



Senate of Pennsylvania

Senator Jim Ferlo

38th Senatorial District

MEMO

To: *All Senators*
Date: *March 15, 2011*
From: *Senator Jim Ferlo*
Subject: *Co-sponsorship of Oil and Gas Act Omnibus Amendments*

In the near future I plan to introduce a bill to make significant updates to the Oil and Gas Act to address new impacts produced by the Marcellus Shale gas play.

Pennsylvania has already seen an explosion in well sites across the Marcellus Shale region and the state can only expect more over the coming decades. The medium and long term impacts of the drilling remain largely unknown and I believe it to be of the utmost importance that we protect our residents' health and safety and maintain a clean environment for future generations.

Additionally the amendment will include a new severance tax on natural gas extraction and revenue distribution, updated bonding requirements, civil and criminal penalties, clarification on local zoning oversight, and a moratorium on drilling in state forests.

Here is a more detailed summary of the legislation:

1. Defines unconventional formation and unconventional well to provide for a distinction between shallow wells and deeper wells that are under much higher pressure such as those in the Marcellus Shale formation.
2. Requires that a driller of an unconventional well provide notice to the surrounding property owners that are within 5,000 ft of the well site and access roads prior to the well drilling permit application being submitted to the Department of Environmental Protection (DEP).
3. Utilizes the edge of the well pad as the boundary to begin all measurements for required distances for notification instead of the bore hole.

4. Provides the DEP the option to refuse permits for operators who have continuing serious violations which would likely result in unsafe operation or environmental damage, for operators who are delinquent paying taxes and do not have a valid appeal pending, or if they do not have an appropriate recycling plan for their frack water.

5. Provides a 1,500 foot set back from buildings from the edge of the well pad unless the owner approves a shorter distance.

6. Unless a department waiver is secured no drilling of a shale well may be within 500 feet of a body of water or within the boundary of a wetland, within 2,500 feet of a surface water source, or within 1,000 feet of a groundwater source or an exceptional value water source that serves as a public water system.

7. Adds three additional reasons for the DEP to consider when granting permits: a) proximity to water sources including trout streams and wet lands b) Proximity to public drinking water supplies, and c) location in a flood plain.

8. Requires the DEP to make more protective requirements for storage of hazardous chemicals within 1,000 feet of a body of water and 5000 feet from a source used as a public drinking water source.

9. Improves the standards of drinking water that a driller must obtain to replace lost drinking water due to drilling activity.

10. Provides for a statewide toll-free telephone line to report water contamination from drilling and any other illegal activity at or near drilling sites.

11. Establishing that the presumption responsibility for water supply pollution will be any disturbance within 5000 feet and for 6 months after drilling or fracking.

12. Requires improved storage and record keeping of flowback fracking water.

13. Requires completion reports be filed disclosing chemical makeup of fracking fluid, including its chemical contents, percentage by volume of each chemical, material safety data on each chemical, and other important info. It also requires that first responders may obtain the drilling report information for any well in which they are responding to an emergency and all proprietary information regarding the fracking solution shall be available to them.

14. Bonding amounts increase from \$2,500 per well to \$12,500 with caps for the number of wells operated.

15. Civil penalties would go to \$100,000 from \$25,000 and fines of up to \$10,500 per day.

16. Clarification that local zoning laws are to be preserved.

17. A moratorium on any additional leasing of state forest land for 2 years.

18. A tax of \$.24 on each thousand of cubic feet of gas severed is imposed. The tax rate will adjust up as the price of gas increases.

19. The first two fiscal years the tax revenue collected will be divided equally between the general fund, affected local governments and the environmental stewardship fund for a continuation of Growing Greener II programs.

20. Starting in fiscal year 2013-14, the distribution of the proceeds will be:

A. Thirty percent to Local Governments. Fifty percent of this will go to economic development projects to maintain the economic momentum brought to regions by the drilling activity and run under the CFA, and the remaining 50% will be directed to municipalities and counties based on funding formula related to the number of well heads.

B. Thirty percent to the Hazardous Sites Clean-Up Fund.

C. Thirty percent to the Environmental Stewardship Fund.

D. 10 percent, but no more than \$5 million, to an emergency fund managed by PEMA and the DEP for firefighter and first responder training and to have money available in the event of well blow outs or other problems that will happen at well sites.

If you would like to co-sponsor this legislation please e-mail Gianna Veno at gveno@pasenate.com or call 787-6123.