

**Minutes of the Oil and Gas Technical Advisory Board Meeting
Moshannon District Office
Philipsburg, PA
September 14, 2006**

A meeting of the Oil and Gas Technical Advisory Board (TAB) was held on September 14, 2006 in the Moshannon District Office in Philipsburg, PA. TAB members present were Chairman Robert Watson, Burt Waite and David Lind. Ron Gilius, Dave English, Carl Morgeneier, Joe Umholtz and Rhonda Rhoades attended from DEP. Also attending were Lou D'Amico (IOGA), Steve Rhoads (POGAM) and Matt Milliron, Centre County Planning. The meeting was called to order by Chairman Watson at 10:00 a.m. and was followed by introductions.

Agenda Item 1 – Approval of draft June 2, 2005 Minutes – Attachment A

Agenda Item 2 – Approval of draft November 17, 2005 Minutes – Attachment B

Agenda Item 3 – Bonding Guidelines – Attachment C

The guidelines were updated to make it easier for the operators, banks and financial institutions to complete the forms. The guidelines are not final yet and were not attached. We've tried to make it easier to understand the instructions. We've taken out some duplicative requirements. The draft was published in the Pennsylvania Bulletin May 13th. Internal comments only. Will be published in the Pennsylvania Bulletin as final, when typed in final form.

Agenda Item 4 – Coalbed Methane Development

Concerns by surface owners without minerals.

Agenda Item 5 – Gas Migration Caused by Over-Pressured Wells

Informed of problems and enforcement to be taken.

Gas migration has been a problem for gas operators. What the operators have been doing is fracking the well and not waiting for the pressure to bleed off the frac pipe. They found, in some cases, that operators have as much as 600 pounds pressure per open hole, and only 300 to 400 foot surface casings. After the operator fracks the well, they need to give the pressure time to bleed off. Some of the operators have not been doing this. There are various excuses why they don't want to bring a rig back in again – i.e. money. Consequently, there are more gas migrations from McKean, Warren and Forest Counties (1,000 – 1,500 ft) for oil and water and Jefferson and Clarion Counties (3,000 – 3,400 ft) for gas wells.

Is there nothing in the requirements that can alleviate this? Yes – easing pressure exceeding limits.

Agenda Item 6 -- Erosion and Sediment Control for Oil and Gas Activities

Some background information:

Last year the Energy Policy changed the definition of oil and gas activities so that it was explicit that construction was exempt in permit requirements for oil and gas construction. The end result was that oil and gas activities were put into two categories. One was industrial and one was construction. By changing this definition, EPA could no longer regulate oil and gas construction under the construction category, just the oil and gas industrial activity. Under this category the permit is required in two or three different situations – one where there is a discharge with oil in it, second chemical contamination, third is not addressed on the federal level. EPA has changed the rules in their regulations and their interpretations by the state. We have been working internally for some time on how DEP is going to handle erosion and sedimentation control and storm water management for oil and gas activities. This also includes transmission facilities.

Since 1972 erosion and sedimentation control were required by oil and gas operators an E & S Plans as required by Chapter 102. The handout is the draft plan of what the DEP plans to put in place. This is going to be a PA Bulletin notice. Some of the goals we've tried to put together -- we want a state program for oil and gas activities that achieves the same results as other types of operations. In other words, there is no sediment problems from these activities. We also want a program that fits the operation of the industry, something you feel comfortable incorporating into your guidelines.

As we go through the registration process, we'll change that to all earth disturbance permit, rather than NPDES permit because we'll be following a state program as opposed to a federal program.

Number three, this was debated quite a bit and we believe that the five acre of disturbance works out well in that standard practice. We'd like to see it stay in place because it works well.

There was ruling that came out last week by the Environmental Hearing Board, in a case involving a commercial speedway development – a raceway. Where the Department issued an NPDES permit for construction activities. In this agreement, they would have to implement all special protection BMP's in Chapter 102 during the project. This would satisfy the Department. It was challenged by the local watershed association. The Environmental Hearing Board vacated the permit on the basis that sole reliance on Chapter 102 special protection BMP's is insufficient to meet the requirements of Chapter 93 anti degradation analysis they had to do, which is a three step process. This could have a very significant impact on what you have to do to get a permit for special protection watersheds for construction and an earth disturbance permit.

You would have to evaluate all non discharge alternatives to see if they're economically feasible and environmentally sound. If they're not, you have to select among discharge and non discharge options. Go with the best choice of a suite of options to control the discharge that will best protect the use which is non degradation. Select a BMP required by Chapter 102 doesn't satisfy the analysis of multiple options.

The other thing that's going on right now is that the water program is coming out with their new storm water manual which is how to manage construction run off.

Time Line?

We're doing this in conjunction with the Water Program and the Office of Policy. We're trying to move as quickly as possible. We expect it to take four to six weeks and this will include both a regulatory and permit document. Water is talking with their field staff today. We'll go back to the policy office, PA Bulletin. Announcement of our plan will be published.

It was questioned as to whether DEP would consider a twenty-five acre limit, the same as the timber industry.

Agenda Item 7 – Road Surfacing Material and Rock Pits in the Allegheny National Forest (ANF)

Dave Lind outlined the following:

We understand the ANF has contacted DEP. As controllers of erosion and sedimentation, the ANF does not have the ability to write regulations. The stone that oil and gas operators are using to construct their roads is not adequate for the purposes of building roads, therefore DEP should write a regulation. The forest service wants to design oil and gas roads then mandate that the road be constructed to their standards including six inches of aggregate.

They want higher quality road standard materials, so that they can avoid using the natural material, which are run by oil and gas operators. They want oil and gas operators not to use the material so the ANF and the timber industry can use the natural material. Is that fair? DEP and DCRN is in the process of re-writing regulations. We've sat down with them to identify issues. Some of them are our responsibility.

Gas roads, public roads, township roads, state roads. Hard to tell which roads you're driving on. It's everybody's responsibility. All agree the roads are bad, a four wheel drive vehicle is needed more often than not.

Streams in the ANF have sediment contributed by runoff of oil and gas leases?
PennDot, dirt gravel road center – not fully involved, just partially involved.

Agenda Item 8 – Status of appointment of a new Tab member

Agenda Item 9 – Status of DEP’s Effort to Review all Regulations

Agenda 10 – Comments from the Public

Matt Milliton, Centre County Planning, expressed concern regarding contamination of ground water supply from past and present drilling. He cited examples of Snow Shoe, Oribison and others. He emphasized taking an extra amount of protection and using extreme caution when drilling. A discussion regarding property owners versus owners of mineral rights also took place.

He suggested the Department be proactive on the ownership issue or legislators will provide answers. He also advises on small water systems and believes that oil and gas drilling should be presented in the well head protection services and that the a \$25,000 bond provided by the operators of oil and gas wells is no where near sufficient to cover the bequest of even the smallest public water well system at a minimum cost of \$250,000.

Agenda 11 – Adjournment

Chairman Watson asked if there was any other business. There was none.

Chairman Watson moved the meeting be adjourned. David Lind seconded the motion. The meeting adjourned at 1:00 p.m.