Oil and Gas Extraction on Airport Property

Matthew Di Giulian
Manager, Beckley Airports Field Office
March 5, 2014

We Are Experiencing a Natural Gas Boom

Two Technologies Have Made this Possible

- Horizontal Drilling
- Hydrofracking
  - Deposits previously not tapped are now accessible
Mineral Shale Deposits in the US

Roughly 200 tanker trucks deliver water for the fracturing process. A pump truck injects a mix of sand, water, and chemicals into the well. Natural gas flows out of the well, recovered water is stored in open pits, then taken to a treatment plant. Natural gas is trucked to a pipeline for delivery.

Hydraulic Fracturing

Hydraulic fracturing, or "fracking," involves the injection of more than a million gallons of water, sand and chemicals at high pressure down and across into horizontally drilled wells so far as 10,000 feet below the surface. The pressurized mixture causes the rock layer, in this case the Marcellus Shale, to crack. These fractures are held open by the sand particles so that natural gas from the shale can flow up the well.

Marcellus Shale

Graph by Al Granberg
Public Concerns

- Public is concerned with potential impacts
  - Surface Water and Soil Contamination
  - Ground Water Contamination
  - Air Quality
  - Noise
Hydrofracking Operation

Advisory Circular in Development

- Airport sponsors want to lease their oil and gas rights, but must.....
  - Comply with Federal, State, and Local Laws
  - Protect Existing and Planned Aeronautical Uses
  - Comply with Grant Assurances (There are a lot of them!)
  - Don't forget NEPA
- AC is currently in draft form
- AC does not encourage oil and gas development, but will be an excellent resource for airports that choose to do so
- AC Will be published in the Federal Register in the near future
Advisory Circular – Goals / Objectives

• Provide **consistent guidance** for airport sponsors to develop gas and oil leases and development proposals in compliance with their Federal obligations;

• Incorporating existing FAA requirements for:
  – Airspace/Aeronautical Studies and Notifications;
  – On-airport Construction and Development;
  – Airport Planning;
  – Environmental Documentation; and
  – FAA revenue use policies.

• Provide FAA field offices guidance on what is needed for gas and oil project review

---

Lease Agreements

• Any exploration or development on Airport Surface Land must be subordinated to FAA Safety and Operations Standards and Requirements.

• Gas and oil leases must restrict access and use of airport operational and aeronautical development land. (No drill zones defined)

• Airport Design and Construction Rules must be applied. (airspace, hazard elimination/prevention).

• FAA must Approve Changes to the Airport Layout Plan (ALP).
  • Lease is Contingent on ALP approval

• Gas and Oil Leases Terms and Provisions Must be at Fair Market Value (Signing Bonus, Royalty, Ground Rent)
NEPA’s Requirements

NEPA Requires ALL Federal agencies to:

- Consider Impacts of Their Actions
- Document Such Consideration
- Involve the Public
- Demonstrate Compliance with Laws
- Completion of Process/Finding

NEPA

- ALP Change = Federal Action = NEPA
- Coordinate with ADO During Scoping Environmental Document
- Identify the Entire Project as Early as Possible (Well Sites, Access Roads, Transmission Pipes, Connected Actions)
- Do Not Confuse Permitting with NEPA
Revenue Use
It’s Always About the Money!

- Any Revenue Realized from the Lease is Airport Revenue and is Subject to the Revenue Use Policy
- Must be used for Airport Development, Operating Expenses and Maintenance
- Public Law 112-95 Section 813 Provides Limited Exception (Only GA Airports are Eligible)
- Mineral Rights Revenue Exemption Toolkit (faa.gov/airports)

Section 813 – Application/Agreement

- Current ALP Depicting 5 Year Development
- Identify Revenue Needs over the Next 5 Yrs (Development Costs and O&M Costs)
- Identify all Requirements to Comply with NEPA over 5 Yrs
- Certification that the Sponsor will Maintain the Airfield (Pavement, Marking, Lighting, Design Standards etc.)
- Sponsor Waives AIP Funding for 5 Year Period
- Does Not Accumulate NPE During this Time
- Grant Assurances Remain in Affect
- Sponsor Accepts Liability
If Application is Approved

- Off Airport Use of Revenue is Limited to:
  - *Federal, State, or local transportation infrastructure projects carried out by the airport sponsor or by a governing body within the geographical limits of the airport sponsor’s jurisdiction.*
  - “Airport Gas Money Pays for Street Fixes”
    - Beaumont, TX

Recommendations

- Please Get the ADO Involved in the Process Early
  - Planning
  - Compliance
  - Lease Development
  - Environmental
  - Airspace
- Please be Patient – Our Business is Aviation