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Working together, PIOGA helps our members accomplish that which they cannot achieve alone

The Pennsylvania Independent Oil & Gas Association (PIOGA) is honored to represent approximately 350 member companies from all facets of our industry. For more than a century, PIOGA and our predecessor associations have prided ourselves on our role of bringing together a widely diverse range of companies, individuals and interests to collaborate for the benefit of the entire industry.

PIOGA is working harder than ever to advocate for Pennsylvania's oil and gas industry. Understanding the interconnectedness of all facets of the industry is crucial to the success of our industry. Coming together to work on today's challenges is imperative and effectively communicating to our stakeholders is paramount.

The work we do on behalf of our Producer members impacts all members

PIOGA understands the struggles our oil and natural gas producers are dealing with today. As we strive to deal with the COVID-19 pandemic, our industry is challenged by persistently low commodity pricing, geopolitical pressures impacting U.S. markets, and restrictive and costly legislative and regulatory obstacles adversely affecting the demand for and use of our products. A new federal administration that has already proven to be openly hostile to our industry brings us a whole new set of challenges. It will be key to the survival of our industry that we demonstrate that natural gas and crude oil – along with the infrastructure that gets our products to market – are essential to a clean energy future for Pennsylvania and the nation.

Most of our independent producers are family-owned businesses that feel these adverse impacts much more deeply in troubling times. ***However, individual companies cannot tackle all of the issues alone. It takes all members, sharing our expertise and our resources, to fight these battles on behalf of our industry.***

PIOGA's primary role is government relations. PIOGA's government relations team includes President and Executive Director Dan Weaver, Vice President of Government Affairs and General Counsel Kevin Moody and contract lobbyists from one of the foremost government affairs groups in Harrisburg. With direction and assistance of PIOGA's Legislative and Market Development committees, we focus our efforts on legislation in the Pennsylvania General Assembly that directly impacts our producers and those companies serving our industry.

We are tracking dozens of bills aimed at the industry in one way or another. Many would have a devastating impact by banning hydraulic fracturing, further limiting waste-disposal options, hamstringing infrastructure development or mandating a phaseout fossil fuels entirely. Fortunately, these are unlikely to advance in today's Republican-controlled legislature, although we still must remain vigilant. There also are some beneficial pieces of legislation, like a package of reforms to improve business recovery from the COVID-19 crisis. **Here are a few of our top state legislative issues:**

- **Natural gas severance tax.** Year after year, Governor Tom Wolf has crusaded for a severance tax. The only difference is what he would use the money to fund. This session, he wants to leverage a severance tax to borrow for a massive workforce development program. PIOGA and its allies have been able to convince lawmakers that producers already pay their fair share in terms of the impact fee and other business taxes, and that a severance tax would be an industry and jobs killer now more than ever. PIOGA continues to work with other businesses and legislators to stop it, again.
- **Carbon Capture and Hydrogen.** Carbon capture technology is gaining traction in the General Assembly as one of the tools to reduce the level of carbon dioxide emissions even more than our industry has already done. PIOGA is working with legislators and the Pennsylvania Chamber of Business and Industry and others on legislation to encourage development and implementation of this technology in the state, as there are benefits to producers and service providers as well as the environment. Also, our Market Development Committee is exploring the benefits of developing hydrogen as a zero-carbon fuel that can be transported through natural gas pipelines.

Equally important in PIOGA's government relations work are our regulatory initiatives, and here the efforts of the Environmental Committee are worth far more than the cost of your PIOGA dues. The committee is made up of a wide range of professionals from our member companies who are willing to lend their time and expertise in dealing with issues before state and federal regulatory agencies. We know for a fact that other industry organizations are envious of our committee's effectiveness. This is just a sampling of the many regulatory matters we are currently working on:

- **Emissions regulations.** Under Governor Wolf's 2016 Methane Reduction Strategy, the Pennsylvania Department of Environmental Protection (DEP) is working aggressively to impose new regulations on the oil and gas industry. A rulemaking under way since last year would control emissions of volatile organic compounds (VOCs) from existing oil and gas operations. Otherwise known as the CTG RACT rule, the proposal would place an outsized burden on conventional producers. Responding to this rulemaking to ensure a commonsense, economically viable result is a top priority for the committee. Meanwhile, PIOGA also has been working with a group of associations led by the Independent Petroleum Association of America to retain recently finalized revisions to the U.S. EPA's Subpart OOOOa methane emissions regulations.
- **Regional Greenhouse Gas Initiative (RGGI).** PIOGA has joined with lawmakers, business groups and others to oppose the governor's unilateral path for Pennsylvania to join a 10-state cap-and-trade program that claims to drastically reduce carbon dioxide emissions from electricity generation. The shift to natural-gas-fired generation is one of the reasons Pennsylvania's greenhouse gas emissions already are declining significantly, without the adverse effects joining RGGI would have on the State's economy.
- **Conventional oil and gas regulations.** Late in 2020, DEP unveiled the first draft of a pair of Chapter 78 regulations – one dealing with environmental protection performance standards and the other with waste management and related issues. Along with other trade groups and the Penn Grade Crude Oil Development Advisory Council (CDAC), we have been analyzing the proposals to determine areas of agreement and how to resolve points of contention, DEP intends to propose the regulations in the second or third quarter of 2021.
- **Water disposal.** While unconventional operators have options for reusing and recycling their produced water, producers on the conventional side are drowning in wastewater as treatment facilities shut down and development of new disposal wells continues to be stymied by regulatory hurdles and local opposition in the form of Home Rule Charters. PIOGA has been working with CDAC to identify affordable treatment technologies and to provide DEP with recommendations to provide a clear framework for development of UIC wells.
- **Orphan and abandoned wells.** As many producers know, DEP is insistent when it comes to produce-or-plug mandates, but the trouble is, plugging rules and DEP's application of them are contradictory, unclear and unnecessarily restrictive. PIOGA continues to work with CDAC and DEP to remove uncertainties and inconsistencies so that more unproductive, orphan and abandoned wells can be plugged economically. PIOGA and CDAC also are working with DEP on resolving several other issues facing legacy wells.
- **And so much more.** The above items only scratch the surface of what the Environmental Committee is working on. The committee and its subcommittees also are focusing on matters related to erosion and sedimentation including a prioritized

Are you a producer on the Peoples system?

Last year we described the evolution of the Production Enhancement Services (PES) programs with Peoples and the Rate AGS negotiated agreements with Equitable Gas, which ended on October 29, 2019 with the PUC's approval of the combined Peoples/Equitable Gas divisions base rate settlement, which provides for a 26¢/Mcf gathering rate and maintains the PES water vapor standards for the Peoples Division pipelines and those prevailing as of June 1, 2019 for the Equitable Division pipelines. After many months of negotiations, PIOGA and Peoples finalized a revised Master Interconnect and Measurement Agreement (MIMA) in July 2020.

The most significant changes to the MIMA negotiated by PIOGA are: (i) grandfathering of requirements applicable to existing facilities so these facilities are not subject to the more costly requirements applicable to new facilities; (ii) conforming the written interconnection process and requirements to the actual process and requirements; (iii) reciprocal indemnity provisions; (iv) less costly gas quality and measurement requirements for receipt points with daily volumes less than 1,000 Mcf/day.

Implementing the new Peoples-Producers Cooperation Committee (PPCC) quarterly meetings controlled by PIOGA has been delayed due to COVID-19, but we are ready to initiate discussions with Peoples concerning (i) operational issues, such as gas quality, pipeline replacements and pipeline abandonments, and seasonal regulator adjustments, and (ii) ways to bring more locally produced natural gas to its system. Please bring your issues and ideas to us.

Goodwin Gathering System replacement. The settlement approving the acquisition of Peoples by Aqua America (now, Essential Utilities) requires Peoples to replace the Goodwin Gathering System pipelines and reduce the extremely high levels of lost and unaccounted for gas (LUFG) on this unregulated system that serves Peoples' customers. The replacements will transform the unregulated gathering system into a regulated distribution system and systematically reduce LUFG to a minimum level.

review process under the recently revised ESCGP-3 permit and changes to Chapter 105 rules; threatened and endangered species matters; DEP well tag/signage inconsistencies; providing support to PIOGA's representatives on DEP's Oil & Gas Technical Advisory Board and CDAC; and addressing proposed DEP technical guidance documents that appear to be rulemakings that bypass the formal rulemaking process.

No shortage of legal matters. The third leg of our government relations stool is the judicial system. Increasingly, lawsuits are used as an advocacy tool, and PIOGA must stand ready to become involved in legal initiatives in defense of our industry's rights. These are among the cases where we are playing a part, often in cooperation with other associations and companies:

- **PA One Call.** As PIOGA requested, our Commonwealth Court challenge to PA One Call's manner of charging producers and excavators for the costs of participating in its state-mandated underground line/facilities locating program was transferred to the Clarion County Court of Common Pleas, which has allowed us to add challenges to One Call's failure (i) to elect board members by vote of facility owner members and (ii) to provide board representation to owners/operators of pipelines associated with conventional and unconventional oil and natural gas wells, both requirements of the PA One Call law. We are hopeful that this matter will be decided by the end of 2021.
- **Producer's rights to earned acreage.** Last year PIOGA submitted two *amicus* briefs in support of a conventional producer's Pennsylvania Supreme Court appeal of lower court decisions in *Mitch-Well Energy v. SLT Holdings* that nullified, on the basis that the leases were abandoned, the producer's rights to earned acreage (farmouts) surrounding two wells drilled pursuant to two leases. The appeal was argued in October 2020 and PIOGA anticipates a favorable decision.
- **Participation in PennEast Pipeline and unfair trade practices/antitrust cases.** Along with the Marcellus Shale Coalition, PIOGA is participating in PennEast Pipeline's appeal in the U.S. Supreme Court concerning whether a FERC pipeline certificate holder has the authority to use eminent domain to acquire lands in which a state has an interest. Along with the MSC and API, we participated in the Pennsylvania Supreme Court challenge by Anadarko and Chesapeake to the Pennsylvania Attorney General's use of the Unfair Trade Practices and Consumer Protection Law to adjudicate (i) landowner claims that producers used deceptive, misleading and unfair tactics in securing natural gas leases and (ii) allegations of state antitrust violations. In March 2021, the Supreme Court rejected the Attorney General's actions.
- **Challenging DCNR's ownership of streambeds throughout Pennsylvania.** PIOGA continues to monitor litigation between landowners and the Department of Conservation and Natural Resources challenging the agency's claims of ownership of nearly all streams in the Commonwealth. PIOGA has been asked to be ready to provide assistance when necessary to bolster the landowners' claims of ownership. As a result of a June 2020 Commonwealth Court decision, the litigation is back before an administrative board within the state Department of Community and Economic development called the Board of Property.
- **DEP's attempt to impose personal liability on a company owner.** PIOGA participated in Commonwealth Court proceedings that limited DEP's use of the "participation theory" to impose personal liability on a producer company's sole member and employee for the company's not plugging 47 wells. DEP appealed the Environmental Hearing Board's ruling limiting the personal liability to just four wells, and a Commonwealth Court decision is expected this year.
- **Seneca Nation's request to set its own water-quality standards.** Over the objections of PGCC, PIPP and PIOGA, on March 15, 2021, the EPA granted the Seneca Nation of Indians' (SNI) request for "Treatment As a State" authority to administer water quality standards (WQS) and certification programs under the Clean Water Act for surface waters within three SNI Territories. This approval does not set WQS or establish a certification program, or compel SNI to propose or adopt WQS, nor does it lay out a timeline or deadline for SNI's doing so. EPA approval is required before WQS can be used as the basis for enforcement actions, so we intend to participate in any SNI request for EPA approval of WQS, which have the potential to adversely impact oil and gas industry operations on the upper Allegheny River and its tributaries.
- **Equitrans request to abandon gathering systems.** Along with GO-WV (formerly IOGA of West Virginia), PIOGA is participating in Equitrans' request for FERC approval to abandon gathering pipelines in place if they cannot be sold. Producer members of both organizations use some of these gathering pipeline systems, which serve natural gas consumers in Pennsylvania and West Virginia, and Peoples has agreed to purchase the 27 mile M-73 FERC-certificated gathering pipeline located in Greene and Fayette counties that connects directly or indirectly to more than 500 Peoples customers and has been used to provide service to them when demand from Peoples' customers exceeds available production from conventional wells feeding the M-73 gathering line. We continue to monitor developments in this proceeding.

The work we do on behalf of downstream markets impacts all members

We know the interconnectedness of the downstream and upstream markets. That's why PIOGA is all about finding new and expanded markets for our abundant natural gas resources. **PIOGA's Market Development Committee** actively works to accelerate increased use of Pennsylvania-produced natural gas in electric generation, natural gas vehicles, commercial and industrial applications, utility distribution demand, and natural gas conversions from other fuels in and throughout Pennsylvania and surrounding states. These are among the committee's top priorities:

- **Presentations – both in-person and virtual.** The committee’s monthly meetings often feature information-packed presentations on key topics like infrastructure projects, virtual pipelines and market trends.
- **Sharing intelligence.** The committee’s New Projects Subcommittee meets monthly via conference call to share intelligence on pipelines – both physical and virtual – as well as projects involving large natural gas end users. These calls, along with connections made at the Market Development Committee’s regular meetings, have led to business opportunities for both Producer members and Allies and Providers members.

Joining together to benefit all members

What makes PIOGA a strong and effective organization is our ability to come together to collaborate with one another toward common goals benefitting our industry – even though we might be competitors in other situations and regardless of what type of member we are. In addition to our Legislative, Environmental and Market Development committees, we also have active Safety, Diversity and Tax committees that welcome – no, make that *need* – the involvement of other members in order to accomplish their valuable work. **The Safety Committee**, for instance, serves as a forum for sharing best practices and other information to keep our employees working safely. Along with the Environmental Committee, the Safety Committee also organizes regular training opportunities as part of our PIOGATech series. The **Diversity Committee** is a newly established committee that provides a forum where members work collaboratively to advocate and support diversity within PIOGA, as well as within Pennsylvania’s oil and natural gas industry. The **Tax Committee**, which traditionally organizes PIOGA’s Annual Oil & Gas Tax and Accounting Seminar, has recently become more active in exploring tax-related issues and informing the membership on these matters.

Giving our members opportunities to **stay informed and engaged** is another of PIOGA’s key missions. Our large conferences, intimate networking events and information-packed PIOGATech sessions all provide you and your employees with valuable opportunities to keep abreast of key industry topics and make new connections. We also keep you up to date via our **PIOGA eWeekly** e-newsletter sent out every Monday as well as **The PIOGA Press** monthly newsletter.

Getting more from your dues

How can you make your membership an even better value for your company? First and foremost, ensure that you or your staff contribute provide expertise to our committees. Head over to the Members Only area of our website (look for the link at the top of our homepage, www.pioga.org) to find out more about what each committee does and how to join.

If you/your employees attend our events or advertise in the eWeekly or *PIOGA Press*, you’ll enjoy a significant member discount. We’ve heard from some members that these savings have nearly repaid the cost of their dues! Please remember that we have the incentive program for bringing in new members, which can earn you dollar credits you can “spend” toward attending events, advertising or sponsorships. Please help us to help you and recruit a new member!

We understand in these tough economic times you still must carefully weigh every dollar spent. We hope you understand the importance of your support is to PIOGA and the oil and gas industry as we all work together to accomplish the goals we cannot solely do alone.

Feel free to contact PIOGA’s Membership Director, Debbie Oyler, at debbie@pioga.org at 724-933-7306 ext. 22 if you have any questions about membership or go to www.pioga.org > **Join Now** to learn more about membership benefits or to apply online.