

THE GENERAL ASSEMBLY OF PENNSYLVANIA

**HOUSE BILL**  
**No. 2380** Session of  
1986

INTRODUCED BY BOWSER, DOMBROWSKI, MERRY, LAUGHLIN, DISTLER,  
FARGO, BURD, ROBBINS, NOYE, CLYMER, MACKOWSKI, SEMMEL,  
HERSHEY, TRELLO, JOHNSON, VROON AND DORR, APRIL 15, 1986

REFERRED TO COMMITTEE ON CONSERVATION, APRIL 15, 1986

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 of the act of December 19, 1984  
21 (P.L.1140, No.223), known as the Oil and Gas Act, is amended to  
22 read:

23 Section 215. Bonding.

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

1 operate any oil or gas well, the owner or operator thereof shall  
2 file with the department a bond for the well and the well site  
3 on a form to be prescribed and furnished by the department,  
4 payable to the Commonwealth and conditioned that the operator  
5 shall faithfully perform all of the requirements of this act.  
6 The amount of the bond required shall be in the amount of \$2,500  
7 per well for at least two years following the effective date of  
8 this act, after which time the bond amount may be adjusted by  
9 the Environmental Quality Board every two years to reflect the  
10 projected costs to the Commonwealth of performing well plugging.

11 In lieu of individual bonds for each well, an owner or  
12 operator may file a blanket bond, on a form prepared by the  
13 department, covering all of its wells in Pennsylvania as  
14 enumerated on the bond form. A blanket bond shall be in the  
15 amount of \$25,000 for at least two years following the effective  
16 date of this act, after which time the bond amount may be  
17 adjusted by the Environmental Quality Board every two years to  
18 reflect the projected costs to the Commonwealth of performing  
19 well plugging.

20 Liability under such bond shall continue until the well has  
21 been properly plugged in accordance with this act and for a  
22 period of one year after filing of the certificate of plugging  
23 with the department. Each bond shall be executed by the operator  
24 and a corporate surety licensed to do business in the  
25 Commonwealth and approved by the secretary. The operator may  
26 elect to deposit cash, bank certificates of deposit,  
27 automatically renewable irrevocable bank letters of credit which  
28 may be terminated by the bank at the end of a term only upon the  
29 bank giving 90 days prior written notice to the permittee and  
30 the department or negotiable bonds of the United States

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

1 notification period, the department shall draw upon and convert  
2 such letter of credit into cash and hold it as a collateral bond  
3 guarantee.

4 (b) No bond shall be fully released until all requirements  
5 of this act are fully met. Upon release of all of the bonds and  
6 collateral as herein provided, the State Treasurer shall  
7 immediately return to the owner the amount of cash or securities  
8 specified therein.

9 (c) If the well owner or operator fails or refuses to comply  
10 with the requirements of this act, the regulations promulgated  
11 hereunder or the conditions of the permit, the department may  
12 declare the bond forfeited and shall certify the same to the  
13 Attorney General, who shall proceed to enforce and collect the  
14 full amount of the bond and, where the owner or operator has  
15 deposited cash or securities as collateral in lieu of a  
16 corporate surety, the department shall declare said collateral  
17 forfeited and shall direct the State Treasurer to pay the full  
18 amount of said funds into the Well Plugging Restricted Revenue  
19 Account or to proceed to sell said security to the extent  
20 forfeited and pay the proceeds thereof into the Well Plugging  
21 Restricted Revenue Account. Should any corporate surety or bank  
22 fail to promptly pay, in full, a forfeited bond, it shall be  
23 disqualified from writing any further bonds under the act or any  
24 other environmental act administered by the department. Any  
25 person aggrieved by reason of forfeiting the bond or converting  
26 collateral, as herein provided, shall have a right to appeal to  
27 the Environmental Hearing Board in the manner provided by law.  
28 Upon forfeiture of a blanket bond for a violation occurring at  
29 one or more well sites, the person whose bond is forfeited shall  
30 submit a replacement bond to cover all other wells of which he

1 is owner or operator within ten days of said forfeiture. Failure  
2 to submit said replacement bond constitutes a violation of this  
3 section as to each of the wells owned or operated by said  
4 person.

5 (d) Any well operator who cannot obtain a bond for a well  
6 drilled prior to the effective date of this act, as required  
7 under subsection (a), due to an inability to demonstrate  
8 sufficient financial resources shall submit to the department  
9 letters of rejection from three separate bonding companies  
10 licensed to do business in the Commonwealth, except as provided  
11 in subsection (e). Such letters shall state that the operator  
12 has been denied a bond and state the grounds for denial of the  
13 bond. In lieu of the bond, the operator shall submit to the  
14 department a fee in the amount of \$50 per well, or a blanket fee  
15 of \$500 for ten to 20 wells, or a blanket fee of \$1,000 for more  
16 than 20 wells, which shall be a nonrefundable fee paid each year  
17 that the operator has not filed a bond with the department. The  
18 operator must demonstrate every three years a continued  
19 inability to obtain a bond as prescribed above. All fees  
20 collected in lieu of a bond under this subsection shall be paid  
21 into the Well Plugging Restricted Revenue Account and shall be  
22 used for the purposes authorized by this act. The Environmental  
23 Quality Board shall have the power, by regulation, to increase  
24 the amount of the fees established under this subsection if it  
25 is found that the total moneys collected hereunder are  
26 insufficient to reimburse the Commonwealth for costs incurred in  
27 correcting violations on wells covered under this subsection.

28 (e) The department shall not require the well operator to  
29 submit letters of rejection from any licensed bonding company if  
30 the operator owns less than nine wells drilled prior to the

1 effective date of this act but shall furnish the nonrefundable  
2 fee in the amount of \$50 per well as provided in subsection (d).

3     ~~[(e)]~~ (f) All remedies for violation of this act, the  
4 regulations adopted hereunder or the conditions of permits are  
5 expressly preserved. Nothing in subsections (a), (b) and (c)  
6 shall be construed as an exclusive penalty or remedy for such  
7 violations of law. No action taken pursuant to subsection (c)  
8 shall waive or impair any other remedy or penalty provided in  
9 law.

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