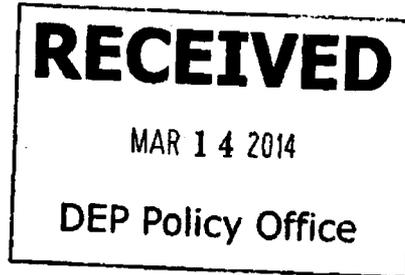


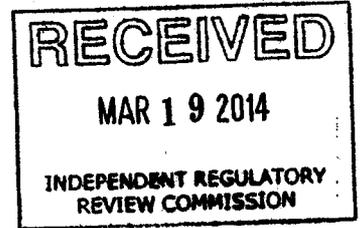


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Environmental Quality Board
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Dear Board Members:

I own Jett Oil, LLC, which produces oil and gas from conventional oil and gas wells in Pennsylvania. I started this business while working full-time and managing a family in hopes that I could retire comfortably. I put irreplaceable resources on the line, which the proposed changes are now threatening.

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.

There are many costs, which the DEP Analysis either overlooks completely or else understates significantly. One such requirement is the increased burden imposed upon conventional operations resulting from small spills, including the burden to attain demonstration under the Act 2 process. DEP has not weighed the harm that is to be mitigated with the costs imposed for mitigation of small brine spills at conventional well sites. Operational releases of brine to the ground surface during the 100-year history of oil and gas drilling in the Commonwealth for the most part has not been observed to have any significant or lasting environmental effect. DEP must consider this historical knowledge and context before altering cleanup requirements, especially for small spills of substances that have low toxicity and are readily bio-remediated, such as brine and crude oil. Additionally, the Regulatory Review Act compels the DEP to consider alternatives in precisely a circumstance such as this, where historical experience demonstrates that environmental impact is small and that alternatives are viable.

The Analysis fails to discuss any such alternatives or to account for the substantial increases in the time and costs for addressing small spills, costs that far outweigh any benefit to be realized in most circumstances. DEP should not require an attainment demonstration under the Act 2 process for small spills because that process can require many soil and groundwater samples over several months or years, which imposes significant cost to clean up a small spill and provides no meaningful additional environmental protection.

As for larger spills, persons who remediate spills at oil and gas sites in Pennsylvania have always had the option to utilize the Act 2 process to obtain liability relief. However, there are no statewide health standards for chlorides, which may be a common constituent of spills related to oil and gas operations. Requiring compliance with Act 2 for brine spills potentially creates an excessive burden and expense for oil and gas operators to develop background or site specific standards of attainment, with uncertain environmental benefit. By the time such standards and cleanup plans are developed, chloride impacts may have naturally attenuated to the point that further remediation is unnecessary or could do more environmental harm than good. This is not in the spirit of Act 2, which was intended to encourage voluntary cleanups that address actual risks and not require that every site be immediately returned to pristine condition. Site specific factors should be reviewed to allow bioremediation and natural attenuation for such spills. As for crude oil spills, a spill of 50 gallons would trigger the greater reporting, documentation, sampling and cleanup standards under Act 2. Ironically, these reporting requirements for brine and crude oil are greater than reporting requirements associated with the transportation of hazardous substances such as sulfuric or hydrochloric acid.

The DEP Analysis fails to include a cost estimate for the greater reporting, documentation, sampling and cleanup standards. But obviously, such additional burdens will add significant cost. This is just one example of where the Analysis fails to discuss the cost of a new item. There are many others.

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.

Another significant problem with the regulations is that they do not take into account considerations for a small business like mine. Under section 10.1 of the Regulatory Review Act the DEP must prepare an economic impact statement for any proposed regulation that may have an adverse impact on small businesses, that includes an estimate of the number of small businesses subject to the proposed regulation, a projected cost for reporting, record keeping and other administrative costs and a statement of the probably effect on impacted small business.

Section 11 states that a description of any special provisions which have been developed to meet the particular needs of the affected groups and persons including minorities, the elderly, small businesses and farmers should be included by the regulatory agency. Section 12 requires a description of any alternative regulatory provisions, which have been considered and rejected and a statement that the least burdensome acceptable alternative has been selected.

Section 12.1 requires a regulatory flexibility analysis that shall include the establishment of less stringent compliance and reporting requirements, the establishment of less stringent schedules or deadlines for compliance or reporting requirements, consolidation or simplification of compliance or reporting requirements, the establishment of performance standards to replace design or operational standards required in the proposed regulations and the exemption of small business from all or any part of the requirements contained in the proposed regulation. The DEP

failed to meet these important requirements. Yet mine is the exact type of business that is supposed to be protected by these provisions.

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, consisting of several overlapping loops and a long horizontal stroke at the end, positioned below the word "Sincerely,".