



HOUSE COMMITTEE ON APPROPRIATIONS

FISCAL NOTE

HOUSE BILL NO. 2644

PRINTERS NO. 3364

PRIME SPONSOR: Causer

COST / (SAVINGS)

FUND	FY 2022/23	FY 2023/24
General Fund; Orphan Well Plugging Fund	\$0	See Fiscal Impact

SUMMARY: House Bill 2644, Printer's Number 3364, creates a new chapter addressing Oil and Gas Well Plugging Oversight to allocate federal funds through a grant program for oil and gas well plugging and addresses conventional well bonding amounts.

ANALYSIS: This bill amends Title 58 (Oil and Gas) to insert Chapter 28 addressing Oil and Gas Well Plugging Oversight and establishes the Orphaned Well Site Plugging, Remediation and Restoration Program as administered by the Department of Environmental Protection (DEP). It also provides for additional definitions and terms related to the program, such as eligible well, orphan well and qualified well plugger.

The program would receive federal money under Section 40601 of the Infrastructure Investment and Jobs Act (Public Law 117-58, 135 Stat. 429) and be allocated as follows:

- (1) 80% shall be deposited into the Orphan Well Plugging Fund; and
- (2) 20% is appropriated on a continuing basis to the department for grants under the Oil and Gas Well Plugging Grant Program.

DEP shall keep records sufficient to document compliance with the requirements imposed under the Orphaned Well Site Plugging, Remediation and Restoration Program. The department may not impose requirements on the recipients of the Federal money that are stricter than requirements imposed under State law when awarding grants.

The Oil and Gas Well Plugging Grant Program is established within the department and grants shall be available to a qualified well plugger that plugs an eligible well as provided under this program. Grants shall be in the following amounts:

- (1) In the amount of \$10,000 for every eligible well plugged that is an orphan well of a depth of 3,000 feet or less.
- (2) In the amount of \$20,000 for every eligible well plugged that is an orphan well of a depth greater than 3,000 feet.

While DEP may not decrease the grant amounts as listed, grant amounts may be increased by posting the increases on the department's publicly accessible Internet website if it is not receiving an adequate number of applications. The bill also outlines the criteria to define a qualified well

plugger and clarifies that it shall not be the person who is legally responsible for plugging the orphan well.

Section 2823 sets different requirements and criteria regarding eligible wells including:

- No later than 30 days after the effective date, DEP shall review available documentation on all known orphan wells with no known owner or operator.
- No later than 45 days after the effective date, DEP shall designate each orphan well reviewed under subsection (a) as an eligible well if it meets certain requirements.
- No later than 60 days after the effective date, DEP shall publish on its publicly accessible Internet website: a list of each eligible well and any relevant identifying information; and any available technical data necessary for a qualified applicant to plug each eligible well. The department shall periodically update the list of wells and related information.

Section 2825 outlines the applications and review process criteria to be used by the department and grant applications shall be available on DEP's publicly accessible Internet website. As additional amounts are appropriated to DEP for the grant program, applications shall be accepted no later than seven days after the additional money is appropriated. It also establishes the amount of the grants and the program limitations.

DEP shall issue a report no later than 21 days after the end of each calendar quarter in which the grant program receives applications, approves applications, or awards grants. The report shall include all of the following:

- The number of applications received in the quarter and in the year to date;
- The number of applications approved in the quarter and in the year to date; and
- The number of grants and total amount awarded in the quarter and in the year to date.

DEP shall make the report available on its publicly accessible Internet website and shall send the report to the chairperson and minority chairperson of the House and Senate Appropriations Committees and the chairperson and minority chairperson of the House and Senate Environmental Resources and Energy Committees.

The bonding amount for conventional oil and gas wells are set at their current statutory amounts of \$2,500 per well with a blanket bond of \$25,000 and makes clear that the Environmental Quality Board and the DEP does not have the authority to adjust these amounts. The blanket bond amount will increase by \$1,000 for every new conventional well drilled up to a maximum amount of \$100,000. The \$1,000 increase shall be waived by DEP if an operator provides evidence that it has plugged an orphan well for which it has not yet received credit at the operator's own expense.

Additional language states that "for 10 years following the effective date of this clause, the bond amounts for well that are not unconventional well may only be revised by the General Assembly, the Environmental Quality Board and the department shall have no authority to adjust bond amounts related to well that are not unconventional wells during that time period."

Section 1606-E (related to oil and gas well bonding requirements) of the Fiscal Code (Act 176 of 1929) is repealed based on the changes of the bill.

This legislation would take effect immediately upon enactment.

FISCAL IMPACT: Enactment of this legislation would establish the Orphaned Well Site Plugging, Remediation and Restoration Program to allocate federal funds received from the Infrastructure Investment and Jobs Act (IIJA). Funds would be deposited into DEP's Orphan Well Plugging Fund for allocating grants through the Oil and Gas Well Plugging Grant Program. DEP has approximately \$1.4 million in the Orphan Well Plugging Fund (restricted account) currently, which receives a \$100 surcharge for drilling oil production wells and a \$200 surcharge for natural gas production wells added to related permit fees per statute.

Pennsylvania was awarded an initial allocation of \$25 million in IIJA funds to plug oil and gas wells as presented in DEP's summary in the Governor's Executive Budget for FY2022-23. The Commonwealth could receive an additional \$79 million as part of the first phase of funding for a total of \$104 million. The additional \$79 million allocation is based on a formula considering different factors, such as job losses in the oil and gas industry during the pandemic, number of documented orphan wells and the estimated remediation costs. Overall, it is projected that Pennsylvania could receive up to \$400 million in IIJA funding through 2029.

Any additional administrative costs for these activities would be covered under existing operations and funding sources, such as the \$6 million the department receives annually from the Unconventional Gas Well Fund (created by Act 13 of 2012) to administer the oil and gas program. However, dependent upon final federal guidelines, it is possible that up to 4 percent of IIJA funding could be used for agency administrative costs similar to other IIJA programs.

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