

PHLW-1

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MR. WILLIAMSON: My name is Larry Williamson. I am the Superintendent of District Operations for Pennzoil Company. We have fairly extensive holdings in the State of New York. Our district office is located in Pennsylvania.

At the current time, we produce approximately twenty percent of the oil produced in the State of New York. To produce this oil, we have approximately one hundred employees and contractors in the State of New York and economic activity that amounts to several million dollars a year.

First, I would like to compliment the DEC on the job that they did in preparing the Generic Environmental Impact Statement. It was a very large and difficult undertaking.

However, I do feel that it may have been aggravated somewhat by the inclusion within the scope of the Generic Environmental Impact Statement of a public educational function that Mr. Sovas just mentioned and also the proposal of extensive changes to the regulatory program.

PHLW-1

Providing the affected community with historical and educational information should foster a better public understanding of the industries we regulate. Public interest and concern were demonstrated by the extensive response to the GEIS scoping hearings; there was more input at this stage from the public than from industry. All government agencies, this Department included, are public servants and the educational functions of the GEIS are viewed as a public service.

Proposed regulations were included in the GEIS to meet SEQRA mandates, to provide a framework for informed public discussion, and to provide a complete assessment of the current regulatory program. The current program includes many permit conditions and guidelines that are being proposed as regulations. See Topical Response Number 5 on Reasons for Including Proposed Regulations in the GEIS.

PHLW-2

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I also feel that the Department of Environmental Conservation erred in not adequately addressing the comments submitted by the Oil, Gas and Solution Mining Advisory Board, comments that they received some time ago. Many of the problems and concerns that are expressed in these hearings could have been resolved earlier had those comments been addressed at the time that they were made originally.

PHLW-3

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Pennzoil has several concerns with the Generic Environmental Impact Statement that I would like to mention today. Our written comments will be included with those of the Independent Oil and Gas Association which will be received later, I understand.

PHLW-2

The over 600 individual comments received through the Oil, Gas, and Solution Mining Advisory Board on the preliminary draft GEIS were thoroughly evaluated by DMN staff. Changes were made to the text where warranted. Each comment received during this internal review process was individually listed and discussed in a 112-page response table that was distributed to the commentators.

PHLW-3

See response to PPC-1.

PHLW-4

6 Pennzoil's specific comments included,
 7 first, water flooding. Water flooding is one of the
 8 categories of activity which the Generic Environmental
 9 Impact Statement specifically does not cover. It
 10 does address it. It does explain it fairly well.

11 However, it is stated that a separate
 12 Environmental Impact Statement will have to be pre-
 13 pared for water flooding. I don't necessarily be-
 14 lieve that this was necessary. I think that water
 15 flooding and several of the other excluded categories
 16 could have been adequately covered by the Generic
 17 Environmental Impact Statement.

18 I feel that the reason that they were not
 19 were primarily because of the use of old examples of
 20 environmental degradation caused by water flooding.
 21 The Department of Environmental Conservation did not
 22 take into consideration, or at least not adequately
 23 take into consideration the changes in the technology
 24 and the changes in the regulatory program which
 25 occurred since the water floods that they reviewed
 1 were originally developed.

2 Most of the water floods in New York
 3 State, of course, are very old. Most of them pre-
 4 date World War II. A few of them were done in the
 5 1960s.

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7 The regulatory programs of today are
 8 completely different than it was when those floods
 9 were developed. Any environmental impact that they
 10 might have had would not really occur today, particu-
 11 larly not under the Federal Underground Ejection
 Control Program.

PHLW-4

A new waterflood project could trigger SEQR thresholds. The requirement for an environmental assessment when SEQR thresholds are triggered is not a proposed requirement; it is already law.

Basically, it is correct that modern technology and improved regulation have mitigated many of the adverse environmental impacts of waterfloods. However, a site-specific environmental assessment of any new waterflood project is necessary in order to evaluate possible negative environmental impacts which could be mitigated.

The federal EPA UIC regulations do not supersede State regulations, and the EPA does not have adequate field staff to effectively ensure compliance with their rules.

CR-166

PHLW-5

12 The second item that I wanted to talk
13 about was the extensive discussion of access roads
14 within the Generic Environmental Impact Statement.
15 Activities, at least to the way that I would think,
16 an activity and not the purpose of that activity will
17 determine what environmental impact the activity has.
18 It should also determine whether that is a specific
19 activity under the mandates of the State Environmental
20 Quality Review. It also determines the needs for
21 regulation of that activity.

22 The Generic Environmental Impact Statement
23 seeks to impose extensive regulation on roads built
24 by the Oil and Gas Industry even though those roads
25 are identical to roads built by the timber industry
1 or by the farmer or by a logger or a residential
2 recreational developer. The roads are no different,
3 but yet only because those roads are part of an oil
4 and gas operation the Generic Environmental Impact
5 Statement seeks to regulate them and regulate them
6 rather extensively, I might add.

PHLW-5

In some areas an access road affects more acreage than the well site itself. Access roads constitute part of the action to drill a well, and it is our responsibility to evaluate the environmental impact of the entire action, not just segments of it. See Topical Response Number 4 on Access Roads as Part of Project.

PHLW-6

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Another thing in the same category is disposal of brush. An oil and gas operator clears a one-acre location and he has to comply with an extensive array of controls on what he can do with any wastes that are generated, that is, specifically non-marketable timber and brush. No other activity which generates a similar waste product has to address these types of concerns. As I said before, the activity, not the purpose of the activity, should be the controlling factor.

PHLW-6

Other industries with construction activities have requirements regarding the disposal of non-marketable timber and brush. Any State permitted activity occurring in a wetland or floodplain must comply with the same salvage and disposal guidelines as those imposed on oil and gas operators.

PHLW-7

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The third category of items which gave Pennsoil great concern was the apparent imposition of the Department of Environmental Conservation into third party contracts, that is, contracts between the oil and gas operator and the mineral owner. Whether these mineral owners choose to lease their land themselves or whether they purchased lands which already had a valid existing lease on it, does not give the Department of Environmental Conservation the right to enter into that contract to change any part of it. The Department of Environmental Conservation has many vital environmental functions which they must perform within the constraints of their budget and manpower. They certainly don't have the time to act as the Lone Ranger going out to save everyone from their own actions. Whether those actions are right or wrong on the part of either party is not reason for the Department of Environmental Conservation or other State agencies to enter into it.

PHLW-7 See Topical Response Number 6 on Surface/Mineral Owner Lease Conflicts.

PHLW-8

12 Some of these items in the Generic
13 Environmental Impact Statement which we feel that
14 the Department of Environmental Conservation is
15 imposing itself on, where they have no business
16 being, would be the taking of private property with-
17 out compensation, not necessarily the oil and gas
18 operator's private property. I refer to things such
19 as demanding that the top soil be regraded over a
20 location. In other words, if the farmer doesn't
21 want something else done with that top soil, that
22 might be an admirable thing to do with it, but it is
23 the farmer's top soil. He may want to sell it.
24 Top soil currently sells for about ten dollars a ton.

25 He may want to use that top soil for
1 something else. He might want to put it on his
2 garden or on the lawn of his home. If he can
3 negotiate with the oil and gas operator to spread
4 it for him, so much the better.

5 It is certainly not the Department of
6 Environmental Conservation's business to tell the
7 farmer what he can do with that top soil or taking of
8 the mineral owner's minerals or the oil and gas
9 operator who has it leased. Some of the things within
10 the Generic Environmental Impact Statement can make
11 it either economically or technically impossible to
12 recover that mineral.

CR-170

13 If this is the case, then under any other
 14 acts of condemnation, the State has to pay for a
 15 private property they take. There should be no dif-
 16 ference here just because that property is top soil
 17 or minerals. If they are taken away, either technic-
 18 ally or economically the State must compensate them
 19 for it.

20 As I mentioned earlier, many, many farms,
 21 ranches, et cetera in New York State were purchased
 22 subject to valid existing oil and gas leases. The
 23 surface owner today might not willingly enter into
 24 a lease that was valid when he bought that land.
 25 However, he did buy that land subject to the lease.
 1 No third party can interfere with that.

PHLW-8 See Topical Response Number 1 on Public Taking Without Compensation.

PHLW-9 Remedial operations which change the permanent wellbore configuration will require prior notification and approval of the Regional Minerals Manager. Notification and approval to alter casing is a regulatory requirement in most states. The State must have accurate information on the current wellbore status and be aware of any well alteration that could interfere with proper plugging and abandonment. Resetting the tubing and packer is not an operation which changes the permanent wellbore configuration.

PHLW-9 2 Now, the fourth and final area that
 3 Pennsoil had concerns about was actually rather a
 4 detailed one in which the Department of Environmental
 5 Conservation explained what activities in the future
 6 would require a permit, many of which don't currently
 7 require a permit, many of which the industry considers
 8 day to day routine operations, such things as well
 9 servicing where you do a casing repair or reset a
 10 packer or a string of tubing. These things are not
 11 permissible actions. They are simply day to day
 12 operations. Thank you.

PHBF-1

1 MR. FOSTER: Thank you. I would just
2 like to make a brief recommendation that the Depart-
3 ment consider a fixed time for the confidential
4 status of submitted drilling data. I believe that
5 most producing states limit the confidential status
6 of drilling data to periods on the order of six
7 months to two years. I believe that New York State
8 should be similar.

9 This data would then be available on a
10 walk-in basis easily accessible to everyone rather
11 than a somewhat cumbersome application situation.
12 I have no objection to a time period of one or two
13 years as long as the operators know from the start
14 what the rule is so that they should be able to
15 protect their interests down the road.

16 Hopefully this would benefit small oper-
17 ators and consultants such as myself who do not
18 generally trade data with larger companies. I be-
19 lieve that we need readily accessible data effective-
20 ly on a walk-in basis. That is all I have.

PHBF-1

The Department supports Mr. Foster's recommendation, and the Department has also sponsored legislative proposals to correct the currently cumbersome freedom of information access procedures.

PHWH-1

2 MR. HAKER: I am Walter Haker, H-a-k-e-r,
3 Subsea Oil and Gas Company. The statement that I
4 want to make is that there is already enough regula-
5 tions in the State of New York to do all of the
6 things that you said that you are going to do. There
7 was also a note that I saw on "Noise". We are not
8 making much noise in here, but we are not drilling a
9 well. You cannot drill a well without making noise.
10 Anyways, when a rig is there on the site, it is gone
11 in a week.

PHWH-2

12 I think that another statement that I
13 wanted to make is about correlative rights. When we
14 over-regulate, we slow down activity and then the
15 land becomes splintered and sold and making the lease
16 acquisition near impossible. You can't get a unit
17 together. Those minerals are gone forever. I make
18 a statement that the correlative rights are lost
19 forever.

PHWH-1

Mr. Haker is correct in his statement that you cannot drill a well without making noise and that this noise is temporary. Under SEQR, noise impacts, however temporary, must be evaluated in an environmental assessment such as the GEIS.

PHWH-2

The Department supports simplification of the procedures for granting spacing variances under the conditions described by Mr. Haker. A recommended revision to the current rules and regulations is to give the Department greater flexibility in granting administrative spacing variances.

PHWH-3

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One other thing or one other statement that I want to make is that there is not increased drilling activity going on in New York State. I just got a letter in my office showing how many permits were applied for in the last month. There aren't any in Erie County. I have got five here. That is not a lot of activity.

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One of the reasons is the price of gas.

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The other is the over-regulations. So, I guess that is what I want to say.

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PHWH-4

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I drilled over one hundred wells up here.

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I don't get calls from landowners. I feel like a Maytag repairman. Either I am doing something right or someone else is complaining too much.

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I think that the landowners can stick up

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for themselves. I think that a farmer is a pretty good businessman. He doesn't need the State of New York to come in and over-regulate, because when he rents out his field to a bean grower, for instance, what is then to prevent the State of New York to come in and regulate the guy leasing his land for growing of beans?

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PHWH-5

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Therefore, I say that the oil and gas man is not being treated constitutionally fair because of the fact that he should be treated equally under the law. That is my statement. Thank you.

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PHWH-3

The current slowdown in drilling activity has occurred nationwide and it is the result of adverse economics, not over-regulation. Environmental regulations do cost industry money, but environmental clean-up costs even more.

PHWH-4

We agree with Mr. Haker's statement that most landowners are capable of "sticking-up" for themselves. We believe that the farmer generally has the greatest expertise on land usage with respect to his own property.

PHWH-5

The State does not regulate bean growing, but the State does regulate farming activities such as the application of pesticides. Any action requiring a discretionary State permit undergoes similar environmental reviews and is subject to restrictions. Oil and gas drillers are not treated unconstitutionally.

CR-174

PHJL-1

1 MR. LUENSMAN: First of all, I would
2 say to Mr. Sovas that I never seen an agency work
3 as hard and as diligently as it has in this situa-
4 tion. I and the agency that I represent have been
5 continually encouraged to participate. It is very
6 difficult sometimes to get the message across so
7 the message comes back in this testimony in some
8 instances.

9 I will not read the document. I have
10 several documents if the news media is interested
11 in it, if there is any news media here, or any
12 other interested parties are interested in it. I
13 have copies of my statement.

14 The most important issues that we are
15 concerned about -- when I say "we", in this instance
16 I mean the Chautauqua County Environmental Management
17 Council and my department, and I expect other
18 agencies of the Chautauqua County government to be
19 endorsing this statement, and its just recently been
20 completed and our endorsement process takes a period
21 of time, but the most important things that we are
22 concerned about, one of them is on Page 3-3 that
23 deals with the identification of Municipal Well
24 receiving certain types of protection, particularly
25 the needs for an environmental assessment process

1 under certain conditions.

2 We strongly state that to use the word
3 "municipal" is too restrictive because it means that
4 you are dealing with a well with a particular type
5 of ownership. It doesn't necessarily relate to its
6 use and the number of people that it serves.

7 The second very major point that we are
8 interested in is the fact that this Generic Environ-
9 mental Impact Statement took ten years to produce.
10 I can understand the complexity of it. It suggests
11 the creation of additional rules and regulations,
12 however. I would hope that we are not working on
13 that particular time scale.

14 The assumption as to the character of a
15 lease as we read the document, it sounds like all
16 leases are yet to be negotiated. We have thousands
17 upon thousands of leases across the State of New York
18 some of them that are anchored with the land for
19 several decades depending upon how they were drawn.
20 Many of the earlier leases that were created were
21 basically blank checks. The landmen were out rep-
22 resenting and trying to get the least possible cost
23 lease that they could.

24 This is not to paint the whole industry
25 black because I know that some members of the

1 industry are very conscientious. There are some
2 very blank check leases, however, many thousands of
3 blank check leases in the files of county government.

4 . The next major issue, again, as we go
5 through the document page by page, is on Page 824
6 where you talk about the tile drain system, but again
7 dealing with the question of leasing and leases it
8 could very well be that there is no protection for
9 those types of systems.

10 The issue of casing and grouting of the
11 well is spoken to in our presentation. It includes
12 Resolution 42-85 of the Chautauqua County Legislature.

13 Now, the last and possibly one of the
14 most important issues that we have discussed time
15 and time again is what we call the third-party
16 innocent. This is a party that has leased nothing
17 to anyone and because of the activities of the
18 industry in the vicinity of their property, they
19 may have had to have left their home. They may have
20 to live with water that has changed its quality and
21 its character -- I happen to be one of those victims
22 -- by an illegal operation and not by a legitimate
23 operation that was under regulation.

24 In some instances, they have sold their
25 homes. In at least one instance that I have been

1 referred to, they sold their house for less than
2 market value before the gas and oil activity took
3 place in their community.

4 . These people have no interest in the gas
5 and oil industry, but yet they have been affected
6 by it. They receive no relief. There is no mitiga-
7 tion.

8 The Environmental Impact Statement proces
9 demands an example of the impact and mitigation plan
10 I don't see it from what we have heard at a number
11 of hearings before the Department as to the third-
12 party innocent. I believe that needs to be examined

13 Due to the heat of the evening, I will
14 leave the rest of the paper to stand on its own.

15 Thank you very much.

CR-176

PHJL-1

Please see the responses to Mr. John Luensman's written statement on behalf
of the Chautauqua County Environmental Management Council.

PHRK-1

20 MR. KIDDER: My name is Rolland E. Kidder.
21 I am President of Kidder Exploration, Inc.

22 Kidder Exploration, Inc. is an independent
23 natural gas drilling company located here in James-
24 town, New York. We are pleased that after many years
25 of work, we now have a Draft Generic Environmental
1 Impact Statement and hope that it, or a variation of
2 it, will be adopted by the Department in the days
3 ahead.

4 The New York Independent Oil and Gas
5 Association (IOGA) of which we are a member created
6 a special committee to deal with the technical aspects
7 of this document.

8 There are a couple of things that were in
9 the IOGA comments that I wanted to allude to though.
10 First, the issue of technical aspects of all business.

11 To me this is one of the areas where the
12 New York Independent Oil and Gas Association Advisory
13 Board really ought to have a lot of input on. As
14 far as I know, it had a lot of input in drafting the
15 Department's regulations.

16 For example, grouting, what is it? What
17 does it do? What doesn't it do?

FORM RELEASE REPORTERS PAGE

18

19 What type of cement do you use? There
20 is a lot of opinions in our business. What types of
21 cement? What types of pipe? What depth of casing
22 and so on and so forth?

23 I think that these are the types of
24 technical aspects that can best be addressed at least
25 through the input of the Advisory Board and hope-
1 fully with IOGA. We have pipelines and channels
that can have an input.

PHRK-1

The Department of Environmental Conservation's Division of Mineral Resources works very closely with the Oil, Gas, and Solution Mining Advisory Board. This Advisory Board has industry members who are also members of the New York Independent Oil and Gas Association (IOGA). In fact, the Oil, Gas, and Solution Mining Law (ECL 23-0311) mandates that the majority on the Advisory Board be representative of the regulated industries.

CR-177

PHRK-2

2 The other issue brought up in the IOGA
3 comments and alluded to by Mr. Luensman is a question
4 of leases. I think that the Department should
5 realize, and those that are involved in the Division
6 of Minerals do realize that oil and gas leases are
7 a real property transaction between the operator and
8 the landowner, that is, the lessee and the lessor.
9 This document is entered into voluntarily.

10 I might say that as we got into the oil
11 and gas drilling business in Chautauqua County that
12 the landowners have become much more savvy on what
13 is good and not good for themselves. Maybe in the
14 early days people just signed leases and then ended
15 up being clouded on their title. In recent days,
16 landowners have become much more sophisticated. We
17 don't have a current or a present problem.

18 My recommendation, one, if you want to
19 do something with leases, if they should be canceled
20 or illegal in some manner, and there have been pro-
21 posed laws put in as to the change of the real
22 property law in Albany which I think probably that
23 is a better way to deal with it whether the lease
24 is valid or not valid instead of trying to do it by
25 over-regulation.

1 I would like to focus my comments tonight.

2 on a couple of overall aspects of our business that
3 maybe at least from our standpoint it is more import-
4 ant.

PHRK-2 The Department concurs that a legislative initiative to deal with out-dated,
illegal or inequitable leases is preferable to intervention by an environmental
agency into real property transactions.

CR-178

PHRK-3

5 First of all, the Draft Environmental
6 Impact Statement recognizes that the Department of
7 Environmental Conservation is to be the lead agency
8 in regulating the oil and gas industry in New York.
9 It is vital for the health of our industry that
10 state primacy in the regulation of our industry
11 continue.

12 All major oil and gas producing states
13 have provided statewide regulation for this industry.
14 In Texas, the largest oil and gas producing state,
15 this regulatory control was given in the 1930s to
16 the Texas Railroad Commission.

17 The reason that it was given to the Texas
18 Railroad Commission because it was the only Commission
19 at that time with the staff and expertise to take
20 on the job, but today still the Texas Railroad
21 Commission regulates the oil and gas industry state-
22 wide in Texas. They have set down a lot of parameters
23 for agencies like the Department of Environmental
24 Conservation in New York State.

PHRK-3

Please see the responses to Mr. Kidder's written statement on behalf of
Kidder Exploration which corresponds to the remainder of his oral testimony.

23 DR. PANZARELLA: I am Dr. Marion
24 Panzarella, 743 Falconer Street, Jamestown, New York.
25 I am Chairman of the Board of Public Utilities in
1 City of Jamestown.

2 Many of you realize that we were very
3 actively engaged some two years ago when our aquifer
4 was in danger of being contaminated by the gas and
5 oil drilling in the area. Contamination by and
6 large has decreased significantly for a number of
7 reasons.

8 First of all, the production of the wells
9 has dropped.

10 Secondly, there has been better drilling.
11 For instance, the last gentleman who spoke, Mr.
12 Kidder, he goes the extra mile to eliminate or to
13 try to eliminate chances of contamination.

14 Since then we have sampled our water.
15 We have detected small amounts of radon. In the
16 past there has been no concern about that because
17 I don't think that we knew too much about it.

18 However, my concern today is what has
19 the Department of Environmental Conservation done
20 in order to get a better understanding or background
21 to lower the levels of radon that happen to be in
22 the aquifer regions?

23 I came about this information when I went
24 to an old stamping ground, the Shumacker's, who
25 live in Levant. Mrs. Shumacker called me and said
1 that their water had more gas in it than ever before.
2 That took place after a new well had been drilled.
3 So, you see, some people don't do a very good job
4 of drilling wells.

5 Also, the information came to me that in
6 the area of Ellington, many sources or many discover-
7 ies of radon gas existed. That is where a great
8 deal of drilling took place.

9 So, therefore, we then began to look at
10 this very seriously in our case. We sent samples
11 or had samples sent to the Health Department.
12 There they found that we were well below the maximum
13 contaminant level as far as the Jamestown water
14 system was concerned.

15 However, we then snuck in a sample from
16 the Shumaker place and we found that to be rather
17 close to the maximum contaminant level. This leads
18 me to conclude that as you frac gas wells, you're
19 opening up new channels for radon gas, the constant
20 decay of radon into the environment. It can be
21 very serious in some cases.

22 My question this evening is: What has
23 the Department of Environmental Conservation done
24 in order to research this new threatening contaminant?
25 If anything, what can be done?

1 I do know, however, as a result of the
2 Exxon Restitution Fund for their overcharge for,
3 oil, there is money available for radon detection.
4 I know that in this instance, we had to send our
5 case in to Albany. In the meantime, the radon that
6 is in the water does decay. You do not get a true
7 testing so that the percentage of error is quite
8 large.

9 My concern is before a new well goes in,
10 before a new gas well goes in, what responsibility
11 does the Department of Environmental Conservation
12 have to see that the contaminant of radon in the
13 water is at a certain point so that if fracing does
14 increase the amount of radon, I think that the
15 individuals or the municipality should be reimbursed
16 for the damage that might be done.

FORM 881-223 REPORTERS PAPER & MFG.

17 Presently, however, we have readings for
18 our water wells. If there is any drilling done in
19 the area, we know whether or not it will produce or
20 is as a result of the drilling in our aquifer,
21 otherwise an individual is really lost and has no
22 background whatsoever in order to protect the con-
23 dition of the well. Thank you.

PHMP-1 High levels of radon gas most closely correlate to the type of surficial material and geology. Higher levels of radon are not caused by oil and gas well fracture stimulation operations. The effect of these operations is limited to the producing formation adjacent to the wellbore at depths of a thousand feet or more below the surface. The Department of Health is the New York State Agency responsible for protecting homeowners from radon. For further information, contact their Bureau of Environmental Protection.

PHAVT-1

3 MR. VAN TYNE: I am Arthur Van Tyne,
4 President of the Independent Oil and Gas Association
5 of New York.

6 Thank you for the opportunity to present
7 my views about the GEIS document. We have already
8 made a statement for the membership of IOGANY which
9 was read into the record at your Albany hearing on
10 June 6, 1988. We will also file with you a detailed
11 listing of comments from our membership. These
12 comments have been compiled by a special committee of
13 IOGANY.

14 In general, the Draft GEIS is a compre-
15 hensive and well written document. One can see that
16 a lot of time and effort has gone into the preparation
17 of this study. It certainly covers every aspect of
18 oil and gas activity in New York, as well as many
19 other aspects which we feel should not be the concern
20 of the DEC. Our previous general comments, and
21 detailed comments to be filed, have addressed these
22 points.

23 We believe that the overall affect, and
24 perhaps purpose, of a document such as this will be to
25 increase the regulation of the oil and gas industry

1 in New York. The industry has already agreed that
2 certain facets of our activities probably have
3 needed increased attention and perhaps some degree
4 of regulation.

5 We have cooperated with the DEC-DMR in
6 setting up guidelines and regulations to handle these
7 concerns and will continue to do so. However, the
8 tone of the GEIS is to set the stage for increased
9 regulation of every aspect of our activities.

10 The GEIS has been portrayed as a document
11 which will save the industry a great deal of time
12 and effort in not having to prepare a specific EIS
13 for each well drilled. Be that as it may, it also
14 opens the door for additional regulation in so many
15 areas that the overall affect, in time, could be an
16 increase in the time and effort needed by operators
17 to abide by these regulations. This, of course,
18 would also result in increased operating costs in
19 New York.

20 Since the end of 1985, the oil and gas
21 industry nationwide has been in a serious downturn.
22 We in New York, as a microcism of the larger
23 industry, have suffered the same decline. Many
24 operators have been, and continue to be, forced out
25 of business. Prices for our products, oil and gas,

1 are less than half what they were at their peaks
2 and we don't see much in the way of increases for a
3 long time.

4 . . . Indeed, production in New York is almost
5 always of very low volume and most operators work
6 very close to the margin of profit or loss. Any
7 increase in costs brought about by additional
8 unnecessary regulation will drive more people out of
9 business. Now, in this climate, we are being over-
10 whelmed by the prospect of regulation which a healthy
11 industry would have difficulty coping with.

12 It is in this light that we respectfully
13 request that our comments about the GEIS be given
14 serious consideration. We ask that changes be made
15 in the wording, and intent, of this document so that,
16 if possible, it can fulfill its purported intent of
17 aiding the industry.

18 It appears that if the GEIS is approved as
19 it now stands that the New York oil and gas industry,
20 now at its lowest ebb, could be dealt a crippling
21 blow from which it might not recover. It could make
22 a textbook case of an industry overregulated to
23 death.

PHAVT-1 The GEIS was prepared to satisfy the legal mandate under SEQR which requires a governmental agency to examine its entire regulatory program. Many of the proposed regulations detailed in the GEIS are part of the existing regulatory program and are currently implemented through guidelines or special permit conditions. Most New York State operators have been willing and able to comply with the guidelines and permit conditions without curtailing their exploration and drilling programs beyond what would be expected because of current adverse economics. Any new regulations must be promulgated through the State Administrative Procedures Act (SAPA). Long-term environmental protection cannot be sacrificed for cycles of economic adversity and prosperity.

All comments received on the GEIS are given serious review and consideration. In addition, reasonable alternatives to DMN proposed regulations (those which will achieve the intended environmental goals) have been identified through this procedure for consideration during the rulemaking process.

Aiding the industry is a goal of the GEIS, but it is not the only goal. The Department and DMN are responsible to all the people of New York State for ensuring that the operations of the industries we regulate are carried out in such a manner that the environment, public safety, and correlative rights are all protected.

9 MR. HASKINS: Good afternoon. My name
10 is Mark Haskins. I am here to represent Ebenezer
11 Oil Co., Inc., with production of oil and gas in
12 this area for over 70 years.

13 I am not going to get into specifics from
14 the Generic Environmental Impact Statement contents,
15 but rather point out its dangers to the oil and gas
16 industry as well as the community.

17 I would like to begin by quoting from
18 Page 1 of the GEIS. "Aside from strictly environment-
19 al concerns, DEC is responsible for preventing waste
20 of the State's oil and gas resources and protecting
21 correlative rights; that is, the right of any mineral
22 owner to recover the oil and gas resources beneath
23 his land."

24 Currently, this is not the case. I
25 believe the Department of Environmental Conservation
1 has aided to the premature abandonment of oil and
2 gas reserves.

3 Companies and individuals are being forced
4 to permanently plug and abandon wells that are
5 currently not economical to produce, but the situa-
6 tion of economics can turn around and the operator
7 is out his entitled production. How much more does
8 the DEC expect us to take?

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9 The oil and gas industry is being regulat-
10 ed out of our right to produce resources we are
11 entitled to. Where does the danger to the community
12 lie? Dollars! The Generic Environmental Impact
13 Statement opens up a whole new set of regulations that
14 will be too costly for the industry to comply with.

15 You will see less drilling activity to
16 explore for more reserves and increasingly less pro-
17 duction. The oil and gas producers are taxed on
18 production. This means less tax dollars to your
19 County and State.

20 With these newer, more extensive regula-
21 tions comes the threat of the operator walking away
22 from his obligation to plug and abandon his wells in
23 an environmentally sound manner. Today's methods of
24 plugging wells has been proven for over 70 years to
25 be sufficient.

1 Under the Generic Environmental Impact
2 Statement proposal costs will increase and deter the
3 responsible operator from any plugging at all.

4 Operators are getting tired of this.
5 Soon they will turn their backs and lock their doors.
6 The Department of Environmental Conservation should
7 be to blame for this.

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I would also remind both the DEC and the public here that there is over \$5 million annually now in payroll to workers in Allegany County in the oil patch. We don't need to see these people in the unemployment line.

In closing, I would like to ask the repeated question: How much money has it cost so far to prepare this Draft Generic Environmental Impact Statement and couldn't it have been spent elsewhere more wisely to enhance energy reserves in New York State?

If possible, I would like to have an answer to that question some time today. Thank you.

PHMH-1

The Department has not caused the premature abandonment of oil and gas reserves in New York State. The average production for a stripper oil well in New York State is 1/4 barrel of oil per day. This is approximately one-twentieth of the economic producing limit in other states. (The economic limit is the point where operating costs exceed production returns.) One of the primary reasons that production has been sustained below levels that are economical in other states is the historic very low cost of regulatory compliance in New York. Even with no regulation (as was the case for the old oilfields of New York for many years) production rates eventually decline below a level which can be economically produced.

There are thousands of old wells in New York whose plugging and abandonment has been deferred well past that limit typically considered economical. It is not true that regulation is causing these old wells to be abandoned prematurely. Some oil and gas operators, who have profited from oil and gas production for many years, now wish to escape the legal responsibility and expense of properly plugging and abandoning their wells.

The Department recognizes the current adverse economic conditions facing the oil and gas industry. Regulations requiring proper plugging and abandonment of wells are not aimed at worsening the situation and causing operators to go out of business, as some have claimed. There are provisions in the regulatory program for obtaining legal shut-in status for wells that cannot now be economically produced, but which might be economically producible in the future when market conditions improve (6NYCRR 555.2 and pages 11-7 through 11-11 of the GEIS). There is no intention to eliminate these provisions or to use them to force operators to prematurely plug and abandon wells.