JOHN H. QUIGLEY AFFIDAVIT

I, John H. Quigley, do hereby swear and affirm that the following statement is true and correct to the best of my knowledge and belief, and that I am competent to testify thereto.

I served in several executive positions with the Pennsylvania Department of Conservation and Natural Resources (DCNR) from February, 2005 until January 2011. From February, 2005 to July, 2006, I served as Director of Operations. From July, 2006 to March 2008, I served as Director of Legislation/Strategic Initiatives. From March 2008 to April, 2009, I served as Chief of Staff. I served as Acting Secretary from April 2009 to April 2010, and following my confirmation by the Pennsylvania Senate, as Secretary of DCNR from April 2010 until January 2011.

I was involved in all of the activities and decisions related to the lease sales conducted by DCNR from 2008 to 2010, and communicated with the Governor's Office and the Budget Office about these issues on an ongoing basis, coordinating with appropriate members of DCNR's Executive Staff.

A total of $383 million was transferred from DCNR's Oil and Gas Lease Fund (OGLF) to the state's General Fund between 2009 and 2010:

- The Fiscal Code for Fiscal Year 2009-2010 required a transfer of $60 million from OGLF to the General Fund.
- The Supplemental General Appropriations Act of 2009 directed an additional transfer of $143 million from OGLF to the General Fund.
- The Fiscal Code for Fiscal Year 2010-2011 required a transfer of $180 million from OGLF to the General Fund.

These $383 million constituted the entire amounts of the bonus bids received from successful bidders in two state forest lease sales (via competitive, sealed bid) held in September 2008 (74,000 acres) and January 2010 (32,000 acres), and the negotiated amount of the May 2010 lease sale (33,000 acres). The total acreage leased in that period was 139,000 acres.

In the leasing process, companies bid on the first year's lease. The bonus bid was designed to reflect what the partial or potential value of the natural gas that would be extracted. The competitive “bonus bid” component of the process was the basis upon which DCNR awarded the leases and granted access to state forest land for the purpose of extracting the publicly-owned natural gas resources.

Under the leases executed pursuant to the successful bids/negotiation, subsequent annual lease rates from years two to five were $25 an acre, and from years six to 10 were $35 an acre. Under the terms of the leases, DCNR additionally earned royalties, expressed as a percentage of the market value of the natural gas produced under the terms of the leases. All monies from bonus bid/negotiated bonuses, annual rentals, and royalties were deposited into the Oil and Gas Lease Fund to be used by DCNR for projects for conservation, recreation, dams and flood control.

There are two categories of impacts that needed to be addressed from the mandated leasing activity. Both flow from DCNR’s mandate to conserve and maintain the publicly owned state forest and state park systems. The first is DCNR’s capacity to meet its mission. That must be understood in the context of the second – the impacts of natural gas development on the public lands.

The successful bidder was authorized by the lease to conduct activities on the State Forest land necessary for the extraction and development of the natural gas. Those activities involved clearing land and converting it from public forest to industrialized, private use. Extraction activities included the construction of well pads, pipelines, compressor stations, roads, staging areas, impoundments, and all other infrastructure required for the extraction and production of natural gas.

DCNR had virtually no experience with unconventional gas development and did not fully understand the intensity and scale of development involved in what proved to be a heavy industrial activity that was vastly different than the historic shallow gas development on state forest lands. The type and scale of shale gas development was unprecedented in the history of the state forest, and DCNR grossly underestimated its impacts. This all factored significantly into our intended uses of the lease sale proceeds. After the first lease sale in September 2008, it was DCNR's intent to retain the proceeds of the lease sale to manage the impacts of natural gas development on the state forest and for needed reinvestment in stewardship of the state forest and state parks. In a memorandum to then Governor Rendell I specifically listed all the needs DCNR had for the money from the bonus payments from the 2008 leases. (Attached as Exhibit A).

DCNR's loss of the proceeds of the lease sales meant that the agency would not be able to adequately study, manage, or attempt to mitigate the impacts of the development that would result from the leasing activity. The effect was a very serious diminution of the agency's capacity to fulfill is legislatively mandated mission of conserving and maintaining the public natural resources for the benefit of all the people, including generations yet to come.

That diminution of capacity came at the worst possible moment because of the scale of natural gas development that DCNR was facing in the state forest. DCNR natural gas leases cover extraction from all geologic horizons. That is, lease holders have the right to drill for shallow or deep gas. So, leases that were extant prior to the 2008 lease sale – covering over a quarter million acres of state forest - conveyed the right to conduct unconventional gas exploration. So, in addition to the shale gas development that would occur on the 74,000 acres leased in 2008, DCNR was facing the prospect of managing shale gas development on acreage covered under old leases. Further, we believed at that time that shale gas development was very likely to occur on well over three hundred thousand acres of state forest where the Commonwealth owns only the surface rights and the mineral rights are privately owned. Thus, the total state forest acreage that was available for shale gas development after the 2008 lease was approximately 660,000 acres.

It was Secretary DiBerardinis' intent that the initial 2008 lease sale would be the only leasing that would occur; that is, no additional leasing of state forest land for natural gas development would be allowed to occur, at least for the foreseeable future, and certainly until the impacts of that first shale gas lease were fully understood by the agency. As his chief of staff at the time, I advised him and helped him to formulate that position, and to communicate that to the Governor's office, orally and in writing.

It would take years before DCNR would be able to understand the full, cumulative impacts of the development that would result from the 2008 lease sale. Further leasing without that understanding would be contrary to the agency's mission and stewardship mandate, and would place the sustainability of the state forest at grave risk. I strongly shared that view when I succeeded Secretary DiBerardinis in April 2009.

Industrialization from natural gas development **on State Forest lands**– the construction of well pads, impoundments, staging areas, roads, pipelines, compressor stations, and processing facilities **– converts thousands of acres of State Forest land,** significantly affect habitats, recreation, aesthetics, historical and cultural resources, and watersheds in affected areas and at landscape and ecosystem levels. These cumulative impacts pose the greatest challenge to the conservation **of Pennsylvania's public lands.**

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John H. Quigley

Commonwealth Of Pennsylvania

County of Cumberland

BEFORE ME, the undersigned authority on this day personally appeared John H. Quigley, known to me to be the person who executed the forgoing instrument, and who acknowledged to me that he executed the same for the purposes and considerations therein expressed, the _____ day of June, 2017.