



## MARYLAND DEPARTMENT OF THE ENVIRONMENT

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Martin O'Malley  
Governor

Anthony G. Brown  
Lieutenant Governor

Robert M. Summers, Ph.D.  
Secretary

January 17, 2014

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

The Honorable Michael E. Busch  
Speaker of the House  
State House, H-101  
Annapolis, MD 21401

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 2013. 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 2013. The fund had no balance at the close of fiscal year 2013. The existing Mining Program staff at MDE operated the oil and gas regulatory program efficiently in fiscal year 2013. No new permits were issued, but 23 permits for existing wells were reissued. (These permits were not for horizontal drilling and hydraulic fracturing for gas extraction from the Marcellus shale. No permits have yet been issued for such activity in Maryland and there are no pending applications.) There were twenty-eight (28) gas well inspections done in FY 2013. 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.

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The first report required by the Governor's Advisory Council focused on funding and liability and was submitted in December of 2011. A draft of the second report, Marcellus Shale Safe Drilling Initiative Study, Part II: Best Practices was released in June 2013. More than 4,000 comments were received, and MDE and the Department of Natural Resources are formulating responses to comments and preparing the final report. At the same time, the Departments are completing the remaining studies required under the Executive Order. A final report, integrating the results of all the studies, is expected in August 2014. 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 email at [horacio.tablada@maryland.gov](mailto:horacio.tablada@maryland.gov).

Sincerely,



Robert M. Summers, Ph.D  
Secretary

cc: Mr. Horiacio Tablada, Director, Land Management Administration