



DEVONIAN RESOURCES, INC.

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REVIEW COMMISSION

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PA Environmental Quality Board
P.O. Box 8477
Harrisburg, PA17105-8477

Dear Honorable Members of the Board,

It is my honor to address you this evening. My name is Joseph C. Thompson. I am speaking as an employee/family representative of Devonian Resources, Inc.; a small, family-owned and operated Oil and Gas production company located near Pleasantville, PA. We have been drilling, completing and operating conventional, shallow oil and gas wells in Forest, Venango, Clarion, Jefferson, and Clearfield Counties beginning as early as 1967. This company grew out of the hard work and bold entrepreneurship of my grandfather in post WWII Texas in 1947. When operations moved north to our beautiful Commonwealth, it was through the efforts of my Grandfather side-by-side with his son, my father, and other members of our family that this company grew, blossomed and thrived. We have always been, and remain to this day, a business steeped in the values of family and community.

The purpose of my addressing you this evening is to shed some light on the proposed changes to 25 Pa. Code Chapter 78, Subchapter C (which the Environmental Quality Board accepted on August 27, 2013 for publication as a proposed rule.) These regulations impose burdens on conventional operators and small business owners that are appropriate (and seem to be designed for) the large scale operations performed in the unconventional oil and gas plays of the Commonwealth. I believe it is imperative that meaningful language be adopted in Chapter 78 that differentiates the regulations that apply to conventional operations versus those which are unconventional.

A Tale of Two Industries

To paint both the conventional and unconventional oil and gas operations currently taking place in the Commonwealth of Pennsylvania with the same brush is a mistake. While the end results

are fossil fuels in both liquid and gaseous states, the yields, profits and processes are dramatically different in both scale and methodology.

Some basic contrasts between conventional and unconventional operations:

- * Conventional oil and gas wells are drilled to depths much shallower than unconventional shale wells.

- *The formations are under far less pressure in conventional wells.

- *The pressures needed for stimulation are far lower as are the quantities of water needed in conventional wells.

- * A conventional well pad is typically 35 times smaller than that of an unconventional well.

- * In conventional well drilling and completion activities it takes approximately 5 days of work with just a few diesel engines until all heavy equipment operations are finished. Unconventional well activities last months with constant truck traffic and can use over one hundred diesel engines during completion and stimulation.

- *The brine produced from a conventional well is less brackish than sea water. Unconventional production water is many times as saline as sea water.

- * Conventional wells have lower profitability than unconventional and are strongly influenced by oil and natural gas commodity prices.

These are the tip of the iceberg, and are very general, but they begin to point out the very stark differences in operating needs and practices for both industries.

The Cost of Doing Business?

If regulatory burdens, whose intended designs are meant for the unconventional aspects of the industry, increase the price-tag to drill and complete a conventional oil or natural gas well it makes the viability of future conventional drilling projects less and less likely. The Pennsylvania Department of Environmental Protection MUST restructure Chapter 78 in order to separate the regulations that exclusively apply to unconventional oil and gas operations.

According to a report from the Pennsylvania Department of Environmental Protection Oil and Gas Technical Advisory Board to the EQB dated July 18, 2013:

“Before initial publication, the Department must rigorously review a proposed rule in accordance with Executive Order No. 1996-1, 4 Pa Code3 Chapter 1, Subchapter FF, and the *policy for the*

Development, Approval and Distribution of Regulations (Doc. No. 012-0820-001), all which require that:

- * regulations address a “compelling public interest” and “definable public health, safety or environmental risks.”
- * the costs do not outweigh the environmental benefits
- *viable non-regulatory alternatives are explored and preferred over regulation; and that
- *regulations “shall not hamper Pennsylvania’s ability to compete effectively with other states.””

I do not see evidence supporting that the above steps were taken or considered by the Department in regards to the conventional oil and gas operators of this Commonwealth. We need only look to our neighbors to the North in New York State to see the disastrous socio-economic effects of hyper-regulation and moratoriums on the drilling industry.

What Does This Boil Down To?

Without going into very specific detail on the proposed regulation changes, I have tried to point out that the main area of concern for operators of conventional oil and gas wells is to not be lumped into a one-size-fits-all regulation with the unconventional operators. Just as a Ma and Pa Hometown Hardware store would not be expected to meet the same demands as The Home Depot, it is unrealistic and unfair to expect small, family operated oil and gas to live up to the same expectations as a Shell or Chevron. We have a right to continue to earn our living based on the regulations in place (which are burdensome already!) There is no reason the regulations cannot be tailor made for each respective aspect of the industry. The coal industry has been operating under varied regulations for decades.

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

conventional oil and gas plays have not changed dramatically in the last 55 years. The Oil and Gas Act was introduced in 1984 and reworked as Chapter 78 in 2001. Virtually nothing has changed in the conventional arena since these regulations were instituted. Why, suddenly, are these regulations no longer good enough?

As it currently stands, I cannot help but believe it is the implicit desire of the PA DEP to see conventional oil and gas operations cease in the Commonwealth. Am I therefore to believe that the Department is acting on behalf of the state? Does the Commonwealth of Pennsylvania wish to see this rich part of its' industrial history disappear? Why this would be troubles and puzzles me to no end. The majority of the players in the conventional oil and gas patches are small, family-owned businesses not unlike Devonian Resources. We employ members of our communities. We energize our local economies through patronage of supply stores, restaurants, auto parts stores, garages and other local small businesses. We are members of our Chambers of Commerce. We donate money to our municipal outreach organizations. We donate our voices, our votes and our dollars to the politicians who fight on our behalf. The crude oil we produce is essential in the refining of Penn Grade Crude products that range from lubricants to plastics to cosmetics. Am I to believe the above are no longer valued by our great Commonwealth? Am I to believe Pennsylvania would hang its' own community-minded business owners out to dry while the profits go out of state to massive publicly traded corporations? Since 2007 the number of conventional oil and gas wells permitted and drilled in the Commonwealth has been in steady decline from 4,836 in 2007 to less than 800 in 2013. I would say seeing is believing. Numbers don't lie.

I would be happy to go into further detail with these regulation proposals, Honorable Members of the Board, should you have any questions. Please do not hesitate to reach me via email at joethompson10@verizon.net, or via telephone at (814)589-7061 x 104. I thank you for your time but leave you with one last question; do you truly believe the PA DEP has the citizens of this Commonwealth's best interest at heart?

Very Truly Yours,

Joseph C. Thompson
Operations Manager, Devonian Resources, Inc.
Concerned Citizen/Registered Voter

C.C.- Environmental Quality Board (E.Q.B.), Pennsylvania Independent Petroleum Producers (P.I.P.P.)