



**May 2022 Newsletter**  
Hello from Arthur Stewart, Secretary

## **PGCC FILES SUIT AGAINST DEP**



**Scott Perry (now retired) and Kurt Klapowski of the PA DEP**

The Department of Environmental Protection (DEP) has once again refused to follow the law. In March, DEP sent its Proposed Regulation (#7-544), governing emissions from natural gas sources, to the Independent Regulatory Review Commission (IRRC) for enactment. [Regulation Search \(state.pa.us\)](https://www.dep.state.pa.us/regulation-search) The proposed regulation lumps together conventional and unconventional wells.

In 2014 the legislature passed Act 126 of 2014 (58 P.S. § 1207(a)) mandating that all regulations for “conventional oil and gas wells (be prepared) **separately** from proposed regulations...relating to unconventional gas wells.” You may recall that DEP flaunted that 2014 law by proceeding with a blended chapter 78 regulatory package.

PGCC worked with legislators and other trade groups to right that wrong, and in 2016 the General Assembly passed Act 52, which undid the chapter 78 blended package, and which reaffirmed the legislative intent for separate regulations. Going beyond the 2014 statute, Act 52 spells out that not only must the regulations be developed **separately** for the conventional and unconventional industries, but also that DEP must develop a separate Regulatory Analysis Form (RAF) for conventional oil and gas wells.

When DEP sent the new Emission Rule to the IRRC in March 2022, the DEP did it in a blended package and without a separate RAF for the conventional industry. Knowing the blended package was going to be a problem, the DEP gave this excuse for why they don't understand Act 52: "it is not clear what the term 'concerning conventional oil and gas wells' means or how to determine whether a rulemaking undertaken by the Board must comply with this requirement."

Yes, the DEP is saying they don't understand what Act 52 means when the Act says a separate RAF is required for conventional oil and gas wells.

That's incredibly disingenuous. The blended RAF makes numerous references to conventional wells on one hand, and unconventional wells on the other. How can the DEP give the excuse they don't understand the term "concerning conventional oil and gas wells" and then turn around and use the term conventional wells in their own RAF???

PGCC joined forces with PIOGA attorney, Kevin Moody, to put together a lawsuit against the DEP, asking the Commonwealth Court to make the DEP FOLLOW THE LAW by initiating regulations pertinent to and drafted exclusively for the conventional industry as required in Act 126 and Act 52.

We filed our lawsuit in early May, and shortly after we filed, the DEP informed the Court that DEP would be withdrawing the regulatory package from the May 2022 IRRC meeting. That is a good sign for PGCC. The DEP knows that it didn't undertake a separate process for conventional wells.

It's even uglier than that. When the DEP writes new regulations, the law requires DEP to state what interaction the DEP had with the regulated community. Writing about this emissions package, the DEP states: "On January 24, 2019, the Department updated the Department of Community and Economic Development's Pa Grade Crude Development Advisory Council on the status of this proposed rulemaking." PGCC members were at that meeting, and the DEP employee who spoke (Kurt Klapowski—pictured above) gave no warning that the proposed rule would impact the conventional oil and gas industry. The minutes from that January 24, 2019 meeting state: "Chairman Stewart inquired as to whether the methane rule from the Air Quality Board would impact the conventional industry. Mr. Klapowski stated that his understanding was that it would not since the conventional wells typically do not cross the thresholds in place for methane emissions, and he agreed to procure additional information for the Council to evaluate." You can see those minutes at:

<https://dced.pa.gov/download/Meeting%20Minutes%2001-24-19/?wpdmdl=90029>

Regulatory overreach and double-speak are why hard-working Americans don't trust the government.

We will continue to work together to fight the DEP every step of the way. The DEP has thumbed its nose at the law, and by blending the regulatory package, the DEP has hidden the impacts this new regulatory package will have on conventional oil and gas operators. Stay tuned as the litigation makes its way through court.

## **DON'T HAVE ENOUGH REGULATION IN YOUR LIFE?** **DEP IS ADOPTING AN "ENVIRONMENTAL JUSTICE** **POLICY"**

The Pennsylvania DEP is adopting a new Environmental Justice Policy. [EJ Policy Revision \(pa.gov\)](#) The DEP will use the new policy to guide its decisions on the matters of permit issuance, new initiatives, and the like. The policy singles out oil and gas permitting for scrutiny and permit review.

The policy is frighteningly subjective. Bureaucrats at the DEP decide who are victims of environmental injustice, what constitutes environmental justice, who sits on the newly created Environmental Justice Advisory Board, how environmental justice bears on permit issuance and so forth.

PGCC submitted comments in May that are hard hitting and that call out the internal inconsistencies and just-plain-silliness embedded in this horribly subjective policy. See PGCC's comments here: [c519eb\\_96b67e69fb124d90bccd1706de280cff.pdf \(paconventional.com\)](#)

While looking at the PGCC comments check out PGCC's new website!

## **PGCC OFFICERS MEET WITH LEGISLATORS ABOUT NEW** **BURDENS ROLLED OUT BY DEP**



This spring, PGCC Board officers Wally Phillips, Meredith Fesenmyer, Arthur Stewart and David Clark spent two days in Harrisburg meeting with several dozen legislators. They discussed new burdens being

imposed by DEP including new Chapter 78 regulations, well bonding requirements, emissions rules, halting of brine use for dust suppression, and the environmental justice policy.

An irrational anti-fossil fuel sentiment permeates the DEP staff even though fossil fuels supply 84% of the world's energy. Most legislators are remarkably well informed about the benefits of fossil fuels and how they are critical to supplying our food, heat and everyday goods. The PGCC officers were able to meet several new Representatives and Senators and acquaint them with the work we do, and the vital products we supply.

## **ARG TESTIFIES IN HARRISBURG**

In March, PGCC member American Refining Group, Inc., testified, in Harrisburg, about the unique products made from Pennsylvania grade crude oil. ARG's Vice-President of Research & Development, Mike Kozminski, appeared before the House Environmental Resources and Energy Committee, at the request of Chairman Daryl Metcalfe.



**Mike Kozminski (ARG) (seated closest at table) testifies at PA House ERE Committee**

Mike brought samples of cosmetics, car wax and other products which depend on Pennsylvania crude oil for feedstock. Mike also discussed the unique lubricating qualities of Penn Grade Crude and how that crude oil is refined into lubricating oil used extensively in diesel locomotives and other engines.

Energy fact: A five-megawatt wind turbine uses **700 gallons** of lubricating oil (which must be replaced every 6 to 9 months).

## **PGCC HAS A NEW WEBSITE**

Are you looking for PGCC's old newsletters? Need to know how to become a member? Want to see PGCC's comments on the DEP's ridiculous new Environmental Justice Policy? Visit [Home | Pgcc \(paconventional.com\)](#)

Our new site tells who we are and reminds us of the good work we do for our communities. You will be proud to share the site with your family and friends. Check it out! [Home | Pgcc \(paconventional.com\)](#)

## **PGCC TESTIFIES ABOUT FEDERAL WELL PLUGGING MONEY**

In February PGCC Secretary, Arthur Stewart, appeared before the PA House Environmental Resources and Energy Committee to discuss well plugging. The DEP has a record of less than 10% of the estimated 200,000 Pennsylvania orphan wells. Stewart reminded that the massive number of orphan wells is the result of wells abandoned decades or a century ago, not a wholesale abandonment of recently-drilled wells.



**Stewart answers a question posed by Chairman Daryl Metcalfe with Rep. Kathy Rapp looking on.**

Many of the ancient wells suffer from poor access and rotted downhole pipe. Pennsylvania's conventional industry is uniquely positioned with expertise and equipment to access, clean out and plug

the ancient challenges. Stewart discussed ways that administrative, bidding and other bureaucratic burdens can be reduced in order to yield the greatest number of plugged wells.



**Stewart testified the majority of orphan wells are leftovers from many decades or a century ago.**

The DEP expects to receive as much as \$400 million over the next nine years for orphan well plugging. In the first year the DEP plans to offer \$25 million of plugging contracts in the “traditional” format. However, there are some ominous indications coming from DEP that for future years the DEP may be looking to hire a single contractor to take on the entire plugging obligation. This, of course, would squeeze out the small businesses that traditionally fill the contracts for Pennsylvania well plugging. PGCC will monitor developments and keep you updated. You can view the February 7, 2022 testimony here: [Pennsylvania House Republican Caucus \(pahousegop.com\)](https://pahousegop.com)

## **PGCC JOINS WITH OTHER TRADE GROUPS TO COMMENT UPON FEDERAL EMISSIONS RULES**

At the beginning of November 2021 the EPA released the draft NSPS (New Source) and Emissions Guidelines for emissions from oil and gas production. If you can stand to read hundreds of pages you can find information here: [EPA Proposes New Source Performance Standards Updates, Emissions Guidelines to Reduce Methane and Other Harmful Pollution from the Oil and Natural Gas Industry | US EPA](https://www.epa.gov/energy/guidelines-reduce-methane-pollution)

The federal emission rules are going to affect us all. There are 3 chapters that will be rolled out over time and eventually the rules will apply to new sources (new wells, new compressors, unloading events, etc.) as well as to existing wells and other infrastructure. The new rules do away with the “small producing wells” exception that was adopted during the Trump administration. Below is an excerpt from an EPA presentation about the new rules. As you can see, the rules will even govern production methods such as well unloading (flowing a well or using a rabbit to unload fluid).

## Reducing Additional Methane and VOC Emissions Through New and Stronger Requirements, cont.

- EPA’s proposal would:

### Well Completions

- For non-wildcat and non-delineation wells:
  - Require reduced emission completion in combination with a completion combustion device
  - Require venting in lieu of combustion where combustion would present safety hazards
- For exploratory and delineation wells and low-pressure wells:
  - Require all flowback to be routed to a completion combustion device with a continuous pilot flame; or
  - Require all flowback to be routed into one or more well completion vessels and begin operation of a separator unless it is technically infeasible

### Sweetening Units

- Require achievement of minimum SO<sub>2</sub> emission reduction efficiency

### Liquids Unloading

- Require liquids unloading to be performed with zero methane or VOC emissions
  - If not feasible for safety or technical reasons, employ best management practices to minimize venting
  - EPA is also co-proposing two additional regulatory options for liquids unloading

26

### Excerpt from EPA presentation

PGCC joined with other trade groups to analyze the new rules and submit comments. It was an enormous project and much thanks should go to Doug Jones for wading through hundreds of pages of EPA documents.

You can see PGCC’s comments, on the PGCC website, at this link: [PGCC PIPP PIOGA and IOGANY Comments on Proposed Methane Rule Final\(12408589.1\).pdf \(paconventional.com\)](https://www.pgcc.com/wp-content/uploads/2020/08/PGCC-PIPP-PIOGA-and-IOGANY-Comments-on-Proposed-Methane-Rule-Final(12408589.1).pdf)

Note, the federal rules ARE IN ADDITION TO the rules that Pennsylvania is attempting to adopt. There are differences between the federal and state versions. For example, the State version has a threshold of 2.7 tons per year of emissions from tanks; the federal rule proposes 6.0 tons per year. Neither the state nor the federal documents make a clear estimate of what Pennsylvania conventional tanks would be subject to regulation or what the costs of compliance would be.

These rules are part of the religious fervor against fossil fuels. The rules are written in total ignorance of the benefits—such as food, heat, and daily products—derived from fossil fuels. We need to change the dialogue and be vigilant about telling the zealots they will be cold, hungry and stranded without the fossil fuels they so hate.

# **MARGINAL WELL CREDIT FOR 2020 NATURAL GAS PRODUCTION**

The Marginal Well Production Credit (MWC) for natural gas production from qualifying wells in calendar year 2021 is \$0.67 per Mcf for the first 18 Mcf of daily production.

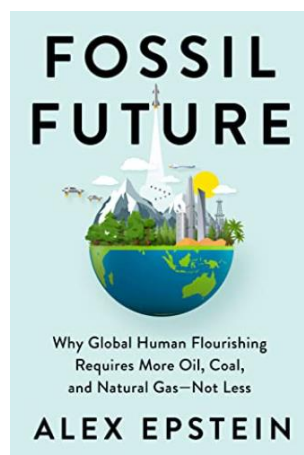
The MWC rates for prior years were 2020 production \$.66, 2019 production \$0.08, 2018 production \$0.00, 2017 production \$0.51, and 2016 production of \$0.14 per mcf for the first 18 Mcf of daily production from a marginal well. The credits may be used to offset regular income tax but may not offset alternative minimum tax. Any unused credit in a year is carried back five years to obtain refunds. Any remaining unused credits are carried forward up to 20 years to offset future year's income tax.

## **BUY A GREAT BOOK**

Starting May 24, 2022 you can buy FOSSIL FUTURE, the latest book from Alex Epstein. Alex is an intelligent voice reminding us of the enormous benefits of fossil fuels. Without fossil fuels billions would be without food, heat, electricity and transportation. Yet somehow, modern society not only takes fossil fuels for granted...modern society demonizes fossil fuels.

In his earlier book, THE MORAL CASE FOR FOSSIL FUELS, Alex writes that modern society only hears one side of the story. We're taught to think only of the negatives of fossil fuels, their risks and side effects, but not their positives—their unique ability to provide cheap, reliable energy for a world of seven billion people. Alex argues that the moral significance of cheap, reliable energy, argues, is woefully underrated.

In his new book, Alex shows how the benefits of fossil fuels will continue to far outweigh their side effects—including climate impacts—for generations to come. The path to global human flourishing, is a combination of using more fossil fuels, getting better at “climate mastery,” and establishing “energy freedom” policies that allow nuclear and other truly promising alternatives to reach their full long-term potential.





## SUPPORT OUR MEMBERS:

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

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- 1) **Description:** 3 Complete Wireline Units setup to run Openhole and Casedhole Services. With 2 additional Wireline units in yard. Equipment was built and designed to handle the terrain of the Appalachian's, and the specific needs of the Energy business.
- 2) **Safety:** ATF & NRC Licenses for all operating States. Registered with ISNetworld with a "A" rating. OOSH 300A forms with ZERO incidents since conception (Sept. 2014). All training and safety audits up to date.
- 3) **Personal:** Keystone Wireline staff has many years of field, sales, and management experience dealing with all aspects of wireline work, including Plug-n-Abandonment, Openhole, Casedhole, Cavern, and Porosity storage operations. The team has between 20 plus years of experience for each individual in the wireline industry, making the staff experience leader in the industry.



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