

# SENATE APPROPRIATIONS COMMITTEE FISCAL NOTE

**BILL NO.** House Bill 2644

**PRINTER NO.** 3187

**AMOUNT**

See Fiscal Impact

**FUND**

Oil Well Plugging Fund

**DATE INTRODUCED**

June 2, 2022

**PRIME SPONSOR**

Representative Causer

**DESCRIPTION**

House Bill 2644 establishes Chapter 28 in Title 58 (Oil and Gas) to address oil and gas well plugging oversight and establishes the Oil and Gas Well Plugging Grant Program.

This legislation allocates funds from the federal Orphaned Well Site Plugging, Remediation and Restoration Program under Section 40601 of the Infrastructure Investment and Jobs Act. Of the money received, 80% is deposited into the Orphan Well Plugging Fund, and 20% is appropriated to the Department of Environmental Protection (department) for grants under the Oil and Gas Well Plugging Grant Program.

Grants made available by the department for the Oil and Gas Well Plugging Grant Program shall be in the amount of not less than \$10,000 for a well of 3,000 feet in depth or less and not less than \$20,000 for a well of greater than 3,000 feet in depth. The department may not decrease these amounts but may increase the amounts if there are not an adequate number of applications received by the department.

The bill provides for different requirements regarding eligible wells. It also outlines the application and review process to be used. The department is required to provide a quarterly report that includes the number of applications received and approved and the number and amount of grants awarded.

House Bill 2644 sets the bonding amount for conventional wells at \$2,500 with a blanket bond of \$25,000. It also prohibits the Environmental Quality Board from adjusting the amounts. The blanket bond amount will increase \$1,000 for every new conventional well drilled up to a maximum amount of \$100,000. The \$1,000 increase shall be waived by the department 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.

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## FISCAL NOTE

### **FISCAL IMPACT:**

House Bill 2644 allocates federal funds into the department's Oil and Gas Well Plugging Grant Program. The Commonwealth was awarded an initial allocation of \$25 million to plug oil and gas wells and could receive an additional \$79 million for a total of \$104 million. The department currently has \$1.4 million in the Orphan Well Plugging Fund, which is funded through a \$100 surcharge for drilling oil production wells and a \$200 surcharge for natural gas production wells added to related permit fees per statute. Any additional administrative costs for these activities are capable of being accommodated through existing operations and funding sources. It is possible that up to four percent of federal funds could be used to offset agency administrative costs.