



DECEMBER, 2017 News Letter

Hello from Arthur Stewart, Secretary

Hello—lots of happenings (mostly good!) since our September newsletter. Here's the news:

1: PA ONE CALL PASSES WITH EXEMPTION INTACT:

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2017 Act 50

UNDERGROUND UTILITY LINE PROTECTION LAW - OMNIBUS AMENDMENTS
Act of Oct. 30, 2017, P.L. 806, No. 50 Cl. 6
Session of 2017
No. 2017-50

SB 242

AN ACT

Amending the act of December 10, 1974 (P.L.852, No.287), entitled
"An act to protect the public health and safety by preventing
excavation or demolition work from damaging underground lines
used in providing electricity, communication, gas, propane, of

Act 50 passed into law October 30, 2017

The passage of Act 50 marks the successful closure of nearly three years' work by PGCC. Act 50 preserves the existing One Call exemption for our low pressure, low volume lines; this means stripper well lines less than 8" in diameter will NOT be subject to PA's One Call regulations. For virtually all conventional operators it means we will not be required to provide mapping of our far-flung (and often unmapped) collection/production lines; operators will not have to locate those lines in advance of

excavation projects.

This success comes thanks to countless meetings in Harrisburg where PGCC members told the story of why the exemption has been in place since the start of One-Call, why our conventional industry is different than the unconventional industry, and why the requirements of PA One-Call would be economically crippling to the conventional industry.

Many legislators heard our story and acted to preserve the exemption. Earlier this month PGCC traveled to Harrisburg to thank Senators and Representatives for their attention to our plight. PGCC Board members Clark, Grindle, Phillips, Cochran, Kirsch, and Stewart, plus Judy Saf, Brynn Howard, Sarah Stewart, Sue Phillips, Chris Clark, Ariel Clark, and Joe Maney visited legislative offices in the Capitol for two days. On the evening in between, they hosted a dinner for over a dozen legislators and their staffers. It is impressive how many legislators have put in a great deal of time learning about our industry.



PGCC members Stewart, Clark, and Grindle visit with Senator Pat Stefano

PGCC members will be going to Harrisburg again, on January 23, 2018 for another two days of office visits and to host a second dinner thanking yet more legislators for making the effort to study the history of the One Call exemption and for keeping it in place. If you would like to participate in the January event there are a few openings left; please call or email Judy Saf (Judy Saf judy.saf@pagcoc.org) so she can get you on the list. (Travel and hotel costs are on your own nickel, but Judy can help you make the necessary hotel reservation.)

2: PROGRESS ON A CONVENTIONAL OIL AND GAS ACT

At its November 2017 meeting Pennsylvania's new Crude Advisory Council (CDAC) took up the study of creating a Conventional Oil and Gas Act. CDAC discussed returning to Act 223 of 1984 as the starting point, and adding to (or subtracting from) old Act 223 to make it appropriate for today. Ideas that were floated included adding a section authorizing the spreading of brine as a beneficial use, changing the permitting requirement so locations can be built in advance to reduce environmental impact, and reinstating the old water quality standard for replacement of an affected water source. (In total, about 20 suggestions were put out for discussion.)

CDAC members Representative Causer and Senator Hutchinson are taking the lead on putting together legislation for discussion. It is hoped that a draft will be ready for the January 25, 2018 meeting of CDAC. If you have ideas for how oil and gas legislation could be made more efficient to promote Pennsylvania's conventional oil and gas industry please communicate those ideas to any member of PGCC's Board, or to PGCC's members of CDAC: Arthur Stewart and Bruce Grindle.

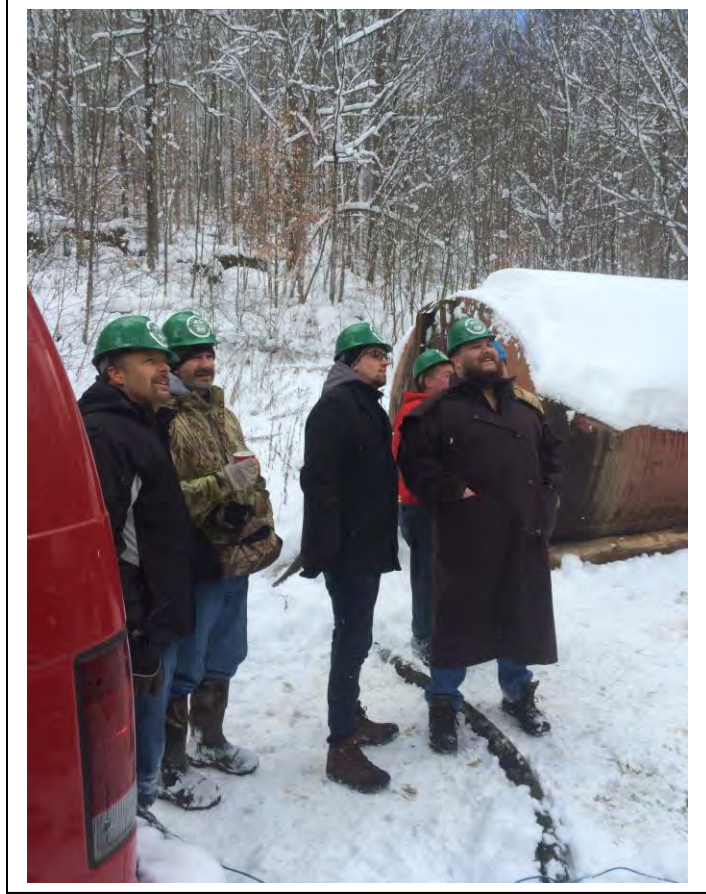
3: CONTINUING THE FIGHT AGAINST THE EPA WATER RULE AND EPA METHANE RULE

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. During this review it is important we make the facts of our case known to the EPA. From the last newsletter you will remember that PGCC's lawsuit has gained the attention and help of several national organizations including API (American Petroleum Institute), IPAA (Independent Petroleum Association of America), and AXPC (American Exploration and Production Council).

This month PGCC gained a new voice in the form of the Committee for a Constructive Tomorrow (CFACT). CFACT is a thirty-year-old Washington DC based organization known for bringing a balanced perspective to environmental debate through science and other sometimes-forgotten elements. See <http://www.cfact.org/>

To gain knowledge about hydrofracture operations, CFACT reached out to PGCC to actually attend a frac job. Earlier this month several CFACT staffers, including Marc Morano, spent the day at a conventional frac operation in McKean County. (Marc Morano is a frequent television contributor; interesting clips of his perspective can be found on youtube: <https://www.youtube.com/watch?v=q777XU57GVg>.) CFACT's article about its visit is found here: <http://www.cfact.org/2017/12/20/cfact-tours-fracking-rigs-in-nw-pennsylvania-will-government-shut-them-down/>



CFACT staffers watch frac pipe flush to the next stage (with David Clark looking on in background).

CFACT spends a lot of time in the hallways of Congress, the EPA and other federal offices, and what CFACT saw on its visit will help bring a balanced perspective to Washington DC. During its two-day visit to Warren and Kane CFACT saw hundreds of conventional oil and gas wells, in the watersheds of the Allegheny National Forest, where Pennsylvania boasts some of the highest water quality in the state. CFACT saw a real frac operation with no one falling over dead and all the fluids neatly contained for recycling.

As the conversation flowed throughout the visit PGCC learned that CFACT also has an interest in slowing down the train wreck that is the EPA's new methane rule. CFACT recognizes that the methane rule is a juggernaut that will bring crippling costs to conventional oil and gas well operators. PGCC was able to show CFACT the separators, collection tanks, and compressors that are the subject of the methane rule, which was passed in the waning days of President Obama's administration.

PGCC looks forward to help from CFACT in finding a permanent solution to the ill-conceived Methane rule. As you will recall from earlier newsletters PGCC is working with Congressman "GT" Glenn Thompson on legislation that will exempt stripper wells from the Obama era requirements. CFACT is looking for an even broader solution and the experience that PGCC was able to give to CFACT will help carry our message to Washington DC through the voice of CFACT.

We were privileged to be visited by CFACT, and thanks to Tyler Martin for responding to CFACT's inquiries and for doing all the planning to make the visit a success, and thanks to Ted Howard for scheduling a frac job despite the cold and snowy day.

4: CALL TO ACTION

Here is a message from CDAC. This message is going out to the members of all three trade groups (PIPP, PIOGA and PGCC). We hope the message is embraced by all PGCC members who can afford to help:

Call to Action: “Get Caught Doing Good”

Perception is reality. While not necessarily the truth, it is oftentimes a narrative spun by forces outside our control.

Recently, much of the narrative spun around the oil and gas industry is largely negative - the dangers of hydraulic fracturing, gas migration, drinking water contamination, etc. These issues, while of grave concern, result in incidents that are actually few and far between. To ask the average citizen outside of the oil and gas producing regions, you would think we could light our rivers and streams ablaze from toxic oil slicks and gas vapors polluting them. This is certainly not the reality.

It is time to try to control some of the narrative that creates the public's perception of the reality of the conventional oil and gas industry of Pennsylvania. How do we do that? *Get Caught Doing Good.*

“Get Caught Doing Good.” As conventional producers of oil and natural gas in this historic industry, let's make this our goal. Let's make this our call to action. How do we “Get Caught Doing Good?” Currently, we do it every day when we use best practices in safety for our employees and the environment. But there is a way to take it a step above and beyond the everyday.

There are tens of thousands of orphan wells in Pennsylvania and not nearly enough resources to plug them all. The newly formed Pennsylvania Grade Crude Development Advisory Council is looking into ways of incentivizing well plugging through both legislation and grant funding. Even if these measures are successful, it will not be enough. However, volunteers from our conventional industry can help make a difference and, perhaps in doing so, help change the narrative that shapes the public's perception of the industry.

Why should we volunteer? The orphan wells are not, technically, our problem. We didn't drill them, nor did we profit from them. Maybe everyone who has ever enjoyed a home heated from natural gas or fuel oil or a vehicle powered by gasoline or diesel should pay their fair share of the plugging costs?

The simple reason to volunteer comes down to this: “community ownership”. These are our communities. We live here, play here, and raise our children here. We have the expertise, equipment and ingenuity to help solve this major problem facing our State. The well you choose to plug may be one of your own, your neighbor's, or the State's property. The well you volunteer to plug today is a solution to tomorrow's problem.

The DEP wants to be a cooperative partner in this volunteer effort. Two volunteer projects in the spirit of this cooperation have already been completed with more on their way. Also, if you don't mind a little

paperwork, you can even apply for coverage under the State’s “Good Samaritan Act”, which frees you from any liability associated with the well after it has been plugged.

If you are interested in volunteering your expertise, but are concerned that you may not have the resources to join this effort, for a \$100 application fee you can submit a plugging project grant proposal under the Commonwealth Financing Authority’s “Orphan and Abandoned Well Plugging (OAWP)” program. Each year, the Commonwealth Financing Authority awards millions of dollars in grant funding for various programs. Although highly competitive, well plugging grants for up to \$250,000 per project are considered.

“Getting Caught Doing Good” is about “doing good” for ourselves, our communities, our state, and our industry. Let’s change the outside perception of our industry so others can see the reality - that we are good stewards for the communities we work and live in, and we care for that which has cared for us.

If you have questions about how to help contact PGCC president David Clark or PGCC’s CDAC members Bruce Grindle or Arthur Stewart.

5: SOUTHWESTERN PA LEGISLATIVE VISIT

On October 12 and 13, 2017, PGCC hosted legislators and staffers for a visit to southwestern Pennsylvania oil and gas operations.



Chevron Marcellus Well Pad Site, Fayette County, PA

To demonstrate the difference between conventional and unconventional operations the visit included a stop at two Chevron Marcellus Shale pad & compressor locations. Chevron representatives shared their operating experiences and history of the shale formations. With their sheer size, state of art completion technologies used to complete the wells, safeguards related to the high pressures encountered, etc., these unconventional well sites have a high price tag compared to conventional wells.

Next stop was a conventional well site and compressor station owned and operated by Bruce Grindle and Cathy Kirsch, owners Oil & Gas Management. Before Bruce and Cathy acquired the lease, the property was an eyesore from locals dumping garbage. Cathy and Bruce have cleaned up the area and we saw an attractive producing well with a diked separator and brine tank. The group stopped by the small compressor building located at the entrance of the property.

Next stop was an Oriskany well with “A View”. This deeper conventional well is also owned and operated by Bruce and Cathy. Located on the Laurel Caverns property, the well sits on the Chestnut Ridge offering a clear view of Uniontown in the valley below. A short distance up the road is Laurel Caverns Park. Thanks to Cathy and Bruce’s good working relationship with the owner of the land and caverns, David Cale, we received a personally guided through Pennsylvania’s largest cave.

What better way to differentiate between unconventional and conventional wells than to see both in the same day. The conventional well clearly leaves a smaller foot print compared to the shale well.



Dominion Energy North Summit Natural Gas Storage Field, Fayette County, PA

Day 2 started at North Summit, Dominion Gas Storage Facilities; again, PPE was required for our tour.

This facility has working gas capacity of 11,500 MMcf with max withdrawal of 3,000 MMf/d. The Compressor station, gathering pipeline system, dehydration equipment and well sites are all necessary to support the direction and routing of natural gas to and from the injection and withdrawal wells.

Next, we visited Universal Well Service where Neil Boyer, Engineer covered the history of hydraulic fracturing that ranged from open hole fracing of conventional oil wells in northwestern PA to multi-stage fracing of deep horizontal unconventional wells in southwestern PA; Neil highlighted the vast differences between them. In 2004, Universal Well Services fraced the Renz well operated by Range Resources, the first horizontal Marcellus well in PA. Neil also spent time on well site safety and environmental protection protocol.



Universal Well Services, Uniontown, PA

Mark Hager, Operations manager gave us a tour of the Universal Uniontown facility. The facility had been abandoned by a company that refurbished tanks and armored vehicles for the US Army. Universal now has 300 employees at the Uniontown facility. Mark showed and explained the differences between the frac pumping, blending, cementing, and sand delivery equipment that is used for conventional and unconventional wells.

The visit was a success with all in attendance expressing how much they learned about our conventional industry and the major differences between our industry and unconventional operations.

Hello from David Clark, President

PGCC was created 4 ½ years ago because the conventional operator needed a voice in Harrisburg and Washington that was laser focused. WE knew our abilities and our needs—but without our own voice our conventional industry was being lost in the confusion of the new shale industry. PGCC is blessed to have conventional membership from all around the state, and the thoughtful voices of all PGCC's members has resulted in several key legislative victories. Without those victories many of us would no longer be in business. Just as important, we are altering the face of the Conventional operator from wrong perception of an unwanted polluter, to that of neighbor and responsible citizen who provides energy for the homes, businesses, schools, churches and hospitals throughout Pennsylvania.

PGCC is embarking on a new mission in which our members' help is of the utmost importance. Four years ago, few people in Harrisburg understood why the Conventional industry requires its own statute. Today, through the education efforts that so many PGCC members have participated in, there is a growing understanding that a separate Conventional Oil and Gas Act is the right thing to do. The DEP is open to this prospect. Our discussions with DEP reveal important differences between the unconventional and conventional industries, and if Pennsylvania is to tackle its abandoned well problem it will require a healthy conventional industry to provide the necessary skilled labor and equipment. I believe we need our own statute to stay on that healthy track.

In the September 2017 newsletter I asked for members to “step up” and volunteer to plug an orphan or abandoned well. That ask remains the same. It is imperative that PGCC members continue to lead in the act of “getting caught doing good”. PGCC members MUST show by our actions that we are **the** needed partner in tackling the tough issues embedded in the world's oldest oil field. This is especially true as the Legislature considers a statutory fix to the ill-fitting Act 13 in the form of our own Conventional Oil and Gas Act. If your company cannot afford to plug a well by itself you will find that the Good Stewardship application easily accommodates multiple participants. If you need help with the forms, please contact Judy Saf at judy.saf@pagcoc.org.

In closing, what started 4 ½ years ago as a struggle to find our own voice has metamorphized to the proven proposition that you and I collectively, are making a powerful difference. Our voice has translated to **results** including legislative relief from ill-fitting regulations, the formation of a conventional advisory council (CDAC), a clear-eyed economic study of our industry...and now we're on the threshold of our own statute. If you believe PGCC has made a difference for your family and your business, please consider how you can act to assist in 2018. Your time, talent and financial support are **the** key that will allow PGCC continue to be your voice. Together, we can turn up the volume...and achieve more good results.

Merry Christmas and a Happy New year to all,

Dave Clark

SUPPORT OUR MEMBERS:

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