

EXECUTIVE SUMMARY
25 Pa. Code Chapter 78, Oil and Gas Wells

This proposed rulemaking includes amendments to 25 Pa. Code §§ 78.1 (definitions) and 78.19 (permit application fee schedule) in order to implement fees to support the Department of Environmental Protection's (Department) Oil and Gas Management Program.

The purpose of the proposed regulation is to change the unconventional natural gas well permit fee structure from a sliding fee schedule based on well bore length to a fixed fee of \$5,000 for nonvertical unconventional wells and \$4,200 for vertical unconventional wells. As a result of this change in structure, the permit fee for an average unconventional well will increase by approximately \$1,800 per well for nonvertical unconventional wells and by \$2,200 per well for vertical unconventional wells.

The proposed rulemaking increases the well permit fee to provide adequate revenue to support the ongoing operations of the program as well as to meet future program needs, including permitting, inspection, enforcement and information technology needs. Compounding the problem of declining funds due to increasing expenditures is the decrease of well permit applications. Since 2010, the Department has experienced a 22% decrease in the number of unconventional well permit applications received. The decline in permit applications is met with declining revenues but with the passage of Acts 9 and 13 of 2012, the overall responsibility of the Oil and Gas Program has increased. Further, since 2010 the number of unconventional wells drilled has increased by 23.5%. It is imperative that the Department have the resources and technology necessary to ensure industry compliance and environmental protection as Office of Oil and Gas Management responsibilities in this area continue to expand.

This increase in workload coupled with declining permit revenues creates a situation where the incoming permit revenue is insufficient to cover the current operational costs of the program, not allowing any room for flexibility in terms of future staff and resource needs. As the oil and gas industry continues to expand in Pennsylvania, additional Department staff and technology will be critical to ensure the Department's proper oversight of the industry

No companion federal regulations relating to permitting of oil and gas wells exist.

This regulation affects companies that operate natural gas wells in unconventional formations, such as the Marcellus Shale. According to the Department's permitting records, there are currently 73 operators of unconventional well sites in Pennsylvania, and that number is not expected to change significantly in the near term. Conventional well operators will continue to pay the current vertical well fee and will not be impacted by this proposed rulemaking.

The Department consulted with the Oil and Gas Technical Advisory Board (TAB) in the development of this proposed rulemaking. The Department presented the draft proposed rulemaking to TAB at its April 23, 2013 meeting. Because the rulemaking does not address technical issues relating to oil and gas, TAB did not take a formal action relative to the proposed rule.

A public comment period of 30 days is recommended for the proposed rulemaking. No public meetings or hearings are deemed necessary for this proposal, unless requested during the comment period.