



March 11, 2022

The Honorable Daryl Metcalfe, Chairman
House Environmental Resources
& Energy Committee
Room 144 Main Capitol Building
Harrisburg, PA 17120

The Honorable Gene Yaw, Chairman
Senate Environmental Resources
& Energy Committee
362 Main Capitol Building
Harrisburg, PA 17120

Dear Chairman Metcalfe and Chairman Yaw:

As the General Assembly contemplates opportunities to expand and support domestic energy production to help alleviate both rising energy costs for Americans and the geopolitical crises confronting Ukraine and Europe, we want to share some timely information that may be helpful in dispelling an emerging narrative from those who oppose further utilizing America's abundant energy resources.

Recently, it has been suggested that 40% of the unconventional well drilling permits issued by the Department of Environmental Protection (DEP) have not been utilized. Anti-energy activists and pseudo-reporters have used this number to assert a narrative that the unconventional natural gas industry is sitting on a plethora of permits that could be utilized right now. Some basic industry knowledge and common business sense is needed to refute this suggestion.

First and foremost, it bears stressing the obvious -- no unconventional operator is applying for and sitting on a well drilling permit merely for the sake of doing so. In 2019, the Wolf Administration increased unconventional well permit fees to \$12,500. Not only is Pennsylvania's well permit fee the highest in the nation, but operators must also invest tens of thousands of additional dollars to complete the technical aspects of the well permit application. Suffice it to say, no operator opts to absorb this significant expenditure without sound financial, operational or bureaucratic reasons.

Beyond this basic fact, it is important to understand how current regulatory requirements, unique to Pennsylvania, impact industry operations in the Commonwealth and affect the numbers being regurgitated.

- First, DEP has interpreted state law to require a shale gas operator to apply for and receive a well drilling permit before the operator can move any earth to construct a well pad or an access road. From a planning perspective, however, operators often stage the timing of the construction of a well pad separate from when they would drill a well and put it into production. For example, many operators prefer – as does PA DEP – to construct well pads during dry periods in the summer when stormwater runoff and associated erosion can be minimized or avoided. However, in order to effectuate this timing which seeks to minimize environmental impacts, an operator must apply for and receive a well drilling permit despite

the fact that in many cases the drilling permit expires (one year after issuance) before it can be used.

- Second, operators all-too-often experience delays in *other* permits issued by DEP, and these delays can end up rendering the well drilling permit useless. For example, operators might have a well drilling permit (which, again, they must obtain first and foremost) but are awaiting an erosion and sediment control permit (ESCGP-3) to move earth for an access road, drilling pad or pipeline; or they are awaiting an air quality permit (GP-5/GP-5A) for operation of equipment on a pad or midstream facility; or they are awaiting a waterway crossing permit (Chapter 105) necessary for pipeline construction or access roads. Often these other permit delays require an operator to renew their original drilling permit – at another cost of \$12,500 – in order to maintain their original operational plans.
- Finally, it is important to distinguish that there are a variety of reasons an operator must obtain a “permit modification.” Generally speaking, a modification occurs when there is a notable change to the drilling plans that were approved under the original well drilling permit. Examples include the need to approve a “wellbore deviation” because they must adjust the planned surface hole location of the original well design or change the total depth or lateral length of the wellbore. PA DEP has narrowly interpreted the term “wellbore deviation” to not just include the vertical well bore location, however, but to also include any modification of the horizontal pathway of the wellbore. Under this liberal interpretation, DEP has required operators to subsequently re-permit the well – again, at a cost of \$12,500. This issue was particularly pronounced several years ago when PA DEP required many existing wells that had been completed and were already in operation to be re-permitted.

The data bears out these examples and proves the numbers being used to push the narrative are misleading, at best. Consider that in the most recent three-year period (March 1, 2019 – February 28, 2022), PA DEP issued 2,998 unconventional well permits (realizing total revenue of approximately \$35 Million). Of these permits, 37% were for either permit modifications (777) or renewals of previously issued permits (317). This data clearly demonstrates that no operator simply allows an approved well drilling permit to go unused.

Don't be fooled. Those who perpetuate uninformed and simplistic narratives by just looking at raw numbers of permits issued, whether at the federal or state level, are distracting attention from the clear need to ensure American energy affordability and security.

As always, should you have any questions about Pennsylvania's shale gas industry or other issues related to the current energy situation, please regard the Marcellus Shale Coalition as a resource and do not hesitate to reach out.

Sincerely,



Jim Welty
Vice President, Government Affairs

