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**TESTIMONY OF
ARTHUR STEWART**

**PRESIDENT, CAMERON ENERGY COMPANY &
SECRETARY, PENNSYLVANIA GRADE CRUDE OIL COALITION (PGCC)**

BEFORE THE

**PENNSYLVANIA HOUSE OF REPRESENTATIVES
ENVIRONMENTAL RESOURCES AND ENERGY COMMITTEE**



TESTIMONY:

Thank you Chairman Vitali and Chairman Causer.

My name is Arthur Stewart. I formed my company 35 years ago and today we employ 55 men and women, including my wife and 4 children. We drill and produce “**conventional**” oil and gas wells. **Conventional wells** are very different from “**unconventional**” Marcellus and Utica wells. Conventional wells are shallow, vertical, and low pressure. They produce the equivalent of a few gallons of oil and gas per day. Conventional well locations are about the size of a large garage, and our natural gas supplies nearby houses, schools, and businesses.

Unconventional Marcellus and Utica wells came to PA 15 years ago and are enormous in size and output—a single Marcellus well can produce more natural gas than several hundred conventional wells combined. An unconventional well location is the size of a Walmart parking lot. Unconventional wells operate at thousands of pounds of pressure and the gas is shipped around the nation in high pressure lines. An unconventional well costs 100 times more than a new conventional well.

The unconventional industry has imposed a burden on us conventional operators. The high impacts of unconventional—such as high well pressures, high road usage, and high water consumption—prompted the General Assembly to change PA’s oil and gas act by passing Act 13, in 2012. Unfortunately, the General Assembly changed the law for **ALL** PA’s oil and gas wells.

In the ten years since Act 13’s adoption, the conventional industry has worked to demonstrate that “one size does not fit all”. There has been some relief: in 2012 the Fiscal Code separated conventional and unconventional well bonding; in 2016 Act 52 formed a conventional oil and gas advisory council and separated conventional and unconventional rulemaking; in 2020 SB 790 created a separate statutory framework for the conventional industry—but the bill was vetoed; and in 2022 Act 96 enacted a bonding compromise—quadrupling the conventional well blanket bond ceiling from \$25,000 to \$100,000 on one hand and, on the other, locking in the new conventional bonding for 10 years, giving much needed stability to the thousands of small businesses that comprise PA’s conventional industry.

We are assembled at a hearing to consider how to prevent abandoned wells. Let’s use the correct terms. An **orphan** well is an ancient well, abandoned long ago, and for which there is no responsible party. An **abandoned** well belongs to a known responsible party. Under the State definition, a well becomes abandoned when that responsible party fails to produce for 12 months. The DEP database also contains a category of wells wherein the operators are primarily unknown, deceased, or out of business and which wells DEP has not categorized, as either “abandoned” or “orphan.” The DEP database shows 1,836 abandoned wells in PA.

How do we stop that list of abandoned wells from growing? I know bonding is on your mind and I’ll discuss bonding in a moment. But **apart** from bonding, Pennsylvania gives DEP four potent legal tools to deal with operators who abandon wells. First, DEP can impose an

administrative order. Second, DEP can assess a civil penalty of \$25,000 and an additional daily penalty of \$1,000. Third, DEP can impose a lien on all or any of the real and personal property of an operator who abandons a well. Fourth, DEP can seek criminal penalties of up to one year imprisonment and a daily fine of \$5,000.

To illustrate, allow me to point to DEP records, which show that EQT owns 152 of PA's abandoned wells. EQT is a publicly traded corporation with a market cap of \$12 billion. Certainly, EQT has the resources to address its 152 abandoned wells. I trust we can agree that any of the 4 enforcement tools would bring resolution of those 152 wells. Consider that several dozens of PA's abandoned wells are owned by PA school districts, PennDOT, and USDA. Do we have any doubt that a school district would react appropriately to the DEP's exercise of any of the 4 enforcement tools? Finally, consider a conventional operator like me. If I had an abandoned well would I ignore a threat from the DEP to throw me in jail for a year or to impose a lien on all of my assets? In all of these examples we can readily see that bonding is not an indispensable tool.

Yet for reasons that are illogical, the recent national dialogue about abandoned wells is focused on increasing bonding. PA has a long history with well bonding. Since 1984 new oil and gas wells in PA must be bonded. My company owns hundreds of post-1984 wells, and under bonding law I placed \$25,000 in a certificate of deposit that is pledged to the state. Under Act 96 I will now have to increase my certificate of deposit to \$100,000. Other conventional operators have similar dollars tied-up in bonding.

We are gathered because of the popular belief that conventional well abandonment is a fast-growing cancer and that bonding is the cure. But it's not true. In the last five years the DEP has seized bonds from only two operators. In other words, the DEP uses the "cure" of a bond seizure, on average, less than once every two years. **If bonding was an effective cure we would see bond seizures being used much more often.**

In contrast, DEP uses the cure of civil penalty much more frequently. Over the last 5 years DEP collected civil penalties 20 times greater than what DEP collected in the two bond seizures. See Exhibit A.

Why is raising the bond amount not an effective cure? Over 60% of Pennsylvania's conventional wells were drilled before bonding was required. The number is even higher for PA's abandoned wells: of the 1,836 wells on DEP's abandoned list, 1,715 were drilled before bonding was required—that's over 93%. In other words, increasing Pennsylvania's bonding amount, which pertains to only post-1984 wells, will have **NO** impact on 93% of PA's abandoned wells.

Why not require every well to be bonded? Because every action has consequences. Bonding has a negative impact upon the cash flow of a business. Every dollar that goes into a bond is a dollar that cannot go to the purchase of a piece of equipment or the wage of an employee. On exhibit B I have attached a snapshot of PA's conventional operators. There are 5,850 conventional operators, and over 5000 of those operators own fewer than ten wells. While

bonds are difficult for businesses of any size, the mom-and-pop operators that make up Pennsylvania's conventional industry do not have access to the investor dollars, credit lines or cash reserves that increased bonds would require. You can't force mom and pop to do the impossible. The legislature recognized that truth when, 40 years ago, it exempted pre-1984 wells from bonding.

Finally, are abandoned wells a fast-spreading cancer? The DEP data tells us "no". Of the 1,836 wells DEP categorizes as "abandoned", only 121 of those were drilled after PA's bonding requirement became law in 1984. Similarly, nearly all of the wells in the DEP's database of wells not categorized as either "abandoned" or "orphan" were also drilled before bonding became required in 1984. In other words, conventional wells drilled since the imposition of bonding are not being abandoned like a fast-spreading cancer, and the outcry for higher bonding amounts is not supported by the statistical data. We are tired of fighting demagogues who preach a false narrative to pursue a global environmental agenda.

Every year my company plugs more wells than it drills; and my company has **NO** abandoned wells. There is no need to punish my company, and the entire cadre of responsible conventional operators, via unnecessary bonding, when: 1) bonded wells are not being abandoned at a reckless pace; and 2) the State already has an adequate solution in the laws that exist. I urge you to not repeal those laws.

I'd like to conclude by discussing the plugging of orphan wells. Unlike abandoned wells, which have a known responsible operator, the people who drilled orphan wells are long dead. The DEP places the number of PA orphan wells at several hundred thousand.

To advance their agenda, the demagogues purposely confuse orphan and abandoned wells. The demagogues want you to believe that the enormous inventory of PA unplugged **orphan** wells is the result of reckless conventional operators ignoring plugging responsibilities. That is a lie. On Exhibit C I have attached pictures of two orphan wells. There are thousands just like them. The first picture looks like the ancient relic it is. It is obviously not a modern bonded well that a reckless operator has walked away from. The second picture reminds us that thousands of orphan wells are simply holes in the ground where our forefathers removed all the equipment. These thousands of orphan wells are **NOT** bonded wells that today's conventional industry is abandoning. Orphan wells are not abandoned wells.

Orphan wells are the shared responsibility of all of us in this room. None of us alive today profited from PA's orphan wells. But long ago, when the fields of western PA were the largest oil and gas fields in the world, the orphan wells stoked the industrial revolution and powered us through WW I. The freedoms and infrastructure we enjoy today, including this fine Capitol, were built with energy from orphan wells. In that sense we all profit from our forefathers' legacy—and we all share that legacy's responsibility. Unlike abandoned wells, there is no individual "responsible party" for PA's inventory of orphan wells. Together we must search out a solution for orphan well plugging.

I'm proud that PGCC was one of the first United States organizations to propose that Covid-19 funds be used to address orphan well plugging. PGCC is a conventional oil and gas trade organization that several of us conventional producers formed when we realized Act 13 failed to distinguish the conventional and unconventional industries.

PGCC proposed a Covid-19 win-win: use federal funds to plug orphan wells to put conventional employees back to work after the Covid shutdowns AND reduce methane emissions from orphan wells. It is noteworthy that several members of this Committee were with me in Warren when we demonstrated the methane that leaks steadily from orphan wells, by lighting it.

The Federal Infrastructure Act has now funded orphan well plugging, but Act 96 actually improves the efficiency of the federal funding, by channeling 20% of the Federal money through a grant program. Under the Act 96 grant program, if I plug an orphan well in compliance with the Federal Infrastructure Act requirements, I can apply for a grant of up to \$40,000. In other words, the Act 96 grant program will result in many orphan wells being plugged for \$40,000 or less.

That compares very favorably to the average cost of \$100,000 per well that PA DEP is currently incurring under its Infrastructure Act program. Under its program PA DEP has decided to issue only large plugging packages that involve a dozen or more wells. Every package requires a bid bond, maintenance bond, performance bond, and payment bond, totaling 260% of the bid amount. For a \$1 million bid the bidder must post \$2.6 million of bonds, far more than small operators can afford.

The Act 96 grant program will allow small local operators to compete. They can combine the plugging projects with other work and use the operating efficiencies to plug more wells at less cost. Unfortunately, the DEP has refused to implement the Act 96 grant program. The DEP failed to meet statutory deadlines to post the list of orphan wells and to post the Act 96 grant application.

I appreciate that both Chairmen Vitali and Caser have visited our conventional operations. Both Chairmen have experienced that our conventional wells exist in harmony with some of PA's cleanest water and beautiful scenery.

I invite all of you to make similar visits. You will see what the demagogues do not discuss, including the wells we responsibly and routinely plug. You will meet the employees whose jobs would be in peril if unnecessary bonding is implemented. These are men and women who work where they live and value clean water and air for their families. These are people who can plug orphan wells at less than ½ the cost DEP is currently experiencing. With what you find on your visit I think you will conclude that Act 96 is reasonable legislation, that a Conventional Oil and Gas Act should again be passed by the legislature, and that your influence would be well spent getting the DEP out of neutral and into first gear on the Act 96 grant program.

Thank you.

EXHIBIT A
(Excerpt from PA DEP Executive Summary)

Table 4. Summary of enforcement actions from 2017 through 2021 that were associated with conventional wells violations.

Count by Enforcement Type	2017		2018		2019		2020		2021		Grand Total	
	Count of Enforcements	Total Penalty Collected	Count of Enforcements	Total Penalty Collected	Count of Enforcements	Total Penalty Collected	Count of Enforcements	Total Penalty Collected	Count of Enforcements	Total Penalty Collected	Total Enforcements	Total Penalty Collected
ADORD - Administrative Order	4		13		3		4		3		27	\$0
BDFT - Bond Forfeiture	1	\$25,000							1	\$25,163	2	\$50,163
CACP - Consent Assessment of Civil Penalty	16	\$503,490	18	\$195,178	8	\$121,050	9	\$269,589	7	\$34,783	58	\$1,124,090
CDEC - Consent Decree					1						1	\$0
CMPOR - Compliance Order	3		6		2		2		1		14	\$0
COA - Consent Order and Agreement	5	\$16,300	3		5	\$85,900	2		2		17	\$102,200
CPA - Civil Penalty Assessment			1	\$70,000	2						3	\$70,000
CTORD - Court Order	3	\$5,000	3		9		2				17	\$5,000
EHBO - Environmental Hearing Board Order					1	\$1,950					1	\$1,950
NOV - Notice of Violation	228		207		136		304		264		1,139	\$0
PTCON - Petition for Contempt	3				1		1				5	\$0
PTNEN - Petition to Enforce	2		5		1						8	\$0
VIOIN - Violation Inquiry							1				1	\$0
Grand Total	265	\$549,790	256	\$265,178	169	\$208,900	325	\$269,589	278	\$59,946	1,293	\$1,353,403

EXHIBIT B

(Data collated by Pennsylvania Petroleum Producer's Association [PIPP] from DEP data)

Number of wells owned	number of operators	
1 well	3,437	
2 wells	648	
3 wells	284	
4 wells	184	
5 wells	140	
6 wells	91	
7 wells	65	
8 wells	60	
9 wells	44	
10 wells	52	
11 wells	42	
12 wells	50	
13 wells	30	
14 wells	35	
15 wells	35	
16-20 wells	85	
21-29 wells	136	
30-39 wells	79	
40-49 wells	46	
50-59 wells	43	
60-69 wells	24	
70-79 wells	15	
80-89 wells	20	
90-99 wells	14	
100-149 wells	64	
150-199 wells	36	
200-250 wells	25	
251-300 wells	19	
301-400 wells	17	
401-500 wells	6	
501-1000 wells	19	
1001-2000 wells	8	
2001-3000 wells	1	
3001-4000 wells	2	
4001-5000 wells	1	
5001-10000 wells	1	
10001-11000	1	

number of producers
that own 10 wells
or less
5,005

number of producers
that own 20 wells
or less
5,282

number of producers
that own 50 wells
or less
5,534

number of producers
that own 50 wells
or more
316

Total operators 5850

EXHIBIT C
Typical Warren County Orphan Wells

