

SENATE APPROPRIATIONS COMMITTEE FISCAL NOTE

BILL NO. Senate Bill 790

PRINTER NO. 1051

AMOUNT

\$5,000,000

FUND

General Fund

DATE INTRODUCED

June 21, 2019

PRIME SPONSOR

Senator Scarnati

DESCRIPTION

Senate Bill 790 establishes the Conventional Oil and Gas Well Act providing for standards for protections, plugging of wells, and imposing power and duties on the Department of Environmental Protection (DEP) as it relates to conventional wells and well sites only.

Chapter 3 requires a permit to be obtained to drill or alter a well and to operate an abandoned or orphaned well. Requirements for well drilling and plugging including areas underlain by coal are included. It allows for a person who voluntarily plugs an orphan well to apply to the Commonwealth Financing Authority for grants payable from the Marcellus Legacy Fund determined by well depth as follows:

- 2,000 feet or less - \$10,000;
- 2,001 feet to 3,000 feet - \$20,000;
- Greater than 3,000 feet - \$30,000.

Chapter 5 addresses enforcement and remedies against a person or municipality for violations of the act. It establishes two violations: a general violation which may result in a fine of \$500 or imprisonment of not more than 90 days and a willful violation which may result in a fine of \$5,000 or imprisonment of not more than one year. DEP may also assess a civil penalty, which shall not exceed \$25,000 plus \$1,000 for each day during which the violation continues.

Chapter 7 provides for funding and other miscellaneous provisions for the implementation of the act. The bill provides for \$5,000,000 from the General Fund to the DEP and requires the Governor to include the appropriation in the annual budget request. The Environmental Quality Board shall establish a permit fee which bears a reasonable relationship to the cost of administering the act. A \$50 surcharge on permit fees for new wells is deposited into the Abandoned Well Plugging Fund to be expended by the department for the plugging of abandoned wells. A \$100 surcharge on permit fees for wells drilled for oil production and a \$200 surcharge for wells drilled for gas production are maintained and deposited into the Orphan Well

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Plugging Fund to be expended by the department for the plugging of orphaned wells. If an operator rehabilitates an abandoned or orphaned well, the permit fee and surcharges will be waived. This chapter also provides for rules regarding solid waste, surface mining, underground injection wells, storage tanks and spill reporting requirements. It also outlines processes for authorized uses of produced water, including road applications.

FISCAL IMPACT:

Senate Bill 790 appropriates \$5,000,000 in the General Fund to the department to meet the obligations required in this act. It also requires the inclusion of the funding in the Governor's budget request each year. The bill requires the Environmental Quality Board to establish a permit application fee structure to support the administration of the act in addition to the appropriation from the General Fund.

The legislation also maintains from Title 58 additional surcharges to be paid when submitting a permit:

- \$50 shall be collected and deposited into the Abandoned Well Plugging Fund to be expended by the department to plug abandoned wells and
- A surcharge of \$100 for oil wells, and \$200 for gas wells, shall be collected and deposited into the Orphan Well Plugging Fund to be expended by the department to plug orphaned wells.

If an operator rehabilitates an abandoned or orphan well, the permit fee and additional surcharges shall be waived. On average, 200 permits were issued per year over the previous three years. Assuming that this level of activity remains consistent into the future, the Abandoned Well Plugging Fund could expect to continue to collect \$10,000, and the Orphan Well Plugging Fund would raise \$30,000 in surcharge revenues by conventional well permit applicants.

The department may also collect additional revenue as a result of violations of this act. The amount of this revenue will be dependent upon the number of operators in violation of the new requirements.