



Department of the Environment



Environmental Matters Committee

Marcellus Shale Briefing

**Robert M. Summers, Ph.D.
Secretary**

**Maryland Department of the Environment
January 17, 2013**





Update

- Status of permit applications in Maryland
- Influences on the pace of drilling
- Work under the Executive Order
- Proposed funding





Permit Applications in Maryland

- First application was filed in 2009
- Four different companies filed applications, some for multiple wells
- Applications were deemed “not complete” and additional information was requested
- All applications have been withdrawn



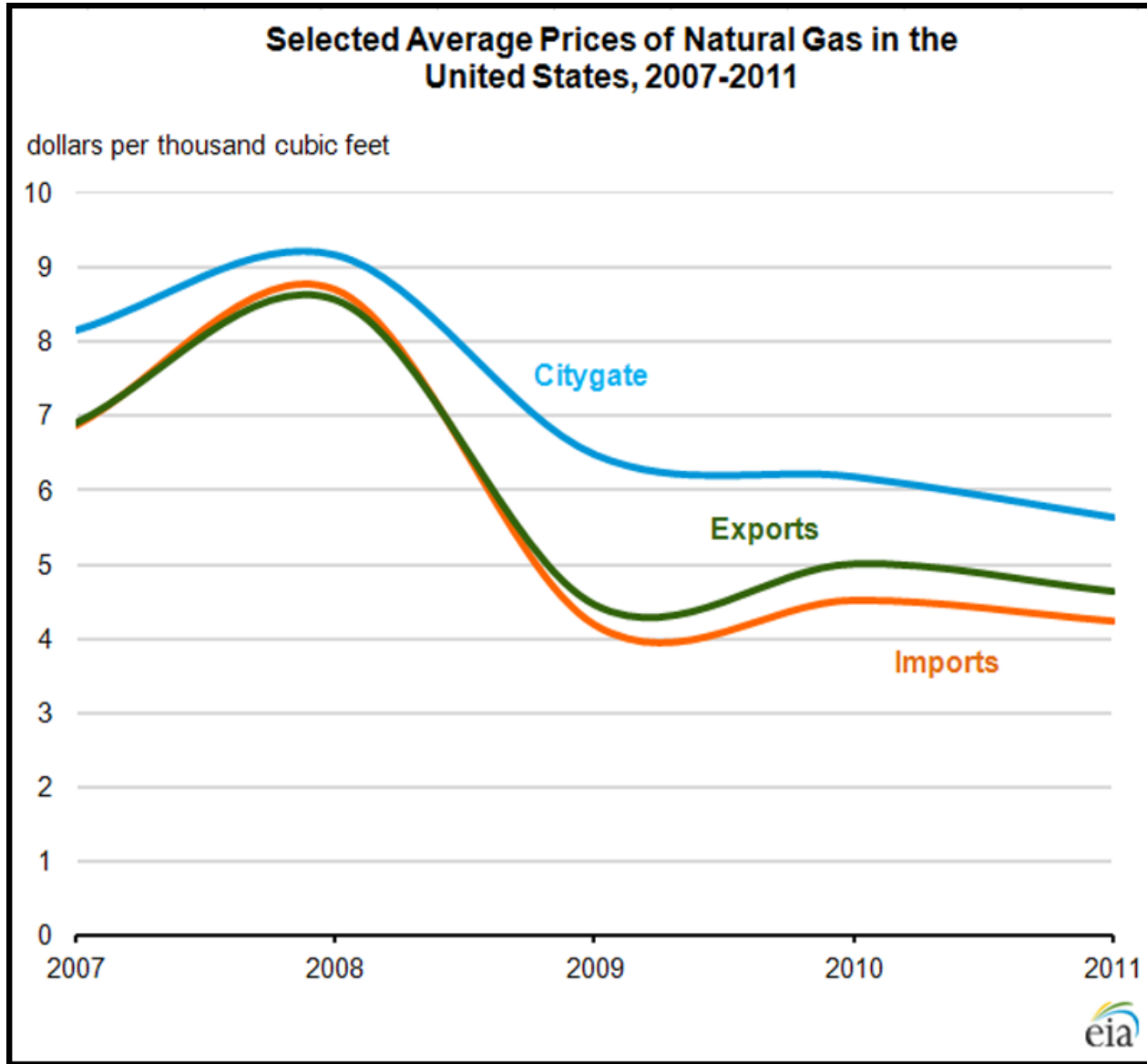


Influences on the Pace of Drilling

- Natural gas prices remain low
- Pipelines are not in place to deliver all the gas from existing Marcellus wells
- Some wells in the Marcellus and Utica shales produce natural gas liquids and oil, which are more valuable, in addition to dry natural gas
- Result: Drilling activity has shifted away from areas, like Maryland, that are likely to have dry gas



Natural Gas Prices, 2007 to 2011

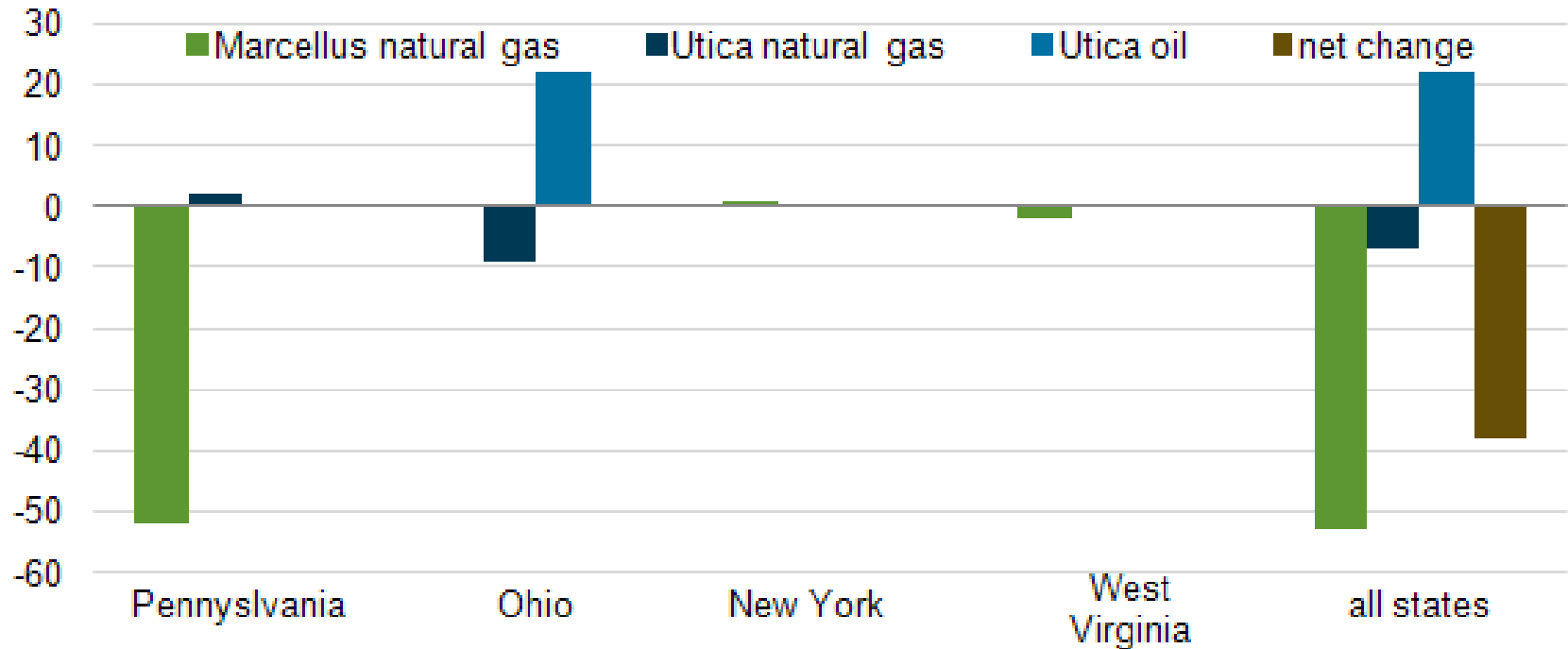


Drill Rigs Shifting

Change in Appalachian Basin active rig count, by type, play and state, from October 2011 to October 2012



number of active rigs



Source, U.S. Energy Information Administration



Executive Order, June 2011

- Study: MDE and DNR, in consultation with an Advisory Commission, shall undertake a study of the extraction of natural gas from shale formations in the State
- Purpose of Study: to assist State policymakers and regulators in determining whether and how gas production from the Marcellus shale in Maryland can be accomplished without unacceptable risks of adverse impacts to public health, safety, the environment and natural resources





Timing of Studies

- First Report regarding funding and liability
 - Delivered December 2011
- Best Practices Report
 - Extension granted to August 2013
- Report on Remaining Issues
 - Due August 2014





Some Actions to Date

- The Commission met publicly thirteen times
 - The majority of the meetings have been in Western Maryland
 - One evening meeting to receive public comment
- Information presented to the Advisory Commission
 - Speakers from scientific organizations, industry and agencies from Maryland and other states
 - Briefing memoranda
 - Articles and reports





More Actions to Date

- DNR
 - Began collecting data to establish pre-drilling baseline conditions by expanding and modifying its monitoring program and using trained volunteer monitors
 - Identified and mapped areas of special importance for drinking water, ecological and recreational resources that could be impacted by gas development
- MDE
 - Entered into MOU with UMCES-AL for Best Practices study
 - Funded a limited study of methane levels in drinking water wells in Garrett County; will use the results to inform a work plan for additional sampling that will identify the source of the methane





Status of Best Practices Study

- MOU between MDE and UMCES-AL (February 2012) to survey best practices and recommend a set of best practices for Maryland
- Survey was completed and provided to the Advisory Commission in early September 2012
- UMCES-AL's draft of recommended Best Practices for Maryland was submitted and is under review by MDE and DNR
- Those recommendations to be provided to the Advisory Commission in February for consideration
- Draft MDE/DNR Report on Best Practices to be released for public comment in the Spring of 2013
- Final Report on Best Practices to be delivered in August 2013





Legislative Recommendations

- December 2011 Report recommended that the General Assembly should
 - impose a fee on gas leases
 - enact an appropriate State-level severance tax
 - amend the law that caps the amount of a performance bond
 - enact a law creating a presumptive impact zone around a gas well **PASSED**
 - enact a comprehensive Surface Owners Protection Act.





Commission's Additional Recommendations

- Enact comprehensive financial assurance requirements for well permit
 - Closure and reclamation of site
 - General liability
 - Environmental liability
- Enact Surface Owner's Protection Act
 - Apply (at least) to those who do not own the subsurface rights
 - Require notice and opportunity to discuss surface activities
 - Require that driller compensate the surface owner for damages
- Require landmen to register





Public Health Expert Named

- Original Advisory Commission had no member with expertise in public health
- Dr. Clifford S. Mitchell, Director of DHMH's Environmental Health Bureau, was named to the Advisory Commission in January 2013





Governor Proposed Funding

- Supplement to FY13 Budget
 - \$1,500,000 to MDE and DNR
- If approved, will be used for the studies
 - Continue and expand baseline monitoring of surface water and groundwater
 - Air quality
 - Greenhouse gas emissions
 - Public health
 - Economic impact
 - Traffic safety, road and bridge impacts
 - Waste handling
 - Local land use impact
 - Proper scope of the applicant's Environmental Assessment





Thank you





More Information?

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