
THE GENERAL ASSEMBLY OF PENNSYLVANIA

SENATE BILL

No. 142 Session of
2017

INTRODUCED BY YAW, VULAKOVICH AND BARTOLOTTA, JANUARY 20, 2017

REFERRED TO ENVIRONMENTAL RESOURCES AND ENERGY, JANUARY 20, 2017

AN ACT

1 Amending Title 58 (Oil and Gas) of the Pennsylvania Consolidated
2 Statutes, in utilization, providing for unconventional oil
3 and gas conservation by consolidating the Oil and Gas
4 Conservation Law with modifications relating to definitions,
5 standard unit order, process, administration, standard of
6 review, hearings and appeals, establishment of units,
7 integration of various interests, lease extension and scope,
8 providing for gas and hazardous liquids pipelines; and making
9 a related repeal.

10 The General Assembly of the Commonwealth of Pennsylvania
11 hereby enacts as follows:

12 Section 1. Part III of Title 58 of the Pennsylvania
13 Consolidated Statutes is amended by adding a chapter to read:

14 CHAPTER 34

15 UNCONVENTIONAL OIL

16 AND GAS CONSERVATION

17 Subchapter

18 A. Preliminary Provisions

19 B. (Reserved)

20 C. Establishment of Standard Units

21 D. Procedure

22 E. Effect of Order

1 F. (Reserved)

2 G. (Reserved)

3 H. (Reserved)

4 I. (Reserved)

5 J. Miscellaneous Provisions

6 SUBCHAPTER A

7 PRELIMINARY PROVISIONS

8 Sec.

9 3401. Scope of chapter.

10 3402. Legislative intent.

11 3403. Definitions.

12 § 3401. Scope of chapter.

13 This chapter relates to unconventional oil and gas unit
14 conservation and integration.

15 § 3402. Legislative intent.

16 The purposes of this chapter are:

17 (1) To promote the development of the unconventional oil
18 and gas resources of this Commonwealth in accordance with the
19 best principles and practices of oil and gas conservation
20 while reasonably protecting the correlative rights of the
21 person affected.

22 (2) To provide for the protection of the environment.

23 § 3403. Definitions.

24 The following words and phrases when used in this chapter
25 shall have the meanings given to them in this section unless the
26 context clearly indicates otherwise:

27 "Coal and Gas Resource Coordination Act." The act of
28 December 18, 1984 (P.L.1069, No.214), known as the Coal and Gas
29 Resource Coordination Act.

30 "Commission." The Pennsylvania Public Utility Commission.

1 "Consenting party." A person participating in a unit
2 established under this chapter who agrees or elects to
3 participate in a pro rata share of costs and production of a
4 well drilled on that unit in accordance with a joint operating
5 agreement.

6 "Control." To own or to have the right to explore for,
7 develop, operate and produce oil or gas from the stratigraphic
8 interval proposed to be included in a unit.

9 "Correlative rights." The rights of each owner of oil and
10 gas interests included or proposed to be included in a standard
11 unit or in land that constitutes stranded acreage to have fair
12 and reasonable opportunity to obtain a just and equitable share
13 of the oil and gas in the unit without being required to drill
14 unnecessary wells or incur other unnecessary expense to recover
15 the oil or gas or its equivalent. The term includes the owners
16 of oil and gas interests in properties adjacent to properties
17 included or proposed to be included within the unit.

18 "Department." The Department of Environmental Protection of
19 the Commonwealth.

20 "Drill." The drilling or redrilling of a well or the
21 deepening or plugging back of an existing well.

22 "Drill pad." The area of surface operations surrounding the
23 surface location of a well or wells.

24 "Horizontal well." A directional well that is drilled nearly
25 vertically to a certain depth and then angled out horizontally
26 or nearly horizontally to produce from and remain substantially
27 or entirely within a specific geologic interval until the
28 desired terminus of the well bore is reached.

29 "Hydraulic fracture." A process to stimulate production in
30 oil and gas wells by inducing or propping fractures in oil and

1 gas bearing rocks using hydraulic pressure. The fluid mixtures
2 that are typically pumped down the well during this process
3 include water, sand and other specialty items.

4 "Joint operating agreement." An agreement governing the
5 actions of all participants in an established standard unit or a
6 model agreement generally recognized in the extraction industry
7 and all schedules and exhibits pertaining to the agreement.

8 "Lateral." The portion of a well bore that deviates from
9 approximate vertical orientation to approximate horizontal
10 orientation and all well bores beyond the deviation to total
11 depth or terminus.

12 "Nonconsenting party." A person participating in an
13 established standard unit who elects not to participate in its
14 pro rata share of the costs of a well drilled upon that unit and
15 who will pay a risk avoidance under the joint operating
16 agreement.

17 "Perforated segment." The entire perforated length of each
18 lateral well bore, as shown on a directional survey or
19 predrilled unsurveyed plan, projected vertically to the surface.
20 In the event of the use of a form of completion that does not
21 involve cementing and perforating, the term shall mean the
22 entire length of each lateral from penetration point of the
23 target reservoir to the terminus of the well bore.

24 "Plat." A map, drawing or print showing the proposed or
25 existing location of a well or a unit.

26 "Royalty interests." An interest in oil or gas or rights
27 expressly stated to be royalty interests, overriding royalty
28 interests or rights to participate in a share of production but
29 that do not provide a right to conduct exploration, drilling or
30 production.

1 "Standard unit." A unit for the production of oil or natural
2 gas that is not more than 640 acres in area, plus 10% tolerance
3 for possible survey error or other acreage discrepancies, and
4 that, absent interference by an adjacent preexisting voluntary
5 unit, includes all interests in the oil and gas within the
6 boundaries of the proposed standard unit. Acreage in excess of
7 the 640-acre maximum and 10% tolerance may be included in a
8 standard unit if necessary to:

9 (1) Avoid the creation of stranded acreage.

10 (2) Prevent the loss of the use and benefit of potential
11 recoverable oil and gas.

12 (3) More efficiently recover oil or gas.

13 "Stranded acreage." Land that cannot be developed for
14 production of oil or gas from unconventional reservoirs because
15 of the 250 feet minimum setback requirements under this chapter
16 when applied to the boundaries of standard units.

17 "Unconventional reservoir." A formation below the base of
18 the Elk Sandstone or its geologic equivalent stratigraphic
19 interval that contains or produces oil or gas that generally
20 cannot be economically produced at flow rates or in volumes
21 except by hydraulic fracturing, horizontal or multi-lateral well
22 bores or other techniques to expose the reservoir to the well
23 bore.

24 "Unit." A consolidation of interests of persons actively
25 engaged in the business of extracting oil or gas from land owned
26 or leased by the persons within a defined geographic area to
27 facilitate the drilling of wells from one or more unconventional
28 reservoirs.

29 "Voluntary unit." A unit created under a lease or other
30 voluntary agreement of the owners and lessees of all interests

1 in the oil or gas in the unit.

2 "Waste." The unnecessary loss of potentially recoverable oil
3 or gas.

4 "Working interest owner." An owner of the right to develop,
5 operate and produce the oil or gas sought to be produced, except
6 where specifically provided in a joint operating agreement
7 governing a standard unit.

8 SUBCHAPTER B

9 (Reserved)

10 SUBCHAPTER C

11 ESTABLISHMENT OF STANDARD UNITS

12 Sec.

13 3421. Standard unit order.

14 3422. Technical assistance.

15 § 3421. Standard unit order.

16 (a) Authorization.--

17 (1) A person actively engaged in the business of
18 extracting oil or gas who owns or leases at least 65% of the
19 oil or gas working interests in a proposed unit that does not
20 have a voluntary agreement to extract oil or gas from the
21 entire area may apply to the commission for an order to
22 establish a standard unit under this chapter to integrate the
23 interests controlled by another person actively engaged in
24 the business of extracting oil or gas who owns or leases the
25 remaining land in the proposed unit.

26 (2) If a person does not own or control at least 65% of
27 the oil or gas working interests in a proposed standard unit
28 but demonstrates by written evidence that the person has an
29 agreement with collaborating owners who control interests
30 within the proposed unit that total 65% of the unit, the

1 person may apply for the establishment of a standard unit.

2 (b) Other interests.--Interests of a person actively engaged
3 in the business of extracting oil or gas that may be combined
4 under subsection (a) into a standard unit may include interests
5 of the other working interest owners and royalty interests.

6 (c) Integration.--Upon the grant of an order by the
7 commission establishing a standard unit, all oil and gas
8 interests within the unit shall be integrated in accordance with
9 this chapter.

10 (d) Applicability.--This section shall apply to interests of
11 owners engaged in the business of extracting oil or gas.

12 § 3422. Technical assistance.

13 The Bureau of Topographic and Geologic Survey of the
14 Department of Conservation and Natural Resources shall provide
15 technical and other assistance to the commission as requested by
16 the commission.

17 SUBCHAPTER D

18 PROCEDURE

19 Sec.

20 3431. Process.

21 3432. Powers of commission.

22 3433. Standard unit protest.

23 3434. Standard of review.

24 3435. Hearings and appeals.

25 3436. Final action.

26 3437. Appellate jurisdiction of Commonwealth Court.

27 § 3431. Process.

28 (a) Filing.--An applicant for an order to establish a
29 standard unit under this chapter shall file the application with
30 the commission. The commission shall review the application for

1 completeness and notify the applicant of any deficiencies, and
2 shall refer a completed application to the Office of
3 Administrative Law Judge within five business days of
4 submission.

5 (b) Leases.--

6 (1) An order of the commission shall not be required for
7 working interest owners of standard units to establish a
8 voluntary unit under a lease or other agreement.

9 (2) Lessees that provide the establishment of voluntary
10 units may proceed under the terms of their leases and no
11 proceedings under this chapter shall be required.

12 (3) A lessee may file to establish a unit under this
13 chapter. If the application is approved, this chapter shall
14 supersede the terms of the leases relating to pooling and
15 utilization with respect to the lands included in the unit.

16 (c) Application.--A standard unit application shall be in a
17 form approved by the commission and shall include:

18 (1) Information regarding all working interest owners
19 proposed to be included in the standard unit that are
20 controlled and that are not controlled by the applicant.
21 Working interests shall include all leases, mortgages,
22 judgments and other liens and encumbrances of record upon any
23 interest in the proposed unit. The list shall include:

24 (i) The name and address of each owner of an
25 interest proposed to be integrated.

26 (ii) The type of interest held by each owner.

27 (iii) The extent of the interest held.

28 (2) A plat that:

29 (i) Depicts the boundaries of the proposed standard
30 unit, the total acreage and the location and acreage of

1 each tract included in the proposed standard unit.

2 (ii) Identifies the location of all initial proposed
3 wells and laterals.

4 (iii) Identifies the stratigraphic interval proposed
5 for integration.

6 (3) A statement of the allocation of interests in the
7 proposed standard unit.

8 (4) Proof that notice of the filing of the standard unit
9 application has been given to the following:

10 (i) The owners of interests not controlled by the
11 applicant that are proposed to be included in the
12 standard unit.

13 (ii) The owners of all land adjacent to the proposed
14 standard unit.

15 (5) Proof of notice of the filing of the standard unit
16 application. The notice shall identify all parcels and parts
17 of parcels proposed to be included using the existing tax and
18 property records of the county.

19 (6) A statement of the estimated well costs that
20 includes an industry form for authorizing expenditures with
21 detailed tangible and intangible drilling costs.

22 (7) A joint operating agreement with an attached
23 proposed lease and all relevant schedules.

24 (d) Review.--Applications shall be referred to the Office of
25 Administrative Law Judge for review within five days of a
26 determination that the application is complete.

27 (e) Protests.--

28 (1) A protest shall be filed within 20 days of the
29 filing of the application. If no protest is filed within 20
30 days of the filing of the application, the application shall

1 be deemed approved and a notice shall be transmitted to the
2 commission. If the commission takes no action on the
3 application within 30 days of its filing, the application
4 shall be deemed approved and a letter closing the docket
5 shall be filed.

6 (2) The commission may reject the application if it
7 fails to meet the requirements of section 3434 (relating to
8 standard of review). If a protest is filed within 20 days of
9 the filing of the application, the administrative law judge
10 shall schedule a hearing to be held within 20 days of the
11 close of the protest period. The hearing may be held at a
12 later date if the applicant and protestants agree to an
13 extension of time.

14 (3) Following the hearing, the staff shall prepare a
15 recommendation for submission to the commission. A
16 recommendation may include proposed amendments to the
17 application or joint operating agreement or conditions to
18 protect correlative rights. The recommendation and
19 certification of the evidentiary record shall be forwarded to
20 the commission.

21 (f) Decision.--The commission shall rule on protested
22 applications within 45 days of the hearing.

23 § 3432. Powers of commission.

24 (a) Authority.--The commission may promulgate regulations
25 and policy statements and issue orders to carry out its duties
26 under this chapter.

27 (b) Temporary regulations.--The commission may promulgate
28 regulations in order to promptly implement this chapter. The
29 regulations shall be deemed temporary regulations and shall
30 expire no later than two years following their adoption. The

1 temporary regulations shall not be subject to:

2 (1) Sections 201, 202 and 203 of the act of July 31,
3 1968 (P.L.769, No.240), referred to as the Commonwealth
4 Documents Law.

5 (2) The act of June 25, 1982 (P.L.633, No.181), known as
6 the Regulatory Review Act.

7 (c) Expiration of authority.--The authority of the
8 commission to adopt temporary regulations under subsection (b)
9 shall expire two years from the effective date of this
10 subsection. Regulations adopted after this period shall be
11 promulgated as provided by law. Permanent regulations shall be
12 published within 12 months following the effective date of this
13 section.

14 (d) Compliance.--A person subject to the provisions of this
15 chapter shall comply with the regulations and orders of the
16 commission and their terms and conditions.

17 (e) Employees.--The commission may appoint employees,
18 attorneys, consultants and other individuals as necessary to
19 carry out the purposes of this chapter. Employees under this
20 subsection shall serve at the pleasure of the commission.

21 (f) Fees and costs.--The commission shall adopt a reasonable
22 filing fee for applications under this chapter. Additional
23 process costs of the Office of Administrative Law Judge may be
24 assessed on the application.

25 § 3433. Standard unit protest.

26 (a) Parties with standing.--Parties with standing to protest
27 a proposed standard unit application are the following:

28 (1) The owners of a working interest subject to
29 integration in the standard unit who have not entered into a
30 voluntary agreement with the applicant.

1 (2) The owners of oil and gas in land directly adjacent
2 to but outside the proposed standard unit.

3 (3) The owners of interests in potentially stranded
4 acreage who have not entered into a voluntary agreement with
5 the applicant.

6 (4) The owner of the mineral rights that are proposed to
7 be integrated.

8 (b) Notice.--

9 (1) Applicants shall employ reasonable methods to
10 determine the identity of any persons entitled to notice.

11 (2) An applicant shall send a notice of the filing of a
12 standard unit order application to all persons with standing
13 to object.

14 (3) Notices shall state the date intended for the filing
15 of an application.

16 (4) Notices shall be sent via United States certified
17 mail with return receipt requested or other mail or delivery
18 service providing a proof of delivery.

19 (5) Notices shall be sent at least five business days
20 before the filing of a standard unit application.

21 (6) An applicant may arrange for personal service of a
22 notice required under this chapter if proof of service is
23 provided.

24 (7) Notices to persons who cannot be identified or
25 located shall be given in accordance with the requirements of
26 Pa.R.C.P. No. 430 (relating to Service Pursuant to Special
27 Order of Court. Publication).

28 § 3434. Standard of review.

29 (a) Standard of review.--The commission shall order the
30 establishment of the proposed standard unit if the applicant

1 shows by a preponderance of the evidence that the plan for the
2 establishment of the unit will minimize surface disruption or
3 impact to property or other environmental impact and:

4 (1) prevent the unnecessary loss of the use and benefits
5 of potentially recoverable oil or gas to a person or the
6 Commonwealth; or

7 (2) protect the rights of owners of oil or gas interests
8 in a manner that ensures the fair and reasonable ability to
9 obtain an equitable share of oil and gas.

10 (b) Determination.--In making a determination under
11 subsection (a), the commission may consider whether the
12 establishment of the unit will permit the optimal development of
13 oil and gas resources in this Commonwealth consistent with the
14 protection of the health, safety, environment and property of
15 residents of this Commonwealth.

16 (c) Protests.--Protests to applications for a standard unit
17 may be filed only for the following reasons:

18 (1) The application fails to comply with the
19 requirements of this subsection.

20 (2) The terms of the proposed joint operating agreement,
21 including royalty payments, are not reasonable or the
22 applicant failed to act in good faith.

23 (3) An owner or lessor of a working interest proposed to
24 be integrated into the unit has or will have the capacity and
25 resources and plan to develop their respective acreage
26 outside the proposed unit in a manner that is consistent with
27 oil and gas conservation principles. In determining whether a
28 protest under this paragraph shall result in denial or
29 modification of the application as to the acreage subject to
30 the objection, the commission shall consider the following:

1 (i) The timing of the proposed development of the
2 applicant and the protestant.

3 (ii) The investment of the parties in their
4 respective acreage.

5 (iii) The impact of the inclusion or exclusion of
6 the contested parcel on the long-term development plans
7 of the applicant and the protestant.

8 (iv) The scope of the proposed development of the
9 applicant and the protestant.

10 (v) The type of commitments each applicant is
11 willing to make to develop the contested land.

12 (vi) Whether inclusion of the acreage that is the
13 subject of the protest meets the objectives of section
14 3402 (relating to legislative intent).

15 (vii) Any other relevant factors that the commission
16 reasonably determines to be appropriate.

17 (4) The proposed standard unit fails to protect the
18 correlative rights of an owner of adjacent oil or gas
19 interests, an owner of potentially stranded acreage or an
20 integrated mineral owner. This objection must be filed by the
21 owner.

22 (d) Other protests.--Protests by persons other than those
23 specified with standing or authorized under section 3433(a)
24 (relating to standard unit protest) shall not be considered.

25 (e) Averments.--Averments of a party relied upon by the
26 commission in evaluating a protest under this section shall be
27 made part of the joint operation agreement.

28 (f) Expansion.--The commission may order expansion of
29 proposed standard units to avoid the potential for stranded
30 acreage.

1 § 3435. Hearings and appeals.

2 (a) Nature of proceedings.--Proceedings at all hearings
3 shall be conducted in accordance with this chapter and rules
4 adopted by the commission.

5 (b) Proposed findings and conclusions.--Before submission of
6 a recommendation to the commission, the parties are entitled to
7 a reasonable opportunity to submit for consideration:

8 (1) proposed findings and conclusions to be included in
9 the recommendations submitted to the commission; and

10 (2) supporting reasons for the proposed findings or
11 conclusions.

12 (c) Action by commission.--If the commission determines that
13 an applicant failed to make a good faith effort to reach a
14 voluntary agreement to establish a unit comprised of land owned
15 or leased by a business actively engaged in the extraction of
16 oil or gas for control of all unleased oil and gas interest
17 owners and all working interests to be integrated into the unit,
18 the commission may exclude the property subject to that
19 determination from the proposed unit and the applicant shall
20 have the option of proceeding with the unit as modified or of
21 withdrawing its application for the unit.

22 § 3436. Final action.

23 The decisions of the commission shall constitute the final
24 action of the commission with respect to the matters subject to
25 the hearing.

26 § 3437. Appellate jurisdiction of Commonwealth Court.

27 Appeals from decisions of the commission shall be heard by
28 the Commonwealth Court. The court shall consider appeals on the
29 record of the proceedings before the commission and shall apply
30 a narrow certiorari review standard.

1 created.

2 (c) Location of involuntary unit.--Nothing in this chapter
3 shall prohibit the commission from establishing a standard unit
4 which is located around or, in whole or in part, within a
5 voluntary unit of which the applicant controls at least 65% of
6 the interests producing from the same formation or stratigraphic
7 interval. An objection to a proposed allocation of royalty or
8 other payment from that unit may be adjusted as necessary to
9 promote fairness among all interest holders.

10 (d) Perforated segments.--A standard unit may be established
11 on lands upon which a well exists, except no perforated segment
12 of a well drilled under a later unit shall be less than 500 feet
13 from any perforated segment in the same stratigraphic interval
14 existing on the date of its establishment.

15 (e) Contiguous units.--Upon the agreement of the working
16 interest owner of at least 65% of the cost-bearing interests in
17 two or more contiguous units, wells may be drilled within 250
18 feet from the adjacent boundaries of those units and production
19 shall be allocated among the units as agreed by the working
20 interest owner.

21 (f) Royalties and interests.--Royalties and interests shall
22 be apportioned and paid to royalty interest holders based upon
23 the relative surface acreage of the interests in each unit as
24 set forth in the commission's order unless all of the owners of
25 integrated interests expressly agree in writing to deviate from
26 this chapter and adopt a different allocation method. Nothing in
27 this section shall alter the application of the rule of
28 apportionment of royalties as to oil and gas leases partially
29 included in any unit established under this chapter.

30 (g) Stranded acreage.--If an application results in stranded

1 acreage and a protest representing at least 65% of the interests
2 in the stranded acreage is timely filed in response to the
3 application, the commission may order any of the following:

4 (1) Incorporation of the stranded acreage into the unit.

5 (2) Granting the protesters an exception to allow the
6 land to be developed for oil and natural gas production
7 without regard to the mandatory 250 feet setback requirements
8 under this chapter.

9 § 3442. (Reserved).

10 § 3443. Integration of working interests.

11 (a) Working interest.--A working interest owner within the
12 approved standard unit who has not entered into a voluntary
13 agreement with the applicant may elect to be treated as one of
14 the following:

15 (1) A nonconsenting party subject to the terms of the
16 joint operating agreement for the unit, entitling the
17 nonconsenting party to a proportionate share of profits after
18 being assessed a risk fee apportioned among all nonconsenting
19 parties at the rate of 300% of their proportionate share of
20 all of the costs incurred by the designated operator.

21 (2) A consenting party subject to the terms of the joint
22 operating agreement for the unit, requiring the consenting
23 party to contribute a proportionate share of the costs of
24 preparing, drilling, completing and operating the well at the
25 time of the consenting party's election under this subsection
26 and entitling the consenting party to a proportionate share
27 of profits.

28 (b) Election.--The election under subsection (a) shall be
29 exercised by returning a signed election form to the working
30 interest owner and the Commonwealth within 14 calendar days of

1 the date of the order establishing the unit. A working interest
2 owner who fails to make an election under this subsection shall
3 be treated as a nonconsenting party under subsection (a)(1).

4 (c) Limited nature of election.--A working interest owner
5 shall be subject to the terms, conditions, rights and
6 obligations specified in the joint operating agreement. The
7 election shall apply only to the well for which the election is
8 made, with any further elections to be governed by the joint
9 operating agreement.

10 § 3444. Additional considerations.

11 (a) Additional matters.--Additional matters subject to an
12 order of the commission under this chapter shall be governed by
13 a joint operating agreement. An applicant may file a proposed
14 joint operating agreement for the unit as part of the
15 application for a standard unit order on a form approved by the
16 commission. The following shall apply to an agreement under this
17 subsection:

18 (1) A party controlling at least 15% of the working
19 interests in the unit may propose additional drilling. No
20 party owning or controlling less than 65% of interests in the
21 unit may propose the drilling of more than one well in a
22 calendar year.

23 (2) A lease attached to the joint operating agreement
24 shall be the lease currently in use by the applicant.

25 (3) The cash and royalty provided under the lease shall
26 be as provided under this chapter. The royalty shall be
27 treated as a cost shared pro rata among all consenting and
28 nonconsenting parties to the joint operating agreement.

29 (4) A risk avoidance penalty as provided under this
30 chapter.

1 (5) Parties to the joint operating agreement shall have
2 the right to take their gas in kind. Should a consenting
3 party or a nonconsenting party not elect to take its share of
4 gas in kind, the operator of the unit shall have the right to
5 market the share of production along with the operator's
6 production in accordance with the terms of the joint
7 operating agreement. In no event may the nonoperator be
8 entitled to receive an amount in excess of the amount
9 received by the operator for its share of production. The
10 joint operating agreement shall include an oil and gas
11 balancing agreement. No working interest owner transporting
12 oil or gas from a well in which the working interest owner
13 has an interest shall be deemed a utility.

14 (b) Aggrieved party.--A party aggrieved by terms proposed by
15 the applicant in a joint operating agreement filed with the
16 application may protest as provided in this chapter.

17 (c) Withdrawal.--An applicant may withdraw its application
18 within 10 days after an order.

19 § 3445. Joint operating agreement.

20 (a) Applicants and lessors.--A standard unit under this
21 chapter shall be operated in accordance with the terms of the
22 applicable leases, as modified by an order issued by the
23 commission, if the only interest holders in the unit are the
24 applicant and lessors.

25 (b) Other units.--All other standard units established under
26 this chapter shall be operated under the terms of applicable
27 leases, as modified by commission order and under the terms of
28 the joint operating agreement. The consenting and nonconsenting
29 parties may alter the terms of the joint operating agreement
30 only by unanimous consent or by filing a petition with the

1 commission for amendment. The commission shall approve or deny
2 the amendment within 90 days of the date of filing. An amendment
3 adopted by unanimous consent shall be filed with the commission.

4 SUBCHAPTER F

5 (Reserved)

6 SUBCHAPTER G

7 (Reserved)

8 SUBCHAPTER H

9 (Reserved)

10 SUBCHAPTER I

11 (Reserved)

12 SUBCHAPTER J

13 MISCELLANEOUS PROVISIONS

14 Sec.

15 3491. Certain rights preserved.

16 3492. Trade secrets.

17 3493. Applicability.

18 3494. Well setback.

19 3495. Voluntary establishment of a standard unit.

20 3496. Drilling permit not required.

21 § 3491. Certain rights preserved.

22 (a) Policy statement.--Voluntary units implemented in
23 accordance with the terms of executed oil and gas leases for the
24 bona fide purpose of promoting the development of unconventional
25 natural gas resources are declared to be necessary and
26 reasonable for the development of unconventional gas resources
27 in accordance with reasonable conservation principles and to
28 reasonably protect affected correlative rights. Units created
29 under a voluntary unitization agreement are declared to be per
30 se reasonable and subject to modification only in accordance

1 with the terms of the applicable leases or the express terms of
2 this chapter.

3 (b) Common law rights.--Except as expressly provided under
4 this chapter and in orders issued by the commission, this
5 chapter does not supersede any common law rights of any person
6 before or after the effective date of this chapter recognized by
7 the courts of this Commonwealth.

8 (c) Successors in interest.--All rights related to units
9 created under this chapter and all leases integrated in the
10 units, in whole or in part, shall be binding upon the heirs,
11 successors and assigns of all parties, including a party taking
12 title to the property as the result of judicial sale, mortgage
13 foreclosure, tax sale or by other operation of law and shall be
14 binding upon and shall run with the land. No action by an owner
15 of any interest in a lien, judgment, mortgage or other
16 encumbrance shall extinguish or impair the establishment of a
17 standard unit under this chapter.

18 § 3492. Trade secrets.

19 (a) Right to privacy.--Confidential proprietary information
20 or trade secrets submitted by parties during proceedings under
21 this chapter may not be disclosed by the commission or any other
22 parties privy to such information or secrets. The information
23 may be submitted under seal for review by the administrative law
24 judge only and shall be exempt from the act of February 14, 2008
25 (P.L.6, No.3), known as the Right-to-Know Law.

26 (b) Violations.--A violation of this section shall
27 constitute a violation of this chapter and also a violation of
28 12 Pa.C.S. Ch. 53 (relating to trade secrets), for which relief
29 may be sought by an aggrieved party under and in accordance with
30 the terms of 12 Pa.C.S. Ch. 53.

1 § 3493. Applicability.

2 (a) Sandstone extractions.--This chapter shall apply to all
3 wells drilled after the effective date of this chapter into and
4 producing from unconventional oil and natural gas reservoirs
5 below the base of the Elk Sandstone or its geologic equivalent
6 stratigraphic interval in this Commonwealth other than coal bed
7 methane.

8 (b) Vertical wells.--The only provision of this chapter that
9 shall apply to vertical wells is the 250 feet setback
10 requirement from lease or unit lines and from other wells
11 seeking production from the same stratigraphic interval. In the
12 event of a preexisting vertical well on land subject to an
13 integrated unit proceeding, a setback of 250 feet around the
14 bore of that well shall be maintained in all operations upon a
15 unit created under this chapter. The acreage within that setback
16 area shall not be acreage within the unit. For horizontal wells,
17 the 250 feet setback requirement from lease and unit lines
18 imposed under section 3421(b) (relating to standard unit order)
19 shall apply to wells drilled after the effective date of this
20 chapter.

21 § 3494. Well setback.

22 No perforated segment of any well drilled to be produced from
23 an unconventional reservoir shall be located at any point less
24 than 250 feet from the boundary of:

25 (1) a lease not included in a proposed voluntary unit or
26 unit applied for or established under this chapter;

27 (2) a voluntary unit formed for the well; or

28 (3) any unit applied for or established under this
29 chapter for the well.

30 § 3495. Voluntary establishment of a standard unit.

1 An order of the commission shall not be required for the
2 voluntary establishment of a standard unit.

3 § 3496. Drilling permit not required.

4 The commission may not require an applicant to obtain a
5 drilling permit to qualify for the establishment of a standard
6 unit.

7 Section 2. Repeals are as follows:

8 (1) The General Assembly declares that the repeal under
9 paragraph (2) is necessary to effectuate the addition of 58
10 Pa.C.S. Ch. 34.

11 (2) The act of July 25, 1961 (P.L.825, No.359), known as
12 the Oil and Gas Conservation Law, is repealed.

13 Section 3. The addition of 58 Pa.C.S. Ch. 34 is a
14 continuation of the act of July 25, 1961 (P.L.825, No.359),
15 known as the Oil and Gas Conservation Law. The following apply:

16 (1) Except as otherwise provided in 58 Pa.C.S. Ch. 34,
17 all activities initiated under the Oil and Gas Conservation
18 Law shall continue and remain in full force and effect and
19 may be completed under 58 Pa.C.S. Ch. 34. Orders,
20 regulations, rules and decisions which were made under the
21 Oil and Gas Conservation Law and which are in effect on the
22 effective date of section 2(2) of this act shall remain in
23 full force and effect until revoked, vacated or modified
24 under 58 Pa.C.S. Ch. 34. Contracts, obligations and
25 collective bargaining agreements entered into under the Oil
26 and Gas Conservation Law are not affected nor impaired by the
27 repeal of the Oil and Gas Conservation Law.

28 (2) Except as set forth in paragraph (3), any difference
29 in language between 58 Pa.C.S. Ch. 34 and the Oil and Gas
30 Conservation Law is intended only to conform to the style of

1 the Pennsylvania Consolidated Statutes and is not intended to
2 change or affect the legislative intent, judicial
3 construction or administration and implementation of the Oil
4 and Gas Conservation Law.

5 (3) Paragraph (2) does not apply to the addition of the
6 following provisions:

7 (i) The following definitions in section 3403:

8 (A) "Nonconsenting party."

9 (B) "Unit."

10 (ii) Section 3421(a) and (b).

11 (iii) Section 3432(a) and (c).

12 (iv) Section 3434(c) (2) and (3).

13 (v) Section 3435(c).

14 (vi) Section 3441(c).

15 (vii) Section 3443(a) introductory paragraph.

16 Section 4. This act shall take effect immediately.