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INDEPENDENT REGULATORY REVIEW COMMISSION

Environmental Quality Board
Rachel Carson State Office Building, 16th Floor
400 Market Street
Harrisburg, PA 17101-2301

Comments: Environmental Protection Performance Standards at Oil and Gas Well Sites—Chapter 78

Honorable Members of the Environmental Quality Board:

Cameron Energy Company (Cameron) develops new conventional wells and produces existing conventional wells; Cameron employs over 20 men and women. The proposed Chapter 78 regulations and the DEP regulatory analysis are flawed by the failure to state the need for the changes and by the failure to properly analyze the changes' severe economic consequences.

PGCC (of which Cameron is a member) has submitted a 28 page reply to the DEP's regulatory analysis. In the PGCC document (and the accompanying spreadsheets) PGCC shows the revenue and the capital and operating costs for the typical conventional oil and gas well. The information provided by PGCC accurately mirrors the experience of Cameron.

Under current conditions it is not economical to drill a new conventional gas well; it barely economical to drill a new conventional oil well. This accounts for the drop is new conventional oil and gas well completions from an average of over 4500 per year just 7 years ago, to about 1000 last year. The PGCC well information demonstrates that new regulatory costs of <u>any</u> magnitude will obviously have a severe negative impact on new conventional well completions. A similar situation pertains to the production of existing wells. The PGCC documents show that new regulatory costs have a significant negative impact on the economic lifespan of existing wells. New regulatory costs of <u>any</u> magnitude will also have a severe negative impact on the continued production of existing conventional wells.

The precarious balance of conventional oil and gas well economics makes it critical that the compelling need for new regulations be articulately defined and that the need be genuinely substantive. The DEP analysis fails in both of these respects. The PGCC document details these failures and I respectfully ask that you refer to that PGCC document.

The DEP analysis also fails to accurately state the costs of complying with the new regulations. The DEP estimates the impact to the conventional industry will be between $5 to $12 million. The DEP analysis is barren as to supporting evidence for its calculations. The PGCC document estimates initial compliance costs will be between $1/2 billion and $1.5 billion; thereafter annual compliance costs will range between $181 million and $387 million. The PGCC document provides detailed support for its calculations. The disparity is shocking.

I believe the DEP analysis is flawed due in great part to the attempt to combine regulations for both the conventional and unconventional industries. They are very different industries with different needs and economics. I encourage that the regulations for the two industries be separated.

Sincerely,

Arthur Stewart
President