

THE GENERAL ASSEMBLY OF PENNSYLVANIA

SENATE BILL

No. 602 Session of 2011

INTRODUCED BY M. WHITE, YAW, SCARNATI, PILEGGI, YUDICHAK, ORIE,
D. WHITE, PIPPY, EARLL, WAUGH, KASUNIC, BROWNE AND ERICKSON,
MARCH 8, 2011

REFERRED TO ENVIRONMENTAL RESOURCES AND ENERGY, MARCH 8, 2011

AN ACT

1 Amending the act of December 19, 1984 (P.L.1140, No.223),
2 entitled "An act relating to the development of oil and gas
3 and coal; imposing duties and powers on the Department of
4 Environmental Resources; imposing notification requirements
5 to protect landowners; and providing for definitions, for
6 various requirements to regulate the drilling and operation
7 of oil and gas wells, for gas storage reservoirs, for various
8 reporting requirements, including certain requirements
9 concerning the operation of coal mines, for well permits, for
10 well registration, for distance requirements, for well casing
11 requirements, for safety device requirements, for storage
12 reservoir obligations, for well bonding requirements, for a
13 Well Plugging Restricted Revenue Account to enforce oil and
14 gas well plugging requirements, for the creation of an Oil
15 and Gas Technical Advisory Board, for oil and gas well
16 inspections, for enforcement and for penalties," further
17 providing for bonding.

18 The General Assembly of the Commonwealth of Pennsylvania
19 hereby enacts as follows:

20 Section 1. Section 215(a) of the act of December 19, 1984
21 (P.L.1140, No.223), known as the Oil and Gas Act, amended July
22 2, 1992 (P.L.365, No.78), is amended to read:

23 Section 215. Bonding.

24 (a) (1) Except as provided in subsection (d) hereof, upon
25 filing an application for a well permit and before continuing

1 to operate any oil or gas well, the owner or operator thereof
2 shall file with the department a bond for the well and the
3 well site on a form to be prescribed and furnished by the
4 department. Any such bond filed with an application for a
5 well permit shall be payable to the Commonwealth and
6 conditioned that the operator shall faithfully perform all of
7 the drilling, water supply replacement, restoration and
8 plugging requirements of this act. Any such bond filed with
9 the department for a well in existence on the effective date
10 of this act shall be payable to the Commonwealth and
11 conditioned that the operator shall faithfully perform all of
12 the water supply replacement, restoration and plugging
13 requirements of this act. The amount of the bond required
14 shall be in the [amount of \$2,500 per well for at least two
15 years following the effective date of this act, after which
16 time the bond amount] following amounts and may be adjusted
17 by the Environmental Quality Board every two years to reflect
18 the projected costs to the Commonwealth of performing well
19 plugging[.]:

20 (i) For wells with a total well bore length less
21 than 6,000 feet:

22 (A) For operating up to 50 wells, \$4,000 per
23 well, provided the operator may not be required to
24 provide a bond under this section exceeding \$35,000.

25 (B) For operating 51 to 150 wells, \$35,000 plus
26 \$4,000 per well for each well in excess of 50 wells,
27 provided the operator may not be required to provide
28 a bond under this section exceeding \$60,000.

29 (C) For operating 151 to 250 wells, \$60,000 plus
30 \$4,000 per well for each well in excess of 150 wells,

1 provided the operator may not be required to provide
2 a bond under this section exceeding \$100,000.

3 (D) For operating more than 250 wells, \$100,000
4 plus \$4,000 per well for each well in excess of 250
5 wells, provided the operator may not be required to
6 provide a bond under this section exceeding \$250,000.

7 (ii) For wells with a total well bore length greater
8 than 6,000 feet:

9 (A) For operating up to 25 wells, \$10,000 per
10 well, provided the operator may not be required to
11 provide a bond under this section exceeding \$60,000.

12 (B) For operating 26 to 50 wells, \$60,000 plus
13 \$10,000 per well for each well in excess of 25 wells,
14 provided the operator may not be required to provide
15 a bond under this section exceeding \$120,000.

16 (C) For operating 51 to 150 wells, \$120,000 plus
17 \$10,000 per well for each well in excess of 50 wells,
18 provided the operator may not be required to provide
19 a bond under this section exceeding \$180,000.

20 (D) For operating more than 150 wells, \$180,000
21 plus \$10,000 per well for each well in excess of 150
22 wells, provided the operator may not be required to
23 provide a bond under this section exceeding \$250,000.

24 (2) In lieu of individual bonds for each well, an owner
25 or operator may file a blanket bond, for the appropriate
26 amount as indicated in paragraph (1), on a form prepared by
27 the department, covering all of its wells in Pennsylvania as
28 enumerated on the bond form. [A blanket bond shall be in the
29 amount of \$25,000 for at least two years following the
30 effective date of this act, after which time the bond amount

1 may be adjusted by the Environmental Quality Board every two
2 years to reflect the projected costs to the Commonwealth of
3 performing well plugging.]

4 (3) Liability under such bond shall continue until the
5 well has been properly plugged in accordance with this act
6 and for a period of one year after filing of the certificate
7 of plugging with the department. Each bond shall be executed
8 by the operator and a corporate surety licensed to do
9 business in the Commonwealth and approved by the secretary.
10 The operator may elect to deposit cash, certificates of
11 deposit or automatically renewable irrevocable letters of
12 credit from financial institutions chartered or authorized to
13 do business in Pennsylvania and regulated and examined by the
14 Commonwealth or a Federal agency which may be terminated at
15 the end of a term only upon the financial institution giving
16 90 days prior written notice to the permittee and the
17 department or negotiable bonds of the United States
18 Government or the Commonwealth, the Pennsylvania Turnpike
19 Commission, the General State Authority, the State Public
20 School Building Authority or any municipality within the
21 Commonwealth, or United States Treasury Bonds issued at a
22 discount without a regular schedule of interest payments to
23 maturity, otherwise known as Zero Coupon Bonds, having a
24 maturity date of not more than ten years after the date of
25 purchase and at such maturity date having a value of not less
26 than \$25,000, with the department in lieu of a corporate
27 surety. The cash deposit, certificate of deposit, amount of
28 such irrevocable letter of credit or market value of such
29 securities shall be equal at least to the sum of the bond.
30 The secretary shall, upon receipt of any such deposit of

1 cash, letters of credit or negotiable bonds, immediately
2 place the same with the State Treasurer, whose duty it shall
3 be to receive and hold the same in the name of the
4 Commonwealth, in trust, for the purpose for which such
5 deposit is made. The State Treasurer shall at all times be
6 responsible for the custody and safekeeping of such deposits.
7 The operator making deposit shall be entitled from time to
8 time to demand and receive from the State Treasurer, on the
9 written order of the secretary, the whole or any portion of
10 any collateral so deposited, upon depositing with him, in
11 lieu thereof, other collateral of the classes herein
12 specified having a market value at least equal to the sum of
13 the bond, and also to demand, receive and recover the
14 interest and income from said negotiable bonds as the same
15 becomes due and payable. Where negotiable bonds, deposited as
16 aforesaid, mature or are called, the State Treasurer, at the
17 request of the owner thereof, shall convert such negotiable
18 bonds into such other negotiable bonds of the classes herein
19 specified as may be designated by the owner. Where notice of
20 intent to terminate a letter of credit is given, the
21 department shall give the operator 30 days' written notice to
22 replace the letter of credit with other acceptable bond
23 guarantees as provided herein and, if the owner or operator
24 fails to replace the letter of credit within the 30-day
25 notification period, the department shall draw upon and
26 convert such letter of credit into cash and hold it as a
27 collateral bond guarantee.

28 * * *

29 Section 2. This act shall take effect in 60 days.