

SUSQUEHANNA RIVER BASIN COMMISSION

18 CFR Part 806

Review and Approval of Projects

AGENCY: Susquehanna River Basin Commission.

ACTION: Final rule.

SUMMARY: This document contains amendments to the project review regulations of the Susquehanna River Basin Commission (Commission) requiring review and approval of any natural gas well development project targeting the Marcellus or Utica shale formations and involving the withdrawal, diversion, or consumptive use of waters of the Susquehanna River Basin, adding a provision providing for a specific approval by rule process for consumptive water use associated with such projects, and modifying the definitions of “construction” and “project.” In addition, editorial changes are made to the existing approval by rule provision related to the consumptive use of water withdrawn from public water supply systems to make that provision consistent with the new approval by rule provision for natural gas well development projects.

DATES: These rules are effective on January 1, 2009, or upon completion of publication in the Federal Register and the official state notice publications in New York, Pennsylvania, and Maryland, whichever comes last.

ADDRESSES: Susquehanna River Basin Commission, 1721 N. Front Street, Harrisburg, PA 17102-2391.

FOR FURTHER INFORMATION CONTACT: Richard A. Cairo, General Counsel, 717-238-0423; fax: 717-238-2436; e-mail: rcairo@srbc.net. Also, for further information on the final rulemaking, visit the Commission's Web site at www.srbc.net.

SUPPLEMENTARY INFORMATION:

Background and Purpose of Amendments

As a result of advances in hydraulic fracturing and higher natural gas prices, natural gas well development activity in the Susquehanna River Basin has increased dramatically in the past year, resulting in a large number of project applications being filed with the Commission seeking approval for the withdrawal and consumptive use of water for that activity. The Commission is hereby adopting a final rulemaking action to handle the large and immediate influx of project applications, and to avoid adverse, cumulative adverse or interstate effects to the water resources of the basin.

The final rule modifies the definitions of "construction" and "project" for purposes of natural gas well development; requires review and approval of any natural gas well development project involving the withdrawal, diversion, or consumptive use of water; and adds a specific approval by rule process associated with the consumptive use of water by such projects. The Commission's current approval by rule process is available for use only if the sole source of water is a public water supply system. Under this rule change, the new approval by rule process will allow for the consumptive use of wastewater, acid mine water, and other sources of water for natural gas well development projects. The final rule will not change the current process used to review groundwater or surface water withdrawals.

In addition, editorial changes are made to the existing approval by rule provision relating to the consumptive use of water withdrawn from public water supply systems to make that provision consistent with the new approval by rule provision for natural gas well development projects.

The Commission convened public hearings on October 21, 2008, in Williamsport, Pa. and on October 22, 2008, in Binghamton, N.Y. A written comment period was held open until October 31, 2008. Comments were received at both the hearings and during the comment period, one set coming mainly from the environmental community or those concerned about environmental issues, and another set coming from industry representatives.

Comments from the environmental community expressed concern that an approval by rule process applying to gas well drilling projects would not provide sufficient protection to environmental resources such as aquifers and streams. There was a concern that the approval by rule process would somehow supersede or short cut all other forms of review conducted by the Commission. However, full review and approval will continue to be required for all withdrawals by well drilling projects. To make this point clear, the Commission is adding language to § 806.22 (f)(9) of the final rule stating that the issuance of an approval by rule for a consumptive use shall not be construed to waive or exempt the project sponsor from obtaining Commission approval for any water withdrawals or diversions subject to review pursuant to § 806.4 (a).

Several citizens were also concerned that chemicals added to water used for hydro-fracturing will not be treated properly and could somehow cause pollution of aquifers and streams. The Commission does not presently regulate water quality;

however, the Commission's member jurisdictions regulate the treatment and disposal of flowback fluids or produced brines from well drilling operations. The Commission is therefore including a provision in § 806.22 (f)(8) that requires gas well applicants to certify to the Commission that all such flowback fluids will be treated and disposed of in accordance with applicable state and federal law. In addition, project sponsors are required under § 806.22 (f)(7) to obtain all necessary permits and approvals that are required for the project from other federal, state, or local government agencies having jurisdiction.

Industry comments pointed to various sections of the proposed regulations felt to be either unnecessary or burdensome. While not agreeing with all such comments, the Commission has made the following changes to the final rulemaking, which it believes responds adequately to industry concerns:

1. The requirement for approval by rule of natural gas drilling projects in § 806.4 (a)(8) is limited to those projects targeting the Marcellus or Utica Shale Formations, unless additional shale formations are identified by the executive director of the Commission in a formal determination pursuant to § 806.5. The reference to “other shale formations” in the proposed rulemaking has been deleted.
2. The requirement to submit a Notice of Intent (NOI) “at least 60 days” prior to undertaking a project or increasing a previously approved quantity under § 806.22 (f)(2) is removed. Applicants will only be required to submit the NOI prior to such undertaking.

3. In § 806.22 (f)(8), project sponsors are required to “certify” that all flowback fluids have been treated and disposed of in accordance with applicable law, instead of having to “demonstrate to the satisfaction of the Commission” that this has been done. Concern was raised that the term “demonstrate” was overly vague. Certification would be subject to laws relating to unsworn falsification to authorities.
4. In § 806.22 (f)(10), it is made clear that an approval by rule does not rescind, but merely supersedes any previous consumptive use approval.
5. The provision contained in the proposed rulemaking prohibiting the transfer of § 806.22 (f) approvals is deleted, allowing such approvals to be transferred in accordance with the rules applying to any project approval under § 806.6.

In response to a comment from the Commission’s member jurisdictions, the term “Executive Director” replaces the term “Commission” in § 806.22 (f)(7), (9) and (10) as the entity responsible for issuing an approval by rule and exercising oversight on that approval. Similar changes have been made in § 806.22(e)(1), (6) and (7) to be consistent with this change and to clarify current Commission practice. In response to another comment from member jurisdictions, the notice requirements in § 806.22(f)(3) have been modified to reference the notice requirements contained in § 806.15 that apply to all projects generally, and to require applicants to copy the appropriate agencies of the member state with any NOI submitted under the rule. A final change made in response to the Commission’s member jurisdictions was to clarify the language in § 806.22 (f)(11)

related to the process for obtaining authorization to utilize additional sources of water subsequent to the issuance of an approval by rule.

List of Subjects in 18 CFR Part 806:

Administrative practice and procedure, Water resources.

Accordingly, for the reasons set forth in the preamble, 18 CFR part 806 is amended as follows:

PART 806 – REVIEW AND APPROVAL OF PROJECTS

Subpart A -- General Provisions

1. The authority citation for part 806 continues to read as follows:

Authority: Secs. 3.4, 3.5 (5), 3.8, 3.10 and 15.2, Pub. L. 91-575, 84 Stat. 1509 et seq.

2. In § 806.3, revise the definitions of “construction” and “project” to read as follows:

§ 806.3 Definitions.

* * * * *

Construction. To physically initiate assemblage, installation, erection or fabrication of any facility, involving or intended for the withdrawal, conveyance, storage or consumptive use of the waters of the basin. For purposes of natural gas well development projects subject to review and approval pursuant to § 806.4 (a)(8), initiation of construction shall be deemed to commence upon the drilling (spudding) of a gas well, or the initiation of construction of any water impoundment or other water-related facility to serve the project, whichever comes first.

* * * * *

Project. Any work, service, activity, or facility undertaken, which is separately planned, financed or identified by the Commission, or any separate facility undertaken or to be undertaken by the Commission or otherwise within a specified area, for the conservation, utilization, control, development, or management of water resources, which can be established and utilized independently, or as an addition to an existing facility, and can be considered as a separate entity for purposes of evaluation. For purposes of natural gas well development activity, the project shall be considered to be the drilling pad upon which one or more exploratory or production wells are undertaken, and all water-related appurtenant facilities and activities related thereto.

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3. In § 806.4, amend paragraph (a) by adding paragraph (a)(8) to read as follows:

§ 806.4 Projects requiring review and approval.

(a) * * *

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(8) Any natural gas well development project in the basin targeting the Marcellus or Utica shale formations, or any other formation identified in a determination issued by the Executive Director pursuant to § 806.5, for exploration or production of natural gas involving a withdrawal, diversion or consumptive use, regardless of the quantity.

* * * * *

4. In § 806.22, revise paragraph (e)(1) introductory text, (e)(1)(ii), (e)(6), (e)(7) and add a new paragraph (f) to read as follows:

§ 806.22 Standards for consumptive uses of water.

* * * * *

(e) * * *

(1) Except with respect to projects involving natural gas well development subject to the provision of paragraph (f) of this section, any project whose sole source of water for consumptive use is a public water supply withdrawal, may be approved by the Executive Director under this paragraph (e) in accordance with the following, unless the Executive Director determines that the project cannot be adequately regulated under this approval by rule:

(i) * * *

(ii) Within 10 days after submittal of an NOI under paragraph (e)(1)(i) of this section, the project sponsor shall submit to the Commission proof of publication in a newspaper of general circulation in the location of the project, a notice of its intent to operate under this approval by rule, which contains a sufficient description of the project, its purposes and its location. This notice shall also contain the address, electronic mail address and telephone number of the Commission.

* * * * *

(6) The Executive Director will grant or deny approval to operate under this approval by rule and will notify the project sponsor of such determination, including the quantity of consumptive use approved.

(7) Approval by rule shall be effective upon written notification from the Executive Director to the project sponsor, shall expire 15 years from the date of such notification, and shall be deemed to rescind any previous consumptive use approvals.

(f) Approval by rule for consumptive use related to natural gas well development.

(1) Any project involving the development of natural gas wells subject to review and approval under §§ 806.4, 806.5, or 806.6 of this part shall be subject to review and approval by the Executive Director under this paragraph (f) regardless of the source or sources of water being used consumptively.

(2) Notification of Intent: Prior to undertaking a project or increasing a previously approved quantity of consumptive use, the project sponsor shall submit a Notice of Intent (NOI) on forms prescribed by the Commission, and the appropriate application fee, along with any required attachments.

(3) Within 10 days after submittal of an NOI under (2) above, the project sponsor shall satisfy the notice requirements set forth in § 806.15 and send a copy of the NOI to the appropriate agencies of the member state.

(4) The project sponsor shall comply with metering, daily use monitoring and quarterly reporting as specified in § 806.30, or as otherwise required by the approval by rule. Daily use monitoring shall include amounts delivered or withdrawn per source, per day, and amounts used per gas well, per day, for well drilling, hydrofracture stimulation, hydrostatic testing, and dust control. The foregoing shall apply to all water and fluids, including additives, flowback and brines, utilized by the project.

(5) The project sponsor shall comply with the mitigation requirements set forth in § 806.22 (b).

(6) Any flowback fluids or produced brines utilized by the project sponsor for hydrofracture stimulation undertaken at the project shall be separately accounted for, but

shall not be included in the daily consumptive use amount calculated for the project, or be subject to the mitigation requirements of § 806.22 (b).

(7) The project sponsor shall obtain all necessary permits or approvals required for the project from other federal, state, or local government agencies having jurisdiction over the project. The Executive Director reserves the right to modify, suspend or revoke any approval under this paragraph (f) if the project sponsor fails to obtain or maintain such approvals.

(8) The project sponsor shall certify to the Commission that all flowback and produced fluids, including brines, have been treated and disposed of in accordance with applicable state and federal law.

(9) The Executive Director may grant or deny or condition an approval to operate under this approval by rule and will notify the project sponsor of such determination, including the sources and quantity of consumptive use approved. The issuance of any such approval shall not be construed to waive or exempt the project sponsor from obtaining Commission approval for any water withdrawals or diversions subject to review pursuant to § 806.4 (a).

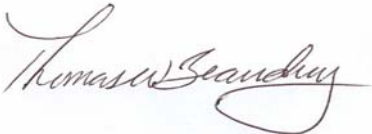
(10) Approval by rule shall be effective upon written notification from the Executive Director to the project sponsor, shall expire five years from the date of such notification, and supersede any previous consumptive use approvals to the extent applicable to the project.

(11) Subsequent to the issuance of an approval by rule pursuant to paragraph (f)(9) above, authorization to utilize additional sources of water for the project other than those identified in the approval by rule may be obtained as follows:

(i) Water withdrawals or diversions requiring and receiving approval by the Commission pursuant to § 806.4 (a), provided such withdrawal source is approved for such use and is registered with the Commission at least 10 days prior to use on a form and in a manner as prescribed by the Commission.

(ii) Sources of water other than those subject to paragraph (f)(11)(i) of this section, including, but not limited to, public water supply, wastewater discharge or other reclaimed waters, provided such sources are approved prior to use as a modification to the approval by rule. Any request to modify an approval by rule to utilize such source(s) shall be submitted on a form and in a manner as prescribed by the Commission, and shall be subject to review pursuant to the standards set forth in subpart C.

Dated: December 11, 2008.

A handwritten signature in cursive script, reading "Thomas W. Beauduy". The signature is written in dark ink on a light-colored background.

Thomas W. Beauduy,
Deputy Director.