



JUNE, 2017 News Letter

Hello From Arthur Stewart, Secretary

Greetings. Someday we'll graduate to a nicer newsletter. Meantime, many important events have happened since our last update in March, and we want that information in your hands ASAP. So with apologies for the simple format...here goes:

1: PGCC Secures Continued Exemption for Conventional Pipelines from PA One Call Regulation

Since 2014 folks in Harrisburg have been attempting to do away with the oil and gas exemption to the Pennsylvania One Call (POC) program. The exemption exists because it would be of little benefit and unreasonably expensive for our industry to map and locate low pressure/low volume lines. Over the last three years your Executive Committee spent a lot of time in Harrisburg educating about the low risk of conventional pipelines, and in 2016 PGCC efforts helped pass a bill that delayed any changes for a year.

In 2017 Senate Bill 242 would have again done away with the exemption. We are extremely pleased to report that on June 19, 2017, and as a direct result of PGCC efforts, the PA Senate passed an Amendment to Senate Bill 242 that **continues the present exemption for almost all, if not all, of our oil and gas lines**. Under the amendment the **POC will not apply** to pipelines associated with "stripper wells." A stripper well is defined as a conventional oil and gas well with maximum daily production which does not exceed 15 barrels of oil and 90 mcf of natural gas during any 12-month consecutive time period. The seeds for the "stripper well" exception were sown at a meeting in Harrisburg attended by Dave Clark, Bruce Grindle, Doug Jones and Arthur Stewart in early spring. Thereafter came dozens of meetings and calls where the idea was further refined.

Then, just this month, to meet Harrisburg concerns that the exemption was still too broad, "stripper well lines" was further defined as a production or gathering line or facility that has a nominal inside diameter of 8" or less, only carries oil and natural gas produced exclusively from one or more stripper wells and is not regulated under the federal pipeline safety laws. Bruce Grindle, Sue Phillips, and Wally Phillips made several trips to Harrisburg...including a midnight run...to insure that the language brings a common sense result.

The bottom line is that, under the amendment, all underground conventional stripper well lines less

than 8" in diameter will NOT be subject to POC regulations *unless* the Federal regulations are changed in the future. This includes all "conventional production lines and facilities" in Class 1, 2, 3 or 4 locations. Conventional gathering lines in Class 2, 3 and 4 locations remain regulated by POC as per Federal mandate. Unconventional lines do not qualify for any exemptions under the Amendment.

If you have conventional stripper well lines and are a PGCC member:

- a) You should be proud of how PGCC worked to keep these lines from unnecessary regulation;
- b) If you are NOT a member of PGCC, you should consider joining to support our growing voice in Harrisburg that will be important to you on this and all the upcoming issues we face.

Our favorable result could not be accomplished without the strong support of Pennsylvania Senator Scott Hutchinson and Senator Camera Bartolotta and their staff members. We also thank the bill Sponsor, Senator Lisa Baker and her staff for guiding the process.

2: Meeting in DC with EPA

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. The EPA Water Rule came as a shock, because the EPA's draft version of the rule applied only to produced water from **unconventional wells**. PGCC had watched the proposed rule as it made its way from draft to final stage, and when the final rule suddenly included conventional well formations, PGCC immediately reacted by contacting legal counsel and by reaching out to Federal Representatives GT Thompson and Mike Kelly.

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. In March, 2017, member of PGCC's Executive Committee met with several members of Congress to make them aware of the EPA's actions and to request a meeting with EPA staff. The members of Congress, and especially GT Thompson, were helpful in setting up a meeting. On June 22, 2017 David Clark and Arthur Stewart met in Washington DC with GT Thompson and key EPA staff members to discuss the problems with the rule.

Although the EPA staff were new to the job, having just been appointed by President Trump, they proved to be quick studies. GT Thompson pointed out that under the EPA's definition imposed last year **even Drake's well in Titusville would now be defined as an unconventional well**. The EPA staff members reacted with thoughtful questions and some preliminary suggestions for how to fix the problem. In the court case filed by PGCC the Judge postponed action until July 3 in order to allow time for the parties to find a solution. Everyone in attendance at Congressman Thompson's office agreed that spending more money on litigation is not prudent, that a reasonable solution should be possible, and that the EPA would work with the Department of Justice and PGCC's counsel to ask the judge for more time.

GT Thompson has done a good job of putting us in touch with the right department of the EPA, President Trump has appointed some intelligent folks to staff the EPA, and we are making good progress toward fixing a problem that EPA oversight caused.

We also spent time talking about the larger problem of how both federal and state governments are creating discharge requirements that are so prohibitive they do not serve a sensible purpose and are prohibitively expensive to meet. (This is part of the reason for the closure of the Warren treatment plant.) We'll be working on that problem at future meetings in DC.

3: EPA Methane Rule

On June 3, 2016, the EPA published its new "Methane" rule. Under this rule many of us received surveys that asked us to provide GPS locations for all our wells along with a host of other information; the rule also requires methane collectors on storage tanks and the use of sophisticated leak detection technology.

President Trump's appointee to run EPA, Scott Pruitt, rolled back the survey requirement, and in April, 2017, he temporarily postponed the implementation of the other rule requirements, including the methane collection systems. In June, 2017, the EPA announced an additional postponement until September, 2017, and now the EPA is working on a two year postponement so that the rule can be reconsidered. (Congress attempted to eradicate the rule altogether and legislation for that purpose passed in the US House of Representatives; however, the legislation failed in the US Senate 51 to 49 [with Senator John McCain being one of the Republican senators who voted to keep the regulation in place].)

PGCC is working with GT Thompson to show the EPA how the methane rule will harm Pennsylvania's conventional industry and why the rule must be undone. Another meeting with EPA will be scheduled later this year.

(July 5, 2017 update: On July 3, 2017 the DC Court of Appeals ruled that the EPA cannot suspend the Methane Rule. The Methane rule affects conventional producers all across the nation and PGCC is developing relationships with national trade groups. In the next few days PGCC will be working with the National Stripper Well Association and other national trade groups to determine how PGCC can support the suspension of this ill-targeted rule.)

4: Linking PGCC with National Organizations

With Federal issues impacting us at a national level, PGCC is connecting with national oil and gas organizations. Earlier this year the Board approved PGCC's membership in the National Stripper Well Association, and on June 22 David Clark and Arthur Stewart met with API at its DC office. API is interested in supporting PGCC's fight against the water treatment rule and the NWSA is doing great work fighting the methane rule. These contacts are adding nicely to PGCC's resources.

5: Severance Tax

On June 30, 2017 Pennsylvania's General Assembly approved HB 218, a spending plan that calls for 31.996 Billion in 2017-18 funds with approximately \$200 Million in 2016-17 supplemental funding for a total of \$32.1 Billion. Funding in education for K-12 and pre-K was increased as was funding for the Department of Corrections. Other line items in DCED, Health, and HHS were increased. The problem now confronting the General Assembly and the Governor is that legislation must yet be enacted to

obtain the revenues in 2017-18 that will be required to fund the \$32.1 Billion spending plan.

PGCC members have spent many days in Harrisburg educating about our industry and the harmful consequences of a severance tax. The severance tax issue remains in play for 2017-18 and PGCC is closely monitoring the State's funding plans as they develop. Stay tuned in case an emergency trip to Harrisburg is required.

6: Ch. 78 Update

At the May meeting of the PA Crude Advisory Council (CDAC) DEP Deputy Secretary Scott Perry surprised many in attendance by announcing his intention to re-introduce the chapter 78 regulations by bringing back the same package of regulations that was on the table last year when the legislature passed Act 52 (instructing the DEP to "start over" with the Chapter 78 regulations). Many CDAC members, including Representative Marty Causer and Senator Scott Hutchinson, expressed surprise and disappointment.

CDAC members pointed out that a return of the old package (developed for both conventional and unconventional operation) would frustrate the legislature's intention to have conventional regulations developed via a separate process. Starting with the old package would also make it impossible for CDAC to fulfill its duty of being involved in the development process. It remains to be seen what action the DEP takes.

7: DEP Process for NOV's

PGCC member, Cameron Energy, was charged with a Notice of Violation (NOV) in May, 2017. Take a few minutes to view this movie about the NOV process:

<https://drive.google.com/open?id=0B9PZXIMEv0wyajJYM1MwM29ZSVU>

Cameron has shared the movie with DEP Secretary McDonnell, and will be providing it to legislators in the near future.

America is slowly developing an awareness of how businesses are being regulated to death. PGCC needs to help tell that story. If you have an incident of over-regulation maybe we can help tell the story. Take pictures and video and contact us.

8: ANNUAL MEETING

PGCC held its annual member meeting on June 5th in Clarion. Representative Glenn (GT) Thompson was our guest speaker. GT brought us up to speed on rapidly changing events in DC. He reported that President Trump is already making a positive difference through appointments to agencies and by signing several pieces of legislation rolling back regulations passed in the waning days of President Obama's administration. GT reported on bills he is working on and gave us an update on the all-important methane and water treatment rules.

Elections were held and this year's officers remain unchanged as follows:

- David Clark, President
- Bruce Grindle, Vice President
- Wally Phillips, Treasurer
- Arthur Stewart, Secretary
- Doug Jones, Executive Board