



MARCH 2018 News Letter

Hello from Arthur Stewart, Secretary

Here's the news:

1: PGCC MEMBER MEETING:

On January 25, 2018 PGCC held a member meeting in Indiana, PA. At the start of the meeting we were privileged to hear remarks from Brandon Rumbaugh, retired US Marine.



Brandon Rumbaugh, retired US Marine, served two combat tours overseas. During his second deployment to Afghanistan he was wounded in a IED explosion and lost both his legs. After two years of recovery at the Walter Reed Army Medical Center, he resides in Uniontown PA and serves as the CEO of A.C.T. Brandon gave memorable remarks about why he chose to serve in the Nation's military, why he chose to serve a second tour, and the courageous decisions made on the day he was severely wounded. PGCC members enjoyed conversation with Brandon and had an opportunity to thank him for his service.

During his report President David Clark cited PGCC accomplishments over the last 4.5 years, that make a difference in how we operate today:

- 1 Mechanical Integrity Assessment (MIAs): form radically simplified
- 2 Bifurcation Legislations: requires separate regulations (conventional vs. unconventional)
- 3 Abrogation Language: stopped the Ch. 78 regulations and formed CDAC
- 4 Drill Cutting Study: allows dusting and pit disposal of drill cuttings to continue
- 5 EPA POTW: PGCC litigation against EPA water rule pending in federal court
- 6 EPA Emissions Rule: advocacy in DC to hold back the uneconomical vapor recovery systems
- 7 Econsult (Economic) Study for Conventional wells: measures our impact on local economies
- 8 Severance Tax: Carved out exception for Conventional well production
- 9 Brine Spreading: defending the Lawson lawsuit
- 10 One Call: Act 50 just signed by the Governor—continues oil & gas exemption.

David noted the success comes as a result of countless meetings in Harrisburg where PGCC members tell the story of the conventional industry—David extended thanks to all who have made a difference, including the legislators who have taken the time to educate themselves about the conventional industry. David reported that earlier in January PGCC hosted a dinner in Harrisburg to thank Pennsylvania legislators for their attention to our plight.

During the balance of the meeting PGCC members heard reports from officer and committees and acted on miscellaneous business.



Mike Ward talks with PGCC members at the January 25th meeting.

2: PGCC MEMBERS VOLUNTEER TO PLUG AN ANF WELL

The Allegheny National Forest and DEP reached out to PGCC to request help in plugging an abandoned well on the ANF in McKean County. At a recent Board meeting the PGCC directors agreed that PGCC would make a Good Samaritan application to plug the well and sought the assistance of the law firm of Babst Calland to review the agreement between PGCC and the independent contractors who would volunteer labor and equipment for the project. Babst Calland agreed to do the review for free. PGCC will take measures to reduce liability for PGCC and its members through both the project agreements and the Good Samaritan Law.

At the January 25th member meeting several PGCC members volunteered to lend equipment, labor and materials to the project including Howard Drilling, Anderson Well Services, Mead Drilling, Weldbank Energy, Oil and Gas Management, and Cameron Energy.



On March 5, 2018 PGCC members, DEP and ANF met at the site of an abandoned well to plan for plugging the well under the Good Samaritan Act.

3: PROGRESS ON A CONVENTIONAL OIL AND GAS ACT

The proposed Conventional Oil and Gas Act was the topic of lengthy discussion at two Pennsylvania Grade Crude Oil Advisory Council (CDAC) meetings. In November 2017, CDAC members including industry representatives, DEP, academia, and legislators, brainstormed topics that should be addressed in legislation. Then in January Representative Marty Causer and Senator Scott Hutchinson shared with CDAC members their draft of what a conventional oil and gas act might look like. At the January 25, 2018 meeting CDAC members spent several hours going over every topic addressed in the legislation. All three of academia, DEP and industry set forth their concerns and ideas. At the end of the meeting it was agreed that both industry and DEP would submit, to the legislators, proposed language that would address the concerns talked about at the meeting.

Over the next two weeks PGCC worked with PIPP and PIOGA to review the draft language and make suggested changes that addressed the concerns of DEP and academia. Several suggested changes were submitted to the legislators and in mid-March SB 1088 (Hutchinson) and HB 2154 (Causer) were introduced creating separate legislation for conventional oil and gas. Items that were added at DEP request or were changed based on DEP comments on January 25th include the following:

Bill Provisions for DEP Needs:

- 1) Eliminate TAB requirement for new regulations. (Eliminates need for DEP to advance new regulations both through TAB and CDAC.)
- 2) Requires Area of Review (AOR) for hydrofracture. (AOR requires an operator to identify and monitor old wells in the vicinity of a new hydrofracture. AOR was first introduced in the 2013 Chapter 78 regulations but industry objected to the proposed standards—the bill’s requirements reflect a thoughtful exchange with the DEP concerning standards that fit the need.)
- 3) Leaves injection wells to be regulated exclusively by EPA. (Injection wells have been regulated by EPA for decades; DEP has no desire or need to replicate that work. The bill makes clear that DEP involvement is not required.)
- 4) Removes the 45-day timeline for DEP report on water issues. (Testing and other constraints typically prevent the DEP from meeting the timeframe currently embedded in law.)

Industry Concessions to DEP and Academia Requests:

- 1) Plug orphan wells from casing seat. (To simplify plugging of orphan wells industry suggested the well’s plug could be inserted midway in the hole at the “casing seat.” While DEP acknowledged the new solution would work in many cases, DEP cited instances where a deeper plug would be necessary. Industry and DEP collaborated, and the bill’s language now requires a reasonable attempt to accomplish the deeper plug.)
- 2) Confidentiality of well production information. (Industry sought a one-year window of confidentiality. DEP regarded this as a regression from existing law and the bill was modified to meet the DEP desire.)
- 3) Disposition of permit fees. (Industry sought disposition of permit fees to the general fund. DEP explained its funding sources and the bill was modified to satisfy all parties by directing permit fees to DEP and penalties to the orphan well plugging fund.)
- 4) Inspections. (Industry sought certain notice requirements as to inspections. DEP regarded this as a regression and the bill was modified to continue unfettered inspections.)
- 5) Threatened & Endangered Species. (The proposed bill contained language that the DEP felt restricted its ability to impose conditions for the protection of the T&E community; the bill was changed to specifically acknowledge the authority sought by DEP.)

- 6) Abandoned well definition. (Industry and DEP have chafed over disparate interpretations by inspectors. A cordial and professional discussion of the problem occurred, and language was modified in the bill.)
- 7) 5-acre project size. (Industry and DEP agreed on the concept, however DEP believed the language could be improved for clarity; changes were made to the bill.)

Bill Provisions Meeting Mutual Needs:

- 1) Incentives to plug orphan wells. (Bill streamlines Good Samaritan process, provides alternatives for less expensive site cleanup methods, and provides financial incentive with choice of permit fee waiver or \$5000 grant from CFA fund for each plugged orphan well.)
- 2) Permit length extended from 1 year to 3. (This is a “win” for the environment. Building new roads and sites and allowing them to sit fallow for a year or more was long considered a “best management practice” because the idle time allows the affected area to harden, requiring less intrusive construction techniques and resulting in less disturbance and sedimentation. Act 13 stopped this “bmp” and the proposed bill allows for the return of this “bmp.”)
- 3) Dispense with notices to adjacent municipalities. (Act 13 requires notice of operations to adjacent municipalities because of likely impact from trucking operations. Given the small footprint of conventional operations all parties agreed the notice was burdensome without benefit.)
- 4) Expanded notice options to DEP. (The bill updates means of notice to include email and other electronic methods.)
- 5) Coal operations. (The bill clarifies years of uncertainty concerning definition of operating coal mine and workable coal seams; it also clarifies the notice requirement to coal owners.)
- 6) Cementing of casing. (Act 13 made certain changes that did not reflect the needs generated by conventional oil and gas operations and the bill codifies alternatives that were practices before Act 13 and some that are contained in current regulations.)



CDAC chair, Arthur Stewart, talks with PGCC members about CDAC’s role in helping develop the proposed Conventional Oil and Gas Act. In February PGCC members Ted Howard, David Clark, Bruce Grindle, and Judy Saf spent two days in Harrisburg asking legislators to sponsor the new bill. In March the bill was introduced with 23 sponsors in the Senate and 64 in the House.

4: CONTINUING THE FIGHT AGAINST THE EPA WATER RULE AND EPA METHANE RULE

In 2016, the EPA issued a new rule preventing produced water from being treated at municipally owned sewage treatment plants. Each year Pennsylvania's conventional oil and gas industry sends millions of gallons of produced water to municipal plants, including plants in Reynoldsville, Ridgway and Brockway.

In 2016 PGCC filed suit against the EPA, asserting the new rule is illegal because the EPA failed to consider the impact of the rule on conventional operations. The Court has "remanded" the case to the EPA with instructions for the EPA to review its steps to determine if it made a mistake by including conventional brine water within the scope of its new rule. In February and March 2018, PGCC's legal counsel, David Clark and Arthur Stewart participated in several conference calls with EPA officials. While at the higher levels of the EPA there seems to be some understanding that this is an important matter, staffers who have been at the EPA for years and who were involved in the 2016 rule, don't seem to show much concern that their definition makes Drake's well an unconventional well.

Over the winter the EPA issued questionnaires to several operators who dispose of water at municipal plants. The questionnaires made little sense as issued because the EPA map showed one thing (all PA wells are unconventional) while certain text in the questionnaire said another. PGCC Board member Doug Jones helped point out the inconsistencies to the EPA. PGCC legal counsel, Burt Waite, and Arthur Stewart drafted a summary of how conventional wells and the brine they produce are different than unconventional wells and why those differences are important in the context of the rule. Several of the companies that received the questionnaires submitted the PGCC document to the EPA. The ball is in the EPA's court to determine if it will make changes to the definition.

In the world of the methane rule PGCC worked with PIPP and PIOGA to submit information to the EPA regarding the number of potential leak points in conventional oil and gas well plumbing to underscore the point that VOC's released from conventional oil and gas wells are very minimal. Congressman Glenn Thompson has offered legislation that will create a stripper well exception for the methane rule.

5: SOUTHWESTERN PA LEGISLATIVE VISIT

On April 5th, 2018, PGCC will again host a visit for legislators and staffers to southwestern Pennsylvania oil and gas operations. The visit will be hosted by PGCC members Bruce Grindle, Cathy Kirsch, Wally Phillips and Sue Phillips. The tour will start at 9 AM at the Eat'n Park at 122 E. Byers Ave, New Stanton. The tour will include shallow and deep conventional well locations, gas storage facilities, and a stop at Laurel Caverns Park. **PGCC members are encouraged to attend.** The day will be an opportunity to tell legislators about our situation and to show both legislators and the DEP that we are community members who live in the same areas we work. DEP Secretary Patrick McDonnell is expected to attend.



Visit last fall to the Dominion Energy North Summit Natural Gas Storage Field, Fayette County, PA

6: PGCC DAY IN HARRISBURG

PUT MAY 2, 2018 ON YOUR CALENDARS! On those dates we will be in Harrisburg to meet with legislators, to talk about the conventional oil and gas business in general, and to educate policy makers as to why there is a need for a conventional oil and gas act. **THIS WILL BE AN ALL HANDS-ON DECK EFFORT** and we will need every PGCC member who is able to travel to Harrisburg to be with us. We are already working to line up appointments with legislators and we expect to visit 50 or more offices. The PGCC Board will provide you with written materials and our consultants will give you training and talking points in the morning before we head out.

Stay tuned for upcoming emails that will include travel details, meeting place and time, schedule, etc. But right now, make sure those days are reserved on your calendars for this all-important PGCC event.

7: HARVEY GOLUBOCK, FORMER PGCC DIRECTOR, DIES

We are very sad to inform the membership that Harvey Golubock passed away February 24, 2018 in New York City. He was 75. Harvey retired as president of American Refining Group in 2011. He had worked for Witco from 1969 until 1997. In 1997, when the Bradford refinery was purchased by the American Refining Group, Harvey was recruited to join the new organization. Under Harvey's leadership the refinery flourished.

PGCC was fortunate to have Harvey's participation from the earliest days of PGCC's formation. Harvey served as a PGCC director and was a regular contributor to work done by the legislative and legal committees. When it came time to obtain a professional study of the financial impact of Pennsylvania's conventional oil and gas industry Harvey volunteered to take the lead. Harvey was instrumental in raising financing from several sources, in selecting Econsult to perform the study, and in coordinating the many aspects of the project to successful completion.



Harvey is remembered fondly as a great contributor and tough taskmaster. When Harvey served as PGCC director no PGCC documents escaped Harvey's red pen...and his changes were always for the betterment of PGCC and its members. Harvey contributed hundreds of volunteer hours to PGCC projects. We count Harvey's input as key to the successes our organization has enjoyed. Harvey's input exists in the Econsult study and the many PGCC projects in which he was involved; his influence is manifest in all we do today. Thank you Harvey. You are missed.

In addition to his work for PGCC Harvey was involved with many other organizations to improve the welfare of northwestern Pennsylvania. He was chairman of the board for Beacon Light Behavioral Health, co-chair of Bradford Area Health Alliance, on the executive committee of the advisory board and on the board of the University of Pittsburgh at Bradford, Bradford Hospital Foundation board, the board of the Penn Brad Oil Museum, and chairman of the Energy Institute at Pitt-Bradford.

Donations in memory of Harvey can be made to the Leukemia and Lymphoma Society; the MPN Research Foundation; the Barbara and Harvey Golubock Oil and Gas Technology Education Fund at the University of Pittsburgh at Bradford; or to Congregation Shaarey Israel, 18 Montebello Road, Suffern, NY.

8: PENNVEST GETS IN THE LAND PURCHASE BUSINESS

Pennvest has agreed to loan \$50 million at 1% interest to a New Hampshire company to purchase 60,000 acres of timberland in Northwestern PA. The company would then create forest conservation easements which would restrict the use of the property. While technically not an oil and gas issue there were plenty of oil and gas questions asked at a hearing conducted by House Agriculture Committee Chairman, Representative Marty Causer. Arthur Stewart and Tyler Martin testified at the hearing, which

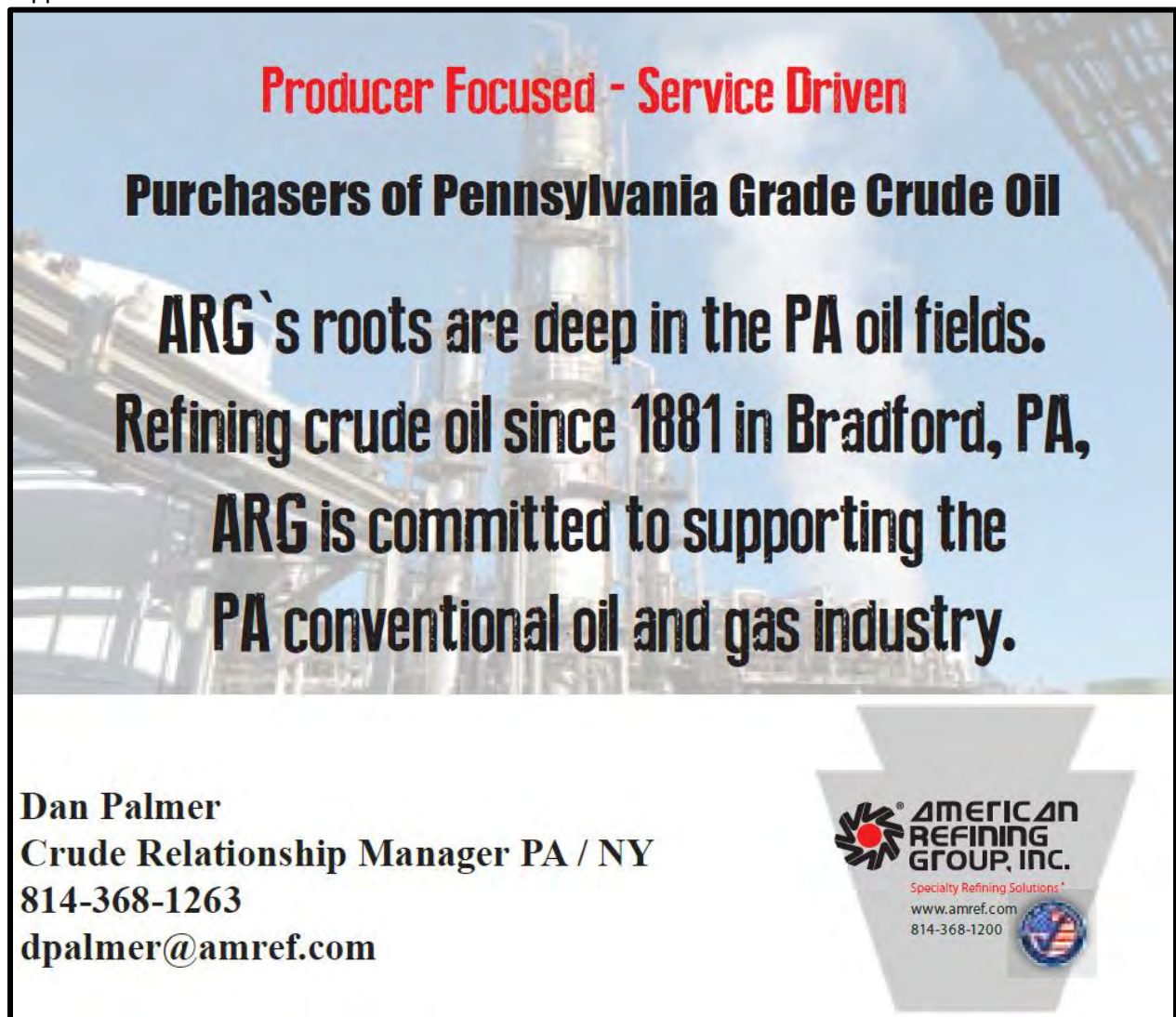
can be seen on youtube here:

<https://www.youtube.com/watch?v=emTFgfO3Sn0&feature=youtu.be>

Keith Klingler, property owner testifies at 2:28, Arthur at 2:55 and Tyler at 3:05. Here is commentary from Natural Gas Now on the subject; some of the same issues that face private oil and gas ownership are involved in the forest conservation easement struggle: <http://naturalgasnow.org/pennsylvania-dcnr-using-pennvest-make-northwest-pa-wilderness/>

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