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House of Representatives
COMMONWEALTH OF PENNSYLVANIA
HARRISBURG

April 1, 2009

#2742

Jack Hanger, Acting Chairman
Environmental Quality Board
15th Floor, Rachel Carson Building
Harrisburg, PA 17105

Re: Proposed Rulemaking of the Environmental Quality Board: Oil and Gas Well Permit Fees (#7-431)

Dear Acting Chairman Hanger:

On behalf of the Oil and Gas Caucus of the Pennsylvania House of Representatives and its members, we are writing in regards to the above referenced regulation.

Pennsylvania has a long and proud history in the exploration and development oil and natural gas dating back to 1859 when Colonel Edwin Drake drilled the first commercially successful oil well in Titusville, to the current excitement being generated by the exploration and hopefully successful development of the Marcellus Shale play. According to the October, 2008 report of the Pennsylvania Economy League, the oil and gas industry is responsible for supporting over 26,500 jobs and nearly \$1 Billion in salaries and benefits. Additionally, the payments of rents, royalties and dividends account for an additional \$1.9 Billion in investor and property owner income.

While Pennsylvania ranks as the third most active drilling state over the last five years, the Commonwealth ranks fifteenth in the production of natural gas in the United States. This is a result of the fact that Pennsylvania's conventional natural gas wells yield low production values which makes profitable operation of these wells difficult.

We do not disagree that the increased interest in the Marcellus Shale formation has increased the amount of work facing the Department and has brought new challenges in promoting the responsible development of this clean energy source. However, the increased permitting requirements required of Marcellus wells should not have any impact on the amount of time it takes to review a conventional well permit. In fact, even with an increase in non-Marcellus drilling over the last few years, the Department was able to meet the demands of the program. Recognizing the economic challenges facing conventional wells and the reduced amount of time required to review conventional well applications, we suggest that the Department set a fee that reflects the current application fee adjusted for inflation to the 2009 levels.

SATELLITE OFFICE (FRIDAY):
BENTLEYVILLE BOROUGH BUILDING - 1 PM TO 4 PM

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Environmental Quality Board
Re: Proposed Rulemaking of the Environmental Quality Board: Oil and Gas Well Permit Fees (#7-431)

The underlying premise of the Department's fee proposal is based upon the depth of the well bore and the deeper the well the greater the permit application fee. We question the relationship that the depth of the well bore has on the complexity of reviewing an application. Is the increased time and cost a result of the depth or is it for reviewing the increased number of "addendums" created for Marcellus wells? Therefore, we request the Department more clearly define, and justify, the anticipated cost to operate the permit application review.

Lastly, the Department has spoken in various forms about its "partnership" with the industry and not wanting to create unnecessary road blocks for the development of this resource. Based upon this rhetoric, we are surprised to learn of the 10% penalty fee if the well bore depth exceeds the length specified in the permit application. We believe that the role of permit fees is to help offset the cost of running the program and not to create an enforcement mechanism. As a result, we are requesting that this provision be removed from the final version of the amendment. We also question the Department's commitment to the industry through the reference in the regulation that fees are non-refundable. Again, the Department has stated in numerous forums its commitment to review application permits in an appropriate period of time and that its review period has decreased. It strikes us as odd that the Department has not proposed that the program participate in the Department's "money-back guarantee program." Whether or not this was an oversight in the proposed regulations, or it is the Department's true intent, is unclear. As a result, we are requesting that the final regulation clarify that the oil and gas permitting program does qualify under the Department's "money-back guarantee program" and that funds are refundable if the Department does not meet these timelines.

Thank you for the opportunity to provide these comments to the Board and we appreciate your consideration of these points.

Sincerely,



Honorable Tim Solobay
48th Legislative District



Honorable Brian Ellis
11th Legislative District