



June 2020 Newsletter

Hello from Arthur Stewart, Secretary

Greetings from President David Clark:

Summer Greetings Members:

The start of 2020 has been and will likely be a year that none of us will soon forget and few would want to relive again. Our industry and economy have been so negatively impacted by Covid-19, oil prices, and politics that many of our members have been forced to make adverse decisions in order to survive. In light of the all these unfortunate circumstances, on May 27th SB 790 The Conventional Oil and Gas Act, (COGA) passed in the House chamber. PGCC could not have done that without your continued support. The Board of Directors would like to express their heartfelt gratitude to each of you for making sacrifices to continue to pay dues this year. PGCC is committed to making progress in the 2nd half of 2020 and continue working with legislators for the final passage of COGA.

Below are two video links for you to view and share. Both videos are key educational tools for raising awareness about orphan wells and how the Covid19 crisis has impacted our industry. Now is the time to tackle this legacy problem and infuse much needed capital into our conventional operations. A healthy conventional industry in Pennsylvania is a key part of getting these wells plugged properly and safely.

- 1) <https://www.youtube.com/watch?v=sZFofHSOEKI> This video depicts the history of orphaned wells in Pennsylvania.
- 2) <https://www.youtube.com/watch?v=m0mFxcjLFyM> This short video describes how Covid19 has impacted the conventional oil and gas operators and local economy.

I am looking forward to our July 9th membership meeting at the Jackson Valley Country Club, Warren PA. 5 pm social hour 6 pm meeting with guest speaker Attorney Matt Wolford. It's time to meet as a coalition, get informed on issues, and share your concerns. There will be a vote for the replacement of 2 absent board members as well as some changes to bylaws as to accommodate additional board members. Please email judy.saf@pagcoc.org for attending.

See you soon,

PGCC ANNUAL MEMBER MEETING JULY 9

The PGCC member meeting is July 9, 2020, at Jackson Valley Country Club on Route 69 between Sugar Grove and Warren, in Warren County. <https://www.jacksonvalleygolfcourse.com> Social hour is at 5 PM and the meeting begins at 6.

This year’s agenda includes a motion to change the bylaws to increase the PGCC Board from 9 members to 12. If that motion passes, we will have 3 new seats to fill. We also have 2 existing vacancies on the Board, for a total of 5 slots to fill. The nominating committee is recommending that the membership appoint Meredith Fesenmyer, Paul Morris, Joe Thompson, Jay Curtis and Stuart Morris as new members to the Board. In addition, existing terms have to be renewed. If the nominating committee’s motion is passed, the Board members will serve terms ending as follows:

2021	2022	2023	2024
Ted Howard	Chris Cochran	David Clark	Stuart Morris
Douglas Jones	Glenn Baldensperger	Arthur Stewart	Jay Curtis
Joe Thompson	Paul Morris	Wally Phillips	Meredith Fesenmyer

Our guest speaker is **Attorney Matt Wolford**. Matt will be talking about **personal liability** for owners and officers of oil and gas companies such as corporations and limited liability companies. **Under recent case decisions the officers of an oil and gas company can be held personally liable for DEP infractions and orders, including the plugging of wells.** You will want to be present to hear Matt’s update on the law and to learn his advice for **steps you should take to minimize your exposure**. Matt was PGCC’s guest speaker 1.5 years ago on property rights, and Matt got great reviews. **PGCC members asked us to bring Matt back**, so this is your chance to hear Matt again, on yet another important topic. Matt really knows his stuff. If you have a company that owns wells, you should attend.



Atty. Matt Wolford at the PGCC February 2019 Property Rights seminar

Conventional Oil and Gas Act Passes the House

SB 790 (the Conventional Oil and Gas Act) passed the PA House of Representatives on May 27, 2020. This follows a year of hard work by our great friends in the House, the PGCC Legal and Legislative Committees, the PGCC Board, and our consultants Bob and Mike.

It's been a roller coaster. The bill was originally scheduled to move last fall...but a last minute cancellation of session days upset the plan. The bill was then scheduled to move at the end of winter...but other legislation knocked us off the calendar. The bill was then going to move in March...but covid-19 shut down all legislation.

Throughout these changes Bob and Mike stayed in virtually daily contact with House members, and PGCC members made frequent trips to Harrisburg to answer questions about the bill and the status of the conventional industry. Bob and Mike worked especially hard to help us educate Democratic House members about the depressed state of our industry and the need for a conventional act. PGCC members made several trips around the state to meet with House Democrats. PGCC also hosted tours of our operations in northwest PA last fall for bi-partisan groups of legislators.

That hard work was reflected in the May 27th vote—17 Democrats joined 92 Republicans to pass the bill by a fantastic 109 to 93 vote. That is a huge show of bipartisanship support!

The bill now goes back to the Senate (where it already passed last year) for concurrence on amendments that were made in the House. If the Senate concurs with those amendments the bill then moves to Governor Wolf for his signature or veto.

Changes in PA House Leadership

Triggered by the sudden resignation of former Speaker of the House Mike Turzai (R-Allegheny County) from the House on June 15, 2020, the House of Representatives was required to elect a new Speaker for the remainder of the 2019-2020 session which concludes on November 30, 2020. Former House Majority Floor Leader Bryan Cutler (R-Lancaster County) was the presumptive successor to Turzai, and Cutler's election to Speaker of the House, while but a formality, set off a domino effect in selecting lower level leadership in the GOP caucus.

After Rep. Cutler's election to the Speaker's position, GOP members were required to elect his successor as Majority Floor Leader and chose Representative Kerry Benninghoff (R-Centre County) in an election over current House Appropriations Committee Chairman Stan Saylor (R-York County). Rep. Benninghoff, upon his election to the second highest office in the House leadership, immediately resigned from his position as Majority Whip.

Representative Donna Oberlander (R-Clarion County) then vacated her Majority Policy Committee Chairmanship to be elected as the new Majority Whip-- the third highest leader in the GOP caucus (replacing Rep. Benninghoff)-- which, of course, led to the opening of her old position. Representative

Martin Causer (R-Cameron, McKean, Potter counties) then bested a field of 7 contestants to be elected the new Policy Committee Chairman. All other House GOP leaders elected at the beginning of the session in late 2018 will remain in the current positions they hold.



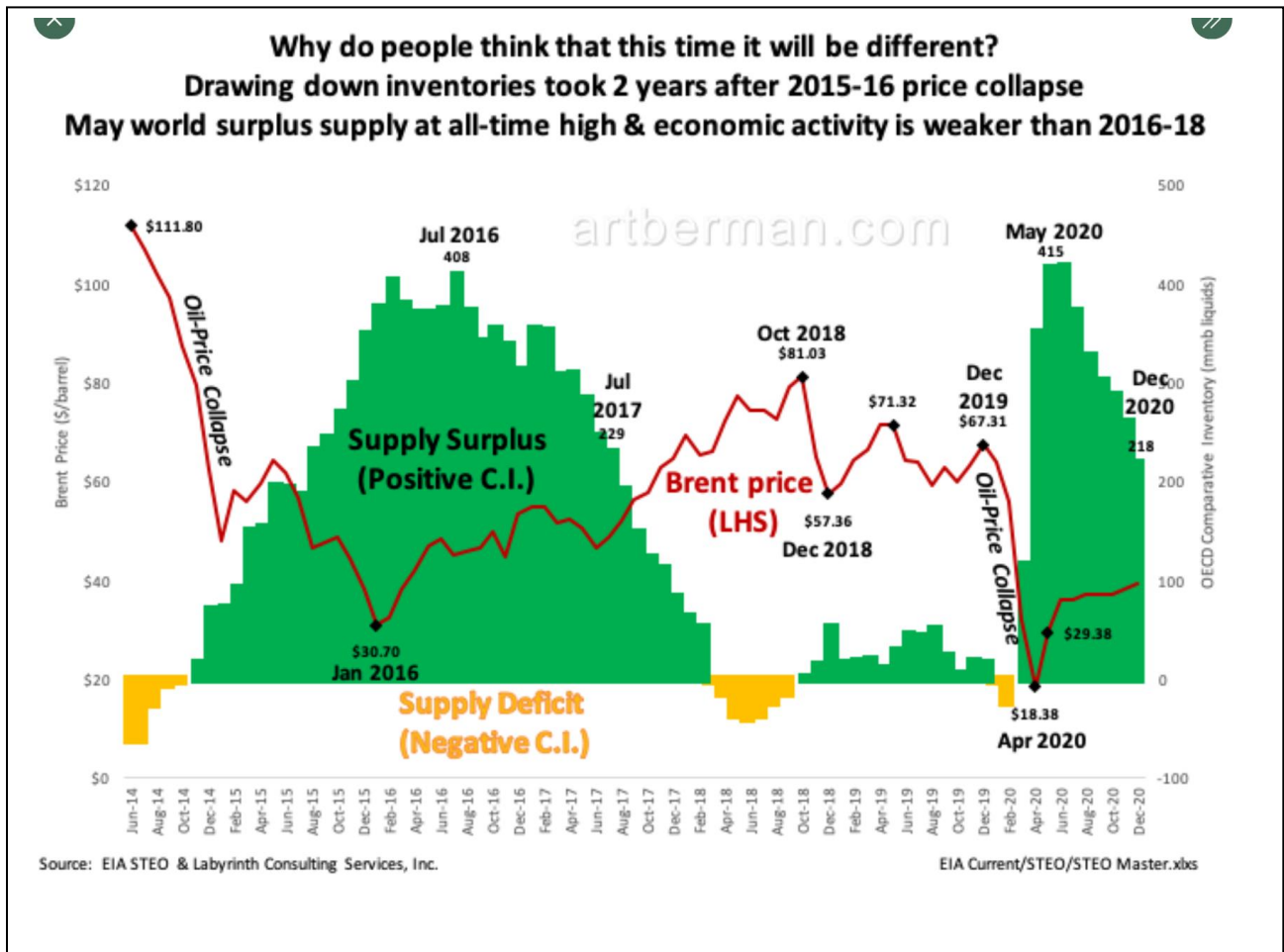
Reps. Oberlander and Causer join Sen. Hutchinson, Rep. Rapp and others on a PGCC visit to the conventional oil patch in 2017

PGCC has worked closely with Reps. Benninghoff, Oberlander, and Causer. All of them have visited us; they have a very solid knowledge of the conventional oil and gas industry and the problems we face. All four leaders are well respected by their peers and it is significant that all of the leadership comes from districts located in the central and western parts of the state. This reflects the Republican party's traditional strength in central PA and its growing strength in the west. This means that our rural issues won't be lost Harrisburg.

Many of you know Marty and Donna on a first name basis, and they would appreciate your call or an email congratulating them. Their election by their peers reflects a high regard for their knowledge and leadership skills. Congratulations to all of Reps. Cutler, Benninghoff, Oberlander and Causer!

COMMODITY PRICES CONTINUE TO LAG

As of the end of June 2020 oil prices are hovering near \$40. With talk that covid-19 may be in the rear view mirror, some pundits have expressed optimism that oil prices might go still higher. However, it is not certain that covid-19 is behind us. In some states, new covid-19 cases are higher today than just a month ago. Respected geologist, Art Berman, notes that oil inventories remain chock full. Even by the end of 2020 it is projected that oil inventories will still be very high.

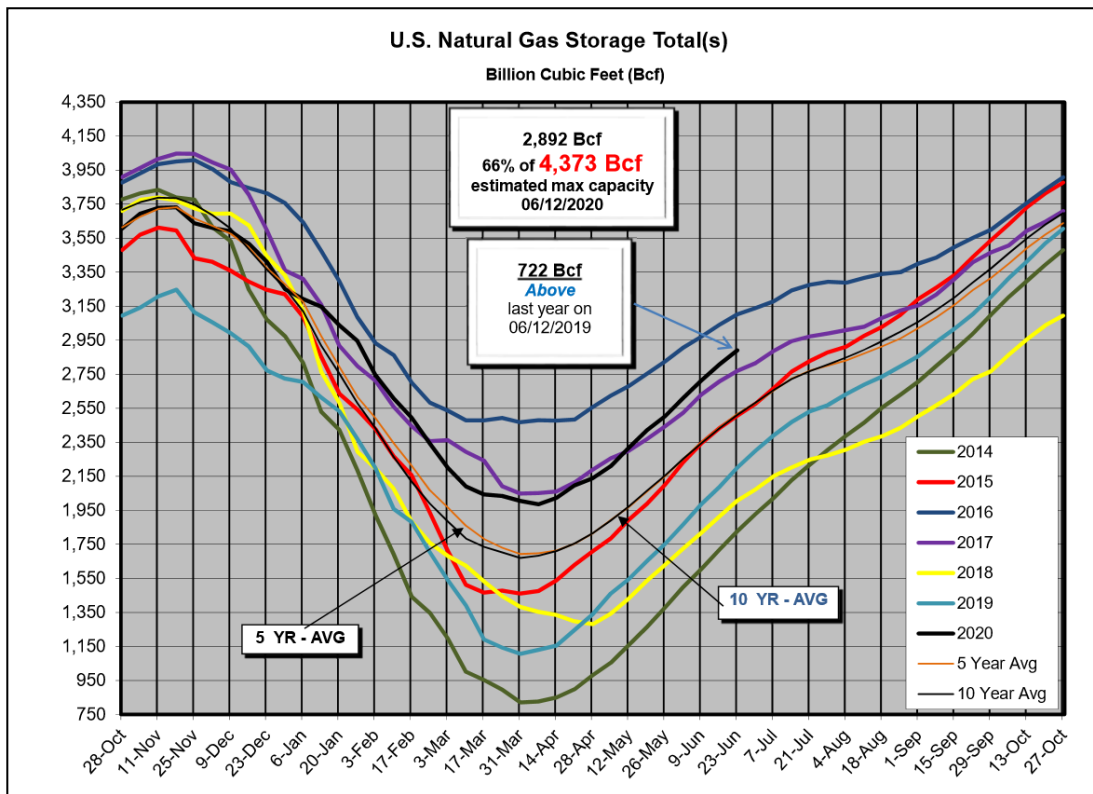


Another respected firm, Rystadt Energy, says that \$40 may be the “new normal” for oil pricing. <https://oilprice.com/Energy/Energy-General/40-Oil-Is-The-New-Normal.html> Rystadt make the point that the uncertainties weighing on the market are too great to allow the price of oil to climb further. Much depends on whether OPEC complies with its steep production cuts and whether covid-19 continues to impact world markets. Covid-19 infections are climbing rapidly in Brazil, India and Mexico, and on June 21, 2020 the world saw the largest one day jump yet in new covid-19 cases. <https://www.usatoday.com/story/news/nation/2020/06/22/largest-single-day-increase-new-coronavirus-cases-who-reports/3234199001/>

We are certain, however, that covid-19 is changing the oil supply side. US drilling rig count is lower than at any time since data began being kept in the 1940’s. US rig count has dropped 72% so far this year. That means that shale oil production is in rapid decline, and since shale oil makes up about 2/3 of US oil

production, the US is going to fall (hard) out of first place in world oil production. That probably won't mean a lot in the near term. But over the long haul (years) the significant drop in US oil production will return the US to energy vulnerability; geopolitical vulnerability may bring with it the prospect of price instability to the upper side.

Natural gas prices remain depressed. As of the end of June 2020 Henry Hub stood at \$1.65 and the EIA Short Term Outlook projected a 2020 average price of \$2.12. Despite reduced drilling in the Permian and other areas where much associated gas is produced, the amount of gas in US storage fields remains above the five year average. One bright spot is the prediction that US gas production is expected to slow significantly and be down by 2.6% by the end of 2020. This might bode for a better natural gas pricing environment in 2021.



Stimulus Money to Plug Orphan Wells

Over the past three months PGCC has fought aggressively to channel Federal Covid-19 stimulus money to Western PA to plug orphan wells, and thereby keep struggling conventional oil and gas companies in business. PGCC set the goal at \$25 million. That amount would plug upwards of 1,000 orphan wells and would create hundreds of jobs for service rig operators, laborers, wireline companies and the like.

Pennsylvania has received nearly \$4 billion in CARES money for Covid-19 recovery and PGCC has appealed to Governor Wolf to send \$25 million of the recovery funds to plug the State's orphan wells. The proposal has many winning elements. We've touted the facts that if we plug the wells now we save the Commonwealth from expensive plugging jobs later, the plugging projects are "shovel-ready", the

plugging of the wells avoids potential environmental problems, and, of course, the plugging projects will employ hundreds of our workers who were put out of work by Covid-19.

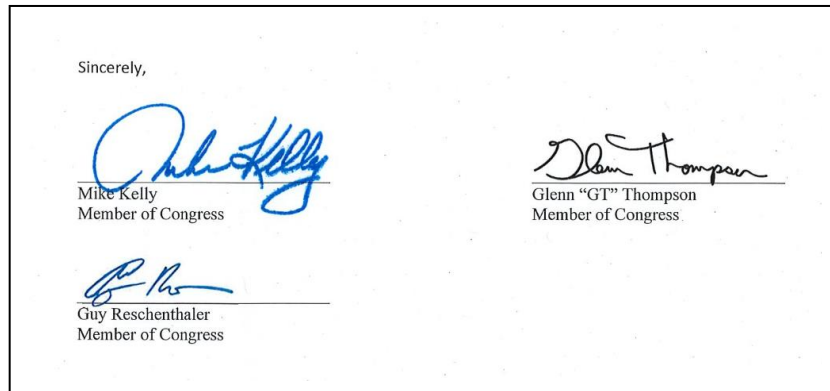
PGCC assembled two videos to tell about Covid-19 job loss and about orphan wells.

<https://www.youtube.com/watch?v=sZFofHSOEKI&t=2s> and
<https://www.youtube.com/watch?v=m0mFxcjLFyM&t=5s>

In a broad-based effort led by our PGCC Board members and the members of the Legal and Legislative Committees, PGCC has reached out to over a hundred county commissioners, township supervisors, economic development council members, legislators and other community leaders in western PA. These individuals have written letters of support asking Governor Wolf to fund the program. The PGCC Executive Committee was also on the phone with the Secretaries of the DEP and DCED encouraging their support of the program.

Meantime, our consultants have been working on the federal level. Through those efforts several members of the House of Representatives sent a letter to Governor Wolf encouraging the use of the CARES money for orphan well plugging.

From all corners of Pennsylvania, including environmental groups, we hear folks commenting that this is a “win-win” proposal that they want to see go forward. The success or failure is in the hands of Governor Wolf and we await his action.



Signatures of some of the nearly two dozen US Representatives who have joined in calls for funding orphan well plugging



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