



pennsylvania
DEPARTMENT OF ENVIRONMENTAL PROTECTION

Oil and Gas Management



Proposed Oil and Gas Well Permit Fee Amendments

Environmental Quality Board

Harrisburg, PA

July 16, 2013

Statutory Requirements

- 2012 Oil and Gas Act, 58 Pa.C.S. § 3211(d):
(d) Permit fee.--Each application for a well permit shall be accompanied by a permit fee, established by the Environmental Quality Board, which bears a reasonable relationship to the cost of administering this chapter.

Regulatory Requirements

- Permit Fees Last Amended October 2009
- 25 Pa.Code § 78.19(f):

“At least every 3 years, the Department will provide the EQB with an evaluation of the fees in this chapter and recommend regulatory changes to the EQB to address any disparity between the program income generated by the fees and the Department’s cost of administering the program with the objective of ensuring fees meet all program costs and programs are self-sustaining.”

Oil & Gas Program Funding

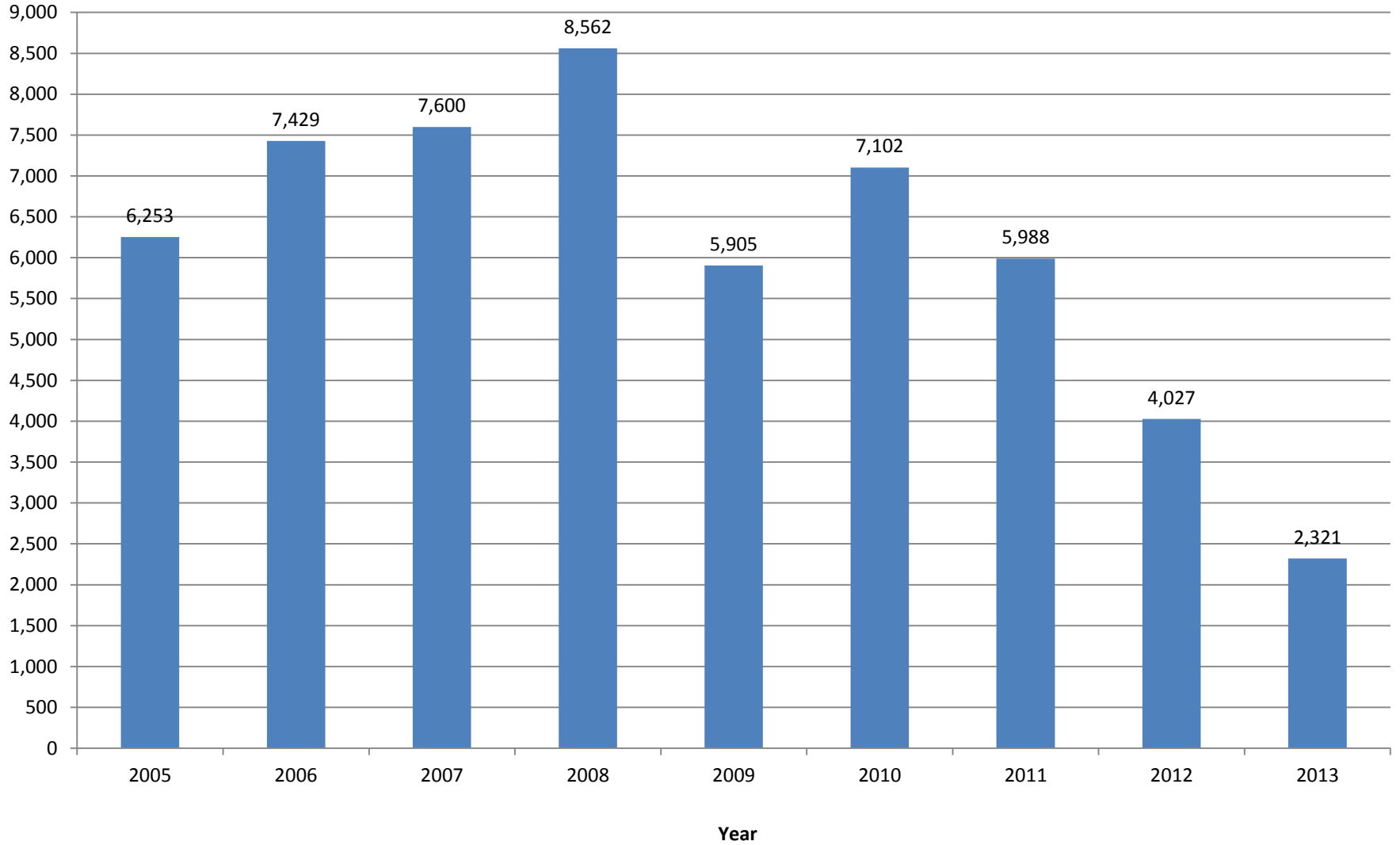
- Well Permit Fees
- 2012 Oil and Gas Act Impact Fees
- Civil Penalty Assessments/Bond Forfeiture
- No General Fund Moneys Allocated to Program

Three-Year Report to EQB

- Declining Well Permit Applications
- Increased Workload/Expenses
 - Staff Complement Increases
 - 2012 Oil and Gas Act Requirements
 - Infrastructure Permitting (Chapters 102/105)

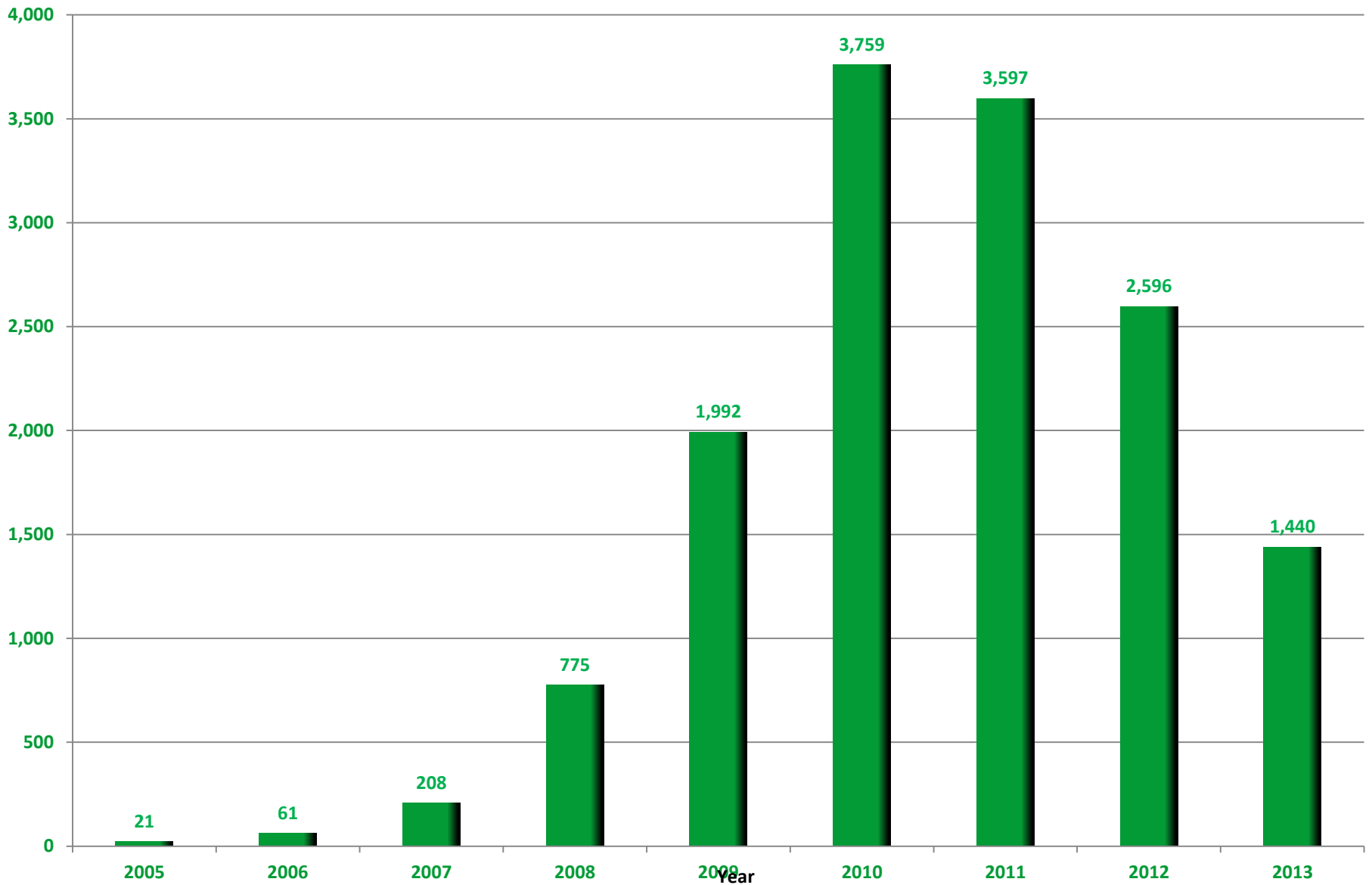
Total Well Applications Received

07/10/2013



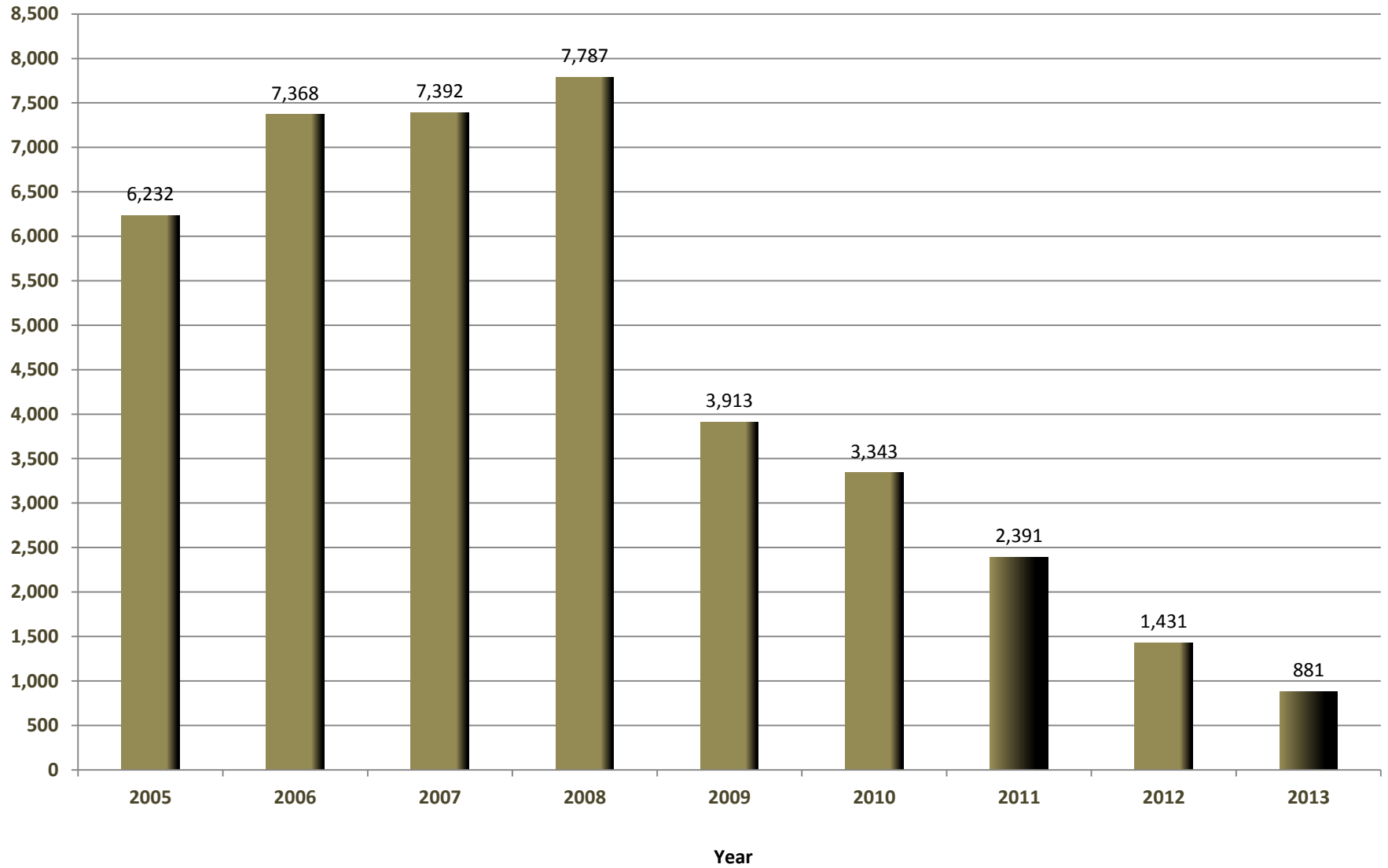
Unconventional Shale Well Applications Received

07/10/2013



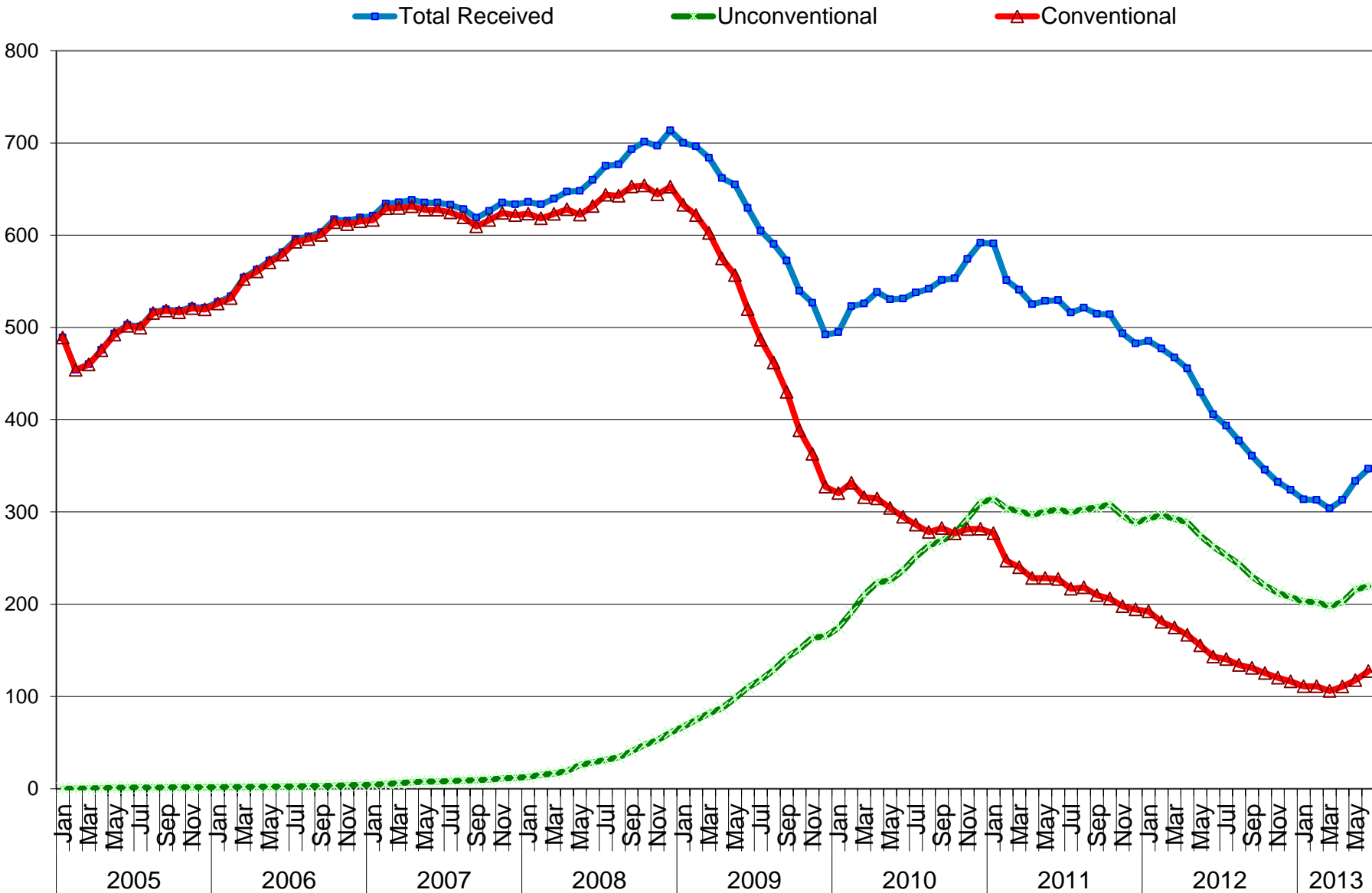
Conventional Well Applications Received

07/10/2013



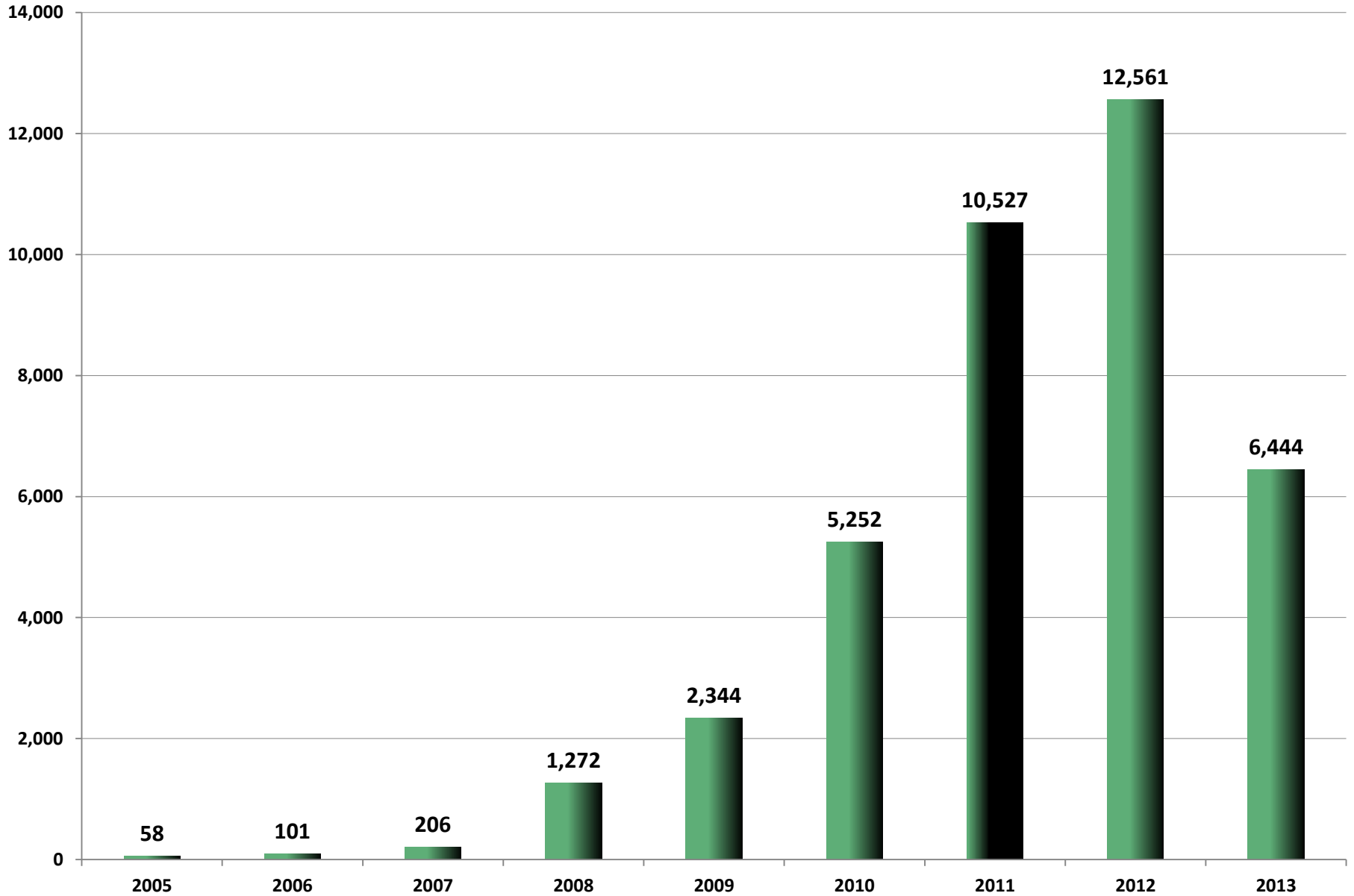
Well Permit Applications Received - 12 Month Average

07/10/2013



Unconventional Shale Wells Compliance Inspections

07/10/2013



▶ Three-Year Report to EQB (Cont'd)

- Current Anticipated Revenue is Not Adequate to Meet Future Program Operation Needs
- Well Plugging Fund Insolvent In Fiscal Year 2015-2016
- DEP Recommends Revision of Permit Fee Structure to Ensure Continued Solvency and Meet Future Program Needs

History

- 2009 – Unconventional permit fees raised from \$100 to \$3,200 (avg.)
- 2010 – Staff increased from 65 to 196 FTEs.
- 2011 – Staff increased to 202
- February 2012 – Act 13 Impact Fee passed; allocates \$6 million to O&G program.
- March 2012 – upgraded O&G electronic reporting to ensure accurate and synchronized information.
- November 2012 – Implemented Permit Decision Guarantee policy.

Oil and Gas 2012/13 Projected Monthly Balances

FUND: 001	REBUDGET												
Restricted: 60083	July	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	TOTALS
Beginning Balance	\$2,975	\$1,676	\$579	\$751	\$7,000	\$6,704	\$5,855	\$5,434	\$5,103	\$4,224	\$4,247	\$4,778	
Revenue:													
Fines and Penalties	\$84	\$114	\$7	\$68	\$194	\$33	\$99	\$47	\$441	\$389	\$658	\$213	2,347
Registration Fees	7	0	-7	0	0	0	0	0	0	0	0	0	0
Permit Fees	562	437	1,151	680	707	939	547	908	561	954	1,085	935	9,466
Trf to Environmental Ed Fund	-114	0	0	0	0	0	0	0	0	0	0	0	-114
Bond Forfeiture	0	0	0	0	0	0	0	0	0	0	0	0	0
Automobile/Vehicle Sale	7	0	0	0	0	0	0	0	2	0	0	0	9
Impact Fees	0	0	0	6,000	0	0	0	0	0	0	0	6,000	12,000
Miscellaneous	0	0	0	0	0	157	0	0	0	0	0	0	157
													0
Total Receipts	546	551	1,151	6,748	901	1,129	646	955	1,004	1,343	1,743	7,148	23,865
													0
Funds Available	\$3,521	\$2,227	\$1,730	\$7,499	\$7,901	\$7,833	\$6,501	\$6,389	\$6,107	\$5,567	\$5,990	\$11,926	73,191
Expenditures:													
Personnel	\$1,145	\$1,660	\$696	\$233	\$654	\$1,837	\$913	\$822	\$1,658	\$1,152	\$1,134	\$1,145	13,049
Operating/Fixed Assets/Non-Exp	700	-12	283	266	543	141	154	464	225	168	78	312	3,322
Total Expenditures:	1,845	1,648	979	499	1,197	1,978	1,067	1,286	1,883	1,320	1,212	1,457	16,371
Ending Balance	\$1,676	\$579	\$751	\$7,000	\$6,704	\$5,855	\$5,434	\$5,103	\$4,224	\$4,247	\$4,778	\$10,469	

Oil and Gas Out Year Balances Based on 2012/13 Forecast

COMPARATIVE FINANCIAL STATEMENT
DEPARTMENT OF ENVIRONMENTAL PROTECTION
WELL PLUGGING FUND
 Based on FY 2012-13 Forecast
 Updated thru June 30, 2013 Revenue and Expenditures
 (in thousands)

FUND: 001 Restricted: 60083	TWO YEAR	TWO YEAR	ONE YEAR	ONE YEAR	AVAILABLE	BUDGET	PLAN YR.1	PLAN YR.2	PLAN YR.3	PLAN YR.4
	PRIOR	PRIOR	PRIOR	PRIOR						
	BUDGETED	ACTUAL	BUDGETED	ACTUAL						
	FY 2010-11	FY 2010-11	FY 2011-12	FY 2011-12	FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18
Beginning Balance	\$3,977	\$6,385	\$2,979	\$5,836	\$2,975	\$10,469	\$6,167	\$1,561	(\$1,818)	(\$5,198)
Revenue:										
Fines and Penalties	\$300	\$3,788	\$900	\$2,287	\$2,347	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000
Registration Fees	1	0	0	0	0	0	0	0	0	0
Permit Fees	8,145	11,970	15,370	11,317	9,466	7,386	7,386	7,386	7,386	7,386
Trf to Environmental Ed Fund	(19)	(85)	(45)	(189)	(114)	(117)	(50)	(50)	(50)	(50)
Bond Forfeiture	0	0	0	50	0	0	0	0	0	0
Miscellaneous	0	0	0	0	157	0	0	0	0	0
Automobile/Vehicle Sale	0	0	0	6	9	0	0	0	0	0
Impact Fees	0	0	0	0	12,000	6,000	6,000	6,000	6,000	6,000
Total Receipts	\$8,427	\$15,673	\$16,225	\$13,471	\$23,865	\$14,269	\$14,336	\$14,336	\$14,336	\$14,336
Funds Available	\$12,404	\$22,058	\$19,204	\$19,307	\$26,840	\$24,738	\$20,503	\$15,897	\$12,518	\$9,138
Expenditures:										
Well Plugging	\$8,432	\$16,576	\$18,058	\$16,634	\$16,371	\$18,571 *	\$18,942	\$17,715	\$17,716	\$17,717
Uncommitted Ending Balance	3,972	5,482	1,146	2,673	10,469	6,167	1,561	(1,818)	(5,198)	(8,579)
Plus: Commitments Carried Forward	Not Est.	354	Not Est.	302	Not Est.	Not Est.	Not Est.	Not Est.	Not Est.	Not Est.
Ending Balance	\$3,972	\$5,836	\$1,146	\$2,975	\$10,469	\$6,167	\$1,561	(\$1,818)	(\$5,198)	(\$8,579)

Oil and Gas Out Years Based on 2,600 Unconventional Permits @ \$5,000

Restricted: 60083	ACTUAL	AVAILABLE	BUDGET	PLAN YR.1	PLAN YR.2	PLAN YR.3	PLAN YR.4
	FY 2011-12	FY2012-13	FY2013-14	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18
Beginning Balance	\$5,836	\$2,975	\$10,469	\$10,896	\$10,798	\$10,525	\$10,064
Revenue:							
Fines and Penalties	\$2,287	\$2,347	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000
Registration Fees	0	0	0	0	0	0	0
Permit Fees							
Unconventional	10,362	8,876					
Conventional	955	590					
Total Permit Fees:	11,317	9,466	-	-	-	-	-
Unconventional Permit Fee (Horizontal)	-	-	13,000	13,260	13,525	13,796	14,072
Unconventional Permit Fee (Vertical)	-	-	750	750	750	750	750
Conventional Sliding Permit Fee (Vertical)	-	-	706	692	678	664	651
Trf to Environmental Ed Fund	(189)	(114)	(58)	(58)	(50)	(50)	(50)
Bond Forfeiture	50	0	0	0	0	0	0
Automobile/Vehicle Sale	6	9	0	0	0	0	0
Impact Fees	0	12,000	6,000	6,000	6,000	6,000	6,000
Miscellaneous	0	157	0	0	0	0	0
Total Receipts	\$13,471	\$23,865	\$21,398	\$21,644	\$21,903	\$22,160	\$22,423
Funds Available	\$19,307	\$26,840	\$31,867	\$32,540	\$32,701	\$32,685	\$32,487
Expenditures:							
Well Plugging							
Personnel:	\$14,190	\$14,542	\$15,515	\$15,825	\$16,142	\$16,464	\$16,794
Other Operating:	\$2,444	\$3,029	\$3,056	\$3,117	\$3,179	\$3,243	\$3,308
Total Expenditures - Well Plugging:	\$16,634	\$17,571	\$18,571	\$18,942	\$19,321	\$19,707	\$20,102
Additional Staff (28):	\$0	\$0	\$1,400	\$2,800	\$2,856	\$2,913	\$2,971
BIT O&G Support:	\$0	\$0	\$1,000	\$0	\$0	\$0	\$0
Plus: Commitments Carried Forward	302	Not Est.	Not Est.	Not Est.	Not Est.	Not Est.	Not Est.
	16,332	17,571	20,971	21,742	22,177	22,620	23,073
Ending Balance	\$2,975	\$9,269	\$10,896	\$10,798	\$10,525	\$10,064	\$9,414

Oil and Gas Out Years Based on 2,200 Unconventional Permits @ \$5,000

Restricted: 60083	ACTUAL	AVAILABLE	BUDGET	PLAN YR.1	PLAN YR.2	PLAN YR.3	PLAN YR.4
	FY 2011-12	FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18
Beginning Balance	\$5,836	\$2,975	\$10,469	\$8,896	\$8,158	\$7,232	\$6,106
Revenue:							
Fines and Penalties	\$2,287	\$2,347	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000
Registration Fees	0	0	0	0	0	0	0
Permit Fees							
Unconventional	10,362	8,876					
Conventional	955	590					
Total Permit Fees:	11,317	9,466	-	-	-	-	-
Unconventional Permit Fee (Horizontal)	-	-	11,000	11,220	11,444	11,673	11,907
Unconventional Permit Fee (Vertical)	-	-	750	750	750	750	750
Conventional Sliding Permit Fee (Vertical)	-	-	706	692	678	664	651
Trf to Environmental Ed Fund	(189)	(114)	(58)	(58)	(50)	(50)	(50)
Bond Forfeiture	50	0	0	0	0	0	0
Automobile/Vehicle Sale	6	9	0	0	0	0	0
Impact Fees	0	12,000	6,000	6,000	6,000	6,000	6,000
Miscellaneous	0	157	0	0	0	0	0
Total Receipts	\$13,471	\$23,865	\$19,398	\$19,604	\$19,822	\$20,038	\$20,258
Funds Available	\$19,307	\$26,840	\$29,867	\$28,500	\$27,980	\$27,270	\$26,364
Expenditures:							
Well Plugging							
Personnel:	\$14,190	\$14,542	\$15,515	\$15,825	\$16,142	\$16,464	\$16,794
Other Operating:	\$2,444	\$3,029	\$3,056	\$3,117	\$3,179	\$3,243	\$3,308
Total Expenditures - Well Plugging:	\$16,634	\$17,571	\$18,571	\$18,942	\$19,321	\$19,707	\$20,102
Additional Staff (28): hold to 14	\$0	\$0	\$1,400	\$1,400	\$1,428	\$1,457	\$1,486
BIT O&G Support:	\$0	\$0	\$1,000	\$0	\$0	\$0	\$0
Plus: Commitments Carried Forward	302	Not Est.	Not Est.	Not Est.	Not Est.	Not Est.	Not Est.
	16,332	17,571	20,971	20,342	20,749	21,164	21,587
Ending Balance	\$2,975	\$9,269	\$8,896	\$8,158	\$7,232	\$6,106	\$4,776

Current Well Permit Fee Structure

- Sliding Scales Based on Total Well Bore Length
- Vertical, Nonvertical and Marcellus Wells
- Nonvertical/Marcellus Well Fees

Approximately Two to Three Times Vertical
Well Fees

▶ Proposed Well Permit Fee Structure

- Conventional vs. Unconventional
 - Parallels 2012 Oil and Gas Act Definitions
 - Conventional: Former Vertical Well Scale
 - Unconventional: Flat Fees
 - Nonvertical - \$5,000 Per Application
 - Vertical - \$4,200 Per Application

Proposed Fee Program Impacts

- Unconventional Well Permit Fee Increases from \$3,200 (avg.) to \$5,000
- Continued Solvency of Well Plugging Fund to Support Oil and Gas Program Through FY 2017-18
- Allows Department to Meet Future Resource Needs Regarding Staff Levels and Information Technology Development/Implementation

Fee Goals - Staffing

- Oil and Gas Inspectors
 - 2012 Oil and Gas Act Notification Response
- Infrastructure Permitting
- Central Office Policy Analysis and Development

➤ Fee Goals – Information Technology

- ePermitting
 - Electronic Application Submission
 - Electronic Permit Review
 - Efficiency and Right to Know Law
 - Electronic Reporting Universe
- Mobile Inspection Platform

Other States' Oil and Gas Fees

- New York - \$290 base fee plus \$190 for every 500 feet in well bore length (\$5,230 for a typical Marcellus well in Pennsylvania)
- Ohio - \$500 to \$1,250 depending on rural or urban locations.
- West Virginia - \$10,150 for the first horizontal well and \$5,150 for subsequent wells on the same pad.

Technical Advisory Board

- Proposed Rulemaking Presented to TAB on April 23, 2013
- Non-technical rulemaking, so no formal TAB action on the proposal.

Department Recommendations

- DEP recommends the Board approve the proposal to amend Chapter 78 to revise the Oil and Gas Well Permit fee for publication as proposed rulemaking.
- DEP recommends a 30-day public comment period.



pennsylvania
DEPARTMENT OF ENVIRONMENTAL PROTECTION



Oil and Gas Management

Thank you.

Scott R. Perry, Deputy Secretary
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