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AMERICAN REFINING GROUP, INC.

May 19, 2015

To the Environmental Quality Board:

American Refining Group, Inc., in Bradford, McKean County, Pa., submits the following comments regarding proposed revisions to Chapter 78 regulations on the production of oil and gas in the Commonwealth. These rules are written to regulate production from both shallow (or conventional) wells and the new shale-gas (unconventional) wells found across the state. Separating the legislation into Chapter 78 and 78a was a step in the right direction. However, Chapter 78 remains a concern to ARG on a number of levels in that they would result in regulatory burdens that are both expensive and unreasonable for conventional producers.

The area's small, independent crude-oil producers are a crucial component for the operation of American Refining Group Inc.'s Bradford, Pa., refinery. As such, ARG maintains membership with and support for the area's small producers and their industry organizations. These include Pennsylvania Independent Petroleum Producers (PIPP), Pennsylvania Independent Oil and Gas Association (PIOGA), Pennsylvania Grade Crude Coalition (PGCC), Ohio Oil and Gas Association (OOGA) and New York State Oil Producers Association (NYSOPA), the independent oil and gas associations of both New York and West Virginia (IOGANY and IOGAWVA) and Southeastern Ohio Oil and Gas Association (SOOGA).

ARG is deeply committed to and vested in our communities' well-being. We certainly respect rules and regulations aimed at protecting and preserving our environmental health; we all must be good stewards of this area's most valuable natural resources. We just want to make sure that unreasonable or unnecessary regulations are not imposed that would have unintended negative impacts on the area's crude-oil producers, ARG, its employees or the community.

In 2014 ARG purchased, in Northwestern Pennsylvania and Western New York, \$191 million worth of crude oil and \$30 million in other raw materials (sourced locally whenever possible). ARG employs more than 350 people and paid \$20.3 million in wages and another \$6.3 million in benefits last year. The company also paid just less than \$7 million in utilities and half a million dollars in taxes to the city of Bradford and its schools and to McKean County. At a minimum, this is \$256 million in annual direct economic impact. Furthermore, ARG along with owner Harry Halloran Jr.'s philanthropic foundation contributes millions of dollars to local non-profits, strategically donated to four core, impactful categories: healthcare, education, human services and economic development; all of which are traditionally underserved in our rural area. The decline in new conventional wells has resulted in less investment in our industry, fewer job opportunities and significant declines in revenues. These declines have impacted the overall economy at state and local levels, and certainly have had a negative impact on the generations of dedicated employees that have supported this industry for more than 150 years.

As the only remaining Penn Grade crude refinery in the Commonwealth, we urge the Environmental Quality Board and the PA DEP to work with the industry to achieve a reasonable and common-sense approach to protecting the Commonwealth's natural resources through regulatory compliance.

Thank you,



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