



September 2018 News Letter

Hello from Arthur Stewart, Secretary

Lots happening with conventional oil and gas in Pennsylvania. Here's the news...

1: CAUGHT DOING SOMETHING GOOD!



Senator Scott Hutchinson visits well plugging work done by Bill Ward and Ron Davies (Weldbank Energy), Mark Buck (Mead Oil), and Danny Anderson (Anderson Well Services)

In September PGCC volunteers plugged an abandoned well in the Allegheny National Forest (ANF). The DEP and ANF asked for PGCC's help because neither have funds to plug. They knew to ask PGCC because, one year ago, PGCC president David Clark challenged Pennsylvania conventional producers to lead by example. President Clark said: We know that we care for the communities where we live, work

and recreate. How do we communicate our concern to the strangers who don't know us, or confuse us with large unconventional companies that are here today and gone next year?

PGCC members Ron Davies, Mead Drilling and Anderson Well Services answered the president's call by volunteering their time, equipment and materials to plug the well. **PGCC member Fluid Recovery Services** volunteered to receive and treat the pit water left at the end of the job.

The PGCC members had to remove several bridges in the well. With the hole cleaned out they ran cement, and after monumenting the plugged well they reclaimed the site. The ANF assisted by improving the access road and the DEP assisted with seeding and mulching.

Mitch Dysinger, ANF oil, gas and minerals program manager extended his thanks and said: *I believe that working together on these types of projects is not only beneficial to the environment for generations to come, but also strengthens our relationships and bonds within the community.*

This is one of several volunteer projects in which PGCC members are involved. There is no better way of showing that we conventional operators live where we work and that we are good stewards of our working and living environment. **THANK YOU Ron Davies, Mead Drilling, Danny Anderson and Fluid Recovery!!!**

2: HB 2154 PASSED BY THE SENATE E.R.E. COMMITTEE

The Conventional Oil and Gas Act, which passed in the Pennsylvania House earlier this summer, took another step forward on September 25th when it was favorably voted out of the Senate Environmental Resources and Energy Committee. While being considered by the Senate Committee the Bill was vigorously opposed by the same environmental activist groups who opposed it in the House earlier this summer.



During the week PGCC Board members visited Senator Pat Stefano and two dozen other legislators

To combat the opposition, PGCC Board members spent a week in Harrisburg telling legislators the truth about the Conventional Oil and Gas act. One-on-one and group meetings with legislators were attended

by David and Christine Clark, Wally and Sue Phillips, Bruce Grindle, and Arthur Stewart and his daughter, Sarah. The Conventional Oil and Gas Act was the topic of conversation, with much discussion about the need for the Act and the contents of the bill.

Governor Tom Wolf remains opposed to the Conventional Oil and Gas Act and is threatening to VETO the bill if it arrives at his desk. Even though the bill was developed with significant input from, and give and take with, the DEP, members of the Governor's administration urged the Senate ERE committee to defeat the bill.

3: SENATOR SCARNATI SPEAKS AT PGCC'S ANNUAL MEETING



Over 110 PGCC members attended the member meeting at Clarion, PA September 27th

Over 110 people attended the PGCC membership meeting on September 27th. Senator Scott Hutchinson introduced special guest speaker, Senate President Pro Tempore, Joe Scarnati. Senator Scarnati received a standing ovation for his work in achieving the passage of Act 52 (of 2016), which did away with the Chapter 78 regulations that would have crippled the conventional oil and gas industry.

Senator Scarnati gave an overview of the upcoming 2018 elections and spoke at length about the Conventional Oil and Gas Act. Senator Scarnati commended the conventional industry for trying to work collaboratively with the DEP to write the legislation. However, the DEP has pulled back from further

discussions about the contents of the bill; this is apparently consistent with the Governor's opposition to the bill.



Senator Scarnati speaks to PGCC members September 27, 2018

With the Governor's opposition, the direction of the bill moves into the hands of Senate leadership. Senator Scarnati discussed the pros and cons of advancing the bill now versus a future session, and more discussion will unfold, in Harrisburg, over the final days of this legislative session.

4: VISIT TO NORTHWESTERN PENNSYLVANIA BY LEGISLATORS

On September 18 and 19, 2018, PGCC hosted legislators including Senator Hutchinson, Representatives Kerry Benninghoff, Chris Dush, Eddie Pashinski, Greg Vitali, and Kathy Rapp, and representatives from the offices of Senator Yudichak, Senator Gene Yaw, and Representative John Maher. It was another great visit, with ARG Refining hosting the group for lunch and providing a tour of the refinery. Jeannine Schoenecker, ARG COO gave a compelling economic presentation that showed how new conventional well permits dropped from nearly 5000 per year just ten years ago, to merely 100 well permits last year. She translated the impacts of that drop to lost jobs, high poverty rates in "conventional" rural counties, and the truly embarrassing revelation that Pennsylvania can no longer produce enough oil to supply the United States' oldest operating refinery. **Ten years ago the Bradford refinery was supplied entirely by oil from Pennsylvania and Ohio (the majority being from Pennsylvania); today the refinery imports the**

majority of its oil supply from Michigan, Kentucky, Canada and New Mexico. This is the reality we live with every day...but it was a shocking fact to the visiting legislators.

The visit continued with a stop at the Cline well at the Bradford MacDonald's, a look at a bioremediation site, a stop at a water treatment facility, and a tour of the Penn Brad Museum to see spudding tools that are still used today on difficult plugging jobs.



Legislators and PGCC members at the Penn Brad Oil Museum September 18, 2018

On the 19th the visit continued with Cameron Energy hosting a breakfast where the Conventional Oil and Gas Act was discussed and where the visitors were given hard hats, gloves and earplugs for the upcoming frac job.



Wearing PGCC hardhats Representatives Rapp & Pashinski stand with Judy Saf on a frac truck



Tim Collins from Senator Yudichak's office joins Jameson Curtis, John Stewart, Representative Greg Vitali and Senator Scott Hutchinson on a hydrofracture job in the Allegheny National Forest

The hydrofracture job was adjacent to Cherry Run, along the North Country Trail, in the Allegheny National Forest. The visitors saw a stage completed and the flush to the next stage. Normal E&S safeguards were in place and all frac water was recycled in normal fashion courtesy of the location liner, pumps and tanks. The visitors asked great questions and were surprised by the small footprint and by the amount of labor it takes to complete a stage.



A visit to see what the ANF calls the highest water quality in the state

Cherry Run was a stone's throw from the frac job and the group took a quick detour to see the clean water flowing through one of Pennsylvania's oldest oil fields. There are over 12,000 oil and gas wells in the Allegheny National Forest, and in a 2007 study the Forest Service characterized the water quality in the ANF as "among the highest in the state." Following the ANF study Clarion University reviewed detailed data from a 2010 water survey in the ANF as well as results of studies conducted in the early 1980's, 1990s, and 2008. The Clarion University Report concluded that these macroinvertebrate studies "...did not detect a negative impact to water quality from this (oil and gas) development" (emphasis added). The visit dispelled the myth that northwestern Pennsylvania is the home of polluted waters and environment; instead the visitors saw thousands of acres of forests and clean streams.

The visits that PGCC conducts in NW and SW Pennsylvania have become one of PGCC's most important education tools, because the visits show the truth—we are not a bunch of lawless polluters. We are family businesses who are critical to the survival of our rural communities. PGCC will be putting on several more visits in 2019 and if you have an activity or a site that you think would be good for a visit please reach out to one of your PGCC Board members.



Representative Greg Vitali opens a collection line valve before starting a conventional well

5: THE EPA COMES TO PENNSYLVANIA...TWICE!!

Nearly two years ago PGCC filed a lawsuit, in federal court, to stop the new EPA water rule. The new rule states that produced water from unconventional wells cannot be taken to municipal treatment plants...and the new rule defines all of Pennsylvania's conventional wells as unconventional!!! The

rule has a big impact because hundreds of thousands of barrels of conventional produced water are treated at municipal plants every year.

When PGCC filed suit, the EPA admitted that it did not realize its new rule would have an impact on our conventional businesses, and the EPA suspended the rule, for three years, as to conventional wells. Meantime the federal court ordered the EPA to revisit its process and determine if the EPA could find a new solution.

Not much has happened at the EPA since then. PGCC has submitted comments and contacted the EPA, but the EPA officials don't seem to understand what a conventional well is. Finally, PGCC got the brainstorm to invite EPA officials to come to Pennsylvania to see a conventional well. PGCC's governmental relations consulting firm made the contact, and after several phone calls back and forth, two EPA staffers from water quality took part in our September 2018 field tour.



Jan Matuszko and Karen Feret of the EPA (in the blue hardhats) walk down the frac pipe boat at a conventional well site

We may have had a turning point, during the visit, when we pointed out that Drake's well would be an "unconventional" well under the EPA's new definition.

We also talked with the EPA about the methane rule, passed in the waning days of President Obama's administration, a rule that has now been temporarily suspended under President Trump's administration. Among other things, the rule would require methane collectors at conventional tank batteries. As we stood at a tank battery we asked the EPA where the electricity supply is that would power the methane collectors. There was no electricity at that particular tank battery, and the EPA staff acknowledged that an electric generator would only compound the emissions problem, not solve it. The EPA staff seemed to understand the significance of what they were seeing, and they promised to relate what they had learned to their air quality counterparts in DC.

Meantime, a second EPA team, headed by Engineer Jesse Pritts, from the EPA Office of Water, arrived in Harrisburg to learn about Pennsylvania water treatment needs. The EPA finds that in most states, produced and frac water are disposed of in underground injection facilities. Pennsylvania is quite unique in that its underground geology does not provide many injection opportunities.



Jesse Pritts (3d from left) meets with PGCC board members and representatives of the unconventional industry, September 19, 2018, in Harrisburg

Members of both the conventional and unconventional oil and gas industries met with Mr. Pritts to discuss the dwindling number of options available in Pennsylvania for the treatment or disposal of produced and frac water. The EPA would need to change its regulatory scheme to allow for greater options; alternatives such as on-site treatment were the topic of a meeting that lasted more than two hours.

The EPA will be issuing a white paper containing information and recommendations based on the meetings the Pritts team has conducted in several states.

6: THE EPA AND PENN STATE MEET WITH CDAC:

The Pennsylvania Grade Crude Development Advisory Council (CDAC) was formed two years ago as part of the Act 52 legislation. CDAC duties include reviewing and commenting on proposed regulations, promoting the long term viability of the conventional oil and gas industry, and developing a joint working group to explore economically viable water management options. Serving on CDAC are Senator Hutchinson, Representative Causer, other legislators, the Secretaries of DEP and DCED, Penn State professors, and several members of PGCC (as well as members of PIPP, PIOGA and other organizations). PGCC members Arthur Stewart, Mark Cline, Joe Thompson and Bruce Grindle are on the Council and Arthur Stewart and Mark Cline serve as chairman and vice-chairman, respectively.



CDAC met September 27, 2018 in Harrisburg. Members attending included Senator Hutchinson (rear), DEP undersecretary Scott Perry (back to camera), PSU professor emeritus Richard Parizek, and (guest) PSU professor William Burgos (both with back to camera). EPA engineer Jesse Pritts had just departed.

Taking up a large part of the agenda was the discussion of produced water. The produced water committee has assembled an impressive quantity of data including volumes and locations of conventional produced water and treatment and transportation costs. The committee has also assembled a list of the dwindling treatment options. Much of that data is available at <https://dced.pa.gov/pa-grade-crude-development-advisory-council/>

The committee gave an updated version of their data to the CDAC and to guest, Jesse Pritts, from EPA. Mr. Pritts had presented CDAC with seven questions about water treatment in Pennsylvania and via the presentation, and through a question and answer session, the seven questions were well addressed.

One of the water disposal options historically relied upon in Pennsylvania is brine spreading on dirt roads, and that subject was the topic of extended discussion with three Penn State professors, CDAC members Terry Engelder and Richard Parizek, and guest William Burgos. Dr. Burgos recently co-authored a Penn State study that looked at the impacts of brine spreading.

A part of the PSU study, and the source of much discussion at the CDAC meeting, was the topic of radium in brine. The DEP has already performed a study that looked at dirt roads treated with brine. DEP undersecretary Scott Perry acknowledged that the DEP's TENORM study, published January 2015, did not find any ill effects or problematic accumulations of radium, from brine spreading.

The more recent Penn State study is not a field study and was, instead, limited to lab analyses which looked at the interaction of radium in brine with dirt road materials, in laboratory conditions. The PSU study acknowledges that it remains unknown what occurs with constituents such as radium that are not retained in the road, and at the CDAC meeting the members and professors discussed what tests would be required to examine answer the question of whether brine spreading poses risks beyond the findings of the DEP TENORM study.

Research is expensive, and Dr. Burgos gave a preview of the significant costs that might be involved to study the unanswered questions. The study is important because the standard for radium impacts whether treatment is necessary; if treatment of radium is necessary the larger question is what should the treatment outcome be. That latter question has enormous impact upon costs and would have further bearing on questions such as whether treatment might be accomplished on location (one of the topics discussed at length with the EPA). Therefore, a thorough scientific analysis to supplement the preliminary work reflected in the DEP TENORM and PSU studies (and how to fund that further analysis) is the next topic of work for the CDAC produced water committee.

7: PGCC MEMBERSHIP IS GROWING RAPIDLY!!!

Through the hard work of membership chairman Cathy Kirsch, outreach by American Refining Group (ARG) and Cathy and Bruce Grindle's company (Oil & Gas Management), PGCC's membership has grown by nearly 20 members in the past few months. Cathy is our tireless lifeline to old and new members alike, and this summer, ARG and Oil & Gas Management sent letters to all oil their royalty payees, telling the royalty owners about PGCC accomplishments and inviting the royalty owners to join PGCC.

A copy of the ARG letter is pasted on the next page. **We encourage all PGCC members to invite royalty owners to join the PGCC effort.** The work by ARG and Oil and Gas Management proves the effectiveness of that outreach! **Beyond the royalty letter we send a special THANK YOU to ARG for all that ARG does to support the work of PGCC. In addition to the royalty letter, we appreciate the tours of the refinery, the meals that ARG hosts for our visiting legislators, and the good food ARG provided at our annual membership meeting!** Our organization is blessed with incredibly generous members, and another act of generosity we want to acknowledge is the large contribution given by royalty owner Titan Oil & Gas LP. **Thank you, Titan, for recognizing the importance of our work to royalty owners!**

Here is the text of the letter ARG sent to royalty owners:

Dear Royalty Owner

ARG is a member of the Pennsylvania Grade Crude Oil Coalition (PPCC). PGCC was formed in the summer of 2013 as a non-profit corporation by producers and refiners of conventional oil and gas to protect our industry from costly "inappropriate" regulatory compliance. Refer to "Our Mission" on the PGCC web site at www.pagcoc.org.

The conventional industry operated for many years under the 1984 state oil and gas regulations, but these regulations were not adequate for the unconventional wells (Marcellus Shale). In 2013 new regulations were suppose to be adopted to address the unconventional wells, but to our surprise the conventional wells were included. We never had the opportunity to comment. It made no economic or operational sense to regulate the small foot print of conventional wells the same as the large footprint of unconventional wells. We were fearful for the future of our industry, employees, investors and royalty owners. Some of our members met with their political representatives in their producing areas and it was decided that our only path forward would be to visit Harrisburg and ask to be regulated separate from the unconventional industry.

Below is a list of our accomplishments since 2013:

1. Solely responsible for the simplification of Mechanical Integrity reporting.
2. Provided education to legislators to define the need of Bi-furcating Chapter 78 regulations for conventional wells.
3. Provided the education and assistance necessary for the Abrogation of illegally promulgated conventional chapter 78 regulations and the Creation of Pennsylvania Grade Crude Development council.
4. Conducted a Drill Chip Study fully funded and directed by PGCC. This several year process is hopefully about to be resolved.
5. Solely Responded to the POTW rule and preserved the ability to continue the environmentally sound practice of brine water treatment at municipal sewer treatment plants.
6. Solely responsible for engaging with EPA and educating Federal Legislators on possible carve outs by regulation and or a legislative carve out to exclude Conventional well operations from vapor recovery at all tank sites.
7. PGCC and its partners produced the first ever economic impact study exclusively developed for the conventional industry.
8. Engaged in fighting against every Severance tax bill and have successfully been able to keep conventional wells out of bills.
9. Took the lead in defending the practice of road spreading of brine. (Lawson case).
10. The incalculable value of educating legislators and regulators on both the State and Federal level are reaping the following benefits: A. Understanding the economic impact of conventional industry. B. Who conventional operators are as it pertains to the communities in which live and work. C. We now have relationships with Legislators and regulators that in many cases include a trust and respect component that would not be present without PGCC.

None of these accomplishments have been an easy feat. As of right now, the biggest issue for the producers, refiners, service providers, investors and royalty owners in Pennsylvania is the "Conventional Oil and Gas Act". If this Act does not pass, the conventional industry will be collateral damage. Why should I be concerned? With no economic return for producers, the conventional drilling activity will not be what it once was and existing conventional wells will be plugged and abandoned prematurely as a result of increased regulatory compliance costs. Royalty checks will dwindle, there will be no incentive to lease conventional oil and gas rights and pay delay rentals and bonuses, | buy pipeline rights of way and free gas will also be at risk. Conventional oil and gas rights will be condemned by overreaching regulations without just compensation. This has a trickle down affect on industry jobs and our communities that rely on our businesses.

We are all in this together. Please complete the enclosed New Member Application. The royalty owner annual dues rate is \$50.00 per year, but if you can give more it will be greatly appreciated. We urge you, as a royalty owner, to support PGCC. Membership dues are our only resource to maintain our coalition for the benefit of the conventional industry.

Please complete the member application on the back of this letter and forward to the address at the top.

SUPPORT OUR MEMBERS:

PGCC is fortunate to have a growing membership that includes valued service providers. We urge you to support our service members!!!



PROUDFIT
Insurance

NITA RIFFLE | nita@proudfit.com
P 724.225.3120 • F 724.225.6015
WWW.PROUDFIT.COM

ProudFit Insurance has been an insurance partner of the oil & gas industry since 1977.



KEYSTONE

**Bradford, PA - Wireline Services
Openhole, Casedhole, Casing Inspection,
Plug & Abandonment**

Office - 814-362-0230
Dick Carpenter - 304-575-8989
Marty Comini - 412-260-9040

Jean M. Mosites
Attorney at Law
jmosites@babstcalland.com



Babst Calland
Attorneys at Law

Two Gateway Center
Pittsburgh, PA 15222
Direct 412.394.6468
Main 412.394.5400
Fax 412.586.1051
www.babstcalland.com

Babst Calland is a key provider of legal service to the oil and gas industry with experience in matters related to energy, environmental, land use, construction, litigation, business transactions, real estate, and employment and labor law. For more information, including attorney profiles, visit babstcalland.com or contact Jean Mosites, Shareholder, at jmosites@babstcalland.com or 412-394-6468.



THE RESCHINI GROUP

Matt J. Bernini
Account Executive

Laurel Place, 922 Philadelphia Street
Indiana, PA 15701-3940

Desk: 724.463.5921
Cell: 724.599.5498
Fax: 724.349.6616
mbernini@reschini.com

The Reschini Group understands the need for a comprehensive employee benefits and health care program tailored specifically for your business. We are known as a leading advocate assisting employers in navigating through the health care maze. The Reschini Group also manages risk. We navigate change. We track regulations, and we can help you reach your business rewards.

Producer Focused - Service Driven

Purchasers of Pennsylvania Grade Crude Oil

**ARG`s roots are deep in the PA oil fields.
Refining crude oil since 1881 in Bradford, PA,
ARG is committed to supporting the
PA conventional oil and gas industry.**

Dan Palmer
Crude Relationship Manager PA / NY
814-368-1263
dpalmer@amref.com



ROBERT S. TAYLOR, ESQ.
CHAIRMAN AND CEO

THE CAMERON COMPANIES, LLC
PO Box 220
SOLEBURY, PA 18963

PHONE: 215-489-5300
FAX: 215-489-5301
CELL: 215-801-2295
EMAIL: RST@CAMERON-COMPANIES.COM