



HOUSE COMMITTEE ON APPROPRIATIONS

FISCAL NOTE

SENATE BILL NO. 694

PRINTERS NO. 1284

PRIME SPONSOR: Yaw

COST / (SAVINGS)

FUND	FY 2019/20	FY 2020/21
General Fund; Unconventional Gas Well Fund	See Fiscal Impact	See Fiscal Impact

SUMMARY: Senate Bill 694, Printer's Number 1284, amends the Oil and Gas Lease Act to allow for cross unit drilling for unconventional wells.

ANALYSIS: This bill amends the Oil and Gas Lease Act (Act 60 of 1979) by adding Section 2.2 to allow for cross unit drilling for unconventional wells. If an operator already has the right to drill for oil or gas on separate units, the operator may drill and produce a horizontal well that traverses more than one unit.

The bill states that the operator would be allowed to use cross unit drilling if:

1. The operator reasonably allocates production from the well to or among each unit. The operator may allocate production on an acreage basis for multiple units provided the allocation has a reasonable correlation to the portion of the horizontal wellbore of each unit; and
2. The traversing well is not expressly prohibited by the terms of the lease.

The 330-foot location requirement in the Oil and Gas Conservation Law shall not apply to unit lines traversed by a conservation well. Additional language clarifies that nothing in this subsection shall be construed to:

1. Authorize an operator to drill an oil or gas well that is not subject to a valid lease or royalty agreement; and
2. Automatically expand or diminish the current surface rights of an operator to include operations related to existing unit or well drilled between existing units.

This legislation would take effect in 60 days upon enactment.

FISCAL IMPACT: Enactment of this legislation would have no immediate impact on Commonwealth funds. The bill allows for the drilling of a horizontal well that traverses more than one unit or lease, which could reduce the need for additional surface wells to be drilled resulting in less Impact Fee revenues collected and deposited into the Unconventional Gas Well Fund. The Impact Fee is paid currently for every unconventional gas well drilled in the Commonwealth as established under Chapter 23 in Title 58 (Oil and Gas) of the Consolidated Statutes.

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House Appropriations Committee (R)

DATE: October 29, 2019

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