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House of Representatives
COMMONWEALTH OF PENNSYLVANIA
HARRISBURG

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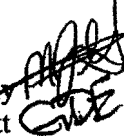

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ALLEGHENY COUNTY
DEMOCRATIC DELEGATION

MEMORANDUM

TO: All House Members

FROM: Representative Marc Gergely 
Representative Garth Everett 

DATE: June 15, 2010

SUBJECT: Request for Co-Sponsorship - Conservation Pooling

We intend to introduce legislation that enhances conservation efforts and protects landowners affected by the ongoing development of the Marcellus Shale. This legislation – entitled the “Conservation Pooling Act” – will achieve multiple compelling policy goals, including:

- Minimizing the surface impact of Marcellus Shale drilling by limiting the number of well pads (usually 5 acres) necessary to develop a drilling unit (usually 640 acres)
- Maximizing the opportunity for landowner/lessors (i.e., royalty owners) to obtain full economic benefit from their Marcellus leases
- Protecting non-mineral interest owners from having natural gas developed from under their property under the Rule of Capture without fair compensation
- Ensuring no surface trespass for non-mineral interest owners who are pooled into a unit

The title of this legislation – “Conservation Pooling Act” – is especially appropriate since the Commonwealth has been a signatory to the Interstate Compact to Conserve Oil & Gas since 1941. The purpose of that Compact is to conserve oil and gas by preventing physical waste from any cause. Leaving recoverable gas in the ground would be a physical waste of the valuable resource. Worse yet, it makes absolutely no sense to require the construction of multiple well pads to develop a minimum of 640 acre drilling unit when a single pad may be sufficient.

Given the technological advances in horizontal drilling, Pennsylvania has the opportunity to reach vast areas of natural gas reserves while minimizing surface impacts and avoiding the waste of natural gas from leaving significant untapped areas. This approach also allows the greatest number of willing mineral

interest owners to realize the value of their resource and protects non-mineral owners from not being compensated for natural gas they would otherwise own by eliminating the existing Rule of Capture.

However, to reach these four important goals operators must be able to form effective and efficient drilling units that recognize the geography and geology of Pennsylvania. Such units must include all of the mineral interests within the boundaries of the proposed units in order to create the "pool".

Our legislation will provide a fair and open process for establishing units and obtaining approval from the Commonwealth for each unit after all interested and affected parties have had an opportunity for their views to be heard. In addition, before the state approves any pooling unit, the applicant will be required to already control a super majority of the mineral interests within the proposed unit.

Our legislation will achieve these four important policy goals and we urge you to join us in co-sponsoring this important piece of legislation and ensuring its prompt enactment by the General Assembly. If you are interested co-sponsoring, please contact Brandi Kennedy in Rep. Gergely's office by phone at 783-1018, in-caucus extension 6481, or by email at bkennedy@pahouse.net.