



HOUSE COMMITTEE ON APPROPRIATIONS

FISCAL NOTE

HOUSE BILL NO. 2154

PRINTERS NO. 3477

PRIME SPONSOR: Causer

COST / (SAVINGS)

FUND	FY 2017/18	FY 2018/19
Well Plugging Account; Abandoned Well Plugging Fund; Orphan Well Plugging Fund; Marcellus Legacy Fund	See Fiscal Impact	See Fiscal Impact

SUMMARY: House Bill 2154, Printer's Number 3477, establishes the Conventional Oil and Gas Wells Act to provide for the regulation of conventional well drilling activities and plugging abandoned wells in the Commonwealth.

ANALYSIS: This bill establishes the Conventional Oil and Gas Wells Act, specifically to restore regulatory provisions of the Oil and Gas Act of 1984 and provide a framework specific to conventional wells and well sites. The reason for this is because both unconventional and conventional wells are currently permitted activities with the same regulatory requirements under Act 13 of 2012.

The legislation establishes several new chapters to address conventional well drilling activities and related issues such as permitting and siting requirements; protection of groundwater and water sources; well plugging requirements; and enforcement and funding provisions. The department will adopt regulations to establish the various requirements and protections related to conventional gas drilling activities.

For example, Chapter 3 provides that the well permit shall be accompanied by a fee, established by regulation of the department, which bears a reasonable relationship to the cost of administering the Act. A person is required to obtain a well permit to drill or alter a well and well permits shall expire three years after issuance unless the operations for drilling are commenced within the period and pursued with due diligence or unless the permit is renewed.

It also states that the Environmental Quality Board may establish by regulation requirements for permitting and operation of abandoned or orphan wells. Operators shall undertake reasonable diligence to identify abandoned, orphan, active or inactive wells prior to hydraulic fracturing. A person who proposes to adopt and operate an orphan well is required to obtain a permit from DEP. No fee is required for the identification.

The bill provides for well plugging requirements, specifically the owner or operator is required to plug a well they are abandoning unless DEP has granted inactive status or the well has been

approved by DEP as an orphan well. The bill provides for plugging requirements for gas wells drilled prior to January 30, 1956, for areas underlain by coal, for abandoned wells and for wells abandoned immediately after completion of drilling.

Persons who voluntarily plug an orphan well may either apply to the Commonwealth Finance Authority for a \$5,000 payment per well plugged payable from the Marcellus Legacy Fund or be credited for each plugged well in the form of a permit-fee waiver for any succeeding well permit application.

Chapter 7 addresses enforcement and remedies the department may pursue against a person or municipality for violation of the act. The bill provides two types of violations: a general violation and a willful violation. The Environmental Hearing Board may assess a civil penalty regardless of whether or not the violation was willful. The civil penalty shall not exceed \$25,000 plus \$1,000 for each day during which the violation continues. The penalty shall be deposited into the Orphan Well Plugging Fund.

DEP is required to post inspection reports on its publicly accessible internet website and shall remove a notice of violation issued in error from the public record as soon as possible. The act also does not affect, limit or impair the authority of DEP to enforce the following: Clean Streams Law (Act 394 of 1937); Air Pollution Control Act (Act 787 of 1959); Dam Safety and Encroachments Act (Act 325 of 1978); and Solid Waste Management Act (Act 97 of 1980).

Chapter 9 outlines related funds of the program and activities. For example, fines and civil penalties collected under this act shall be deposited in the Orphan Well Plugging Fund. Other than permit fee surcharges under this section, permit fees collected are appropriated to the department to carry out the provisions of this act.

A surcharge fee of \$50 is added to the permit fee under section 301 for new wells. The surcharge shall be paid into the Abandoned Well Plugging Fund.

A surcharge fee of \$100 for wells to be drilled for oil production and a \$200 surcharge for wells to be drilled for gas production are added to the permit fee under section 301 for new wells. The surcharges shall be deposited into the Orphan Well Plugging Fund. If an operator rehabilitates a well abandoned by another operator or an orphan well, the permit fee and the surcharge for the well shall be waived.

The bill states that the provisions of Title 58 (relating to oil and gas) are repealed insofar as they relate to conventional wells. All acts and parts of acts are repealed insofar as they are inconsistent with this Act. All conventional oil and gas well activities already initiated shall continue and remain in full force and effect and may be completed under this Act. It also includes the provision that requirements of the Coal and Gas Resource Coordination Act shall apply to this act for the issuance of a permit.

This legislation would take effect immediately upon enactment.

FISCAL IMPACT: Enactment of this legislation will have no adverse impact on Commonwealth funds. Both unconventional and conventional wells are currently permitted activities under Act 13 of 2012 with permit fee revenues being deposited into the department's Well Plugging Account. The bill, by establishing the Conventional Oil and Gas Wells Act, requires the department to establish a commensurate well permit and fee structure to continue the program and cover program administration costs.

The bill also outlines funding and revenues related to the plugging of abandoned wells. For example, persons who voluntarily plug an orphan well may either apply to the Commonwealth Finance Authority (CFA) for a \$5,000 payment per well plugged payable from the Marcellus Legacy Fund, which had approximately \$25 million available in FY2016-17 for this and related initiatives. Funding is currently offered through the CFA's Orphan and Abandoned Well Plugging (OAWP) program.

If the applicant chooses not to receive the \$5,000 payment from the Marcellus Legacy Fund, the person could be credited for each plugged well in the form of a permit-fee waiver for any succeeding well permit application. This option would reduce permit fee revenues into the Well Plugging Account, but such revenue loss would be offset with the retention of CFA OAWP funds in the Marcellus Legacy Fund for other plugging projects.

The bill also provides for additional revenues in the form of surcharges added to permit fees for new wells. This includes a surcharge fee of \$50 that shall be paid into the Abandoned Well Plugging Fund, while there will be an additional surcharge fee of \$100 for wells to be drilled for oil production and a \$200 surcharge for wells to be drilled for gas production that shall be deposited into the Orphan Well Plugging Fund. However, if an operator rehabilitates a well abandoned by another operator or an orphan well, the permit fee and the surcharge for the well shall be waived.

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Estimates are calculated using the best information available. Actual costs and revenue impact incurred may vary from estimates.