

THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 2984 Session of
1992

INTRODUCED BY D. R. WRIGHT, SALOOM, KOSINSKI, JOHNSON, HERSHEY,
JADLOWIEC, PETRONE AND TRELLO, OCTOBER 5, 1992

REFERRED TO COMMITTEE ON CONSERVATION, OCTOBER 5, 1992

AN ACT

1 Amending the act of December 19, 1984 (P.L.1140, No.223),
2 entitled "An act relating to the development of oil and gas
3 and coal; imposing duties and powers on the Department of
4 Environmental Resources; imposing notification requirements
5 to protect landowners; and providing for definitions, for
6 various requirements to regulate the drilling and operation
7 of oil and gas wells, for gas storage reservoirs, for various
8 reporting requirements, including certain requirements
9 concerning the operation of coal mines, for well permits, for
10 well registration, for distance requirements, for well casing
11 requirements, for safety device requirements, for storage
12 reservoir obligations, for well bonding requirements, for a
13 Well Plugging Restricted Revenue Account to enforce oil and
14 gas well plugging requirements, for the creation of an Oil
15 and Gas Technical Advisory Board, for oil and gas well
16 inspections, for enforcement and for penalties," further
17 providing for bonding.

18 The General Assembly of the Commonwealth of Pennsylvania
19 hereby enacts as follows:

20 Section 1. Section 215(d) and (d.1) of the act of December
21 19, 1984 (P.L.1140, No.223), known as the Oil and Gas Act,
22 amended July 2, 1992 (P.L.365, No.78), are amended to read:

23 Section 215. Bonding.

24 * * *

25 (d) (1) Any operator of not more than 200 wells who cannot

1 obtain a bond for a well drilled prior to April 18, 1985, as
2 required under subsection (a), due to an inability to
3 demonstrate sufficient financial resources may, in lieu of
4 the bond:

5 (i) Submit to the department a fee in the amount of
6 \$50 per well, or a blanket fee of \$500 for ten to 20
7 wells, or a blanket fee of \$1,000 for more than 20 wells,
8 which shall be a nonrefundable fee paid each year that
9 the operator has not filed a bond with the department.

10 All fees collected in lieu of a bond under this
11 subsection shall be used for the purposes authorized by
12 this act. The Environmental Quality Board shall have the
13 power, by regulation, to increase the amount of the fees
14 established under this subsection.

15 (ii) (A) Make phased deposits of collateral to
16 fully collateralize the bond. Such payment shall be
17 based on the number of wells the operator owns or
18 operates. The operator shall make an initial deposit
19 and shall, thereafter, make annual deposits in
20 accordance with the schedule in clause (B). Interest
21 accumulated by the collateral shall become a part of
22 the bond until such time as the collateral plus
23 accumulated interest equals the amount of the
24 required bond. The collateral shall be deposited, in
25 trust, with the State Treasurer as provided in this
26 subsection, or with a bank selected by the department
27 which shall act as trustee for the benefit of the
28 Commonwealth to guarantee the operator's compliance
29 with the drilling, water supply replacement,
30 restoration and plugging requirements of this act.

1 The operator shall be required to pay all costs of
2 the trust.

3 (B) An operator of up to ten existing wells who
4 does not intend to operate additional wells shall
5 deposit \$250 per well and shall, thereafter, annually
6 deposit \$50 per well until the obligations of this
7 section are fully met. An operator of 11 to 25 wells
8 or an operator of up to ten wells who applies for one
9 or more permits for additional wells shall deposit
10 \$2,000 and shall, thereafter, annually deposit \$1,150
11 plus \$150 for each additional well to be permitted
12 that year until the obligations of this section are
13 fully met. An operator of 26 to 50 wells shall
14 deposit \$3,000 and shall, thereafter, annually
15 deposit \$1,300 plus \$400 for each additional well to
16 be permitted that year until the obligations of this
17 section are fully met. An operator of 51 to 100 wells
18 shall deposit \$4,000 and shall, thereafter, annually
19 deposit \$1,500 plus \$400 for each additional well to
20 be permitted that year until the obligations of this
21 section are fully met. Operators of 101 to 200 wells
22 shall deposit \$8,000 and shall, thereafter, annually
23 deposit \$1,600 plus \$1,000 for each additional well
24 to be permitted that year until the obligations of
25 this section are fully met. Operators of more than
26 200 wells shall fully bond their wells immediately.
27 The department shall reduce the amount of phased
28 collateral payments or the period of time over which
29 phased collateral payments shall be made on behalf of
30 owners or operators who, prior to the effective date

1 of this amendatory act, have paid a fee in lieu of
2 bond pursuant to subparagraph (i), and who, within
3 one year of the effective date of this amendatory
4 act, choose to enter the phased collateral program
5 pursuant to this subparagraph (ii) rather than to
6 continue to make payments in lieu of bond. The
7 reduction shall be in the amount of the fee paid.
8 Payments made in lieu of bond prior to the effective
9 date of this amendatory act shall not be credited in
10 any other manner, nor shall the department be
11 required to refund such fees at any time. The
12 Environmental Quality Board shall have the power, by
13 regulation, to change the annual deposits established
14 under this clause if it is found to be necessary to
15 accommodate a change in the amount of the bond
16 required under this section. The department shall
17 provide a one-year grace period for making phased
18 collateral payments to owners or operators who are in
19 compliance with this act and who, as of August 3,
20 1992, are current with phased collateral payments.

21 (2) An operator may continue to pay a fee in lieu of
22 bond or make phased deposits of collateral to fully
23 collateralize the bond so long as the operator does not miss
24 any payments for wells as provided under this subsection and
25 so long as the operator remains in compliance with the
26 provisions of this act and regulations and permits issued
27 thereunder. If an operator has missed any payments for wells
28 as provided under this subsection, the operator shall:

29 (i) immediately submit the appropriate bond amount
30 in full; or

(ii) cease all operations and plug the wells in
accordance with section 210.

(d.1) (1) An individual who cannot obtain a bond to drill new wells due to an inability to demonstrate financial resources may meet the collateral bond requirements of subsection (a) by making phased deposits of collateral to fully collateralize the bond. Such individuals shall be limited to drilling ten new wells per calendar year. The individual shall, for each well to be drilled, deposit \$500 and shall, thereafter, annually deposit 10% of the remaining bond amount for a period of ten years. Interest accumulated by the collateral shall become a part of the bond until such time as the collateral, plus accumulated interest, equals the amount of the required bond. The collateral shall be deposited, in trust, with the State Treasurer as provided in subsection (a) or with a bank selected by the department which shall act as trustee for the benefit of the Commonwealth, to guarantee the individual's compliance with the drilling, water supply replacement, restoration and plugging requirements of this act. The individual shall be required to pay all costs of the trust.

(2) Individuals may continue to use phased collateral to obtain permits so long as they have not missed any payments for wells drilled under this provision and so long as they remain in compliance with this act and regulations and permits issued thereunder. If an individual has missed any payments for wells under this subsection, the operator shall:

(i) immediately submit the appropriate bond amount
in full; or

(ii) cease all operations and plug the wells in

1 accordance with section 210.

2 (3) An individual may, within one year of the effective
3 date of this paragraph, drill five new wells without meeting
4 the bonding requirements of this section if the individual:

5 (i) operates less than 200 wells; and

6 (ii) is in compliance with this act.

7 For the purposes of this subsection an "individual" is defined
8 as an applicant who is a natural person doing business under his
9 own name.

10 * * *

11 Section 2. This act shall take effect immediately.