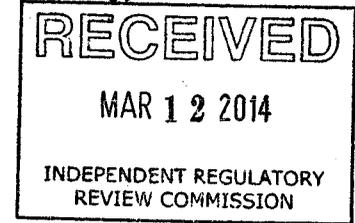


Testimony given to the Pennsylvania Environmental Quality Board (EQB) pertaining to proposed new regulations regarding surface activities related to oil and gas well development (Chapter 78. Oil and Gas Wells) on January 15, 2014, Meadville Area Senior High School Auditorium, 930 North Street, Meadville, PA 16335 (Crawford County)

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Background

Dallas Energy is a small oil & gas producer based in Bradford, PA and is one of a group of companies owned and operated by the Morris family of Bradford, PA which has been involved in the oil and gas industry for over 90 years. In addition to Dallas Energy, the family operates a drilling & well service company (Dallas-Morris Drilling, Inc.), an oilfield trucking company (C.J. Morris & Sons Inc.), and a company that provides pumping services for well completions (Dallas-Morris Well Services, Inc.). The family prides itself on its long lasting presence in the industry, the ongoing involvement of fourth generation family members in the organization and its commitment to be leaders in environmental and safety issues.

Comments

Many of Dallas Energy's concerns with the proposed new Chapter 78 (Oil and Gas Wells) regulations regarding surface activities related to oil and gas well development have been addressed in the report titled "The Impact of Pennsylvania's Regulatory Framework on Conventional Oil and Gas Operations" released on September 1, 2013 by the Pennsylvania Grade Crude Oil Coalition (PGCC).

The report describes in detail how the implementation of many of the proposed new regulations will impact the operators of conventional shallow oil & gas wells through increased drilling, completion, and production operating costs as well as paperwork filing requirements.

Rather than provide a rehash of the PGCC report, I would like to provide 3 examples of how the regulations do and would impact Dallas Energy's operations.

§ 78.56. [Pits and tanks for t]Temporary [containment] storage.

Currently a typical Dallas Energy well site consists of an area 60 feet by 100 feet (6,000 square feet). The pit used to contain fluids and sand that flow back during the well stimulation and completion process is 8 feet wide by 40 feet long by 8 feet deep disturbing an area of about 320 square feet. This size of pit fits within the confines of the typical well site and can be constructed using one excavator in a few hours depending on the soil conditions encountered. This type of pit is used for a short period of time and is usually filled-in shortly after the well is completed.

Implementation of § 78.56(a)(10), which requires the interior slopes of the pit must have a slope no steeper than 2 horizontal to 1 vertical, would require a pit with a top of 40 feet wide by 72 feet long for a pit with a bottom of 8 feet wide by 40 feet long resulting in earth disturbance of an area 9 times (2,880 square feet) that of pit with vertical sides. Construction of this style of pit would require use of both an excavator and bulldozer, take a minimum of 8 hours or more to construct depending on the

soil conditions encountered on the well site, result in a cost of 3 to 4 times that of a pit with vertical sides and require an increase in size of the well site to accommodate the larger pit size.

§ 78.57. Control, storage and disposal of production fluids.

Dallas Energy's lease production system consists of a number of wells producing oil, water and gas into gathering lines that are tied into a tank battery which typically includes 2 – 210 barrel above ground oil storage tanks, 1 buried or bunkered 200 barrel brine storage tank, a gas separator and a gas meter all contained within an area surrounded by a berm (dike) 2.5 to 3.0 feet in height. Brine produced into the oil storage tanks is transferred to the brine storage tank by gravity drainage. A Spill Prevention control and Countermeasure (SPCC) Plan certified by a professional engineer is prepared and implemented for each lease. The plan includes recommendations for periodic inspections of all production equipment including the storage tanks to ensure there are no fluid or gas leaks.

Proposed regulation § 78.57(e) states that underground or partially buried storage tanks may not be used to store brine or other fluids produced during operation of the well unless approved by the Department and that existing underground or partially buried storage tanks shall be removed within 3 years of the effective date of this subsection. To date, Dallas Energy has not experienced any leaks from its buried brine storage tanks and believes that the periodic inspections it carries out ensures the brine storage tanks are well maintained.

We recently prepared an estimate to remove the buried brine storage tanks and replace them with an alternate oil-brine separation system which would comply with the applicable corrosion control requirements. The low end of the estimate was \$12,000.00 which works out to 130 barrels of oil at today's price of \$90 per barrel. This in turn works out to over 4 months production from one of our 1 barrel of oil per day wells (not including operating costs).

§ 78.15. Application requirements

While not specifically part of this round of proposed new regulations, the current requirement to notify the host municipality and all municipalities surrounding the well imposes what we believe is unnecessary and time consuming costs on the well drilling application process. I'm currently working on a project which under current regulations requires me to send notification that we are submitting a drilling application to the DEP to a local boro located 6.5 miles from the actual well site but is adjacent to the host municipality. We understand that the large volumes of truck traffic associated with drilling unconventional wells will have an impact on adjacent municipalities over a wide distance and required a more extensive notification process. Our shallow oil and gas wells typically see 10 to 20 truck loads over the entire drilling and completion process.

I also suspect that the municipalities located at a distance from a shallow well location may not appreciate all the extra paperwork they have to deal with due to the notification process whenever a shallow well operator undertakes a new drilling program.

We support the ⁶PPCC recommendation that the requirement to notify adjacent municipalities be limited to within a reasonable distance, such as 2,000 feet, from the proposed well location.

Summary

In summary, many of the new proposed oil and gas regulations will impose substantial financial and time hardships on shallow oil and gas wells producers which would result in reduced drilling activity in northwestern Pennsylvania. If there is less drilling, there is a reduced need for well drilling, servicing, completion and trucking services which in turn leads to the elimination of good paying jobs in a time when some areas are facing high rates of unemployment.

We sincerely hope the Environmental Quality Board reviews all the comments it receives concerning the proposed new regulations regarding surface activities related to oil and gas well development and gives serious consideration to the concerns raised by the shallow oil and gas operators that have been a part of this industry for over 150 years.

Thank you for the time to present my remarks.

Bob Trevail