

*** TESTIMONY ***

Independent Oil & Gas Association of New York
(IOGA-NY)

Presented to

New York State Department of Environmental Conservation

Public Hearings on High-Volume Hydraulic Fracturing &
Draft Supplemental Generic Environmental Impact Statement

LOCH SHELDRAKE, NEW YORK

Tuesday, November 29, 2011

Good afternoon and thank you for the opportunity to speak here today.

My name is Brad Gill, Executive Director of the Independent Oil and Gas Association of New York (IOGA-NY). I am also a Certified Petroleum Geologist with 30 years of experience in the industry, own a geological consulting practice, and I am a partner in an operating company actively drilling wells in New York and Pennsylvania. Today, I am speaking on behalf of IOGANY and our 400-plus members working in communities across the State.

My hope here today is to relate to the profound concerns of our membership regarding the revised draft Supplemental Generic Environmental Impact Statement (“rdSGEIS”), the proposed minerals, water quality and other regulations and the proposed storm water general permit.

After careful review, we are now convinced that these proposals are excessive in their impact, unfair in disenfranchising many small businesses from the opportunity to benefit directly from developing the Marcellus and Utica Shales, and a regulatory response that is beyond excessive. Layers of costs, regulatory obstacles and unnecessary burden would be added to New York’s already robust regulatory program.

DEC’s current system for regulating our industry has served the public well for many years. New York’s casing requirements – in place for more than 20 years – have protected our lands and waters.

Our industry is not new to New York State; in fact there have been approximately 75,000 wells drilled here over the past 190 years. There are about 14,000 active wells today -- with many thousands of them having been developed using hydro-fracturing. Despite false claims to the contrary, there has not been one single case of groundwater contamination by fracturing fluids in New York – not one. What’s the real, untold story of our work in New York State? That our small companies do a great job in developing natural gas resources while also stewarding natural resources.

Because of the tight sand and shale reservoirs found in New York, we have relied upon this process for economic extraction for decades and have demonstrated a stellar environmental and safety track record – one that is absolutely verifiable through NYSDEC records. This is a testament to the strict state regulations under which we already operate ... and the desire for our industry to adhere to - and exceed - these regulations.

But the draft SGEIS and its related proposals go too far. The proposed requirements on developing low-permeability reservoirs in New York State are simply unworkable - the costs of developing these same resources in New York compared to neighboring states – or anywhere else in the world – are simply too high. The result? Our member companies - that have labored for decades in fostering the continued existence of this industry in New York State- will be foreclosed from any reasonable opportunity to compete against companies and sites in other states.

IOGA-NY will be submitting extensive formal comments prior to December 12th, but let me make 7 key points in the time I have left:

1. The regulatory proposals are based upon unrealistic, worst-case scenarios, many of which will never occur.
2. Without change, these proposals will render shale gas production in New York uneconomical. We estimate that operators will be required to spend up to an additional \$1,000,000 per well to comply with the SGEIS and its companion regulations.
3. The requirements set forth in the draft SGEIS put small businesses at a disadvantage. Despite a long-term history of competence and regulatory compliance, many small energy companies may simply be driven from the opportunities within their own state due to extraordinary costs. The SGEIS and proposed regulations will be the knock-out punch to many small businesses.

4. The Best Management Practices (“BMP”) set forth in the SGEIS are misused -- resulting in mitigation that is too prescriptive and without sufficient flexibility to accommodate future technological innovations.
5. The setbacks and prohibitions proposed will make it extremely difficult to lay out spacing units and locate well pads. Our review of actual acreage controlled by several operators reveals that this will have the effect of reducing the available acreage by as much as 50 per cent!
6. DEC proposes unrealistic air mitigation measures, many of which are unavailable or impracticable, as well as likely preempted by the Clean Air Act.
7. The economic potential in the Marcellus and Utica Shale formations cannot be overstated. Increasing the production of this clean-burning and abundant natural resource should improve the economy of the Southern Tier dramatically, result in increased tax revenues and jobs, and improve New York’s and America’s energy independence.

There are currently about 5,000 New Yorkers employed in our industry and that number could increase exponentially if allowed to continue exploring Marcellus and Utica Shale reserves.

Billions of dollars in economic impact to New York and its citizens is at stake. And these benefits do not come at the expense of environmental protection. With more than one million wells safely hydraulically-fractured in the United States, the nation’s oil and natural gas industry has already proven this.

Your agency has repeatedly and correctly demonstrated that the DEC is indeed well-equipped to regulate our industry effectively and in a manner that is economical too, Upstate New York might still benefit from this opportunity for a new prosperity, provided that these proposals are moderated so as to make them actually practicable. Without moderation, these well intended but unnecessarily burdensome requirements will instead prove to be a regulatory monument to lost opportunity.

Thank you for accepting these comments on behalf of the New York's oil and natural gas industry, and the women and men who have done this work so well for so long.

Respectfully submitted,

Brad R. Gill
Executive Director