# TESTIMONY

# OF


A. BRUCE GRINDLE

PRESIDENT AND CEO,

OIL AND GAS MANAGEMENT, INC.,

VICE-PRESIDENT,

PENNSYLVANIA GRADE CRUDE OIL COALITION


BEFORE THE

PENNSYLVANIA

HOUSE OF REPRESENTATIVES

COMMITTEE

ON

CONSUMER AFFAIRS

JUNE 5, 2017

Chairman Godshall and Committee Members,

My name is Bruce Grindle and I am here to testify as Vice President of the Pennsylvania Grade Crude Oil Coalition (PGCC) on the pending UUPL Legislation.

On behalf of the membership of the PGCC we urge your support for maintaining the current exclusion for conventional oil and gas production and gathering lines in the Pennsylvania One Call legislation. The production and gathering lines of the conventional oil and gas industry have been exempt for years from PA One Call by federal law and regulation (PHMSA Pipeline Damage Prevention Regulations - 49 C.F. R., Sections 192-198) and these lines are currently not regulated by PHMSA, the U.S. Department of Transportation's Pipeline and Hazardous Materials Safety Administration which is the federal agency that administers the nation's pipeline safety program. Other states, such as New York, Texas, and Kansas have similar exemptions in their damage prevention laws and PHMSA has never made a discretionary reduction in federal grants i.e. (State Base grant, Damage Prevention grants, or One Call grants) in those states because of the permitted exemptions. The same has held true in Pennsylvania. Indeed, West Virginia has an exemption for such lines with a nominal inside diameter of four inches or less that are not otherwise subject to one-call reporting requirements under federal law. By all empirical data available, these lines present no threat to public health and safety, and are not a clear and present danger to the welfare of the residents of Pennsylvania -- ANYWHERE in the Commonwealth!

Most conventional wells in Pennsylvania are only marginally economic (if not uneconomic) at the current commodity price. The small, and mostly family-owned businesses that operate conventional oil and gas wells in Western Pennsylvania, can ill afford the increased administrative costs, dues, tickets and need for additional manpower that would be required to comply with PA One Call. The Conventional oil and gas industry in Pennsylvania is in dire straits. That is evidenced by the decline in Conventional well drilling that has decreased from a peak of 4,800 wells spudded in 2007 to only 94 wells spudded in 2016. (Spud Graph Attached)

The production lines and rural gathering lines of the conventional industry have long been exempt from PA One Call by federal law and regulation (PHMSA Pipeline Damage Prevention Regulations - 49 C.F.R., Sections 192-198). This long-standing exemption exists because government has understood that conventional production lines are small diameter, operate at low (sometimes negative) pressure, and exist primarily in rural, sparsely populated areas of the Commonwealth.

Most importantly, there is no compelling public safety hazard, threat, or need that support such regulation. Before the exclusion for conventional production and rural gathering lines in the Pennsylvania One Call Law is repealed or amended, the Pennsylvania One Call System, Inc. (POCS), or another appropriate Commonwealth agency should conduct a study to determine if it should be repealed or amended. At the very least, there should be a cost and risk benefit analysis performed. In addition, the study should analyze the impact that the comparable exclusions for production and rural gathering lines are having in states like New York, Texas, and Kansas. When the study is concluded, the authors of the study should publish their conclusion and what data they considered in reaching that conclusion.

Pennsylvania has a long history of oil and gas production, dating back over 150 years. There are still active conventional wells within the state that have been in operation for over 100 years. Many of these legacy wells and their currently unregulated rural gathering systems provide gas to small local distribution operators as well as to farm taps in otherwise unsupplied areas, or serve as a source of gas for larger operators. These lines were constructed many years ago with materials, including legacy materials that were readily available and acceptable at the time. Many of these wells are no longer owned by the original operator and may have been sold multiple times. Records regarding the actual location of the line and materials used may not be accurately known or are no longer possessed by the current operator. Many of these legacy wells are at very best marginally economic at current prices. Nevertheless, these small rural gathering systems operate at minimal risk to public safety and provide an

important service to the rural communities in which they exist. The requirements and costs incurred for compliance with regulations in the Pa One Call Law would be economically prohibitive, practically impossible to achieve and would provide no additional safety benefit.

If these wells and gathering systems are abandoned, the Commonwealth should be concerned about the following;

1. The abandonment of the wells and gathering lines may cause permanent loss of service to existing customers, particularly in areas where there is no other existing alternative gas source;

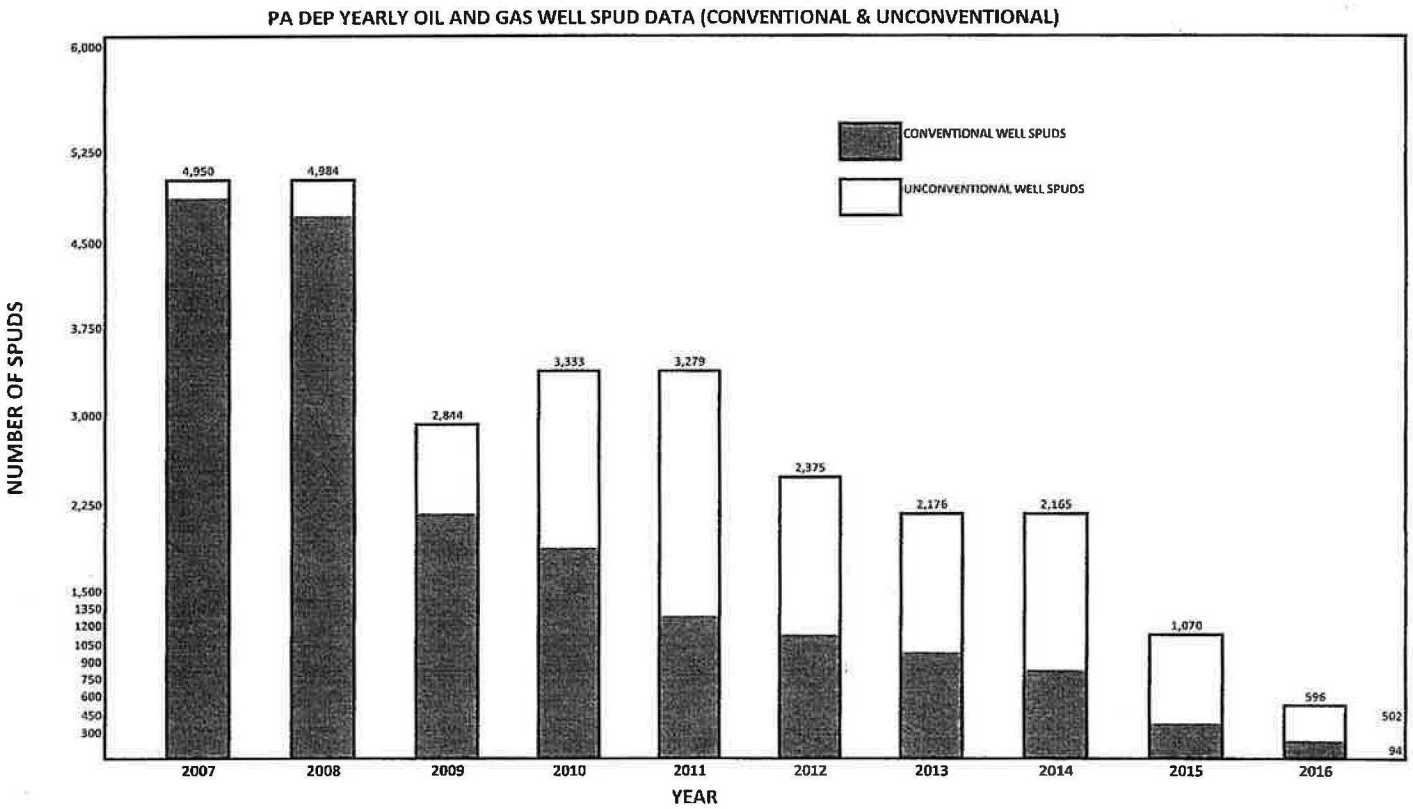
2. Outages of gas as local distribution companies struggle to find new sources of supply for existing customers;

3. Increases in rates as local distribution operators are forced to find other gas supplies at higher costs;

4. Increased rates due to the necessity of building new infrastructure to supply these customers.

Thank you, Mr. Chairman, and all the Committee members, for affording us the opportunity to present the position of the Pennsylvania Grade Crude Oil Coalition, and the conventional oil and gas industry regarding the elimination of our long-standing federal exemption from Pennsylvania One Call.

Please help protect the small business people, their families, and the communities who will suffer irrational harm due to this overbearing regulation of government, designed to exhaust our financial resources. The public safety of Pennsylvania residents is simply not threatened by the continued maintenance of the long lasting, legally justified, federal exemption provided to our industry.


PA DEP YEARLY OIL AND GAS WELL SPUD DATA (CONVENTIONAL & UNCONVENTIONAL)
NUMBER OF SPUDS
6,000
5,250
4,500
3,750
3,000
2,250
1,500
1350
1200
1050
900
750
600
450
300
CONVENTIONAL WELL SPUDS
UNCONVENTIONAL WELL SPUDS
4,950
4,984
2,844
3,333
3,279
2,375
2,176
2,165
1,070
596
502
94
2007
2008
2009
2010
2011
2012
2013
2014
2015
2016
YEAR

Thank you.