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Drilling fees may rise sharply

Lawmakers tackle rules for Marcellus Shale

BY DAVID BEARD The Dominion Post

TOO FEW Senators attend to act on transportation bills. Page 2-A.

CHARLESTON — An increase in permit fees — more than 20 times current rates — could help employ more Marcellus Shale drilling inspectors if components of a joint interim subcommittee bill become law.

The bill moved to the full Legislature on Monday, but work will continue on it after a DEP version is reviewed.

“This bill has a little more funding than the DEP bill, I believe,” said Delegate Barbara Evans Fleischauer, D-Monongalia.

Fleischauer suggested the higher fees may be better, given the lack of gas well inspectors in the state: 12 active inspectors to cover 59,000 wells. More fees mean more money to pay more inspectors.

The DEP bill sets a \$10,000 permit fee, while the committee bill charges \$15,000, plus \$10,000 to modify a permit, plus a \$5,000 annual fee.

The current fee is \$650.

Judiciary Subcommittee-A Cochair Delegate Mike Caputo, DMarion, noted the Department of Environmental Protection’s bill is similar, and this one needs work.

“We need to work it out, but we need to have a vehicle to work it out,” he said. Moving it along without a recommendation will offer a chance to review the DEP bill and keep all the interested parties at the table.

The committee met before a standing-roomonly crowd of gas industry and environmental interests. It had intended to move the bill in December, but couldn’t for lack of a quorum of senators. This time, enough showed up.

Committee members hadn’t yet seen the DEP bill. DEP General Counsel Kristin Boggs said it would be e-mailed to the committee office later in the day. (The Dominion Post requested a copy, which didn’t arrive in time for review prior to this report.)

“On the big issues, they’re largely the same,” she said. The DEP version lacked any reference to pooling, since that’s a business issue and not environmental.

Boggs said there are actually 17 inspector positions, and 15 working, but they’re down three people at the moment. The DEP bill would double the number to 30, and the chief of the Office of Oil and Gas believes 30 would be sufficient.

Debating the bill

Delegate Mike Ross, DRandolph, opposed the 102-page bill.

“It’s trying to cover too much at one time,” he said. Big drilling companies are doing a lot to police themselves. There is road damage, no doubt, but “you have to look at what it’s done to the economy of the state.”

He said more tax income is needed, for teacher raises and such. “Somewhere you’ve got to generate some money, and overregulation is not going to enhance that.” Later, he added, “We shouldn’t be putting a damper on industry.”

Based on an amendment by Sen. Frank Deem, RWood, a section regarding forced pooling was removed. Deem said pooling didn’t belong in a drilling regulation bill.

“It seems to me we’re taking two completely different subjects into this one bill. I’m not even sure it’s constitutional to do that.”

Counsel agreed that the state Constitution forbids multitopic bills, but felt sure the title — “regulating the construction and operation of gas wells utilizing hydraulic fracturing and horizontal drilling” — gave sufficient leeway.

The majority took Deem’s point though, and removed pooling. A pool is a single natural reservoir of gas, and pooling is drilling multiple horizontal wells from a centralized well pad. Forced pooling sets up procedures to include reluctant land and mineral owners in a multiproperty well site.

Caputo first moved to send the bill along with a recommendation to pass, but the long and contentious session, with arguments about pooling and owner rights, and many questions about fine details, convinced him to change his mind by the end.

The energy source needs to be developed responsibly, with sound regulation, he said. The committee’s action will keep the ball rolling and allow time to develop a good bill.