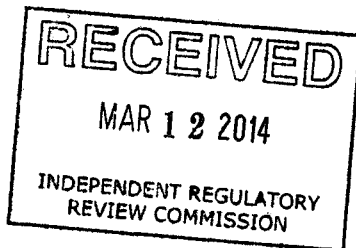


**From:** Shirley, Jessica <jessshirley@pa.gov> 1-3  
**Sent:** Wednesday, March 12, 2014 11:33 AM  
**To:** Environment-Committee@pasenate.com; apankake@pasen.gov; IRRRC; EP, RegComments; eregop@pahousegop.com; environmentalcommittee@pahouse.net  
**Cc:** EP, MS Development  
**Subject:** Proposed Rulemaking 7-484 - Chapter 78 Form Letter Oil and Gas Management  
**Attachments:** Oil and Gas Management.pdf

Good Morning,

Attached is a form letter DEP has received regarding the Proposed Rulemaking 7-484 - Chapter 78 Environmental Protection and Performance Standards at Oil and Gas Well Sites. We have labeled this one "Oil and Gas Management". To date, we have received 3 copies of this letter.

**Jessica Shirley** | Executive Policy Specialist  
Department of Environmental Protection | Policy Office  
Rachel Carson State Office Building  
400 Market St. | Harrisburg, PA 17101  
Phone: 717.772.5643 | Fax: 717.783.8926  
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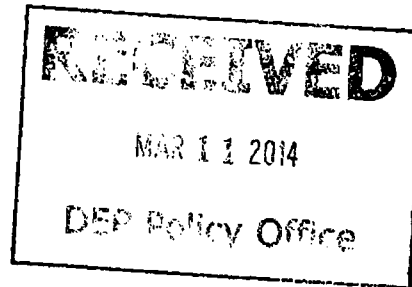
## OIL & GAS MANAGEMENT, INC.

*A Full Service Oil & Gas Management Firm*

A. Bruce Grindle  
President

Environmental Quality Board  
P.O. Box 8477  
Harrisburg, PA 17150-8477

Cathy A. Kirsch  
Vice President



Dear Board Members:

I am the Cofounder and Vice President of Oil & Gas Management, Inc., which produces oil and gas from conventional oil and gas wells in Pennsylvania. Oil & Gas Management is a small, family owned company that was started 23 years ago. My company operates approximately 300 wells in Southwestern Pennsylvania and employs seven people.

Oil & Gas Management is a member of the Pennsylvania Grade Crude Oil Coalition (PGCC). PGCC has carefully reviewed the proposed regulatory changes and the accompanying Regulatory Analysis Form submitted by the DEP (the DEP Analysis). Our company has participated in that review and, together, we members who work in the conventional oil and gas industry have performed our own analysis of the estimated costs that will be imposed upon the regulated community of conventional oil and gas producers.

We find that that the DEP Analysis is remarkably incomplete. For example, the DEP Analysis entirely overlooks the impact the proposed regulations will have upon existing oil and gas storage tanks. With this oversight the DEP fails to recognize hundreds of millions of dollars of impact. The DEP analysis explicitly says that a conventional oil and gas operator's costs to comply with the obligation to identify abandoned and orphaned wells is "zero" because the new proposed regulation "does not apply to conventional operators"—this statement is remarkably incorrect. In fact, the DEP is inviting us conventional operators to participate in the planning process for how the maps will be gathered for this new burden. Again the DEP Analysis fails to recognize the burden or the significant costs even though other staff in the DEP are aware of the burden. There are numerous other examples of costs overlooked or understated.

The DEP Analysis also fails to adequately discuss the financial, economic and social context into which the proposed regulations will be introduced. The conventional oil and gas industry is very different than the unconventional, and the conventional industry is not enjoying an economic surge. In fact the profit margins in conventional oil and gas wells is very low. The conventional oil and gas industry is already suffering harm from recently enacted changes in erosion and sedimentation practices and well casing requirements. The difficult economics are reflected in shrinking conventional oil and gas production; new conventional well completions have dropped from 4500 wells six years ago to approximately 1000 this past year. The cost of the proposed regulations will have a catastrophic impact on an industry already in difficulty. The DEP

Analysis fails to identify either the amount of those costs or the economic and social context of the conventional oil and gas industry.

In addition to the failure to properly consider the impact of the new regulations upon the conventional oil and gas industry the process that has led to the proposed regulations has failed to address the small business nature of the conventional industry. My company is a small business and virtually every conventional oil and gas company or owner that I know is a small business. The conventional oil and gas business has been part of our community for over 100 years and many owners of oil and gas wells are third or fourth generation oil and gas operators.

The Pennsylvania Regulatory Review Act embodies the concern that the Pennsylvania legislature has for small business such as those in the conventional oil and gas industry. That Act requires that special analysis be done of regulations that will affect small businesses; the analysis must insure that the regulations are necessary, that all alternatives have been considered, and that the costs of the regulations are justified. PGCC has submitted a Right to Know request to the DEP. In reviewing the Right to Know responses and in reviewing the DEP Analysis it is apparent that in proceeding to the current proposed regulations the DEP did not meet the steps required under the Regulatory Review Act.

In their current form it would be hard for the proposed regulations to include the alternatives and exemptions called for under the Regulatory Review Act. That is because the proposed regulations seek to regulate both the conventional and unconventional oil and gas industry in a single document. However, as many individuals have testified before the EQB, the two industries are distinctly different. The size of well locations, the amount of earth disturbance, the number of truck trips, the well pressures encountered, and the amount of oil and gas strata encountered are all on a different order of magnitude as between the two industries.

Thus, in addition to a need to correct the procedural problems, which have led to the proposed regulations (failure to properly analyze the impact upon the conventional industry and failure to meet the requirements of the Regulatory Review Act), the substance of the regulations must be changed to reflect the differences between the conventional and unconventional oil and gas industries.

PGCC has prepared a response to the DEP's Analysis and proposed revised regulations. I ask that the Board give serious consideration to the significant concerns and substantive recommendations in those documents. For the reasons described in this letter as well as in the PGCC documents I ask that you assure that the full economic impact of the proposed rule is properly analyzed and that the final regulations fully comply with the Regulatory Review Act.

Sincerely

  
Cathy A. Kirsch

Vice President

