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# Northeast Regulator Lightens Shale Drillers' Load

By MIKE SORAGHAN of

TRENTON, N.J. -- A little-known but important regulator is scaling back some of its aggressive restrictions on natural gas drilling as the four governors who oversee the agency weigh in how to balance gas drilling and water quality in the Marcellus Shale.

Most notably, the Delaware River Basin Commission, or DRBC, is reducing the amount of money it will require drillers to set aside for environmental cleanup and regulation. Previous drafts, according to a source, had recommended requiring a \$5 million financial assurance bond for each well site.

"We started off very high," said Carol Collier, executive director of DRBC, after a commission meeting here yesterday. "We're coming down a bit."

The bonding requirement is shaping up to be a flash point in the fight over drilling in the four-state basin. DRBC has enforced a *de facto* moratorium while it decides how it will protect water quality in the 13,539-square-mile basin. The primary effect has been to block Pennsylvania's gas rush as it moves into the state's eastern counties.

A \$5 million bond would limit drilling to all but the largest companies, said Kevin Book, an energy analyst who has been studying the effect of state and federal government decisions on drilling in the Marcellus Shale. He also believes the precedents established by the commission could influence other states as drilling expands in the Northeast and Midwest.

DRBC pushed back release of its drilling regulations yesterday, giving more time for the governors of Delaware, New Jersey, New York and Pennsylvania to weigh in. Each has a seat on the commission, along with the Army Corps of Engineers, representing the federal government and the Obama administration.

At the meeting held at a fire hall near the agency's headquarters, Collins announced that regulations have been delayed and may take until Oct. 15. They had been expected sometime this month, and as early as this week (*Greenwire*, Sept. 13).

The move comes after Collier and her staff recently distributed draft regulations to the governors, their environmental appointees and the Army Corps.

"Right now, the states are in motion," Collier said after the meeting. "The regulations are changing. Some things will be stricter and some things will be less strict."

But supporters and opponents of drilling saw the delay as a sign that the more ambitious regulatory proposals of the commission's 45-person staff were being scaled back by the appointees of some of the governors.

"It's getting to the politicians," said Jeff Zimmerman, a Washington-area attorney for northeast Pennsylvania drilling opponents. His clients, the Damascus Citizens for Sustainability, are demanding that DRBC complete a detailed study of how drilling would affect the Delaware watershed before permitting any wells.

Drilling supporters say the elected and appointed officials are injecting pragmatism into a process that had been driven by technocrats who were not looking at economic issues.

"They had an idealistic set of regulations," said Marian Schweighofer, who leads a partnership of 1,500 landowners who have negotiated a \$1,000-an-acre lease with Hess Corp. to drill on their property. "They're hearing the response from the states, and they're getting a reality check. I believe they're coming in line with where they should be."

The shifting political calculus was foreshadowed in a separate vote yesterday when New Jersey, New York and Pennsylvania supported pressing ahead with exploratory drilling, while the representative of Delaware Gov. Jack Markell (D) spoke against the proposal, then abstained.

The drilling boom in the Northeast has alarmed environmentalists worried that the high-pressure hydraulic fracturing used to release the gas will contaminate drinking water. Drilling companies dismiss the fears, saying that fracturing is a safe, proven technology.

The administration of New Jersey Gov. Chris Christie, the only Republican governor in the group, is pressing the commission to hurry up and allow drilling in Pennsylvania. In a July letter to Collier, Bob Martin, the head of Christie's Department of Environmental Protection said DRBC should not use its authority to impose stricter water quality standards than Pennsylvania, which would reduce New Jersey's influence over water quality decisions regarding the Delaware.

"New Jersey does not believe DRBC regulations should expand into areas that are under a state's authority," wrote Martin, a retired energy consultant.

Environmentalists complained that his letter indicated that Christie's administration was abandoning a go-slow approach to development.

Pennsylvania Gov. Ed Rendell (D) has been a booster of Marcellus drilling, which has brought development, jobs and high-profile cases of water contamination to his state. But he has tangled with the industry over his desire to cash in on the gas rush with a severance tax. Rendell has rejected calls for a moratorium on drilling in the state, and Zimmerman has maintained that Rendell appointees are leaning on DRBC to get drilling moving in the basin.

New York Gov. David Paterson (D) signed legislation giving the go-ahead to drilling and hydraulic fracturing in his state in 2008. But he also ordered a regulatory overhaul that has served as a *de facto* moratorium on drilling in the state and won't allow drilling until sometime next year. In an August interview, Paterson deemed fracturing "a very serious public safety hazard."

The other commission member, the Army Corps, is generally considered a pro-development agency, but it is also part of the Obama administration, which has been less supportive of onshore oil and gas development than its Republican predecessor.

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