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DEP Policy Office

BF Adventures, LLC
50 Corvette Dr.
Warren, PA 16365

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

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MAR 17 2014
INDEPENDENT REGULATORY
REVIEW COMMISSION

Dear Board Members:

I own BF Adventures and have been self-employed for 20 years. My company produces oil and gas from conventional oil and gas wells in Pennsylvania. I left the comfort of a good job with good benefits to go out on my own and now have six employees not including my partner of nine years. Both my partner's son and my son are working with us now. It is becoming very difficult with the attacks of regulations from all areas to feel good about not only the longevity of our business for our sons and employees but for ourselves as well. We are seeing a very efficient industry in Pennsylvania turned into a very inefficient industry. We, as have many of the small producers in the area, have had the fortune to subsidize schools and community programs along with money spent doing business to fuel the local economy. As a businessman I see much of this coming to an end with the cost of doing business on the rise. I see many different ways the state and local governments are trying to attract new business when you should take a good hard look at taking care of the ones that are here as well.

Our company 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.

The DEP Analysis understates costs or in many instances fails to state any cost at all for the proposed changes. One such area of concern is the revised regulations in 78.61 and 78.62. Among other things these sections impose a new notice requirement of three business days. Under conventional well practice extra time will create significant cost. Conventional wells are completed rapidly and the equipment is moved on to the next location. For example, under current practices the pit is often closed the next day following well completion thus freeing the equipment to move on. A waiting period of three days will add the costs of both lost labor and idle equipment. Similarly the proposed regulations will introduce the new requirement of hiring a soil scientist to provide a certification. This new requirement would be imposed even though the underlying law has been in existence for 30 years without the certification being required. The DEP has not cited any compelling need or estimated cost for these new regulatory burdens, but we estimate that the costs for a soil scientist and lost labor and equipment will be approximately \$3,000 - \$10,000 per well. This is just one example. There are a dozen more.

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,

A handwritten signature in black ink, appearing to read "John Baldry". The signature is fluid and cursive, with a long horizontal stroke at the end.