



# MARYLAND DEPARTMENT OF THE ENVIRONMENT

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Martin O'Malley  
Governor

Robert M. Summers, Ph.D.  
Secretary

Anthony G. Brown  
Lieutenant Governor

March 22, 2013

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

The Honorable Michael E. Busch, Speaker  
House of Delegates  
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 2012. 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 the fiscal year 2012. The fund had no balance at the close of fiscal year 2012. The existing Mining Program staff at MDE operated the oil and gas regulatory program efficiently in fiscal year 2012. No new permits were issued. There were thirty seven (37) gas well inspections done in FY 2012. Zero (0) 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 first report required by the Governor's Advisory Council focused on funding and liability and was submitted in December of 2011.

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The next report of studies under the Initiative is due in August of 2013 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

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](mailto:htablada@mde.state.md.us).

Sincerely,



Robert M. Summers, Ph.D.  
Secretary

cc: Horacio Tablada, Director, Land Management Administration  
Heather Barthel, Director, Legislation and Intergovernmental Affairs