

The PIOGA Press

The monthly newsletter of the
Pennsylvania Independent Oil & Gas Association
October 2018 • Issue 102

Senate committee approves conventional oil & gas bill

PIOGA-supported legislation creating a separate statute governing conventional oil and natural gas operations cleared a state Senate committee on September 25. House Bill 2154 was voted out of the Senate Environmental Resources and Energy Committee with all eight of the committee's Republicans voting yes and the four Democrats opposed.

The legislation, known as the Conventional Oil and Gas Act (COGA), is an updated version of the Oil and Gas Act of 1984. The 1984 law was amended in 2011 and then replaced by Act 13 of 2012 to address unconventional natural gas development. Provisions related to unconventional formations like the Marcellus Shale have been deleted in COGA, as well as gas storage provisions that remain in Act 13. New provisions address how oil and gas regulation should interact with the Solid Waste Management Act, including the beneficial use of brine as well as wastewater treatment and disposal.

The legislation also addresses and incentivizes voluntary plugging of orphan wells. Updates to the 1984 law address permitting, notice obligations, site restoration, spill remediation, inspections, enforcement and penalties. COGA provides for the continuity of operations, permits, approvals and orders that were developed under both the 1984 law and Act 13 (*April PIOGA Press, page 1*).

HB 2154 passed the House in June by a vote of 111-84. The next step would be votes on three separate legislative days by the full Senate, and if approved without further amendments it would go on to the governor. Any amendment would require sending it back to the House for concurrence.

Two factors cloud the fate of the legislation. One is the dwindling number of voting days remaining in the current two-year legislative session. Any bills that fail to win approval must start from scratch in 2019. Additionally, lawmakers are unlikely to take up any



potentially controversial bills as elections loom in November.

A larger problem is continued opposition from the Wolf administration. If the bill were to arrive on the governor's desk, he has signaled he would not approve it. Further, the Department of Environmental Protection continues to make false and misleading claims about the bill and DEP's willingness to work with industry on legislation as well as with the legislature on amendments.

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Conventional legislation *Continued from page 1*

In a September 24 letter to the Senate Environmental Resources and Energy Committee, DEP Secretary Patrick McDonnell wrote: "DEP has repeatedly offered to engage with the regulated community to craft a solution that addresses the conventional industry's concerns while remaining protective of public health and safety and the environment, including an offer to convene a summer workgroup to draft a new piece of legislation. Unfortunately, instead, leadership from the community has continued to press forward with a piece of legislation which is so badly flawed it does not present a starting point for discussions."

In reality, PIOGA and other industry groups have repeatedly offered, to no avail, to meet with the department to discuss this legislation and what provisions DEP *would* be willing to support. Contrary to the statement in McDonnell's letter, DEP has not offered to work with the industry to draft legislation. Instead, DEP's unwavering position has been to address the differences in conventional operations through *regulations*—basically, by reintroducing the Chapter 78 regulations abrogated by the General Assembly in Act 52 enacted in June 2016. And despite repeated industry requests, DEP has proposed no changes to those regulations to address the differences between conventional and unconventional oil and gas operations that the General Assembly recognized in Act 52.

Committee Chairman Gene Yaw (R-Lycoming) told the *Pittsburgh Post-Gazette* that legislators working on the bill have had "very limited success in getting real answers from DEP" and advanced the bill, in part, "out of frustration with guidance as to where to go." Senator Yaw repeated those comments at a September 26 DEP quarterly meeting with members of the Pennsylvania Chamber of Business and Industry while also praising the industry for its environmentally responsible development and willingness to work with the General Assembly.

During the same Senate committee session in which HB 2154 was voted out, the panel unanimously approved Senate Resolution 214 urging Pennsylvania natural gas producers to export LNG to European nations in an effort to curtail Russia's natural gas monopoly in the region.

"Critical infrastructure" legislation

Also on the 25th, the House Environmental Resources and Energy Committee amended and approved Senate Bill 652, legislation that would increase penalties for trespassing on "critical infrastructure" facilities. Among the 21 types of facilities included are oil and gas well sites, pipelines and related facilities, and refineries. The bill passed the Senate in May (*June PIOGA Press*, page 20).

The House committee amended SB 652 to remove provisions related to criminal penalties from simple trespass and replace them with felonies for the offense of critical infrastructure vandalism "if the per-

son intentionally or recklessly damages, destroys, vandalizes, defaces or tampers with equipment in a critical infrastructure facility." Some of the committee's members had expressed concerns about the bill's possible impact on free speech rights of those peacefully protesting pipelines and indicated they may seek further amendments if the bill reaches the House floor. ■



It's here!

If you are reading this newsletter and the calendar hasn't yet reached October 17, there is still time to take part in our new fall event. In addition to a solid conference agenda addressing the theme, "2019: Challenges, Changes and Opportunities," there's an Oktoberfest-themed networking reception and the always-fun Casino night on Wednesday the 17th, followed by our Annual Membership Meeting and sporting clays on Thursday the 18th.

Visit the PIOGA Events page at www.pioga.org. One caveat about the conference: Since the preregistration deadline has already passed, you'll pay extra to register at the door.

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The Interactive Conference for Decision Makers in Energy

Join us November 9 at the Energy Innovation Center in Pittsburgh for an interactive conference combining knowledge and experience to help attendees develop long-term strategies to capitalize on the Marcellus phenomenon that will ensure attractive energy costs for industrial and commercial concerns for decades to come.

Marcellus to Manufacturing is for commercial and financial decision makers and those who support them, including:

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- Economists
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- Tradesmen
- Business agents

Conference Agenda: In the morning we will focus on commodity-driven considerations: market dynamics, economic, world view and the advantages of locating in the Appalachian Basin. The second half of the day will examine the criteria for state financial incentives, resources at the economic development level, project cases studies, and lessons learned from from companies involved with project completion.



Join industry colleagues at the Energy Innovation Center and enjoy outstanding views of the city while networking at the **Cocktail Reception beginning at 5:00 p.m. on November 8.** A complimentary tour of this LEED Platinum facility will be offered.

Energy Innovation Center
1435 Bedford Avenue
Pittsburgh, PA 15219

Information/registration: www.pioga.org > PIOGA Events

IRRC raises concerns about proposed unconventional well permit fee increase

The Independent Regulatory Review Commission (IRRC) has raised some of the same concerns expressed PIOGA and others over a proposal by the Department of Environmental Protection to significantly increase the permit fee for unconventional wells. In particular, IRRC questioned why DEP is not utilizing some of its General Fund allocation or the \$6 million in Act 13 impact fee money to cover the shortfall in administration of the agency's oil and gas program.

The IRRC exists to review Pennsylvania state agency regulations (excluding the Game Commission and the Fish and Boat Commission) to make certain that the agency has the statutory authority to enact the regulation and to determine whether the regulation is consistent with legislative intent. IRRC then considers other criteria, such as economic impact, public health and safety, reasonableness, impact on small businesses and clarity. The Commission also acts as a clearinghouse for complaints, comments, and other input from the General Assembly and the public regarding proposed and final regulations.

On July 14, the Environmental Quality Board (EQB), the entity that formally proposes and adopts DEP rules, opened a public comment period on the department's proposal to increase the permit fee for unconventional wells to \$12,500 from the current \$5,000 for nonvertical wells and \$4,200 for vertical wells. DEP indicated the additional \$15 million to be generated annually by the increase is necessary for operation of the oil and gas program, which is funded through permit fees, fines and penalties.

PIOGA submitted comments questioning why the department has chosen to exclude the \$6 million allocated from the impact fee paid on unconventional wells and any portion of the \$140 million allocated to DEP from the general fund under this fiscal year's state budget (*September PIOGA Press, page 10*). The association also took exception with DEP's estimates of the cost burden of the proposed increase.

IRRC reviewed not only the permit fee proposal but also the input provided during the public comment period, publishing its own comments in the September 22 *Pennsylvania Bulletin* (www.pabulletin.com/secure/data/vol48/48-38/1507.html). The commission's comments were divided into four areas (note that some references are to the EQB, because that is where the IRRC directs its comments):

Definitions

Noting that the definitions for "nonvertical unconventional well" and "vertical unconventional well" were removed because the EQB considered them unneces-



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sary, the IRRRC asked the EQB to explain the need for the definition.

Reasonableness of economic or financial impacts

By law, DEP is obligated to evaluate oil and gas permit fees every three years and recommend any changes “to address any disparity between 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.” However, at the same time, the 2012 Oil and Gas Act requires the permit fee to bear a “reasonable relationship” to the cost of administering the act.

The IRRRC made note of DEP’s decision not to impose a fee increase on conventional wells (the conventional industry, the department said, “currently submits approximately 200 permit applications per year and is unable to materially support Program costs through applicable fees”) and the compliance inspection workload differential (60 percent of inspections in 2017 were associated with unconventional wells and 40 percent with conventional operations). The commission also referenced commenters who said the fee increase would be disproportionately borne by the unconventional side.

“Given the proposal’s significant fee increase (150%) for unconventional well permits that will support the majority of the program’s permitting and compliance activities for both sectors of the industry,” IRRRC said, “we ask EQB to address the following:”

- How the fee proposal bears a “reasonable relation-

ship” to the cost of the program specifically in terms of its compliance monitoring activities;

- The department’s rationale for not utilizing/ requesting General Fund dollars to support the program;
- DEP’s decision to exclude the \$6 million impact fee statutorily allocated for “the administration of this act and the enforcement of acts relating to clean air and clean water”; and
- How the increase in permit fees will translate into a shorter permit review times.

In addition, IRRRC recognized the problems associated with a regulatory program relying on permitting activity—that is often tied to market conditions—as funding source paid at the beginning of a well’s life, while compliance obligations can last for many years. The commission encouraged the department, the regulated community, the legislature and other stakeholders to explore alternative sources and methods of funding.

Compliance with the Regulatory Review Act and whether the regulations are in the public interest

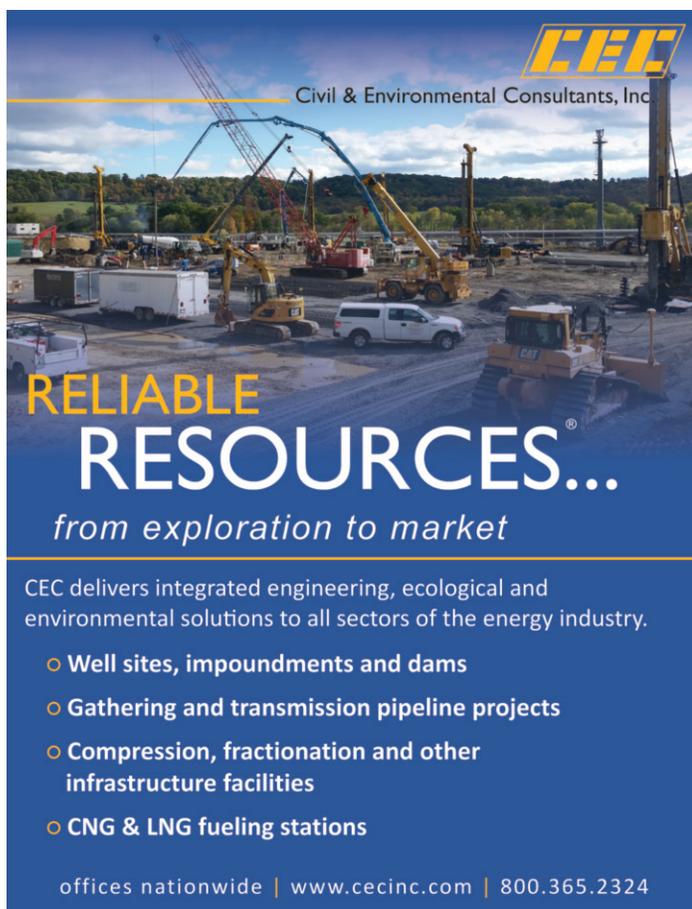
Several commentators, including 32 members of the state House of Representatives, observed that the regulatory analysis portion of the proposal fee increase does not include a comprehensive list of other shale-gas producing states with which the Commonwealth competes (*September PIOGA Press, page 10*). The commenters also argued that Pennsylvania’s well permit fee will become the highest in the nation, sending a “chilling message” about the business climate and discouraging potential investment in Pennsylvania.

IRRRC’s comments point to a 1996 executive order requiring that regulations not hamper with Pennsylvania’s ability to compete effectively with other states. To help IRRRC determine if the regulation is in the public interest, the commission said DEP should provide permit fee information for other shale-producing states or explain why the information is unnecessary.

Miscellaneous

Also as part of the regulatory analysis, EQB calculated that an increase of \$7,500 to a flat fee of \$12,500 for an unconventional well represents .001 percent of the overall cost (\$8 million) to drill a well. The IRRRC notes that some commentators suggest that EQB’s calculation is incorrect and should be revised accordingly.

“We will review EQB’s response to these concerns and others as part of our consideration of the final-form regulation,” IRRRC said in its comments. ■



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"We have heard from many members that PIOGA's online Buyers' Guide is a great resource to find oil and gas products and services quickly," said Dan Weaver, President and Executive Director of PIOGA. "We're pleased to offer such a needed one-stop shop that greatly assists industry professionals in making educated purchasing decisions throughout the year."

We encourage PIOGA members to utilize the services or products of our member companies.

All PIOGA **Service Provider** and **Professional Firm** members receive a complimentary listing in the guide, with the PIOGA logo to indicate your company is a member. Contact Strategic Value Media to discuss other options of getting your business more visibility in the Guide. Like the 2017 version, the 2018 edition of the Buyers' Guide will feature updated and expanded company and product listings, in addition to other valuable information relating to the industry. The Buyers' Guide provides users with an efficient way to browse for goods and services and offers companies exceptional visibility by showcasing their products and services to a targeted, industry-specific buyer group.

The Buyers' Guide is accessible through the PIOGA website at www.pioga.org (look for the link at the very top of the page) and will be updated soon with new advertisements and updated information. We encourage you to take advantage of this exceptional opportunity.

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PIOGA Centennial commemorative Case knife

As part of PIOGA's celebration of 100 years of working together on behalf of Pennsylvania's oil and natural gas industry, we have commissioned a commemorative knife from W.R. Case & Sons Cutlery Company in Bradford. The limited edition, collector quality knife and wooden storage box feature PIOGA's 100th Anniversary logo.

To learn how to get yours before they're gone, visit the Members Only section of the PIOGA website.



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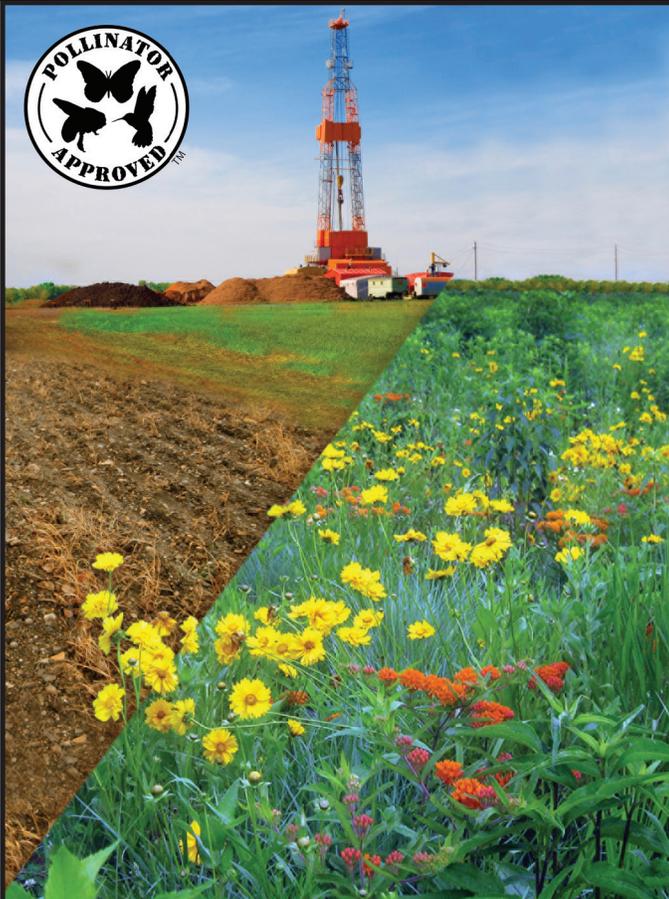
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Steve Rupert retires from PIOGA board

With a career spanning more than four decades as a production geologist, field and operations engineer, and executive in the Appalachian Basin, Steve Rupert has worked in virtually every aspect of the exploration and production business, including drilling, completion, production, government relations, environmental regulations, acquisitions, reserve analysis, pipeline and compression, land leasing, and natural gas marketing.

Before joining Texas Keystone, Inc. as President/COO in 2012, he held the position of Vice President – Regulatory and Business Development with Inflection Energy LLC and before that various positions with Range Resources Corporation and its predecessor companies. He has also worked as an independent oil and gas consultant and held a number of positions with Dresser Atlas and its predecessors.

Steve has served for many years on PIOGA's Board of Directors and one of our predecessors, the Independent Oil & Gas Association of Pennsylvania (IOGA-PA). He also was a board member for the Marcellus Shale Coalition. He earned his B.S. in geology from Indiana University of Pennsylvania.

As Steve ends his time on the PIOGA board this month, we asked him to reflect on his experiences with the organization.

How long have you been on the PIOGA/IOGA-PA



Steve Rupert (left) receives a plaque honoring his long service to the association from PIOGA's Dan Weaver.

board? How did you end up serving?

I first joined the IOGA-PA board, I believe, in 1982 at the invitation of Christine (Jack) Toretti. I was employed by Birdwell Wireline Services at the time. Golly, I guess that adds up to about 36 years. Whew!

Why has it important to you and the companies you've worked for to be involved in the association?

I have always believed in the mission of PIOGA and felt that it benefited the company and the industry in general to be proactive in dealing with the industry's regulators and opposition, as well as the legislatures in the various states and Congress.

What have been the highlights of your involvement over the years?

Probably the greatest successes were the victory the IOGA-PA had in successfully opposing the mineral rights taxes being proposed in Fayette County with a victory in the PA Supreme Court, securing statewide precedent. Another highlight was seeing the resurgence of the organization in the early 2000s with the early drilling for the Marcellus Shale. The long-sought

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merger with the Pennsylvania Oil & Gas Association (POGAM) to form PIOGA was a great development. I have enjoyed many, many of PIOGA's meeting and seminars. Too many to list!

What do you think are PIOGA's strengths as an organization?

PIOGA has many great people serving the organization. Our staff does a great job keeping the board and members abreast of developing issues, and the diverse board composition and experience provides the guidance necessary to steer the organization forward through the difficult times that many of our conventional producer members, as well as the organization, are experiencing. I believe that many more of the state's unconventional producers could also benefit from PIOGA's strong staff, committees and board.

What have been the organization's biggest accomplishments?

Certainly, the Fayette County tax verdict at the Supreme Court. Also, the PA-PES agreement with Peoples Natural Gas negotiated years ago was vital to ensuring the commitment of PNG to maximizing local production, which was of benefit to our members and the financial well-being of PIOGA.

What challenges lie ahead for the association and

the industry that we serve?

As we have been struggling with for the past several years, PIOGA faces reinventing itself from strictly a producer organization to and multifaceted organization serving all parts of the energy-producing community, while still maximizing benefits to our core gas and oil producing members. I believe we have the staff and board which can do the job!

What's next for you personally?

Hard to say. Certainly I'd like to continue to be involved in "the business" and i plan to do some consulting, but I'd sure like to play more golf. (Maybe I can improve?) I also plan to spend more time visiting our granddaughter in Florida.

Is there anything else you'd like to mention?

I would like to take this chance to thank all of the friends I've made here at PIOGA, both staff and board members, over these past 36 years. I've been privileged to lead this group as president on a couple of occasions, and I truly believe that we have some of the best people leading PIOGA into the future, whatever that may hold.

To paraphrase General Douglas Macarthur, "Old geologists never die, they just weather away." ■

PIOGA annual tax seminar coming up next month

The PIOGA tax committee is pleased to partner again with Arnett Carbis Toothman (ACT) to host our 2018 Oil & Gas Tax and Accounting Seminar on Thursday, November 15, at the RLA Learning and Conference Center in Cranberry Township. The seminar runs from 9 a.m. to 4:30 p.m.

With the passage of federal tax reform in December 2017, it is more important than ever to be familiar with the special oil and gas tax provisions. This year's presentation will include an update on tax reform and updates on not only various federal, state and local taxes, but will approach each area to explain how oil and gas investors, operators, royalty owners, service companies and professionals should maximize tax and economic benefits. Planning for current and future opportunities and challenges will be emphasized. ACT presenters will utilize their years of experience in the oil and gas industry to explain key tax benefits such as the Marginal Well Credit as well as standard tax issues that everyone in the oil and gas industry should be aware of and plan for.

Each participant will receive a detailed outline and course materials and an extensive resource section with copies of industry definitions, geological data, and data from federal, state and local tax authorities. This interactive seminar will provide ample opportunity to for attendees to network, offer insights and ask questions.

The registration fee of \$250 for PIOGA members and \$350 for nonmembers includes all handout materials, food and beverages, and continuing education credits for accountants and attorneys. The deadline to register is November 5. Visit the PIOGA Events section at www.pioga.org for more information and registration, or for questions contact Deana McMahan at 724-933-7306 or deana@pioga.org. ■

Attention, conventional producers:

Peoples retainage rates update

In the Peoples companies' 2018 Section 1307(f), or "purchased gas costs" (PGC), proceedings, the Pennsylvania Public Utility Commission approved - over PIOGA's vigorous, well-grounded objections - minimum retainage rates on producers' deliveries of natural gas from conventional wells of 2 percent for the Peoples Natural Gas Company-Peoples Division system and 2.9 percent for the Peoples Gas (formerly Peoples TWP) system, effective October 1, 2018.

The retainage rate for the Peoples-Equitable Division per PIOGA's Confidential Rate AGS Agreement, also effective October 1, has been reduced from the prior year and is available upon request from Dan Weaver (dan@pioga.org, 724-933-7306, ext. 30), Kevin Moody (kevin@pioga.org, 717-234-8525) or Debbie Oyler (debbie@pioga.org, 724-933-7306, ext. 22).

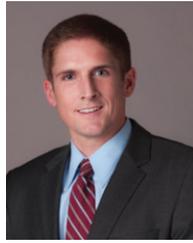
PHMSA finalizing new regulations for issuing emergency orders

The Pipeline and Hazardous Materials Safety Administration (PHMSA) is expected to finalize new regulations for issuing emergency orders in the coming weeks. The new regulations represent the culmination of a rulemaking process that PHMSA began two years ago during the final months of the Obama administration.

The Protecting our Infrastructure of Pipelines and Enhancing Safety Act of 2016 (PIPES Act) gave PHMSA the authority to issue emergency orders if “an unsafe condition or practice, or a combination of unsafe conditions and practices, constitutes or is causing an imminent hazard[.]” 49 U.S.C. § 60117(o)(1). The PIPES Act directed PHMSA to establish temporary regulations for exercising that authority by no later than August 21, 2016, and final regulations by no later than March 19, 2017.

On October 14, 2016, PHMSA adopted temporary reg-

Author:



Keith J. Coyle,
Esq.

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ulations for issuing emergency orders in an interim final rule. Federal agencies can adopt regulations in an interim final rule without providing the public with prior notice or the opportunity to comment, provided that good cause is shown under the Administrative Procedure Act. Stating the statutory deadline in the PIPES Act met the good cause standard, PHMSA established the temporary emergency order regulations as an interim final rule and provided a 60-day, post-publication comment period.

The temporary regulations set out the procedural requirements for issuing emergency orders and obtaining administrative review. Like the good cause exception in the Administrative Procedure Act, the PIPES Act authorizes PHMSA to issue an emergency order without providing prior notice or the opportunity for a hearing if an imminent hazard exists. PHMSA must consider certain factors before issuing an emergency order, and the order itself must contain specific information about the nature of the imminent hazard, the entities affected, the restrictions, prohibitions, or safety measures imposed, and the procedures for obtaining relief.

The temporary regulations created an expedited, two-track process for obtaining administrative review of an emergency order. A petitioner either can seek a formal hearing before an administrative law judge or request a decision without a formal hearing from the Associate Administrator for Pipeline Safety. PHMSA must issue a final decision within 30 days of receiving the petition in either scenario. Consistent with the PIPES Act, the tem-

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porary regulations acknowledge that expedited judicial review of an emergency order can be sought in the federal district courts.

Six industry trade associations and two pipeline operators submitted comments expressing concerns with various aspects of the temporary regulations. Several of the commenters asked PHMSA to consider changing the substantive standards that apply to the issuance of emergency orders and the procedural requirements that apply in obtaining expedited judicial review, including by adding further due process protections. The Administrative Procedure Act requires PHMSA to consider these comments in developing the final regulations. According to the U.S. Department of Transportation's latest Significant Rulemaking Report, PHMSA hopes to issue those regulations in October 2018.

PHMSA's final emergency order regulations could have an important impact on the future of the pipeline industry. In describing the particular circumstances that might warrant the issuance of an emergency order, PHMSA has identified natural disasters affecting a specific geographic region, serious manufacturing flaws and incidents caused by unsafe industry practices. PHMSA has stated that in these cases an emergency order could be issued imposing restrictions, prohibitions, or safety measures on all affected pipeline operators. Because that order can be issued without prior notice and the opportunity for a hearing, the provisions included in PHMSA's final regulations will play an important part in ensuring that the pipeline industry is afforded due process in obtaining expedited administrative and judicial review. ■

Trenching and excavation safety

By Carol C. Delfino, CIH, CSP
SE Technologies, LLC

When a project calls for a crew to head down into a trench, it is vital to have the right equipment and take the necessary precautions to safely do the job. Excavations need to be planned by a person who is familiar with trench design and designed according to the type of soil to prevent cave-ins. Before starting any trenching or excavation work, workers should contact their local call-before-digging service, such as PA One Call, to ensure that all underground lines are marked.

Cave-ins are the primary hazard associated with excavation and trenching.

Definitions:

- **Excavation**—any manmade cut, cavity, trench or depression formed by earth removal.
- **Trench**—a narrow cavity (in relation to its length) made below the surface of the ground, where its depth is greater than its width, but the width is not greater than 15 feet.

Employers must comply with the trenching and excavation requirements of 29 CFR 1926.651 and 652. These OSHA standards require safe access and egress in all trenches 4 feet or deeper. A ladder, steps, ramp or other means of a safe exit must be within 25 feet of all workers.

Trenches 5 feet deep or greater require a protective system unless the excavation is made entirely in stable rock. These protective systems could be one of the following:

Shield system—a structure that can withstand the forces imposed on it by a cave-in and thereby protect employees within the structure. Shields can be permanent structures or can be designed to be portable and moved along as work progresses.

Shoring system—a structure such as a metal hydraulic mechanical or timber shoring system that supports the sides of an excavation and which is designed to prevent cave-ins.

Safety Committee Corner

Sloping system—a method of protecting employees from cave-ins by excavating to form sides of an excavation that are inclined away from the excavation to prevent cave-ins. The angle of incline required to prevent cave-ins is dependent upon the soil type, environmental conditions, exposure and application of surcharge loads.

Tranches 20 feet deep or greater require that the protective system be designed by a registered professional engineer or be based on tabulated data prepared and/or approved by a registered professional engineer.

The employer's "competent person" must inspect trenches daily and as conditions change before worker entry to ensure elimination of excavation hazards.

• **Competent person**—a person who can identify existing and predictable hazards or working conditions that are hazardous, unsanitary or dangerous to workers, soil types and protective systems required, and who is authorized to take prompt corrective measures to eliminate these hazard and conditions.

General trenching rules:

- Keep heavy equipment away from trench edges.
- Identify other sources that might affect trench stability.
- Keep excavated soil (spoils) and other materials at least 2 feet from trench edges.
- Know where underground utilities are located before digging.
- Test for atmospheric hazards such as low oxygen, hazardous fumes and toxic gases when greater than 4 feet deep.

For more trenching rules refer to these sites:

- www.osha.gov/Publications/trench_excavation_fs.html
- www.api.org/oil-and-natural-gas/health-and-safety/worker-and-worksites-safety-resources/worker-safety-rules-to-live-by/trenching-and-excavation ■

A visit with gubernatorial candidate Wagner

By Dan Weaver

President & Executive Director

On Wednesday, September 19, about 30 PIOGA and Pennsylvania Independent Petroleum Producers (PIPP) members joined gubernatorial candidate Scott Wagner for an industry tour in and around Bradford. The day was put together by PIPP President Mark Cline and commenced with a breakfast during which the candidate conveyed some of his ideas and goals.

Then Jeannine Schoenecker, President and COO of American Refining Group, Inc., addressed the group and provided a brief history of the refinery and discussed the economic impact that the refinery has in the area. She went on to talk about the challenges the refinery is facing in procuring Penn Grade crude oil as a result of decreasing production within the state.

The group loaded onto a trolley



Pictured from left are PIPP President, Mark Cline; Joel Simpson, ARG Manager of Blending and Packing; candidate Scott Wagner; and Jeannine Schoenecker, ARG President and COO.

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bus and with Jeannine as our guide we received a tour of the refinery. We disembarked at the packaging plant to see ARG's new line of specialty lubricants. We then finished our trolley tour through the refinery and returned to our vehicles.

The rest of the afternoon was spent visiting various sites, including one of the oldest oil wells in the county, located 20 feet from a McDonald's, and another well that was pumping. Both wells are within the city limits of Bradford. Then it was out to PIOGA and PIPP member Dave Hill's lease so candidate Wagner could see what a traditional lease looked like, along with a workover rig.

The day wrapped up with a stop at the Penn Brad Oil Museum, where Wagner expounded that if "legislators and regulators aren't careful the oil and gas industry will be just that...history." ■

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PIOGA outreach, education and networking

By Joyce Turkaly
 Director, Natural Gas Market Development

September was a busy month for outreach and networking. PIOGA's Pipeline and Natural Gas Market Development Committee toured the Vogel Seneca Landfill in Jackson Township, Butler County, where Ed Vogel Jr., VP Vogel Holding and Seneca Landfill, spoke to

the group on closing the loop to capture fugitive methane emissions and refine it into renewable natural gas, or RNG.

The company calls this new business venture Lego-V (V representing the roman numeral five). With currently 35 natural gas vehicles in the fleet, Ed plans to increase this number year over year. The Lego-V station is located on a public access road providing the Vogel fleet of refuse trucks as well as other waste haulers, transit buses and transport trucks, easy access.

Ed selected PIOGA member company InsightFuel to



Above left: Ed Vogel Jr. shares his forward-looking vision for renewable-sourced compressed natural gas, or RCNG, with the tour group. Above right: Bob Beatty, PIOGA PGMD chair and board member, describes the virtual pipeline RCNG storage and transfer components that are an integral part of the total project that his firm, InsightFuel, designed and constructed.



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do the work and has been pleased with the outcome. The station was completed in June. The current market price of diesel for heavy duty trucks is anywhere from \$.50 to \$.80 more per diesel gallon equivalent than renewable compressed natural gas (RCNG). Vogel is active in the Renewable Fuel Standard market swapping Renewable ID numbers, or RINs, as well. Two additional stations are under review at Beaver Valley and Grove City.

ABGPA conference

The Appalachian Basin Gas Processors Association hosted its Second Annual Appalachian Regional Conference in September. Organizers contacted PIOGA for some help with ideas and suggestions on the agenda. Two areas of overlap between the two organizations' goals are end-use projects and markets as well as Appalachian states regulatory differences.

The morning sessions included Steve Hedrick's Matrix presentation. Steve said Matrix has committed a \$1.4-billion equity position to build out one of the Appalachian storage hubs; Parsons Corporation is the EPC. Speaking to the robust business case and the cheapest ethane on the planet, he commented, "The market looks right." He asked the audience to raise their expectations of what this means, referring to hope for a successful chemical industry. A number-one priority, however, is the Title 17 Loan Authority. Referring to the federal Department of Energy's Title 17, Steve said, "this is pivotal for our nation."

Tim Bittle of Marathon (formerly MarkWest) moderated a tri-state Q&A comprised of Charlie Burd of the Independent Oil & Gas Association of West Virginia, Matt Hammond with the Ohio Oil & Gas Association and PIOGA's Dan Weaver. All three states had noticeable differences in regulatory review processes and government interaction with industry. Charlie men-

tioned that Anterro is West Virginia's primary unconventional producer, noting that fewer than 2,700 wells account for 1.4 Tcf of the total 1.5 Tcf of production in the state. Matt spoke to the tremendous opportunity for natural gas power generation, noting that there was a commitment for 12 projects representing \$10 billion of investment currently in Ohio, including with PTT Global investing \$8 billion in an ethane cracker.

When asked about top issues or concerns that all the associations are fighting, Dan spoke to the severance tax, Matt spoke to access to acreage and Charlie spoke about the importance of keeping marginal wells in service behind the LDCs. Tim shared that the Marathon mid-stream facilities in the basin represent a \$16-billion investment. One, the Sherwood facility, is processing 2.2 Bcf/day. This facility may soon be the largest processing facility in the U.S.

In the morning breakout sessions, both David Marks and Dr. Lutitia Clipper of PIOGA's PGMD Committee spoke to project potential. David talked about modular gas-to-liquids and Dr. Clipper discussed progress to date on the Principio diesel-to-LNG tow boat conversion. ■



Taking part in a panel of state association representatives were (seated, from left) IOGAWV's Charlie Burd, Matt Hammond of OOGA and Dan Weaver with PIOGA. Moderating was Tim Bittle of Marathon.

The benefits of natural gas – practical opportunities

By Joyce Turkaly

Director, Natural Gas Market Development

On September 28, the Consumer Energy Alliance hosted an event for select attendees at Pittsburgh's Energy Innovation Center (EIC) with an agenda centered on key partners who will help the region prepare for manufacturing revitalization.

Recognizing Chevron as an important energy partner,

Rich DeCarlo, President and CEO of the Energy Innovation Center Institute, said, "Energy and manufacturing are right in our wheelhouse." The EIC is a non-profit organization designed for advancing how energy is used and consumed. Additionally, the EIC is working to connect talent from economically challenged and distressed neighborhoods into the workforce; one of those programs provides training for the subcontractors deployed to work at the Shell petrochemical facility in Monaca.

Alan Armstrong, CEO of Williams, provided the industry keynote. After acknowledging that Williams

embraces good, solid regulation, he provided examples of the benefits of converting from fuel oil to natural gas as it dramatically reduces emissions and provides savings to consumers. Referring to the increasing emissions recorded in January 2018 resulting from residual fuel oil that was used for power generation, Armstrong spoke to how the Constitution pipeline (a 130-mile open-access project announced in 2013) connecting Marcellus supply to the Southern Tier of New York State would help alleviate emissions and provide a better fuel for power generation.

Lacking pipeline infrastructure, he pointed the finger at Massachusetts for upping the national emissions average by more than 500 times in January. In this same month, it was reported that Boston imported two Russian LNG cargoes. The political irony in this message, if you recall, is that on Earth Day New York Governor Cuomo announced that his Department of Environmental Conservation had denied Constitution's water quality permit. Parts of New York City will continue to be held hostage to just one source of energy; this past winter it was also reported that almost 400,000 residents of the New York Housing Authority lost heat for 10 days.

He reminded the audience that delays of pipeline projects drive up costs, increasing emissions and stopping progress and economic opportunities for all. Williams' Northeast Supply Enhancement project is a looping project allowing National Grid to deliver natural gas to consumers who don't have access. This project alone is the emission equivalent of taking all the personal vehicles off the road in Manhattan and the Bronx and saving consumers \$1,000-\$1,500 year.

Secretary of Interior Ryan Zinke was the keynote speaker. Understanding the relationship of the state and federal government, and serving the United States as a Navy Seal team commander, Secretary Zinke understands the implications of energy geopolitics. Originally from Montana, he served as a state senator and as the state's sole member of the U.S. House. Being intimately involved with protecting the public trust, the secretary's message spoke to the strength of our country being debated. The historic role of the opposition is to criticize when the administration is doing something wrong and offer better solutions to compliment when the administration is doing something right. We cannot move forward under the current polarization that exists, he said, "when resist is the only answer and not have the debate, we cannot move forward."

America needs to be reminded that energy itself is the economic driver to much of what we do. The Department of Interior (DOI) intends to establish unified regional boundaries for its bureaus in 2018 and to further develop this approach by July 2019 he said. The goal is to improve overall operations, internal communications, customer service and stakeholder engagement. Aligning geographic areas across the DOI will enhance coordination of resource decisions and policies and will simplify how citizens engage with the DOI.

Some of the major challenges in the next few years



Addressing the Consumer Energy Alliance gathering, Secretary of the Interior Ryan Zinke lamented that the role of the opposition has become to resist at all costs, and that "when resist is the only answer and not have the debate, we cannot move forward."

will be to elevate the importance of energy expansion. The secretary said that in the Northeast, Maine would like to have access to natural gas. **He also commented that there will be discussions recognizing the barriers to expansion and seeking to address whether a state has a right to isolate an asset of another state.** "When a pipeline gets protested not by local people, but by importation of money and people and the narrative is untruthful and that is driven by an anti-American ideology," he said, "we just need to all take a deep breath and focus on cleaner, abundant, affordable energy. We all need energy, and we cannot villainize those who produce it or those that don't have zero emissions; that is the discussion the people in this room have influence over." ■



Clubs & Cocktails Networking Event

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More than 80 members and guests attended PIOGA's Clubs & Cocktails networking event at Topgolf Pittsburgh last month. Clubs were swinging as everyone enjoyed a great evening of golf, games and camaraderie with industry colleagues. Keep an eye on the PIOGA Events section of our website for future networking opportunities

Appellation changes name, announces VP

Appellation Pre Fab, LLC has changed its name to Appellation Construction Services, LLC. Ownership of the Montoursville-based company has not changed and the team remains as the same dedicated professionals customers have come to count on and work with in the past. The new name simply is more descriptive of Appellation's capabilities.

In addition, Appellation announced the additional capacity of in-house electrical contracting services. Matt Green joined the team as Vice President of ACS's electrical division. He has 16 years of experience, most recently in project management and full operational control of gas field services for one of the area's major electrical contractors.

As business has grown, so have the services ACS has been able to offer within the industry. Along with fabrication and installation of complex piping systems, Appellation has expanded to offer project management, ASME (stamps U, S, and R), civil and site preparation and restoration, general construction, concrete work, and an electrical division utilizing union electricians.

B.F. Environmental Builds expertise into new water diagnostic tool

B.F. Environmental Consultants, an environmental consulting firm providing a range of services throughout the Northeast, announced today the launch of a new mobile app called "Diagnose Your Water" as part of the company's "Know Your H2O" program of the Keystone Clean Water Team. Developed by company founder Brian Oram, the diagnostic tool will make it possible for

homeowners to get immediate answers about the quality of their drinking water.

The "Know Your H2O Initiative relies heavily upon the massive online water quality resource the company has made available to the public through the launch of its Water Research Center website. The first version of the software helps consumers diagnose potential water quality problems by exploring aesthetic problems, physical problems, health concerns, or specific problems in their homes. The tool is supported by additional content that is directly linked to the Water Research Center website, which provides insights in sections entitled Your Health, Your Home, and Your Drinking Water.

For more information about the app, visit www.knowyourh2o.us/diagnostic.

Additionally, the Keystone Clean Water Team, a non-profit organization dedicated to improving the health, safety, and welfare of our community and the environment, has released a new educational guide for drinking water users. The focus of the publication is on drinking water standards in Pennsylvania.

The booklet is entitled, "A Drinking Water Guide for Pennsylvania. Your Private Well: What Do the Results Mean?" The booklet provides general information explaining certified water testing, chain-of-custody, and drinking water regulations and standards. It provides information related to the health (primary standards) or aesthetic (secondary standards) concerns for each parameter and provides information on water quality parameters that do not specifically have a drinking water limit.

This reference is intended as a guide to understanding water quality by providing guidance on selecting water quality testing parameters for baseline testing from a citizen's perspective and by serving as a tool to help interpret water quality data. Proceeds from sales of the booklet support the education efforts of the Keystone Clean Water Team. Visit www.pacleanwater.org for more. ■

PUC pipeline assessments

In September, the Pennsylvania Public Utility Commission approved assessments of its operating costs under Act 127 of 2011 (gas pipeline safety) and Act 155 of 2014 (oversight of competitive electric and natural gas suppliers) for fiscal year 2018-19 as follows:

- Act 127—\$309 per mile, based on calendar year (CY) 2017 reported applicable miles of 1,713. Last year's assessment was \$368 per mile, based on CY 2016 reported applicable miles of 1,638.
- Act 155—allocation factor of 0.002149395916 applied to a natural gas supplier's (NGS) total gross intrastate operating revenues for the prior CY reported per 52 Pa. Code § 62.110 (relating to NGS annual reporting requirements), plus the minimum annual fee of \$350. NGS "brokers" reporting no annual revenues pay only the minimum annual fee of \$350.

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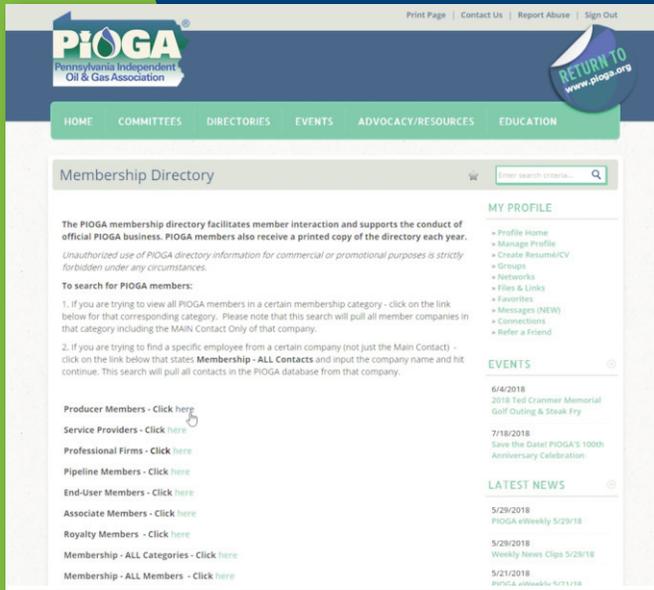
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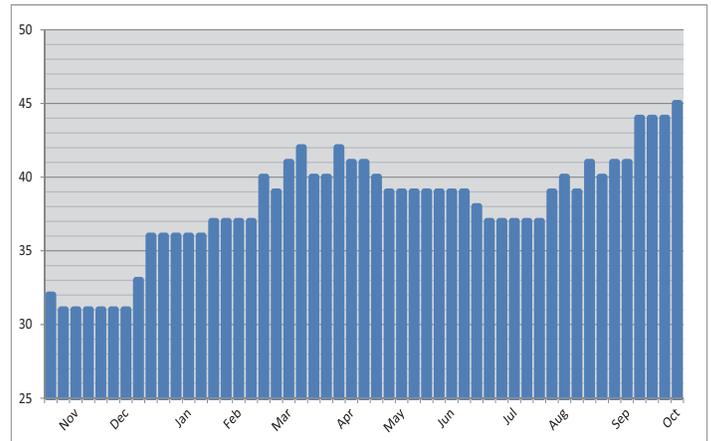
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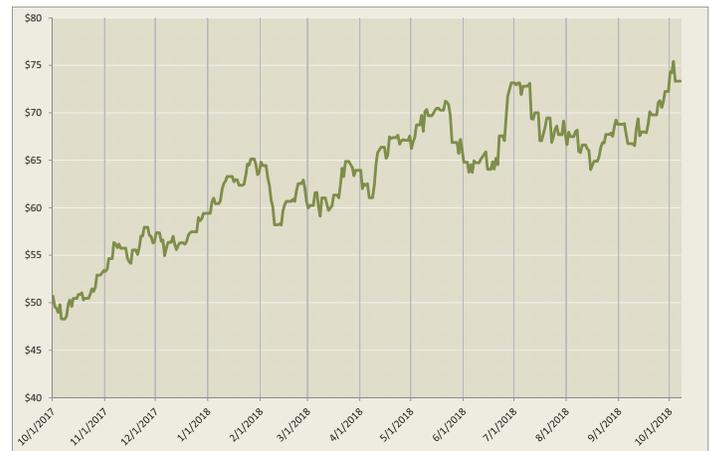
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Penn Grade Crude Oil Prices



Natural Gas Futures Closing Prices

Month	Price
November 2018	\$3.281
December	3.299
January 2019	3.349
February	3.249
March	3.044
April	2.740
May	2.694
June	2.728
July	2.757
August	2.760
September	2.735
October	2.753

Prices as of October 8

Sources

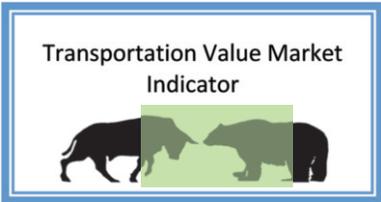
American Refining Group: www.amref.com/Crude-Prices-New.aspx
 Ergon Oil Purchasing: www.ergon.com/prices.php
 Gas futures: quotes.ino.com/exchanges/?r=NYMEX_NG
 Baker Hughes rig count: phx.corporate-ir.net/phoenix.zhtml?c=79687&p=irol-report-sother
 NYMEX strip chart: Emkey Energy LLC, emkeyenergy.com

Northeast Pricing Report – October 2018

For the front month trading term, every trading point fell except for Algonquin, which was up a healthy \$0.38 per MMBtu. Transco Leidy fell the smallest amount by \$0.09 per MMBtu and Dominion South decreased the greatest amount of \$0.18 per MMBtu. Algonquin rose the greatest amount for the one-year term as well, up \$0.21 per MMBtu. Dominion was the only trading point to drop, losing \$0.05 per MMBtu. There was little movement for long-term pricing. TETCO M3 was flat for the term. Algonquin and Transco Z6 each rose \$0.11 per MMBtu.

Transportation values were mixed. Both Dominion South and Leidy to Algonquin had the biggest increases of \$0.56 per MMBtu and \$0.47 per MMBtu respectively. Dominion South to TETCO M3 increased slightly by \$0.03 per MMBtu. Leidy to TETCO M3 and Transco Z6 had the largest decreases of \$0.06 per MMBtu and \$0.08 per MMBtu respectively.

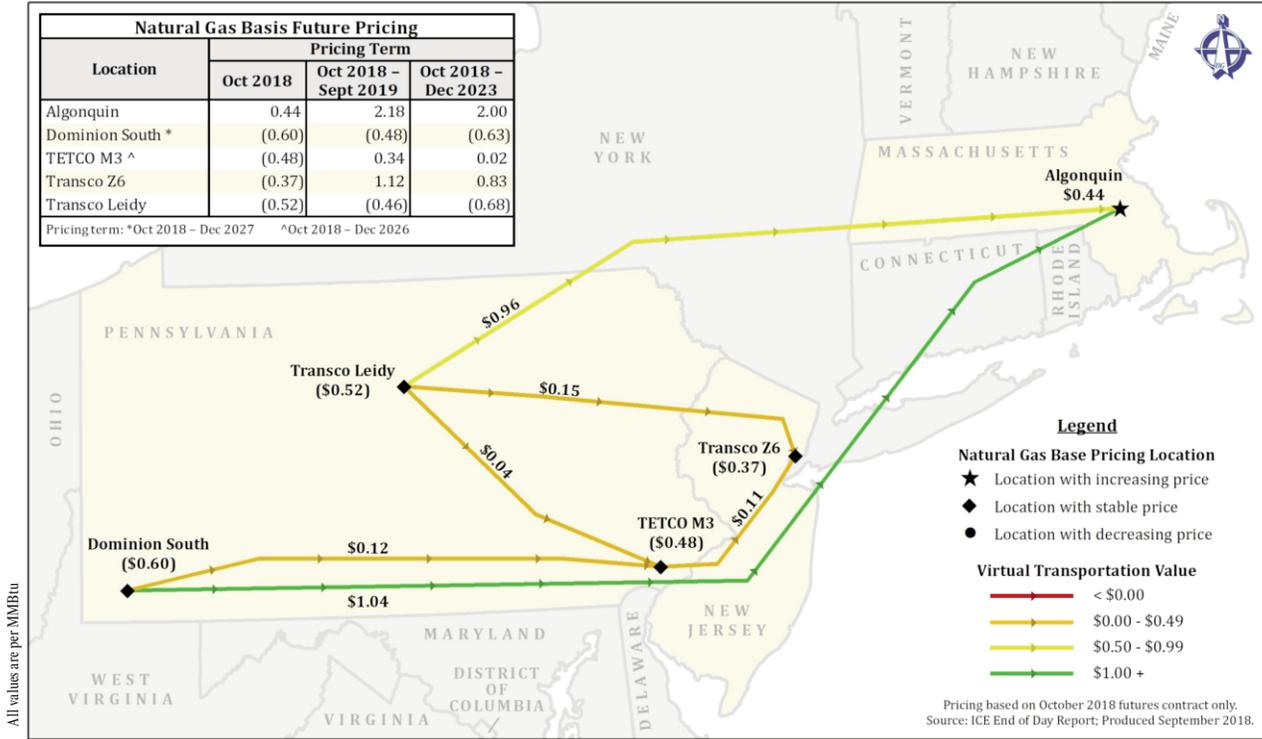
Weather conditions have significantly cooled across the country. With the winter heating season being a month away, we expect storage injections to ramp up aggressively during October. Assuming that happens, BG expects to see stable to falling commodity and transportation values.



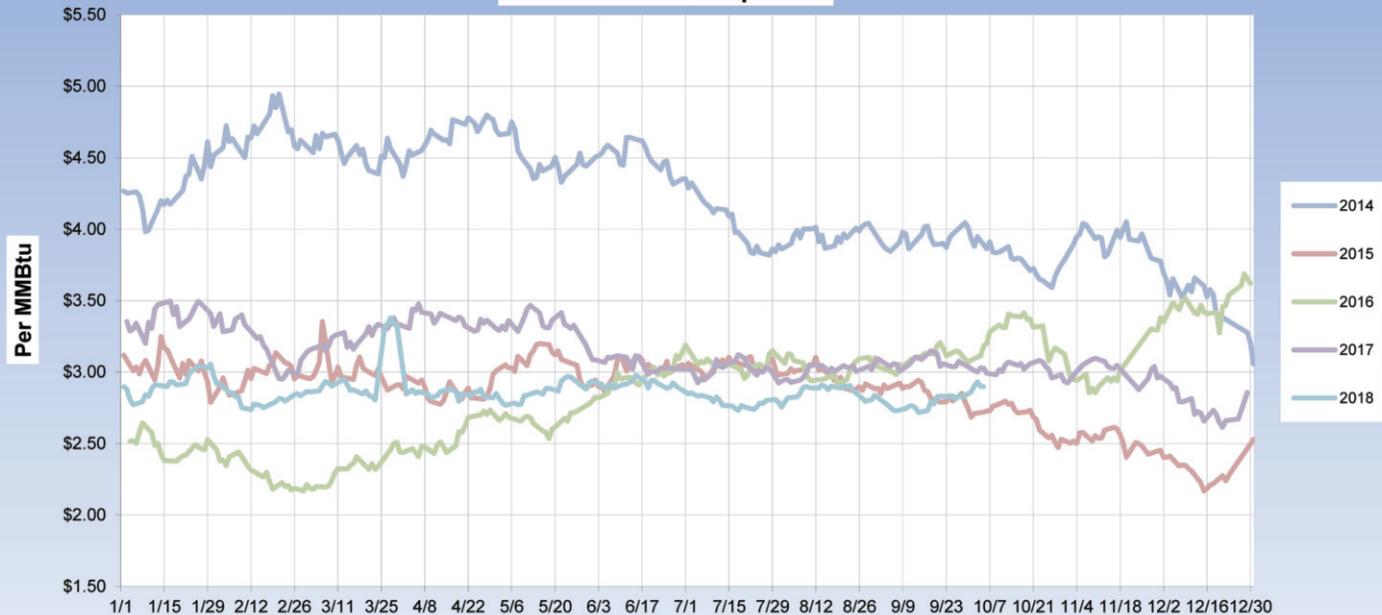
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Location	Pricing Term		
	Oct 2018	Oct 2018 - Sept 2019	Oct 2018 - Dec 2023
Algonquin	0.44	2.18	2.00
Dominion South *	(0.60)	(0.48)	(0.63)
TETCO M3 ^	(0.48)	0.34	0.02
Transco Z6	(0.37)	1.12	0.83
Transco Leidy	(0.52)	(0.46)	(0.68)

Pricing term: *Oct 2018 - Dec 2027 ^Oct 2018 - Dec 2026



NYMEX Annual Strip Price



Spud Report: September 2018



The data show below comes from the Department of Environmental Protection. A variety of interactive reports are

OPERATOR	WELLS	SPUD	API #	COUNTY	MUNICIPALITY
Cabot Oil & Gas Corp	10	9/25/18	115-22448	Susquehanna	Harford Twp
		9/25/18	115-22449	Susquehanna	Harford Twp
		9/15/18	115-22462	Susquehanna	Springville Twp
		9/15/18	115-22463	Susquehanna	Springville Twp
		9/15/18	115-22464	Susquehanna	Springville Twp
		9/15/18	115-22465	Susquehanna	Springville Twp
		9/15/18	115-22466	Susquehanna	Springville Twp
		9/15/18	115-22468	Susquehanna	Springville Twp
		9/15/18	115-22467	Susquehanna	Springville Twp
		9/15/18	115-22469	Susquehanna	Springville Twp
Cameron Energy Co	2	9/4/18	123-48140*	Warren	Sheffield Twp
		9/25/18	123-48141*	Warren	Sheffield Twp
Chesapeake Appalachia LLC	1	9/26/18	015-23386	Bradford	Monroe Twp
		9/12/18	015-23430	Bradford	Overton Twp
Chief Oil & Gas LLC	4	9/12/18	015-23431	Bradford	Overton Twp
		9/12/18	015-23428	Bradford	Overton Twp
		9/12/18	015-23429	Bradford	Overton Twp
		9/21/18	125-28505	Washington	East Finley Twp
		9/21/18	125-28506	Washington	East Finley Twp
CNX Gas Co LLC	7	9/21/18	125-28505	Washington	East Finley Twp
		9/21/18	125-28506	Washington	East Finley Twp
		9/21/18	125-28507	Washington	East Finley Twp
		9/21/18	125-28510	Washington	East Finley Twp
		9/21/18	125-28508	Washington	East Finley Twp
		9/21/18	125-28509	Washington	East Finley Twp
		9/4/18	129-29056	Westmoreland	Washington Twp
		9/30/18	003-22404	Allegheny	Forward Twp
		9/30/18	003-22387	Allegheny	Forward Twp
		9/30/18	003-22405	Allegheny	Forward Twp
Lindell & Maney LLC	3	9/11/18	123-48011*	Warren	Brokenstraw Twp
		9/14/18	123-48009*	Warren	Brokenstraw Twp
		9/19/18	123-48008*	Warren	Brokenstraw Twp
		9/6/18	083-57063*	McKean	Lafayette Twp
MSL Oil & Gas Corp	3	9/6/18	083-57063*	McKean	Lafayette Twp
		9/13/18	083-57061*	McKean	Lafayette Twp

available at www.dep.pa.gov/DataandTools/Reports/Oil and Gas Reports.

The table is sorted by operator and lists the total wells reported as drilled last month. **Spud** is the date drilling began at a well site. The **API number** is the drilling permit number issued to the well operator. An asterisk (*) after the API number indicates a conventional well.

OPERATOR	WELLS	SPUD	API #	COUNTY	MUNICIPALITY
PennEnergy Resources LLC	6	9/20/18	083-57066*	McKean	Lafayette Twp
		9/13/18	019-22566	Butler	Winfield Twp
		9/13/18	019-22681	Butler	Winfield Twp
		9/13/18	019-22682	Butler	Winfield Twp
		9/14/18	019-22683	Butler	Winfield Twp
		9/14/18	019-22684	Butler	Winfield Twp
		9/14/18	019-22685	Butler	Winfield Twp
		9/13/18	121-46165*	Venango	Cranberry Twp
		9/19/18	121-46172*	Venango	Cranberry Twp
		9/26/18	121-46171*	Venango	Cranberry Twp
Pennfield Energy LLC	3	9/13/18	121-46165*	Venango	Cranberry Twp
		9/19/18	121-46172*	Venango	Cranberry Twp
		9/26/18	121-46171*	Venango	Cranberry Twp
		9/15/18	125-28597	Washington	Nottingham Twp
		9/16/18	125-28602	Washington	Nottingham Twp
Range Resources Appalachia	6	9/16/18	125-28601	Washington	Nottingham Twp
		9/17/18	125-28600	Washington	Nottingham Twp
		9/18/18	125-28599	Washington	Nottingham Twp
		9/18/18	125-28598	Washington	Nottingham Twp
		9/4/18	117-21982	Tioga	Liberty Twp
Repsol Oil & Gas USA LLC	5	9/4/18	117-21983	Tioga	Liberty Twp
		9/6/18	117-21984	Tioga	Liberty Twp
		9/11/18	117-21985	Tioga	Liberty Twp
		9/11/18	117-21986	Tioga	Liberty Twp
		9/5/18	123-48131*	Warren	Mead Twp
Rick & Sons Oil LLC	3	9/17/18	123-48128*	Warren	Mead Twp
		9/24/18	123-48132*	Warren	Mead Twp
		9/26/18	047-25043	Elk	Jones Twp
		9/26/18	047-25044	Elk	Jones Twp
		9/26/18	047-25045	Elk	Jones Twp
Seneca Resources Corp	7	9/26/18	047-25046	Elk	Jones Twp
		9/26/18	047-25047	Elk	Jones Twp
		9/26/18	047-25048	Elk	Jones Twp
		9/10/18	081-21694	Lycoming	Gamble Twp
		9/4/18	123-48180*	Warren	Mead Twp
Weldbank Energy Corp	3	9/8/18	123-48181*	Warren	Mead Twp
		9/14/18	123-48182*	Warren	Mead Twp
		9/5/18	123-48185*	Warren	Mead Twp
		9/11/18	123-48201*	Warren	Sheffield Twp
		9/14/18	123-48203*	Warren	Sheffield Twp
Wilmoth Interests Inc	5	9/19/18	123-48187*	Warren	Sheffield Twp
		9/25/18	123-48186*	Warren	Sheffield Twp
		9/17/18	005-31325	Armstrong	Freeport Boro
		9/17/18	005-31316	Armstrong	Freeport Boro
		9/17/18	005-31317	Armstrong	Freeport Boro
XTO Energy Inc	5	9/17/18	005-31318	Armstrong	Freeport Boro
		9/17/18	005-31319	Armstrong	Freeport Boro
		9/17/18	005-31318	Armstrong	Freeport Boro
		9/17/18	005-31315	Armstrong	Freeport Boro
		9/20/18	005-31315	Armstrong	Freeport Boro

	September	August	July	June	May	April
Total wells	76	69	99	87	79	76
Unconventional Gas	54	51	89	75	72	72
Conventional Gas	0	0	0	0	0	0
Oil	22	13	9	12	7	4
Combination Oil/Gas	0	5	0	0	0	0



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Info: www.pioga.org/events/category/pioga-events

Oktoberfest, Conference and Annual Meeting

October 17-18, Seven Springs Mountain Resort, Champion

PIOGATech: Job Safety Analysis

November 1, PIOGA Office, Wexford

Marcellus to Manufacturing Conference

November 8-9, Energy Innovation Center, Pittsburgh

2018 Oil & Gas Tax and Accounting Seminar

November 15, RLA Learning and Conference Center, Cranberry Township

PIOGATech: Air Quality Issues

December 18, The Chadwick, Wexford

Holiday Mixer

December 18, The Chadwick, Wexford

Other association & industry events

IOGANY 38th Annual Meeting

November 1, Holiday Valley Resort, Ellicottville, NY
Info: www.iogany.org/events.php

OOGA Technical Conference and Oilfield Expo

November 8, Pritchard Laughlin Civic Center, Cambridge, OH
Info: www.ooga.org/events

IPAA Annual Meeting

November 11-13, New Orleans, LA
Info: www.ipaa.org/events/annual-meeting-2018

Find more events at www.pioga.org

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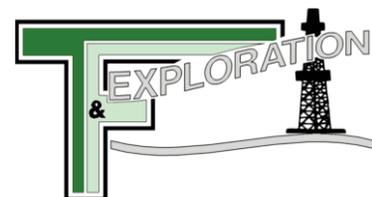
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