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Environmental Quality Board
Rachel Carson State Office Building
16th Floor
400 Market Street
Harrisburg, PA 17105-8477

Reference: Comments -- Proposed Rulemaking 25 PA Code Ch. 78, Oil and Gas Well Fee Amendments

To Whom It May Concern:

CONSOL Energy Inc. (CONSOL), a leading diversified energy company headquartered in southwestern Pennsylvania, would like to submit the following comments for the proposed rulemaking which recommends regulatory changes to Oil and Gas Well Fees. CONSOL understands the this rulemaking is to address the disparity between the Oil and Gas Program income generated by the fees and the Department's actual cost for administering the Program. CONSOL Energy offers the following comments and respectfully requests the Department consider them in final revisions.

I. Background and Purpose

"Compounding the problem of declining funds due to increasing expenditures is the decrease of well permit applications. Since 2010, the Department has experienced a 22% decrease in the number of unconventional well permit applications received. The decline in permit applications is met with declining revenues but with the passage of the act of February 2, 2012 and the act of February 14, 2012, the overall responsibility of the Program has increased. It is imperative that the Department has the resources and technology necessary to ensure industry compliance and environmental protection as Office of Oil and Gas Management responsibilities in this area continue to expand."

- Increasing costs and more stringent regulatory oversight in the Commonwealth (which does not provide for a quantifiable environmental protection offset) is a contributing factor to the 22% decrease in the number of unconventional well permit applications received by the Commonwealth since 2010. The increasing costs associated with permitting fees and complying with regulation will continue to force operators out of the Commonwealth and into surrounding states whose policies and permitting requirements are more favorable during weak economic conditions. Increasing the fees alone cannot offset the disparity; CONSOL encourages the Department to adequately evaluate the economic burden as Chapter 78 revisions continue to be evaluated.

II. Streamlined electronic review/Staffing needs

- CONSOL is encouraged by the Information Technology project for the Oil and Gas Program. Electronic permitting, upgrades to existing reporting systems, and modernization of forms and databases is a valuable investment for the Department; and will be a valuable data management tool for both Department and Operator. This increased efficiency suggests that over time fewer workerhours will be spent managing all aspects of permitting, compliance, inspection and data management and by the Department's own evaluation will "result in significant savings in terms of storage and of staff time and costs". CONSOL suggests that until the full capital investment is realized and the efficiency of the Information Technology project is fully evaluated there is no way to determine true staffing needs and this overestimate has been improperly included in the assessment for increased permit fees. Additionally, based on the statement that there has been a 22% reduction in unconventional permit applications since 2010, it is difficult to justify that "additional staff is needed to timely review the increase in permits received by the Department due to substantial natural gas infrastructure development throughout this Commonwealth."

III. Proposed Fee Structure

- The flat fee structure of \$5000 and \$4200 for "unconventional non-vertical wells" and "unconventional vertical wells," respectively, is not justified by the benefit/cost analysis. The 60% increase is based on staffing requirements that cannot be fully realized due to unknowns of Information Technology project efficiencies and permit activity assumptions.

IV. 78.19 Permit application fee schedule

- CONSOL would like to suggest adding language to the regulation that clarifies that in the event a permit modification is required the full permitting fee is not required again.

CONSOL Energy appreciates the opportunity to provide comment on the proposed Fee Structure. While we agree that some temporary permitting fee increase would be beneficial to allow for the Information Technology Project; CONSOL respectfully requests that the Department reconsider the average 60% increase in permit fees until a more comprehensive economic benefit analysis is completed in conjunction with continuing Chapter 78 revisions.

Regards,



Carrie B. Crumpton
Manager - Environmental Regulatory Assistance
CONSOL Energy Inc.