

Cooper, Kathy

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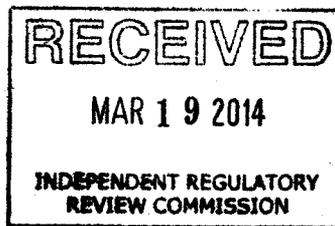
Form Letter FFF

From: Shirley, Jessica <jesshirley@pa.gov> 1-2
Sent: Wednesday, March 19, 2014 10:41 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 - Form Letter IDC Energy Corporation
Attachments: IDC Energy Corporation.pdf

Good Morning,

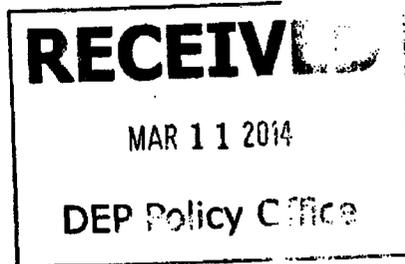
Attached is a letter DEP has received regarding the Proposed Rulemaking 7-484 - Chapter 78 Environmental Protection and Performance Standards at Oil and Gas Well Sites. We have labeled this one "IDC Energy Corporation". To date, we have received 2 copies of this letter.

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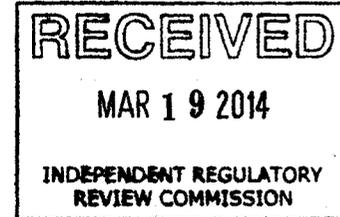


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Environmental Quality Board
P.O. Box 8477
Harrisburg, PA 17150-8477



IDC Energy Corporation
P.O. Box 792
Warren, PA 16365



Dear Board Members:

I own IDC Energy Corporation, which produces oil and gas from conventional oil and gas wells in Pennsylvania. We are a family owned business that was started in 2008. As a fairly new business, it is becoming increasingly difficult to remain afloat with the countless regulations being imposed. We are especially fearful of current changes that are being proposed.

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.

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, appearing to read "Mike Raney". The signature is written in a cursive style with a long, sweeping tail on the final letter.