



MARYLAND DEPARTMENT OF THE ENVIRONMENT

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Martin O'Malley
Governor

Robert M. Summers, Ph.D.
Secretary

Anthony G. Brown
Lieutenant Governor

January 25, 2012

The Honorable Thomas V. Mike Miller, Jr.
Senate President, Maryland General Assembly
State House, H-107
Annapolis MD 21401-1991

The Honorable Michael E. Busch
House Speaker, Maryland General Assembly
State House, H-101
Annapolis MD 21401-1991

Dear President Miller and Speaker Busch:

As required by Section 14-124 of the Environment Article, the Maryland Department of the Environment (MDE) submits this letter as the annual report on the Oil and Gas Fund (Fund) for fiscal year 2011. Copies of the report are provided in accordance with Section 2-1246 of the State Government Article.

Sources of money for the Fund consist of fees, funds appropriated by the General Assembly, fines and bond forfeitures collected by MDE that exceed the amount necessary to restore a site, and additional money made available from any source. The Department is authorized to use money in the Fund solely to administer and implement programs relating to oil and gas wells.

The Fund received no revenue and made no expenditures during fiscal year 2011. The Fund had no balance at the close of fiscal year 2011. The existing Mining Program staff at MDE operated the oil and gas regulatory program efficiently in fiscal year 2011. No new permits were issued. There were 34 gas well inspections done in FY2011. No violations were issued during the reporting period.

In July 2010, the General Assembly authorized MDE to establish and collect fees for permit issuance, permit renewal, and production of oil and gas wells installed after October 1, 2010. At that time, MDE had received applications for wells to extract gas from the Marcellus Shale, and expected additional applications. These wells are more complex to review, and could require MDE to perform more inspections and engage in more intensive compliance activities. The Department began drafting fee regulations, but after the Governor's June 2011 Executive Order established the Marcellus Shale Safe Drilling Initiative, it became apparent that the level of effort associated with permitting and inspecting these wells would change as a result of the Initiative. Therefore, MDE temporarily suspended development of the fee regulations. The next report of studies under the Initiative is due in August 2012 and will recommend best practices for these permits in order to protect public health and the environment. Following this report, MDE expects to finalize the draft fee regulations and begin the process of promulgation.

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If we can provide you with any additional information, please contact me or Horacio Tablada, Director of the Land Management Administration, at 410-537-3304 or via e-mail at htablada@mde.state.md.us.

Sincerely,

A handwritten signature in black ink, appearing to read 'R. M. Summers', followed by a long horizontal flourish.

Robert M. Summers, Ph.D.
Secretary

cc: Horacio Tablada, Director, Land Management Administration