



HOUSE COMMITTEE ON APPROPRIATIONS

FISCAL NOTE

HOUSE BILL NO. 2461

PRINTERS NO. 2907

PRIME SPONSOR: Owlett

COST / (SAVINGS)

FUND	FY 2021/22	FY 2022/23
General Fund; Oil & Gas Lease Fund; Unconventional Gas Well Fund (Act 13)	See Fiscal Impact	See Fiscal Impact

SUMMARY: House Bill 2461, Printer's Number 2907, creates the Subsurface Oil and Gas Lease Act which would require the Department of Conservation and Natural Resources to establish a program for subsurface leasing for oil and gas on state lands from well sites outside the State forest or park property.

ANALYSIS: This bill creates the Subsurface Oil and Gas Lease Act which would require the Department of Conservation and Natural Resources (DNCR) to establish a program to review submissions or nominations by companies for the leasing of subsurface rights under State forest and park property by companies for oil and gas development from subsurface drilling originating from well sites outside the State forest or park property.

This act shall abrogate Executive Order 2015-03 (addressing drilling moratorium) and any other order or administrative policy in conflict with this act. DCNR shall implement the program within 90 days of the effective date of the act and post information and instructions on its publicly accessible Internet website.

The agency secretary shall have the authority to approve or disapprove any submission or nomination for a lease under this act and provide a response in writing within 60 days of receipt from the company. If disapproving a lease submission, the department shall list all reasons why the department has made the decision in the notification.

A company receiving notice of disapproval may resend a submission or nomination and may include a response addressing the department's reasons within 60 calendar days of receipt of DCNR's disapproval. The department shall provide a response in writing within 60 days of receipt from the company. If disapproved by the agency, it shall list all reasons why the decision was made in the notification. A company may appeal the disapproval to Commonwealth Court.

The department may disapprove a submission or nomination for the following reasons:

- the company has environmental compliance violations within this Commonwealth and which have caused a significant negative environmental impact; and
- development would lead to related infrastructure development elsewhere on State forest land which would lead to significant negative environmental impacts.

The department shall hold a competitive bidding process for any drilling submissions or nominations it approves and the following shall apply:

- DCNR shall notify the company of the time and manner by which the bidding process will take place and the bidding process shall be open to any company;
- DCNR shall post the time and manner by which the bidding process will take place, along with a description of the rights which will be bid;
- DCNR shall complete the bidding process and select the winning bidder within 45 days of approving a submission; and
- the winning bidder shall be awarded a lease for the rights in question.

Section 4 outlines the use of funds received from initial deposits and provides for a grant program under this act. For example, all revenue generated from leases under this act shall be deposited into the Oil and Gas Lease Fund and appropriated on a continuing basis to the department for the grant program to fund stream maintenance and clearing projects.

The department shall prioritize awarding the money under the grant program to projects designed to mitigate the risk of flooding; projects that have the potential to preserve farmland or residential property from flooding; and projects from areas of this Commonwealth that have been under Federal or State disaster emergency related to flooding within the last five years. A proposed project within a single county or municipality shall not receive more than 10% of the money under the grant program distributed by the department in a given year.

This legislation would take effect immediately upon enactment.

FISCAL IMPACT: It is projected DCNR will have additional administrative expenses establishing the subsurface leasing program and administering the related grant program under the bill, but these activities are consistent with and would be covered under existing operations.

For example, the agency currently manages a similar program as part of its Streambed Gas Leasing Program for the beds and subsurface rights of waterways such as rivers, creeks and lakes considered to be navigable and publicly owned. Companies contact DCNR prior to development beneath any of these waterways to obtain a lease and get additional information.

All revenues received under this bill from lease deposits shall be deposited into the Oil and Gas Lease Fund and appropriated on a continuing basis to the department for the grant program to fund stream maintenance and clearing projects. It is expected any additional grants would be managed and administered by DCNR's existing staff and Community Conservation Partnerships Program. It should also be noted that additional revenues would be generated from Act 13 Impact Fee revenues from well sites outside the State forest or park property and deposited into the Unconventional Gas Well Fund.

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House Appropriations Committee (R)

DATE: April 11, 2022

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