways without any
20 problems that the DEP is aware of or, that I know of,
21 even cares about. Yet, out in the woods, if a gallon
22 or two is accidentally dumped, spilled, what have you,
23 fines are handed out. What? A \$1,000. Is that what
24 the fines are for spilling a little stuff on the
25 ground? We've got grass killing chemicals routinely

1 applied to roadsides that eventually winds up in the
2 streams and water supplies. There again, no problems
3 with the DEP on that.

4 The valley that changed the world was
5 cleaned up by Mother Nature. Look at these old tanks,
6 and the biggest trees grow out of the wooden tanks out
7 in the woods. And we don't know why you should be so
8 critical against one small group for a little bit of
9 brine or crude oil and so blind to the real world and
10 the real facts. There must be a better way. Maybe
11 the old ways of dispersing brine at each well site
12 might be best.

13 My son and my wife and I manufacture the
14 Oil Well Sentry. It's a pump-off control that's
15 self-managing. We'll talk to some people later. It
16 operates on the shallow wells to monitor the fluid
17 level in working barrel, and then automatically shuts
18 the production cycle off when the fluid pump's low and
19 records the time of production. It also prevents a
20 lot of unproductive time, saves equipment, decreases
21 energy, and all the good things that you would like to
22 have --- not happen to your well as far as cost goes.
23 This helps out with that.

24 So what I'm doing I'm asking the DEP and
25 the EQB to join me in making life of our independent

1 producers better. I've spent the last 20 years in
2 designing equipment that makes it a lot more
3 profitable. They get more production, get everything
4 out of it. And it seems like what you're doing is
5 instead of helping them, you seem to be hindering
6 them. And I think it should be to the point of where
7 you ought to actually kind of flip around and be
8 admitted and liked by the people out here instead of
9 being hindered. And everybody has to lock everything
10 up so much to keep you guys out. Because actually
11 this Pennsylvania crude oil is done by these people
12 that it's their land, their wells, their crude oil,
13 which they will give to their kids for generations to
14 come. Do not end this family connection. Thank you.

15 CHAIR:

16 Jerry Auman followed Matthew Kropf.
17 Jerry. Is Jerry here? Matthew Kropf.

18 MR. KROPF:

19 Thank you. Hello. My name's Matthew
20 Kropf. I provide these comments on EQB's proposed
21 rulemaking as an individual. Professionally, I'm a
22 college professor teaching energy science and
23 technology and petroleum technology at the University
24 of Pittsburgh at Bradford where I also direct the
25 Energy Institute and chair the campus's sustainability

1 committee.

2 My reasons for commenting on the
3 proposed rulemaking is the potential impact that it
4 would have on the conventional oil and gas producers
5 in Pennsylvania, the inadequate justification of these
6 regulations for the conventional producers and the
7 embarrassingly unrealistic and incomplete cost of
8 compliance analysis to conventional producers of
9 Pennsylvania as provided by the agency's regulatory
10 analysis form.

11 In section ten of the regulatory
12 analysis form, the EQB justifies the new regulations
13 explicitly based on the growth of the number of
14 unconventional wells being drilled in the Commonwealth
15 with not a single mention of any justification related
16 to the conventional producers. Furthermore, I would
17 expect a careful regulatory analysis to include some
18 indications of the numbers and the types of the actual
19 incidents that the new regulations would prevent, if
20 enacted.

21 It seems that the justification for the
22 new rulemaking, as presented in this form, is reliant
23 on the general perception that there are widespread
24 environmental impacts and that those impacts are
25 implicitly and equally as attributed to the

1 conventional oil producers as they are the
2 unconventional oil producers and gas producers. The
3 analysis form fails to draw any connection between
4 real documented environmental impacts from oil and gas
5 production to the conventional producers in
6 Pennsylvania.

7 In section 15 of the analysis form, the
8 EQB incorrectly asserts that conventional oil and gas
9 producers do not employ the same practices regulated
10 by the proposed provisions, particularly, hydraulic
11 fracturing. In fact, conventional producers in this
12 state have used hydraulic fracturing as a means for
13 well stimulation for over 50 years. This is an
14 indication that the EQB is unintentionally or even
15 unknowingly proposing new rules in response to
16 unconventional drilling operations that are going to
17 directly affect conventional producers.

18 The most disappointing part of the
19 regulatory analysis form is section 19, which details
20 the expected costs of compliance of the new rule
21 making for conventional producers. The calculations,
22 first off, are based on an expected 2,000 wells
23 permitted per year. This number is not representative
24 of the average over the past seven to ten years.
25 Furthermore, the analysis seems to forget to include

1 the cost of compliance associated with existing
2 producing wells that aren't with permits. This brings
3 the count up many thousands or possibly more
4 magnitude.

5 There's several costs that the EQB
6 attributes zero dollars to based on either an
7 inability to anticipate the costs, or in some cases
8 without any explanation at all. For example, the EQB
9 estimates that the cost of identifying abandoned or
10 orphaned wells to be negligible for conventional
11 producers. If this important task was without cost,
12 then why hasn't the DEP been able to reconcile its own
13 estimates of hundreds of thousands of abandoned or
14 orphaned wells with its paltry list of 12,127 posted
15 online? If the endeavor is without cost, what excuse
16 does the DEP assert for not having done so already?

17 Concerning the removal of underground
18 storage tanks, the DEP does not assert the cost of
19 compliance based on the department being, quote,
20 unable to estimate the number of buried tanks,
21 unquote. If the DEP cannot estimate the number of
22 tanks, how can they justify the need for them to be
23 removed?

24 On the whole, it appears that the EQB
25 did not adequately consult with conventional operators

1 on the costs of compliance, as several other cost
2 estimates are considerably lower than anyone with a
3 working knowledge that was evidenced here tonight.
4 High school students could tell you from a
5 conventional well site.

6 So, for example, the costs associated
7 with equipping tanks with valves and access lids to
8 prevent unauthorized access omit the scenario where
9 existing tanks are incompatible with such
10 modifications. In addition to the --- what was said
11 earlier about the tanks not being able to be welded
12 when they're full of oil.

13 In section 20, the form estimates that
14 there's no costs to local governments. This does not
15 include the appropriate economic models that verify
16 conventional producers would not have to decrease or
17 even cease production, which would manifest as a lost
18 source of tax revenue for local municipalities.

19 In section 24, part C, the form
20 indicates that the DEP has made efforts to minimize
21 the costs to small businesses, particularly
22 conventional well producers. However, these were not
23 enumerated. The costs estimate appears only ---. The
24 only effort to minimize the costs is to underestimate
25 the costs of the compliance section. The form also

1 sites a 2011 study citing \$1.145 billion in economic
2 activity associated with state tourism, state parks.
3 It should be noted that that economic activity
4 occurred under existing regulations.

5 In summary, while I appreciate the
6 efforts and responsibility of the DEP to protect our
7 environment, the documentation generated in support of
8 these new rules does not adequately justify the need,
9 nor accurately anticipate the impact to the
10 conventional producers of Pennsylvania.

11 Considering that these small businesses
12 and associated industries are significant providers of
13 employment in the struggling economies of rural
14 Pennsylvania, a more careful justification and
15 complete cost estimate is owed to the citizens.
16 Without more careful consideration, these rules risk
17 decimating jobs in the areas of our state already
18 worst off.

19 CHAIR:

20 Thank you. Robert Longnecker followed
21 by Jim Hunter.

22 MR. LONGNECKER:

23 Good evening. My name is Bob
24 Longnecker, and I live at 69 Gregory Avenue in
25 Bradford, Pennsylvania. I would like to thank this

1 Board for giving me the opportunity to speak.

2 I'm a Marine Corps veteran of the
3 Vietnam War and a retired history and economics
4 teacher with a great interest in the Pennsylvania oil
5 industry. My interest dates back to the days when I
6 was a young boy and accompanied my uncle to work on
7 his lease. As a teacher of economics, I had my
8 students read the book The Prize, a classic on oil.
9 It's written by Daniel Yergin. This book stressed the
10 important role that oil played in the
11 industrialization of the United States, our growth as
12 a world power, and our economic problems caused partly
13 by our declining production and increased reliance on
14 foreign sources.

15 When I retired from teaching, I worked
16 five years running an oil lease for a small
17 independent producer in Limestone, New York. The 12
18 wells on the lease each produced less than a barrel a
19 day. I became acquainted with many of the Bradford
20 area producers at their monthly breakfasts. I learned
21 about producing oil from them by talking to them and
22 also by on-the-job training. I enjoyed working
23 outside and fixing things. I can truly understand how
24 oil is not only a livelihood, but a way of life for
25 these producers. It is their lifeblood.

1 The current proposal to put the
2 conventional shallow oil well industry under the same
3 regulations imposed on the shale gas industry, in my
4 opinion, lacks sound judgment and common sense. Why
5 should a 150-year-old oil industry with lower profit
6 margins, smaller well sites, smaller environmental
7 impacts and rich historic and cultural traditions be
8 subjected to the same regulations as a 10-year-old
9 industry?

10 Furthermore, will the additional costs
11 imposed on the small producer by these burdensome
12 regulations yield greater economic benefits than the
13 additional economic costs of these regulations? I
14 believe not. The reverse would likely be true. I
15 submit that a reverse economic multiplier would occur.
16 Higher economic costs of compliance would result in
17 declining production and drilling, plugged wells,
18 abandoned leases, higher unemployment, decreased
19 business activity, and reduced refinery operating
20 capacity.

21 Our local and national economies already
22 have enough problems caused in part by overregulation.
23 Please do not adopt the one-size-fits-all approach by
24 imposing these regulations on the conventional
25 producer. With all due respect, please think before

1 you act. Thank you.

2 CHAIR:

3 Jim Hunter followed by John Anderson.
4 Jim Hunter. Is Jim here? John Anderson. Is John
5 here? Don Coleman. Is Don here? Don will be
6 followed by Tom Miller.

7 MR. COLEMAN:

8 Good evening, Mr. Waite. Thank you.
9 And the rest of the Board, thank you for letting me
10 testify here this evening. My name is Don Coleman,
11 Junior. I'm from Oil City, Pennsylvania. I am a
12 second generation oilman like most of the folks in
13 this room that I know and worked with who are all also
14 multiple generation people.

15 The regulations we are discussing and
16 have been discussing tonight have got to be obvious to
17 almost everybody here that they're very onerous and to
18 the point now we will be put out of business. We've
19 heard DEP's estimates of costs and actual estimates of
20 costs up to billions of dollars. I don't see billions
21 of dollars in this room. If you put us out of
22 business, it's going to create a problem that is
23 consequences that the environmentalists are screaming
24 at us about, and that's fresh water.

25 Abandoned, orphaned wells. Tens of

1 thousands in this state right now. Who's taking care
2 of them? Whose responsibility are they? Under the
3 new regulation, it proposes that it puts the onus on
4 me as the producer and the driller of the well. You
5 go out and find wells. I could take every person in
6 this room, everyone on the list who testified, hold
7 hands. We wouldn't find ten percent of them, let
8 alone 10,000. These regulations stating the way they
9 are, you put these numbers to me. It's simple math.
10 I can do calculations in my head. I make X amount of
11 oil, and I got to spend X amount of dollars. Where
12 are those dollars coming from? You can't get blood
13 out of a turnip.

14 As a producer, I have to look at it. I,
15 unfortunately, came back here 15 years ago on an old
16 Quaker State lease. Had several hundred wells on it.
17 I can't plug that out. I work it every day. When oil
18 was \$12 a barrel, I was working that lease. Think
19 about that. A hundred barrels sell for \$1,200. Now
20 we get a better number, but our production quota for a
21 barrel a day, those numbers just don't add up.

22 With the additional regulation that is
23 being put on it, the unintended consequence I can see
24 is going to be a liability to the state and taxpayers
25 of this Commonwealth that's unbearable. We'll be the

1 first state to go bankrupt strictly because of
2 regulations.

3 All these folks here I work with. I can
4 point out. A lot of them left, but I have worked with
5 multiples. And everybody here, sons, fathers, you
6 know. Their kids are out there with them now. There
7 are three generations of people working a patch. Our
8 founding people in our country ---. One of the things
9 they guaranteed to us, pursuit of happiness. We don't
10 go out and seek ---. What was the temperature this
11 morning? Minus 18 degrees. We go out and work in the
12 weather because we have to. We do it because we love
13 to.

14 This is an industry that I've been in
15 since I was seven years old. I remember the first
16 time getting a drilling rig. I can remember that back
17 that far, 49 years ago. And look and go wow. This is
18 something. Not knowing anything about the industry
19 other than these people work hard. They take a risk.
20 They work to make a living, not just to supply oil.
21 This is something we do, we love.

22 With the regulations being proposed, I
23 respectfully look at the Board. You know, we cannot
24 be subjected to the exact same regulations that are
25 being placed on conventional oil or the gas industry.

1 It doesn't make sense. It makes sense to the DEP to
2 say okay, we'll put two on one slope, sizing up our
3 ground to service. Our ground to service five acres.
4 We can put maybe 12 wells together. Cut down even
5 more efforts that I have. I can't drill as many
6 wells. Commonsense just tells you that the
7 regulations don't make sense. They are impractical,
8 and they're going to destroy this industry. And if it
9 destroys the industry, I feel sorry for the state,
10 because there's not enough money in the coffers to
11 take over the problems that have been created by the
12 new regulations. Thank you.

13 CHAIR:

14 Tom Miller followed by Bill Belitskus.

15 MR. MILLER:

16 My name is Thomas A. Miller. I'm a
17 fourth generation oil producer. I live at 560 Route
18 16 South, Olean, New York. I'm from New York, but the
19 Pennsylvania oilfield extends into New York State.

20 If the refineries and the supporting
21 industries go down, I go down too. I have been
22 working on oil wells since I was ten years old. I
23 taught high school physics, chemistry and math for a
24 short time after graduating from college, but my real
25 love is the oil patch.

1 The conventional almost 155-year-old
2 Pennsylvania shallow well oil production industry is
3 located in some of the most beautiful country in the
4 world. This includes the historic Oil Creek Valley
5 where there was once a forest of derricks in the
6 infancy of the industry. This is fact. If you don't
7 believe me, go visit Oil Creek State Park and see for
8 yourself. There was more oil in Oil Creek before the
9 birth of the oil industry than there ever is today.
10 The creek was named for the natural oil springs and
11 seepages along its banks.

12 The oil produced by this industry, Penn
13 Grade Crude, found only in Pennsylvania, New York,
14 West Virginia and Ohio, is the most
15 environmentally-friendly crude oil in the world, being
16 the source for many specialties including personal
17 care products and even food additives as well as
18 high-quality lubricants.

19 Besides being direct employment for
20 thousands in western Pennsylvania and beyond, the
21 industry is a very significant economic driver for the
22 whole region. It is responsible for the employment of
23 thousands more who work in other businesses that are
24 providers of services and supplies. This is in
25 addition to the tax base provided by the industry.

1 The elimination of the oil industry would devastate
2 the entire region, but the effects would be felt all
3 over the state and into other states as well.

4 Why should this industry be made extinct
5 by inclusion in a new set of rules designed for a
6 brand new industry, shale gas, that has very little in
7 common with the shallow well industry other than the
8 fact that it produces a resource from the earth? The
9 need for these --- the need for many of these rules,
10 even for the shale industry, is suspect. The
11 pressures encountered, the toxicity of substances
12 involved, if any, as well as space required, traffic
13 generated and water usage for conventional wells is
14 minuscule compared to the unconventional wells. My
15 home water supply is a former oil well.

16 When applied to conventional wells, many
17 of the rules are actually environmentally
18 counterproductive. For, example, why is it necessary
19 to carve a highway into a well location when not much
20 more than a cow path is needed? The enforcers appear
21 to be driven more by the desire to issue citations and
22 to show who is boss than anything to do with actual
23 environmental benefit.

24 The purpose of the DEP should be to help
25 the industry to operate in an environmentally sound,

1 efficient and productive manner, not to harass it to
2 death. I understand that this is all being driven by
3 so-called environmentalists who get their technical
4 advice from celebrities and media bias and scoff at
5 those who have devoted their entire life to acquiring
6 genuine expertise. One has to really question the
7 actual motives behind these people. Why should state
8 government give them more credibility than the
9 hardworking people who are doing their best to make a
10 living and provide necessary and valuable resources
11 that have made life better for all?

12 When the big corporations, who are no
13 longer in the picture, had large secondary recovery
14 projects in operation, they had single-point
15 discharges of thousands of barrels a day of produced
16 water. Some of them actually kept the streams flowing
17 in dry weather, and some of the streams are renowned
18 for their trout fishing. The government didn't have a
19 problem with that then, but now a hardworking little
20 guy trying to make a living is a felon for discharging
21 gallons of produced water, which is often beneficial
22 to the vegetation by providing traces of nutrients.

23 In spite of this, it is deemed right and
24 proper for the state, itself, by the state itself, to
25 annually dump hundreds of thousands of tons of

1 unrefined deep-mined salt on the highways. You don't
2 see or hear the so-called environmental groups up in
3 arms about this, but it doesn't bother them to
4 constantly cite untruths, half-truths,
5 misrepresentations and non-disasters to further their
6 goal. Isn't there something wrong with this picture?

7 If the Penn Grade Crude production
8 industry is destroyed, not only will it mean the loss
9 of employment and prosperity to many, but a tremendous
10 source of a valuable resource will be lost that may
11 never be regained. Overregulation is wasteful,
12 environmentally and economically counterproductive and
13 imposes hardship at least, and more likely,
14 devastation on the lives of the people who are
15 victimized by it. There has to be a balance between
16 perceived benefits and the harm that comes as a
17 result. All new regulations should be subject to
18 honest regulatory review.

19 Shallow conventional wells must be
20 considered separately from deep unconventional wells.
21 The regulations that were already in place pursuant to
22 Act 223 were more than adequate to address the
23 conventional industry.

24 To the members of the Environmental
25 Quality Board, I ask that you please be aware of the

1 grave matter of the human element involved when you
2 make your decisions. The industry is run by real
3 people who are all trying to live. It would be
4 wonderful if they could concentrate on doing the best
5 they can at what they do rather than having to
6 constantly fight for survival. It is taking its toll
7 on the lives and well-being of both them and their
8 families. Thank you.

9 CHAIR:

10 Bill Belitskus followed by Bonnie Elder.
11 Bill? Bonnie Elder. Bonnie Elder will be followed by
12 Ron Slabe.

13 MS. ELDER:

14 Good evening. My name is Bonnie Elder
15 of Elder Oil and Gas, 116 Elder Road, Parker,
16 Pennsylvania, Clarion County. And I guess I represent
17 the wives of the oil producers.

18 My husband Alex is fourth generation
19 shallow oil and gas producer. Our son, Len, is fifth
20 generation. We produce approximately 30 shallow wells
21 in Clarion and Venango counties. These wells range in
22 depth from 900 feet to 1,400 feet. Some of our gas
23 wells presently produce as little as 1,000 cubic feet
24 per day. So you can see these are just shallow wells.
25 Noteworthy is the fact that three of these wells ---

1 oil wells were drilled in the 1860s and are still
2 producing today.

3 My husband works from daylight to dark
4 nearly every day, seven days a week to maintain
5 production of his wells, because this is the way we
6 make a living. Raising our two boys, I can remember
7 making them wait on Christmas morning until dad
8 returned from tending from the wells before they could
9 open their presents, and this was every holiday. It
10 actually took me a few years after we were married to
11 realize that the oil heritage that was my husband's
12 ancestors was absolutely in his blood also.

13 We have one employee, but we'll probably
14 have to lay him off permanently if these regulations
15 are forced upon us. There's another lost job that we
16 were responsible for.

17 Farming is also a passion for Alex. At
18 first, I wasn't too keen on living on a farm, but it
19 has turned out to be a good life of hard work and a
20 good environment for raising our boys, teaching them
21 to be good workers. Alex has tilled several hundred
22 acres of our land each and every year, watching the
23 rewards of corn, oats, wheat, spelts and hay grow, so
24 that he can feed his livestock of beef cattle, hogs,
25 and chickens. He loves to watch and smell that good

1 old Pennsylvania dirt as he plows. As he has always
2 said, one of the reasons he does this is because God
3 gave us this land, and we do need to take care of it.
4 And we will not do anything to harm --- to do harm to
5 our land or environment. We live here.

6 For 40 years, we've put the majority of
7 the profits back into producing and expanding our
8 production. This is our lively hood. My husband is
9 65 years old. He has no 401(k) or pension plan. I
10 have retired recently after working for several years
11 to help with our income. All we have now is our oil
12 and gas production. I know that each one of these
13 hardworking small producers are proud to be able to
14 produce and contribute a product our area is so richly
15 blessed to have.

16 Please do not take this from us, the
17 small independent producers, with rules and
18 regulations that are implemented for larger
19 industries. These regulations will surely shut us
20 little guys down that depend of this for their living.
21 Thank you.

22 CHAIR:

23 Ron Slabe followed by Michael Miller.
24 Ron? Michael Miller. Mike will be followed by John
25 Williams.

1 MR. MILLER:

2 My name is Mike Miller. I reside at 204
3 Teal Court, Kingsport, Tennessee. I am a petroleum
4 engineer and a licensed professional engineer and am
5 currently a senior vice president with Cardno,
6 Limited, an international consulting and services firm
7 with Pennsylvania offices in Pittsburgh, Philadelphia,
8 Scranton, Harrisburg and York. I learned of this
9 meeting last week after arriving in the area to visit
10 with family and am speaking today as a concerned
11 individual, not as a representative of my company.

12 As a youth, I worked in conventional oil
13 drilling and production operations in McKean County,
14 Pennsylvania and in Cattaraugus County, New York.
15 After college, I taught high school math and science
16 in Bradford, McKean County, now Bradford County,
17 before returning to school to obtain a graduate degree
18 in petroleum engineering. Since then, I have been
19 employed for 33 years in the petroleum industry with
20 Getty Oil Company, Texaco, Equitable Resources, now
21 EQT Corporation, and DTE Energy prior to my current
22 employment with Cardno. With EQT, based in
23 Pittsburgh, I served as an engineering manager and
24 then as vice president, production.

25 Over the past ten years as a consultant,

1 I have provided services to oil and gas companies,
2 landowners, accounting and legal firms, and financial
3 institutions. I am extremely knowledgeable about all
4 aspects of the petroleum industry, including its
5 risks. Environmental services comprise a significant
6 percentage of my employer's business, and, in fact,
7 Cardno was the principal environmental contractor for
8 the BP oil spill cleanup in the Gulf of Mexico. In
9 the environmental area, I have reviewed properties for
10 The Nature Conservancy, prepared and certified spill
11 prevention plans for produced oil and water
12 facilities, and I've determined and certified carbon
13 credits under protocols of the Chicago Climate
14 Exchange.

15 I've worked on numerous conventional oil
16 and gas, Marcellus Shale, and Utica Shale projects in
17 Pennsylvania and in adjacent areas in Ohio and West
18 Virginia, including in Warren County where this
19 meeting is being held. Last year alone, I worked on
20 oil and gas reserve and valuation projects in the
21 Commonwealth, developed a degasification plan for an
22 underground coal mine in Indiana County and testified
23 as an expert at trial in energy-related cases in both
24 Greene and Indiana Counties.

25 Based on knowledge and experience, I

1 believe that bringing Pennsylvania's conventional oil
2 and gas industry under the same regulatory
3 requirements as the unconventional shale industry is
4 both illogical and counter to the economic best
5 interests of the Commonwealth. Current regulations
6 already provide for safe and environmentally sound
7 operations by the conventional oil and gas industry,
8 including protection of valuable water resources.
9 Imposition of pointless additional regulations and
10 their high compliance costs on conventional oil and
11 gas operators would only serve to close businesses and
12 eliminate many jobs in already economically-depressed
13 northeast or northwestern Pennsylvania.

14 Although unconventional shale
15 development has greatly benefited Pennsylvania and our
16 nation by providing abundant supplies of low-cost,
17 clean-burning natural gas, it does entail greater risk
18 than conventional oil and gas development and requires
19 more regulatory control. However, no additional
20 regulations are needed for conventional oil and gas
21 development. The conventional oil and gas and
22 unconventional shale industries are totally different
23 in both scale and accompanying risks.

24 Consider the following. A typical
25 conventional well is 500 to 4,000 feet deep. A

1 typical shale well is drilled 5,000 to 8,500 feet deep
2 and then another 4,000 to 8,000 feet horizontally with
3 current activity. A new conventional well typically
4 produces between 1 and 20 barrels of oil per day
5 initially and/or between 10,000 and 100,000 cubic feet
6 of gas per day. Compare that to new horizontal shale
7 wells, which initially produce between 5 and 15
8 million cubic feet of gas per day and, in
9 liquids-productive areas, can produce from hundreds to
10 thousands of barrels of oil, condensate and/or natural
11 gas liquids.

12 The typical pressure in a conventional
13 well is between 50 and 500 pounds per square inch
14 compared to pressures from 3,000 to 5,000 pounds per
15 square inch in Marcellus and Utica Shale wells. A
16 conventional well costs between \$60,000 and \$250,000.
17 A horizontal well typically costs about six and a half
18 million dollars.

19 I'm going to cut down here and just say
20 one statement. Companies drilling conventional wells
21 in Pennsylvania are mostly locally owned and operated,
22 are frequently family-run businesses and commonly have
23 assets from a few thousand to several million dollars.
24 Horizontal shale development is mostly conducted by
25 out-of-state companies like Exxon Mobil, Chesapeake,

1 Shell, Talisman, Range, Chevron and Cabot, each with
2 market caps from many billions to trillions of
3 dollars. Need I say more? Thank you.

4 CHAIR:

5 John Williams followed by Al Lander.
6 John? Al Lander.

7 MR. LANDER:

8 I'm Al Lander. I'm an attorney with the
9 Law Offices of Greco and Lander in Clarion,
10 Pennsylvania. I have practiced law in Pennsylvania
11 for over 36 years, specializing in natural resources
12 law, representing individuals and companies in the
13 areas of oil and gas, coal, timber, land and farming.

14 I have participated in the comments
15 filed with the Board by one or more of the
16 Pennsylvania oil and gas associations. The comments
17 that have been filed with the Board are a good
18 analysis of the technical, economical --- or economic
19 and legal defects in the proposed regulations and the
20 reasons why they should not be adopted by the industry
21 --- or should not be adopted as binding on the
22 industry. I ask that this Board give the comments due
23 consideration. There's no merit in my repeating what
24 has already been said by the oil and gas associations;
25 and, therefore, I will not do so.

1 The bottom line of all the comments that
2 have been filed is so what? Why does it matter if the
3 proposed regulations expand PNDI database to include
4 special concern species, plant communities and
5 geological features that have never been designated or
6 listed under any federal or state rulemaking process?
7 Why does it matter if the proposed regulations equate
8 critical communities with special concern species
9 without an adequate basis in law or fact? Why does it
10 matter that the proposed regulations do not define
11 criteria for determining if a proposed well, well site
12 or access road poses a probable harmful impact to a
13 public resource?

14 Why does it matter that the proposed
15 regulations do not define the area of review, both
16 horizontally and vertically for orphaned and abandoned
17 wells that may be impacted by hydraulic fracturing,
18 and use open-ended obligations or technical
19 determinations of risk assessment of subsurface
20 features? Why does it matter that the proposed
21 regulations require an operator to restore or replace
22 a water supply affected by drilling operations to a
23 standard established under the Pennsylvania Safe
24 Drinking Water Act even though the water source did
25 not meet that standard before the drilling was

1 conducted?

2 It matters because the vague and
3 undefined standards in the proposed regulations will
4 lead to inconsistent and contradictory outcomes based
5 upon the proclivity of the permit reviewer, the
6 inspector and other enforcement official. It matters
7 because we are a nation governed by law, not by
8 executive fiat. It matters because the proposed
9 regulations such as the replacement of water supplies
10 to the Pennsylvania Safe Drinking Water Act standards,
11 in some cases, will be impossible and, in most cases,
12 prohibitively expensive. It is also unjust and unfair
13 to impose upon the oil and gas industry the burden and
14 expense of addressing water contamination unrelated to
15 oil and gas operations.

16 A Penn State study has found that up to
17 50 percent of private water systems do not meet the
18 safe drinking water standard. The oil and gas
19 industry is being asked to fix the problem.

20 It matters because the expense of
21 replacing tanks, dikes and other procedures required
22 for replacement equipment will be uneconomical or
23 burdensome for older wells and may lead to economic
24 peril for some operators. It matters because the
25 proposed regulations will have a high cost to the

1 industry and will result in the loss of good paying
2 jobs and economic development.

3 It is believed that the oil and gas
4 industry is making high profits and can afford to
5 implement the higher environmental standards. When
6 gas prices were at \$15 an mcf, that may have been
7 true, but not when they're at \$3 with a slight spike
8 now with the cold winter. Leasing bonuses, royalties
9 and damage payments have also fallen significantly.

10 Who profits from the oil and gas
11 industry? Consumers profit with lower heating bills
12 and lower gasoline prices. Workers profit through
13 increased higher paying jobs. The industry profits
14 through lower energy costs and raw materials.
15 Governments profit through higher taxes, user fees and
16 lower social support payments. The American people
17 profit. When we establish energy independence, we
18 will no longer be sending our sons and daughters to
19 remote places in the world, sacrificing our blood and
20 treasure to protect our energy supply. Thank you.

21 CHAIR:

22 Jeremy McGee. David Stein. David will
23 be followed by Allen Keer.

24 MR. STEIN:

25 I'm David Stein from Lakewood, New York.

1 I'm the owner of a company call L.J. Stein. We are a
2 firm that shares a couple hundred of gas operators,
3 indigenous service contractors across western
4 Pennsylvania.

5 Over the course of my career, I've been
6 privileged to work with the producers and service
7 contractors that comprise the traditional,
8 conventional oil and natural gas industry. Many of
9 these businesses are multi-generational family
10 concerns. These businesses directly employ thousands
11 of employees in the communities most challenged --- in
12 some of the Commonwealth's most challenged,
13 economically challenge regions. These companies form
14 the foundation of the communities. Some of the
15 communities that I think most of them are towns like
16 Warren, Bradford, McKean, Mount Jewett, Sugar Grove,
17 Titusville. This part of world where you don't see a
18 great deal of unconventional production.

19 I'm also submitting some more technical
20 comments. This is more of why we're here. These
21 businesses face a challenge in business that they're
22 facing right now. Currently, the natural gas climate
23 is difficult, to say the last. But when we overlay
24 the cost of burdensome of the proposed amended
25 regulation, I --- it's my belief that we're going to

1 end up shifting the plays of the economics of the
2 industry favor unconventional operators more so then
3 you already have of our producers and indigenous
4 service contractors. Doing so is going to have a ---
5 would also irrefutably harm the communities that are
6 home to these indigenous service contractors and
7 producers.

8 I do spend a lot of time thinking about
9 the Bradford refinery. And that organization is not
10 supported by the unconventional business. It's
11 supported entire entirely by the conventional
12 business. And if we lose that, that's going to be a
13 permanent and irrefutable loss to the Commonwealth.

14 DEP's duty bound to consider these
15 impacts on the Commonwealth and to the impacts to the
16 Commonwealth's small businesses. I call upon DEP to
17 work with our indigenous produces and contractors. I
18 don't think that anybody in this room is against
19 meaningful regulation where there's a clear outcome
20 that we can understand where we define the problem
21 that currently exists. I think that there's a
22 consensus, at least on that side of the railing, that
23 the problems that we're solving don't necessarily
24 just, in fact, we have to make a regulation. That is
25 looking for a problem to solve. Thank you.

1 CHAIR:

2 Allen Keer followed by Samuel Slocum.

3 Allen. Samuel Slocum.

4 MR. SLOCUM:

5 Much of what I was going to say has
6 already been said, so I'd just like to say this quote.
7 Oil is a product that arouses so much passion. A lot
8 of people have passionate fear or distaste or
9 downright hatred almost for oil. There is no other
10 product that so many people need so badly, yet so many
11 people believe should be produced entirely without
12 profit. That was stated by Jeane Kirkpatrick, former
13 U.N. Ambassador for the United States of America.

14 Much of what I say has already been
15 repeated several times, but I will say this. I would
16 ask that, in fairness to this struggling industry of
17 shallow well oil producers, that you would reexamine
18 the regulations that link them with the new
19 Marcellus/Utica industry and make separate and
20 appropriate regulations for the conventional well
21 industry. Since so much of our lives depends on oil,
22 we need to have laws that not only protect our
23 environment, but also protect the stability of our
24 local economy, the security of our oil field workers
25 and producers and the continued supply of products

1 that come from Pennsylvania Grade Crude Oil. Thank
2 you.

3 CHAIR:

4 Carey Snow. Carey Snow followed by
5 Susan Perry.

6 MR. SNOW:

7 My name's Carey Snow. I own and operate
8 wells in the Otto and Elder Township area of McKean
9 County. And I'd like to start ---. I'll be real
10 short. I'd like to start off. How many people in
11 here, raise your hand please, are 35 or less?
12 Probably what? About 15 percent or less. Let's
13 assume we had 300 people in here. That's the future.
14 And the reason I bring that up is I have a son, Kelly,
15 who seven months ago got out of the Marine Corps, was
16 discharged from the Marine Corps honorably. He served
17 nine years. Went in right out of high school and
18 served three tours in Iraq, the Anbar Province, the
19 Fallujah area and one in Afghanistan.

20 When he got out last summer, he wanted
21 to come back here. And I told him no. I said the
22 State of Pennsylvania is in the process of regulating
23 us out of business. And he begged, and it's tough to
24 tell your kid no, I don't want you back here. There's
25 no future for you back here.

1 So eventually he stayed working out of
2 Camp Pendleton. He was based out of Camp Pendleton,
3 HMLA and 361, the gunfighters. And he worked there
4 for three months, got himself a job at a prison in
5 upstate New York in the Adirondacks. Lasted two
6 months there. And finally got a buddy who got him a
7 job in Texas. A guy he had served with in Iraq for
8 two out of those three tours. In a gas compression.
9 They're working the Eagle Ford Shale. And I told him
10 that's where your future is. I said it isn't back
11 here. I said the environmentalists are going to kill
12 this business, if not with this --- these regulations,
13 the next ones that come. And I told him go somewhere
14 where they're going to appreciate you. Go to Texas.
15 Go to North Dakota. Go to Louisiana. Go to Alaska,
16 even Kansas. I said they don't appreciate you back
17 here. I said they want you out of business.

18 He's now making \$70,000 a year. He's
19 got a job. He's got a cell phone that the company
20 gave him. All I can ask is whatever control you folks
21 have, let our kids come home. Let's quick sending
22 them south. Let them come home. Don't drive us out
23 of business. Thank you.

24 CHAIR:

25 Susan Perry followed by Garry Campbell.

1 MS. PERRY:

2 I'm a fifth generation descendent in a
3 Penn Grade Crude producing family and have lived among
4 the oil wells all my life. My paternal grandfather
5 came to Bradford in 1880 from Butler County and worked
6 ten years for an oil company before beginning to
7 purchase oil property for himself. He and his three
8 sons, including my father, loved nature. To them,
9 part of the joy of working in the oil business was
10 working outside in the woods, enjoying the lush
11 forests and the wildlife. They produced oil
12 responsibly and always with the goal of keeping the
13 woods safe and clean. Now, over 120 years later, the
14 lease is still being operated, in the same clean,
15 responsible way that was the tradition of my family
16 and of the oil producers, many of them who are in this
17 room tonight.

18 We are not big oil, and we're not
19 millionaires just people trying to make a living and a
20 legacy for their families by working in an industry
21 that has given so much to the community, the state and
22 the world, including the following areas. Number one,
23 jobs. We have a refinery in Bradford that has
24 operated for over 140 years. ARG buys our oil,
25 refines it and, in the process, provides jobs to

1 between 400 and 500 people. They are also involved in
2 philanthropy in the area, doing good for others and
3 helping to make the community a better place.

4 The oil producers provide many more jobs
5 to individuals with all kinds of skills in addition to
6 purchasing products from local businesses. If the
7 independent producers would be forced to shut down,
8 then the refinery would not have oil to refine, many
9 people would be unemployed, and the area would die.

10 Products. You can't get up in the
11 morning without using something made possible by a
12 petroleum product. I have here a list of such things,
13 products used in all areas of life. Clothing,
14 textiles, medical, household, kitchen, health, beauty,
15 transportation, home furnishings, sports, hobbies,
16 games and on and on. I invite you to look at this
17 list.

18 Patents. At the oil museum where I
19 work, several years ago we did a study of patents that
20 came out of the Bradford Oil Field. We have five
21 three-inch binders full of patents that just came out
22 of people that worked in the oil business, another
23 gift to the community and the world.

24 Tonight, we're here because of
25 regulations, regulations that some think should be

1 applied to all oil and gas producers equally. The
2 Marcellus and Utica shale industry is a totally
3 different type of operation and should not be equated
4 with the shallow oil producing industry. Marcellus
5 drilling goes 5,000 plus feet deep below the earth's
6 surface and is done by large oil companies with
7 budgets in the millions. Their well sites take up
8 large areas. The independent conventional oil
9 producers, on the other hand, have budgets in the
10 thousands and very small well sites and cannot afford,
11 nor do they need, the same regulations. To force the
12 conventional producer into the same category as the
13 Marcellus would destroy them and the area we live in.

14 You who worry about damage to the
15 environment, think about this. Oil was discovered not
16 by a well, but by a seep. The first so-called oil
17 producers found oil on top of Oil Creek, sopped it up
18 with blankets and wrung it out into a bucket. It was
19 found in the creek, and you can't blame oil producers
20 for that one. Oil is a fossil fuel. It comes from
21 the earth.

22 If you want to worry about a drop of
23 saltwater, maybe you should worry about all the salt
24 they put on the roads in the wintertime when the plow
25 comes and pushes snow and salt into the ditches and

1 the streams. And in front of my house, it pushes it
2 into a pipe that goes under the road and down into the
3 wetlands. That's more than a drop of saltwater.
4 That's salt.

5 I live on a piece of property that one
6 time had oil wells, but you'd never know it. I'm very
7 healthy. The ground is clean, the well is wonderful,
8 and the flowers and trees flourish.

9 In closing, I would like to say that I'm
10 proud of this industry and what it has done to make
11 life better for all of us. I am proud of the people
12 in this room who continue to produce oil in a clean,
13 responsible way, and I am proud to be here tonight
14 supporting them. I respectfully urge you to separate
15 the conventional oil producers from the regulations
16 applied to the shale industry. Thank you.

17 CHAIR:

18 Garry Campbell followed by Laurie Barr.

19 MR. CAMPBELL:

20 Good evening. Thank you for the
21 opportunity to speak. I'm Garry Campbell, 302 State
22 Street, Russell, Pennsylvania. I'm just a community
23 member concerned and president of the Warren County
24 Tea Party and participant in the national tea party.

25 You wonder why would the tea party be

1 involved or be interested in a hearing like this.

2 Well, one of the principal elements of our mission
3 statement is less government. Two words, less
4 government. And when I heard about the governmental
5 regulations and interference it appears that they're
6 planning in this industry, I wanted to come and voice
7 my concern.

8 The word that I heard several times ---.
9 You know, in just the last couple days, I've learned a
10 lot about what's happening here. I heard it repeated
11 time and time again here tonight concerning what the
12 regulation, the proposed regulation is. And so I have
13 a little bit of understanding based on that. But
14 several times I heard the word why, why is this
15 happening. Well, it appears, from the correspondence
16 we received tonight, that the DEP is aware there's two
17 separate types of activity here. So why? Where's the
18 pressure coming from? Could it be political? Is it
19 corporate? I don't know.

20 The federal apparatus seems to be kind
21 of not friendly to oil, so I kind of connect the dots
22 and wonder if the pressure is coming from Washington
23 or some ---. You know, it could be corporate. It
24 could be a business matter. I don't know, but just a
25 couple ideas about that.

1 But I'll get into my reading here. In
2 the interest of a purpose ---. Well, concerning the
3 subject of my comments concerns the purpose, the
4 necessity, the effect and a recommendation. Real
5 simple, quick. I will be very brief. In the interest
6 of promoting the general welfare ---. This is the
7 purpose. In the interest of promoting the general
8 welfare within the narrow but important scope of your
9 mission, the DEP's mission, preserving Pennsylvania's
10 environmental assets, we adjure you to carefully
11 approach regulatory changes that would have a profound
12 impact on private oil and gas businesses. The DEP's
13 purpose is to prevent pollution and restore
14 Pennsylvania's natural resources. That's a quote.
15 Not to destroy or purposely hinder private businesses.

16 If your intent is to remove small
17 private business from the oil and gas industry, you
18 are acting outside of constitutional constraints.
19 Knowing that you are influenced by federal EPA
20 mandates and knowing the nefarious actions of the
21 current leftist federal administration in regards to
22 the private sector, it is easy to see that the PA DEP
23 could be easily used to advance a leftist agenda to
24 remove small private businesses from the oil and gas
25 industry.

1 Concerning necessity, technical advances
2 and other matters of necessity do require governmental
3 regulation in the interest of safety and integrity.
4 This applies to all industries, including those
5 concerned with the oil and natural gas acquisition.
6 It is also necessary to do so carefully in a way that
7 does not restrict freedom and free commerce.

8 Concerning effect, unnecessary, harmful,
9 careless imposition of regulation on private oil and
10 gas production companies can have an extremely
11 restrictive effect upon small companies. And we've
12 heard again and again and again and again tonight the
13 stories about how this would happen and what has
14 happened.

15 Concerning recommendation, my simple
16 recommendation is to remain within the constraints of
17 something more foundational than the government in
18 Washington. And that is the Constitution of the
19 United States. And within the context ---. To remain
20 within the constraints of the constitution and within
21 the context of your relatively narrow scope of
22 endeavor, the exercise your authority under the 10th
23 Amendment to the Constitution, states rights, in the
24 effort to preserve liberty for Pennsylvanian
25 businesses. Liberty and freedom for Pennsylvanian

1 businesses.

2 More governmental regulation results in
3 less liberty, plain and simple. We could easily view
4 overregulation as a reflection of the current
5 administration's aim to diminish the private sector
6 and expand government. Application of
7 one-size-fits-all regulation on different aspects of
8 the oil and gas industry is an unfocused and
9 potentially destructive effort. Close partnership
10 with the industries involved is absolutely critical
11 to, and in the end, promote the general welfare in the
12 cause of freedom and liberty for you and I.

13 CHAIR:

14 Garry, we'll have to read the rest of
15 your testimony.

16 MR. CAMPBELL:

17 I'm sorry.

18 CHAIR:

19 We'll have to read the rest of your
20 testimony.

21 MR. CAMPBELL:

22 Thank you.

23 CHAIR:

24 Thank you. Laurie Barr followed by
25 Joyce Cline. Laurie. Laurie Barr. Joyce Cline

1 followed by Glenn Weaver.

2 MS. CLINE:

3 Members of the Environmental Quality
4 Board, my name is Joyce Cline with a C. I live at 1
5 Longfellow Avenue in Bradford, Pennsylvania. And I am
6 the corresponding secretary and treasurer of
7 Pennsylvania Independent Petroleum Producers and
8 presenting testimony tonight on PIPP's behalf.

9 Our organization started in 1985 after
10 passage of the Oil and Gas Act of the previous year.
11 When Act 223 became law, most small producers were
12 unaware of what was being done to them in Harrisburg.
13 PIPP was an outcome of the anger felt, and its members
14 vowed not to let that happen --- what happened to them
15 in 1984 ever happen again.

16 Now, almost 30 years later, having lost
17 about half of our membership as a result of the 1944
18 --- 1984 Oil and Gas Act, here we are again, not
19 blindsided this time, but misled. We were aware of
20 new oil and gas legislation being negotiated in
21 Harrisburg. But our local legislators, as they have
22 already told you tonight, assured us based on
23 information that they were given by the committees and
24 the bureaucrats in Harrisburg that were writing the
25 legislation that the new law would not --- would have

1 no effect on shallow or conventional wells. This new
2 legislation was needed to address the unique
3 circumstances of drilling to the deeper, shale strata.
4 So, here we are again, fighting to save the legacy
5 wells that our organization was founded to protect.

6 I chose to be one of the last speakers
7 this evening, because I wanted you to hear from the
8 members of our organization who have already spoken.
9 And I wanted you to see that our members are
10 hardworking people who love what they do. They just
11 want government off their backs and out of their
12 pockets, so they can continue producing a product our
13 region and our country needs.

14 Most of the people here tonight would
15 rather be out working instead of in this courtroom
16 begging for mercy. Many of the people you've heard
17 from tonight have never before spoken in public
18 before, especially presenting testimony to a
19 government panel. But they're doing it because they
20 know what's at stake, stopping the passage of
21 regulations that would make it impossible for them to
22 operate their wells profitably. Remember, most of
23 these wells produce only gallons of oil, small amounts
24 of gas, leaving little or no room for the cost of yet
25 more regulations, especially regulations that do

1 little, if anything, to protect the environment, as
2 the DEP's name implies.

3 PIPP members do not have staff to deal
4 with the requirements of these regulations. Integrity
5 well testing, for instance, is just some bureaucrat's
6 pipedream and will bring zero compliance I can assure
7 you from PIPP members who operate marginal wells.
8 Some of our operators don't even own a computer; and,
9 therefore, can't even report production, let alone
10 attempt the enormous task of reporting well integrity,
11 the spreadsheet for which is approximately six feet
12 long.

13 Even if these regulations are sent back
14 to DEP and requirements for conventional and
15 non-conventional wells are separated, as we're asking,
16 we still face the ludicrous regulations on disposal of
17 production water, which is one of the other battles
18 that we're currently fighting. If the Department
19 doesn't work with the small producers to find a
20 solution, there will be hundreds more scofflaws in
21 Pennsylvania, operating outside the law because they
22 --- not because they choose to, but because they can't
23 afford to comply with the unreasonable regulations.
24 It's mind boggling to think that the state can spread
25 tons of salt on the road each year, even brine from

1 gas wells, yet one drop of production water on the
2 ground can bring NOV's and fines.

3 Our industry is unique. We can't close
4 our doors, load our wells and equipment and move to
5 another state that has a more favorable business
6 climate. There aren't too many people crazy enough to
7 become involved in a business that requires a lot a
8 hard work with uncertain rewards, where inspectors can
9 walk onto your property uninvited with no warning
10 simply because you operate out in the open instead of
11 in a building that can be locked up and only accessed
12 with authorization. Haven't we learned any lessons
13 from the way government has regulated most
14 manufacturing businesses in our country out of
15 business?

16 Consider what forcing thousands of
17 producers out of business will do to the economy of a
18 region that has depended on oil production for 150
19 years. How would the state benefit by forcing
20 operators to walk away from wells that they would
21 otherwise continue to operate and eventually plug
22 after their useful life is over when it can't even
23 plug the wells it's responsible for now? When will
24 government stop trying to fix something that is not
25 broken? You should know by now that it usually ends

1 up doing more harm than it does good. Thank you.

2 CHAIR:

3 Glenn Weaver followed by Linda Stiglitz.

4 MR. WEAVER:

5 Good evening. My name is Glenn Weaver.
6 I reside at 823 Congress Hill Road, Franklin, PA.
7 I've attended six of these hearings. This is the
8 third time to speak. And I've enjoyed this one. This
9 one's been interesting. I'm sure my blood pressure is
10 so much better than after the last one.

11 I'm a fourth generation oil producer.
12 And my son, who just turned 50, is in the business
13 with me. He is a fifth. Like the farmer's son who
14 had to work on the farm when he was growing up, I had
15 to work in the oil field. I said I would never work
16 at this greasy hard work. But here I am 55 years
17 later, and I love it. But I would like it better with
18 less ridiculous regulations, such as Act 13 and these
19 regulations we are here to discuss tonight.

20 One of today's shallow oil operator's
21 greatest challenge and greatest operating expense is
22 the proper management and disposal of produced water.
23 Regulations like the TDS rule and the regulations we
24 are here tonight to discuss continue to change, making
25 operations in the shallow oil patch more and more

1 difficult and more and more expensive.

2 As a governmental body, it is
3 unreasonable and inappropriate to continue to tell our
4 industry what they --- what we cannot do without
5 offering input as to what we can do to meet the
6 environmental objectives of the Department. As an
7 example, we have a low flow lease sized NPDES permit
8 pending with the DEP that meets all of the existing
9 rules and regulations. And after 159 days, the
10 Department has offered no response and no action. We
11 are trying and trying hard to adjust to new
12 requirements, but the Department has to do their part
13 and assist this industry. This is just one example of
14 the state creating obstacles with no attempt to assist
15 a struggling industry and the proposed changes to the
16 Chapter 78 regs will significantly worsen this
17 situation. We have \$5,000 in advertising and
18 engineering fees to this date, and it seems like we're
19 going nowhere.

20 Please give some serious thought to what
21 you are doing to the shallow oil industry in
22 Pennsylvania and seriously consider the written
23 comments I will send to the EQB. It seems the DEP no
24 longer uses the slogan we're here to develop the
25 resources of the Commonwealth with reasonable

1 environmental protection. Thank you.

2 CHAIR:

3 Linda Stiglitz.

4 MRS. STIGLITZ:

5 Linda Stiglitz, Allegheny Well Service,
6 Incorporated, 896 Victory Church Road, Franklin,
7 Pennsylvania. I am the wife of an independent oil
8 producer in Venango County, Pennsylvania. My husband
9 and I have been in the oil business since 1976. We
10 also got married the same year we started in business,
11 and the first year was very difficult. My husband has
12 worked very hard for a lot of years and pushed on
13 because of his love of the oil business. Looking
14 back, I don't know how we ever did it. He has put in
15 12 to 14-hour days and worked six to seven days a week
16 all of his working life.

17 My comments today originated from a
18 letter I wrote nearly a year ago to the DEP to the
19 acting Secretary Abruzzo. I was prompted to write
20 that letter because of the frustration I was feeling
21 at the time in regards to what seemed like a difficult
22 relationship between the shallow oil producing
23 community and the agency charged with regulating it.
24 My comments this evening contain a lot of the thoughts
25 and emotions I was feeling that day.

1 There is not one day that goes by that
2 my husband and his fellow oil producers has something
3 to deal with when it comes to the DEP. If it's not
4 one thing, it's another. The rules change daily
5 depending on who comes out to the leases. These guys
6 work so hard, 12 to 14 hours a day. And now they have
7 a job on the side, trying to comply to the DEP
8 regulations. My husband is on the phone at least two,
9 three times a day trying to deal with these problems.
10 If it's not phone calls, it's meetings.

11 These guys are no spring chickens
12 either. I can see them, a lot of them aging rapidly
13 over all of this. I can only imagine what it is doing
14 to their health. My husband is so down right now I
15 feel so bad. His love of the oil business has become
16 tainted with regulations that have become out of
17 control.

18 We are trying to comply with the
19 regulations. For example, we have made an application
20 with the department for a small lease sized onsite
21 disposal facility to process our production water.
22 The application for the first part general permit was
23 filed on June 24th, 2013. It's been 159 days, and we
24 have heard no reply regarding this matter. These
25 small treatment systems will not be the complete

1 answer for all small producers, but they might be a
2 practical solution for some operators. The department
3 needs to expedite the permitting process for these
4 systems. Provisions in the proposed Chapter 78
5 regulations concerning the reporting of small
6 accidental discharges of crude oil or production water
7 are onerous and unnecessary.

8 We were in Hawaii, as a 35th wedding
9 anniversary gift from our children, two years ago and
10 as we looked down into the water surrounding the
11 Arizona memorial, we saw old fuel oil bubbling to the
12 surface with fish swimming in it. They weren't dead.
13 Oil Creek in Venango County got its name because of
14 naturally occurring crude oil floating on the waters.

15 By the way, how much salt does PennDOT
16 discharge into Pennsylvania waters each year either
17 directly or indirectly? As far as soil erosion
18 controls and road construction goes, there seems to be
19 two standards between the oil and gas industry and
20 everyone else. Why, for example, are many logging
21 locations left with no seed and mulch restoration when
22 the operations are completed? It seems as though our
23 small independent industry and the way of life are
24 being singled out for extinction.

25 I hope this letter does not increase

1 scrutiny and enforcement of my husband's operations.
2 It's just that I can no longer stand by and observe
3 what is going on without raising my voice in
4 opposition. Thank you.

5 CHAIR:

6 Linda was the last of the registered
7 commenters. Is there anyone else in the room tonight
8 that would like to offer comments?

9 MS. ELDER:

10 I would. Tammy Elder, 179 Elder Road,
11 Parker, Clarion County. First, I'd like to thank you
12 for giving me the opportunity to speak and share with
13 you how the Chapter 78, Act 13 regulations will affect
14 my family as well as many others.

15 Again, my name is Tammy Elder. My
16 husband Len and I are working on 22 years of marriage.
17 We have two children. Our daughter Rebekah is soon to
18 be 16 and our son Tye is 11. My son (sic) Len is a
19 fifth generation Pennsylvania oil producer that has
20 learned the trade from working alongside his father
21 since he was young. He and his father have several
22 leases with conventional wells that produce both oil
23 and gas. Len's work with these wells has been our
24 main source of income and has allowed me to be a
25 stay-at-home mom to our children.

1 Recently, due to the biased regulations
2 being strictly enforced, Len has had to cut back on
3 our oil production and shut down some of the wells.
4 This has, in turn, impacted our income. Len has
5 recently ran and been elected as a township supervisor
6 for Licking Township in Clarion County. He works part
7 time on the township road crew to try and help
8 supplement our family's income. However, this, by no
9 means, makes up for the lost income from the wells
10 that are shut down as a direct result of these biased
11 regulations.

12 I am an LPN, and I work part time as a
13 substitute nurse at the Keystone School District.
14 This too helps supplement our income. From a nurse's
15 standpoint, I would like to share with you how the
16 Pennsylvania petroleum base crude oil has also helped
17 my son with his health issues. My son Tye has
18 allergies and asthma. And people with these
19 conditions usually will also have a skin problem
20 called eczema.

21 Tye recently had a breakout of eczema,
22 and I used the ointment that his allergist has
23 recommended as treatment for this. The ointment is
24 called Aquaphor. If you look on the ingredient list
25 on this ointment, the active ingredient is petroleum,

1 which we all know comes only from Pennsylvania
2 petroleum base crude oil. This ointment was applied
3 twice his eczema, and it cleared it with just two
4 treatments. I am sure that Tye is not the only person
5 that suffers from eczema and uses medication made from
6 Pennsylvania petroleum base crude.

7 As you've heard tonight in many ways,
8 the loss of Pennsylvania grade crude production will
9 affect more than just families like mine. A dear
10 friend of mine has been recently disabled due to
11 numerous health issues. And her husband is now the
12 sole source of income to their family. He is a
13 transporter of Pennsylvania crude, working for Ergon
14 and hauls to the refinery in Newell, West Virginia.
15 The loss of his job due to the inability of the oil
16 producers to profitably produce Pennsylvania crude
17 will leave his family with no income at all.

18 I have shared with you today how this
19 has and will affect my family. I have shared just one
20 way that the loss of Pennsylvania crude can affect
21 many others as well. I am asking today to please take
22 the time to realize the impact that these regulations
23 put on the conventional wells will have on my family
24 as well as many others. I encourage you to work with
25 PIPP members to find solutions that enable the

1 Pennsylvania petroleum base crude producers to thrive
2 for future generations. I want to see my son Tye and
3 possibly my future son-in-law to be able to carry on
4 our family history of working the oil fields and
5 supporting their families.

6 The decisions that you make from what
7 you hear today, will directly affect thousands of
8 people and what their future holds for them. I hope
9 that your recommendations will have a positive outcome
10 for all involved.

11 If the Chapter 78, Act 13 regulations
12 are passed into law, it will indeed be the final nail
13 in the coffin of every conventional oil well producer.
14 It will also mean the loss of thousands of jobs.
15 Thank you for your time.

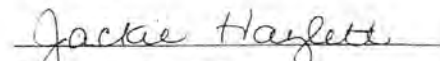
16 CHAIR:

17 Is there anyone else that would like to
18 offer testimony this evening? I thank you all for
19 attending this hearing tonight. I admire your
20 tenacity and your ability to withstand the pain of
21 four and a half hours on hard wooden benches. But
22 with no other commenters present and on behalf of the
23 Environmental Quality Board, I hereby adjourn this
24 hearing at 10:35. Thank you.

25 * * HEARING CONCLUDED AT 10:35 P.M. * *

1 CERTIFICATE

2 I hereby certify that the foregoing proceedings,
3 hearing held before Chair Waite was reported by me on
4 2/12/2014 and that I Jacqueline L. Hazlett read this
5 transcript and that I attest that this transcript is a
6 true and accurate record of the proceeding.

7
8 
9 Court Reporter