



SEPTEMBER, 2017 News Letter

Hello from Arthur Stewart, Secretary

Greetings. PGCC has been on the move since our June newsletter. Here are the highlights:

1: Visit by Legislators, DEP and DCED:



Pennsylvania Senator Scott Hutchinson and Representatives Kathy Rapp, Marty Causer, Donna Oberlander, Tommy Sankey, Will Tallman, legislative staffers, and others participated in PGCC's tour of conventional operations September 7 and 8, 2017

On September 7 & 8, 2017, PGCC hosted over a half-dozen State Senators and Representatives on a tour of conventional oil and gas operations in northwestern PA. Also in attendance were staff members from other legislators' offices, DEP Secretary Scott Perry and DCED special assistant Denise Remillard.

Stops on Thursday included the Cline well at the Bradford McDonalds, an oil bioremediation site at the Bradford Pitt campus, the ARG refinery, the Penn Brad Oil Museum, and Minard Run's conventional oil and gas operations along Route 321.



Minard Run's Jim MacFarlane explains gas metering to Senator Scott Hutchinson and Representatives Marty Causer and Will Tallman

Dinner was preceded by a presentation showing the costs of both operating and drilling conventional wells.

On Friday we had presentations from PGCC members--Joe Thompson (produced water treatment developments), Stuart Morris (Penn Hills Resources plans), Tyler Martin (locating abandoned wells), and Jeannine Schoenecker (challenges and opportunities at ARG Refining). We also heard from Scott Perry on work DEP and PGCC are doing together to study bioremediation as a means of oil spill cleanup. Dave Ochs updated the group on the Crude Advisory Council's work on creating incentives for plugging abandoned and orphan wells. Everyone then tried their hand operating excavators and bulldozers.

This marks the third visit PGCC has hosted in the past year. These visits do a tremendous job of

improving understanding. PGCC sincerely appreciates the time our visitors dedicated to learning more about our industry.



Senator Hutchinson concentrating on an excavator's controls.

2: PGCC Joins with API, IPAA and AXPC to Continue the Fight Against EPA Water 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. In March and June, 2017, members of PGCC's Executive Committee met in Washington DC with members of Congress and the EPA. PGCC's members also met with API in an effort to draw national trade groups into the battle.

PGCC's lawsuit has now gained the attention of several national organizations. Earlier this month API (American Petroleum Institute), IPAA (Independent Petroleum Association of America), and AXPC

(American Exploration and Production Council) joined with PGCC to send a letter to the EPA, supporting PGCC's challenge and asking EPA to roll back the rule passed under the Obama administration.

In a separate but related development, PGCC is going to temporarily resolve PGCC's lawsuit against the EPA by "remanding" the case. That means the litigation is going to temporarily end and the case is going back to the EPA—the purpose of the return is for the EPA to clean up its error (overlooking the conventional water treated at POTW's). We're still working out what that resolution should look like. Also earlier this month PGCC submitted its own letter to the EPA asking EPA to start a rulemaking process to fix their error—that would be the long term fix. For the near term we're working with the Department of Justice to make sure the court retains jurisdiction and to try to get an assurance our exemption from the rule continues as long as necessary until the rule is fixed.

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.

EPA administrator Scott Pruitt rolled back the survey requirement and in April, 2017 temporarily postponed the implementation of the other rule requirements, including the methane collection systems. In July the DC Court of Appeals ruled that the EPA cannot suspend the Methane Rule.

PGCC has been working with Congressman "GT" Glenn Thompson to find a permanent solution, and the Congressman will be sponsoring legislation that will exempt stripper wells from the Obama era requirements. The stripper well exception would be a long term solution to this serious problem. Meantime, Congress is looking at a short term solution of blocking funding for the new rule. A bill blocking funding has passed the House and now moves to the Senate.

Finally, PGCC continues expand its association with national organizations. The NWSA (National Stripper Well Association) supports the stripper well exception to the Methane Rule and PGCC has coordinated its efforts on this topic with the NWSA.

4: PGCC Bioremediation Project

Bioremediation is a natural attenuation mechanism that remediates crude oil spills. In layman's terms microbes found naturally in the soil use the paraffin based oil as a food source; the digestion process breaks down the oil. Although common in other states, bioremediation is not regularly used in DEP monitored oil cleanup in Pennsylvania. However, the EPA has regularly employed bioremediation in the oil cleanup projects it monitors in northwestern PA. The EPA has published several papers about the success of its efforts.

In December, 2016 an orphan well spilled oil next to the Tionesta Creek in Warren County. There are no state resources available for the cleanup of the spill site.



Abandoned Well Oil Spill Next to the Tionesta Creek

In the past, PGCC members have volunteered equipment and/or labor to clean up spills when there is no responsible party. In the case of the 2016 spill a PGCC member volunteered to install plugs on the well; when the plugs did not stop the leaking oil the PGCC member offered labor and equipment to address the spill.

For the cleanup the PGCC member and the DEP partnered to test cleanup via bioremediation. To learn about bioremediation, PGCC sponsored two seminars, the first by Dr. Kerry Sublette, Professor of Chemical Engineering at the University of Tulsa, OK, and the second by Vincent Zenone, OSC, U.S. Environmental Protection Agency. Both seminars were well attended by DEP staff and the seminars successfully brought about a greater understanding of the function and potential of bioremediation.

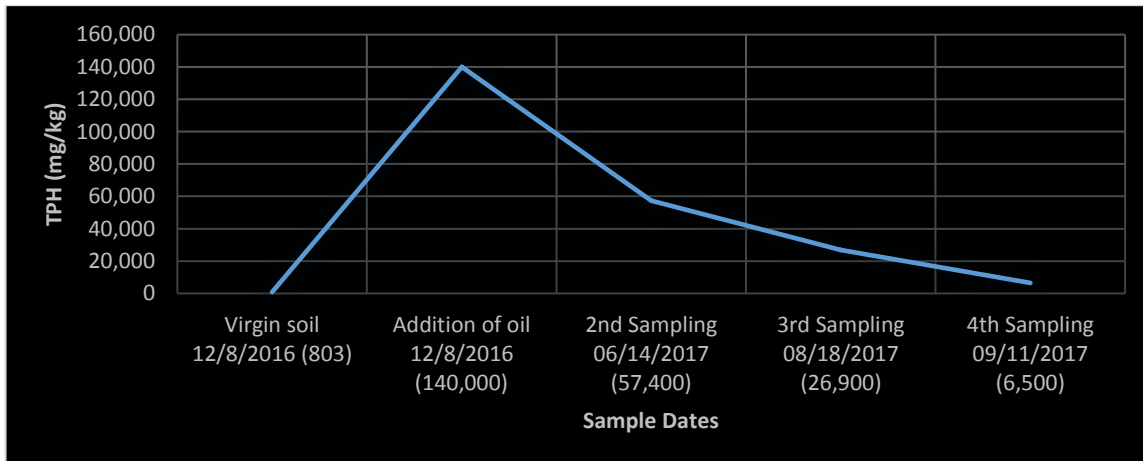
A “biopod” was constructed at the spill site and the oil and contaminated soil were placed in the biopod. The oil, contaminated soil and vegetative material were cultivated.



Crude oil collected from the Abandoned well spill is poured on the ground and cultivated into the soil to create the biopod where microbes digest the oil.

Commencing in the 2017 growing season PGCC's member regularly cultivated the biopod, occasionally adding lime, fertilizer and vegetative matter. PGCC has paid for regular testing of the biopod; the test results are impressive. Before biopod construction the total petroleum hydrocarbons (TPH) found naturally in the soil were slightly less than 1000 mg/kg. After construction of the biopod the TPH shot up to 140,000 mg/kg. Since then the TPH has steadily declined. By June it was cut in half to about 60,000 mg/kg. By August it was cut in half again to slightly under 30,000 mg/kg. By September 11th the TPH fell to 6500 mg/kg. The EPA considers 10,000 mg/kg to be a satisfactory outcome. The EPA hopes for those results over the course of two growing seasons. The joint DEP/PGCC experimental project achieved that successful outcome in one growing season!

It's hoped that from the cleanup of this abandoned well, the industry and DEP can jointly learn about an alternative technique that addresses oil spills economically and in an environmentally sound manner.



(September 28, 2017 update: the abandoned well continued to flow oil and the DEP had no money to plug the well. The PGCC member who cleaned up the initial spill volunteered to plug the well. That plugging was successfully completed on September 14, 2017. Thereafter, during site restoration, the soil soaked by oil from the continued spilling, and the residual oil from the plugging pit, were added to the biopod. PGCC will continue to test the biopod to see how long it takes for bioremediation to attenuate the new hydrocarbons added to the biopod. The presenters at the PGCC seminars, Dr. Sublette and Vince Zenone, assure us that bioremediation success is eminently repeatable. We expect to show that repeated success at the Tionesta Creek biopod.)

5: A Conventional Oil and Gas Act?

During a recent conversation, staff from DEP and PGCC discussed legislation, and both DEP and PGCC recognized areas where different language could mean improved business efficiency and improved environmental results. Examples include the “municipalities notices” (which make sense for large unconventional wells but not for the small conventional footprint) and the Act 13 change regarding permit timing (which change rendered impossible the long-respected best management practice of constructing a conventional well location and allowing it to lay fallow for a year or more to stabilize).

From this humble beginning we asked the question: “would it be beneficial for Pennsylvania’s new Crude Advisory Council (CDAC) to include the consideration of a Conventional Oil and Gas Act?” (You will remember that the same statute that stopped the Ch. 78 regulations from applying to conventional oil and gas operations also created CDAC. Among other things, the legislation forming CDAC charges it to recommend measures “relating to the promotion and development of the conventional oil and gas industry of this Commonwealth.”) The types of efficiencies and environmental improvements that DEP and PGCC discussed seem to fit within this charge.

PGCC’s Secretary, Arthur Stewart, serves as Chairman of CDAC. In follow up to the idea of a Conventional Oil and Gas Act, Mr. Stewart recently sent a letter to all CDAC members suggesting they bring together their expertise to identify topics where the environment and business efficiency can be better served. The result could be a comprehensive list of items (recommendations) that might lend itself to a separate Conventional Oil and Gas Act, changes to Act 13, or some other purpose as yet unforeseen.

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. CDAC meets next in November, 2017.

6: DEP Process for NOV’s

DEP inspectors have been issuing NOV’s for any alleged non-compliance. The NOV’s become a permanent part of an operator’s record and there is no right of appeal. This marks a departure from past practice where inspectors could discuss an alleged problem, accept the operator’s explanation or allow time for repair—especially where the situation involved a judgment call that could go either way.

PGCC leadership has been discussing this with DEP officials in Harrisburg. We are being told that the

DEP recognizes the value of good communication and that there IS room for inspectors to exercise discretion short of writing an NOV for every item of concern.

We'd like to hear what your experiences are. If you've had a situation that you think we should discuss in Harrisburg please reach out to a PGCC Board member.

7: PGCC Continues to Take the Lead in Preserving the Exemption for Conventional Pipelines from PA One Call Regulation

As we reported last newsletter, PGCC had great success this summer educating legislators about the existing One Call exemption and the need to continue that exemption for our low pressure, low volume lines. On June 19, 2017, and as a direct result of PGCC efforts, the PA Senate passed an Amendment to Senate Bill 242; under the amendment the **PA One Call will not apply** to pipelines associated with "stripper wells." Specifically, the Senate bill provides that 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.

The One Call legislation now moves to the House. PGCC is monitoring the House developments closely and PGCC maintains regular contact with House leaders concerning PA One Call. Action by the House is expected during the Fall Session because, like last year, PA One Call authorization will expire by 12/31/2017, so some legislative action will be necessary.

PGCC remains hopeful that the House will support the "stripper well" amendment language because it simply maintains the existing exemption for (only as to conventional wells). To further aid in demonstrating the size and scope of our low pressure, low volume, small diameter lines which run short distances, on **PGCC is hosting a Southwestern PA Tour of various gas well facilities, October 12 & 13**, in the Uniontown area of Fayette County. Invitations have been extended to Leadership in the House Committee having PA One Call oversight as well as various other House and Senate members, DEP, and other regulatory officials.

Hello from David Clark, President

My Father penned the words "Caught Doing Good" as the title of an article published in the American Oil and Gas Reporter in May of 1982. His words challenged producers to clean up their act and lead by example. He went on to write that "There's no bureaucrat that knows our business like we know it. But if we don't work at cleaning it up somebody else will do it for us."

PGCC's Board and members are Pennsylvanians who carry that message 35 years later. 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 has been working with DEP this past year to show that concern. PGCC Secretary, Arthur Stewart is owner of Cameron Energy Company. In the article he wrote about bioremediation Arthur didn't tell you that he and his company were the folks who cleaned up and then plugged the leaking well. But I want you to know who it was because it needs to be seen that that the leaders of PGCC are putting their

money where their mouth is—that we are an industry that is responsible and that we care about our community environment.

Arthur's not alone. Upon hearing that Cameron had plugged a well, PGCC member Jay Curtis volunteered his cement truck to plug another well in the future. That's the spirit that reflects a real truth: if we don't help the DEP address orphan wells...who will? That truth can lead to a meaningful new relationship with the DEP: a robust and engaged conventional industry can become the best partner the DEP can have in achieving environmental goals.

So...how can we advance that partnership? The fact is, the state needs to get some orphan wells plugged. There's no magic bullet. At PGCC's Legislative Committee we are working to craft legislation that will create tax incentives or cash payments to operators for plugging orphan wells. CDAC is looking at applying for grant funding to plug orphan wells. Meantime, I'm calling on us PGCC members to help by **volunteering to find and plug an orphan well**. It can be on your property, your neighbor's property or anywhere. There are at least 200,000 abandoned wells in PA that need plugged. Any one that you attack is a solution to the problem.

It's not easy. If the well you want to plug isn't yet registered as an orphan well, it needs to be registered. Then, under the Good Samaritan Act you can make an application to plug the orphan well and be relieved from any future liability. I watched Cameron go through this process and it took them five months and multiple meetings with the DEP. But the DEP has promised to streamline the process...and with one success under our belt I'm certain it will become easier.

My "ask" is for a handful of you to join this effort and commit to plug an orphaned or abandoned well and gain the title of "Good Samaritan." We need to communicate our care for our communities and the reality that our industry is the only place where you can find the equipment, expertise and ingenuity to solve the abandoned well problem. It would be hard for regulators to try to put us out of business if they realize we're the folks who are a part of the solution to a serious problem.

If you would like to further discuss this challenge or discuss how the Good Samaritan Act works, please email me. admin@pagcoc.org The PGCC board will assist you in any way we can as together we earn the high moral ground of "getting caught doing good" even if it means getting caught plugging wells everyone else only talked and complained about--but you, a Pennsylvania conventional oil and gas industry leader cared enough about the problem to plug it.