

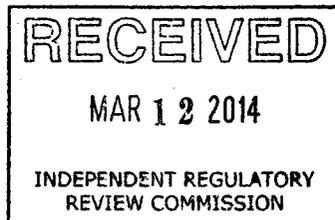
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**Testimony to the Environmental Quality Board
Concerning Proposed Chapter 78 Regulations
Meadville, Pennsylvania**

January 15, 2014



The Mission of the Pennsylvania Grade Crude Oil Coalition is to advance local economies and energy independence by promoting shallow oil and gas production in a safe and environmentally sound manner.

**Testimony to the Environmental Quality Board
By John Stewart**

January 15, 2014

Good Evening,

I am John Stewart, a member of the PA Grade Crude Oil Coalition (PGCC). PGCC was formed, last year, by producers and refiners of conventional oil and gas. By conventional I refer to shallow vertical oil and gas wells of the type first drilled by Colonel Drake in Titusville, some 150 years ago.

Conventional wells are different, in many respects, from the unconventional shale wells. It is fair to say that Act 13 and the proposed regulations are a direct product of the advent of unconventional wells. In that discussion, however, there has been little note taken of the differences between unconventional and conventional wells. As a result, the proposed regulations contain consequences that, at best, are inappropriate for conventional wells, and, at worst, will put many small businesses... out of business.

Conventional well sites are 35 times smaller and require far fewer truck trips than unconventional operations. A conventional well is drilled through a few feet of oil and gas bearing strata; a horizontal unconventional well is drilled through thousands of feet. An unconventional well, in one day of production, can produce more natural gas than 100 conventional wells can produce in a year.

I am not pointing out these differences to say that conventional wells are safe and that unconventional wells are not. To the contrary it is the PGCC's position that both industries can operate safely and responsibly. But I point out the differences to underscore that the regulations that govern the two industries must be thought about differently.

Nevertheless, the proposed regulations overlook many costly impacts to the conventional industry. For example, in discussing the cost of installing locking valves and lids on tanks the DEP's regulatory analysis fails to consider the cost of converting the tens of thousands of tanks already existing in the conventional industry. One cannot weld or drill on these existing tanks without the risk of explosion. Thus each of the tanks will have to be emptied and filled with water or inert gas in order to make the required conversions. The cost of this overlooked conversion exceeds \$300 million.

The cost of the regulations must be balanced with the benefits to be gained. The conventional industry stores small amounts of fluids; these fluids are different in composition than fluids used in the unconventional industry. The 150 year history of conventional oil and gas does not support the need for this sweeping new regulation—especially at such extraordinarily crushing cost.

Another requirement of the proposed regulations is that all pits be constructed with a 2:1 horizontal to vertical slope. Again, the use of pits is very different between conventional and

unconventional wells. A conventional pit is used to store only a small amount of fluid—usually 50 to 100 barrels—and is in use for just one or two days. Conventional pits are constructed with vertical walls thus helping maintain a small site of operations.

The new requirement would expand the pit size by 10 times on a level area and up to 100 times where the slope is 40%. There is no environmental benefit to be gained—in fact the increased pit size increases the area which must be covered by a plastic liner—thus increasing the chances of puncture and failure.

There are many more examples that demonstrate the proposed regulations are out of balance with the environmental requirements and the economic realities of the conventional oil and gas industry. Those economics are significant. The conventional industry directly contributes \$3/4 billion to Pennsylvania's economy.

I work in that conventional industry as a roustabout, and my job and the jobs of the 21 other people I work with in my company are all put in jeopardy by the extraordinary cost of the proposed regulations. Working in that industry every day I can testify to you that conventional operations have a small impact on the environment. Every day we work beside high quality trout streams and some of the finest timber and hunting areas in the state. What we are doing is working.

The proposed regulations are far out of context with what is necessary. The DEP's analysis of those regulations does not properly describe or analyze the harmful impact to our conventional industry. And even though required to by law, the new regulations do not consider alternatives for small businesses.

To address this PGCC submitted a white paper during the TAB hearings held in the summer of 2013 which white paper outlined numerous problem areas not properly analyzed. PGCC and its members will also submit additional written comments and economic analyses, in this process, concerning the impact to the conventional oil and gas industry.

Thank you.