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THE GENERAL ASSEMBLY OF PENNSYLVANIA

SENATE BILL

No. 355 Session of 2013

INTRODUCED BY YAW, MENSCH, ERICKSON AND BROWNE, JANUARY 31, 2013

REFERRED TO ENVIRONMENTAL RESOURCES AND ENERGY, JANUARY 31, 2013

AN ACT

Amending Title 58 (Oil and Gas) of the Pennsylvania Consolidated Statutes, consolidating the Oil and Gas Conservation Law with modifications relating to definitions, standard unit order, process, administration, standard of review, hearings and appeals, establishment of units, integration of various interests, lease extension and scope; providing for gas and hazardous liquids pipelines; and making a related repeal.

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

Section 1. Part III of Title 58 of the Pennsylvania Consolidated Statutes is amended by adding a chapter to read:

CHAPTER 34

UNCONVENTIONAL OIL

AND GAS CONSERVATION

Subchapter

A. Preliminary Provisions

B. (Reserved)

C. Establishment of Standard Units

D. Procedure

E. Effect of Order

F. (Reserved)

G. (Reserved)

H. (Reserved)

I. (Reserved)

J. Miscellaneous Provisions

SUBCHAPTER A

PRELIMINARY PROVISIONS

Sec.

3401. Short title of chapter.

3402. Legislative intent.

3403. Definitions.

§ 3401. Short title of chapter.

This chapter shall be known and may be cited as the Unconventional Oil and Gas Unit Conservation and Integration Act.

§ 3402. Legislative intent.

The purposes of this chapter are:

(1) To promote the development of unconventional oil and gas resources of this Commonwealth in accordance with the best principles and practices of oil and gas conservation while reasonably protecting the correlative rights of the person affected.

(2) To provide for the protection of the environment.

§ 3403. Definitions.

The following words and phrases when used in this chapter shall have the meanings given to them in this section unless the context clearly indicates otherwise:

"Coal and Gas Resource Coordination Act." The act of December 18, 1984 (P.L.1069, No.214), known as the Coal and Gas Resource Coordination Act.

"Commission." The Pennsylvania Public Utility Commission.

"Consenting party." A person participating in a unit established under this chapter who agrees or elects to participate in a pro rata share of costs and production of a well drilled on that unit in accordance with a joint operating agreement.

"Control." To own or to have the right to explore for, develop, operate and produce oil or gas from the stratigraphic interval proposed to be included in a unit.

"Correlative rights." The rights of each owner of oil and gas interests included or proposed to be included in a standard unit or in land that constitutes stranded acreage to have fair and reasonable opportunity to obtain a just and equitable share of the oil and gas in the unit without being required to drill unnecessary wells or incur other unnecessary expense to recover the oil or gas or its equivalent. The term includes the owners of oil and gas interests in properties adjacent to properties included or proposed to be included within the unit.

"Department." The Department of Environmental Protection of the Commonwealth.

"Drill." The drilling or redrilling of a well or the deepening or plugging back of an existing well.

"Drill pad." The area of surface operations surrounding the surface location of a well or wells.

"Horizontal well." A directional well that is drilled nearly vertically to a certain depth and then angled out horizontally or nearly horizontally to produce from and remain substantially or entirely within a specific geologic interval until the desired terminus of the well bore is reached.

"Hydraulic fracture." A process to stimulate production in oil and gas wells by inducing or propping fractures in oil and

gas bearing rocks using hydraulic pressure. The fluid mixtures which are typically pumped down the well during this process include water, sand and other specialty items.

"Joint operating agreement." An agreement governing the actions of all participants in an established standard unit or a model agreement generally recognized in the extraction industry and all schedules and exhibits pertaining thereto.

"Lateral." The portion of a well bore that deviates from approximate vertical orientation to approximate horizontal orientation and all well bores beyond such deviation to total depth or terminus.

"Nonconsenting party." A person participating in an established standard unit who elects not to participate in its pro rata share of the costs of a well drilled upon that unit and who will pay a risk avoidance under the joint operating agreement.

"Perforated segment." The entire perforated length of each lateral well bore, as shown on a directional survey or predrilled unsurveyed plan, projected vertically to the surface. In the event of the use of a form of completion that does not involve cementing and perforating, the term shall mean the entire length of each lateral from penetration point of the target reservoir to the terminus of the well bore.

"Plat." A map, drawing or print showing the proposed or existing location of a well or a unit.

"Royalty interests." An interest in oil or gas or rights expressly stated to be royalty interests, overriding royalty interests or rights to participate in a share of production but that do not provide a right to conduct exploration, drilling or production.

"Standard unit." A unit for the production of oil or natural gas that is not more than 640 acres in area, plus 10% tolerance for possible survey error or other acreage discrepancies, and that, absent interference by an adjacent preexisting voluntary unit, includes all interests in the oil and gas within the boundaries of the proposed standard unit. Acreage in excess of the 640-acre maximum and 10% tolerance may be included in a standard unit if necessary to:

(1) Avoid the creation of stranded acreage.

(2) Prevent the loss of the use and benefit of potential recoverable oil and gas.

(3) More efficiently recover oil or gas.

"Stranded acreage." Land that cannot be developed for production of oil or gas from unconventional reservoirs because of the 250 feet minimum setback requirements under this chapter when applied to the boundaries of standard units.

"Unconventional reservoir." A formation below the base of the Elk Sandstone or its geologic equivalent stratigraphic interval that contains or produces oil or gas that generally cannot be economically produced at flow rates or in volumes except by hydraulic fracturing, horizontal or multi-lateral well bores or other techniques to expose the reservoir to the well bore.

"Unit." A consolidation of interests of persons actively engaged in the business of extracting oil or gas from land owned or leased by the persons within a defined geographic area to facilitate the drilling of wells from one or more unconventional reservoirs.

"Voluntary unit." A unit created under a lease or other voluntary agreement of the owners and lessees of all interests

in the oil or gas in the unit.

"Waste." The unnecessary loss of potentially recoverable oil or gas.

"Working interest owner." An owner of the right to develop, operate and produce the oil or gas sought to be produced, except where specifically provided in a joint operating agreement governing a standard unit.

SUBCHAPTER B

(Reserved)

SUBCHAPTER C

ESTABLISHMENT OF STANDARD UNITS

Sec.

3421. Standard unit order.

3422. Technical assistance.

§ 3421. Standard unit order.

(a) Authorization.--A person actively engaged in the business of extracting oil or gas who owns or leases at least 65% of the oil or gas working interests in a proposed unit that does not have a voluntary agreement to extract oil or gas from the entire area may apply to the commission for an order to establish a standard unit under this chapter to integrate the interests controlled by another person actively engaged in the business of extracting oil or gas who owns or leases the remaining land in the proposed unit.

(b) Approval.--If a person does not own or control at least 65% of the oil or gas working interests in a proposed standard unit but demonstrates by written evidence that it has an agreement with collaborating owners who control interests within the proposed unit that total 65% of the unit, the person may apply for the establishment of a standard unit.

(c) Other interests.--Interests of a person actively engaged in the business of extracting oil or gas that may be combined under subsection (a) into a standard unit may include interests of the other working interest owners and royalty interests.

(d) Integration.--Upon the grant of an order by the commission establishing a standard unit, all oil and gas interests within the unit shall be integrated in accordance with this chapter.

(e) Scope.--This chapter shall apply to interests of owners engaged in the business of extracting oil or gas.

§ 3422. Technical assistance.

The Bureau of Topographic and Geologic Survey of the Department of Conservation and Natural Resources shall provide technical and other assistance to the commission as requested by the commission.

SUBCHAPTER D

PROCEDURE

Sec.

3431. Process.
3431.1. Powers of commission.
3432. Standard unit protest.
3433. Standard of review.
3434. Hearings and appeals.
3435. Final action.
3436. Appellate jurisdiction of Commonwealth Court.

§ 3431. Process.

(a) Filing.--An applicant for an order to establish a standard unit under this chapter shall file the application with the commission. The commission shall review the application for completeness and notify the applicant of any deficiencies and

refer a completed application to the Office of Administrative Law Judge within five business days of submission.

(b) Voluntary unit.--An order of the commission shall not be required for working interest owners or standard units to establish a voluntary unit under a lease or other agreement.

(1) Lessees that provide the establishment of voluntary units may proceed under the terms of their leases and no proceedings under this chapter shall be required.

(2) A lessee may file to establish a unit under this chapter. If the application is approved, this chapter shall supersede the terms of the leases relating to pooling and utilization with respect to the lands included in the unit.

(c) Application.--A standard unit application shall be in a form approved by the commission and shall include:

(1) Information regarding all working interest owners proposed to be included in the standard unit that are controlled and that are not controlled by the applicant. Working interests shall include all leases, mortgages, judgments and other liens and encumbrances of record upon any interest in the proposed unit. The list shall include:

(i) The name and address of each owner of an interest proposed to be integrated.

(ii) The type of interest held by each owner.

(iii) The extent of the interest held.

(2) A plat that:

(i) Depicts the boundaries of the proposed standard unit, the total acreage and the location and acreage of each tract included in the proposed standard unit.

(ii) Identifies the location of all initial proposed wells and laterals.

(iii) Identifies the stratigraphic interval proposed for integration.

(3) A statement of the allocation of interests in the proposed standard unit.

(4) Proof that notice of the filing of the standard unit application has been given to the following:

(i) The owners of interests not controlled by the applicant that are proposed to be included in the standard unit.

(ii) The owners of all land adjacent to the proposed standard unit.

(5) Proof of notice of the filing of the standard unit application. The notice shall identify all parcels and parts of parcels proposed to be included using the existing tax and property records of the county.

(6) A statement of the estimated well costs that includes an industry form for authorizing expenditures with detailed tangible and intangible drilling costs.

(7) A joint operating agreement with an attached proposed lease and all relevant schedules.

(d) Review.--Applications shall be referred to the Office of Administrative Law Judge for review within five days of a determination that the application is complete.

(e) Protests.--

(1) A protest shall be filed within 20 days of the filing of the application. If no protest is filed within 20 days of the filing of the application, the application shall be deemed approved and a notice shall be transmitted to the commission. If the commission takes no action on the application within 30 days of its filing, the application

shall be deemed approved and a letter closing the docket shall be filed.

(2) The commission may reject the application if it fails to meet the requirements of section 3433 (relating to standard of review). If a protest is filed within 20 days of the filing of the application, the administrative law judge shall schedule a hearing to be held within 20 days of the close of the protest period. The hearing may be held at a later date if the applicant and protestants agree to an extension of time.

(3) Following the hearing, the staff shall prepare a recommendation for submission to the commission. A recommendation may include proposed amendments to the application or joint operating agreement or conditions to protect correlative rights. The recommendation and certification of the evidentiary record shall be forwarded to the commission.

(f) Decision.--The commission shall rule on protested applications within 45 days of the hearing.

§ 3431.1. Powers of commission.

(a) Authority.--The commission may promulgate regulations and policy statements and issue orders to carry out its duties under this chapter.

(b) Temporary regulations.--The commission may promulgate regulations in order to promptly implement this chapter. The regulations shall be deemed temporary regulations and shall expire no later than two years following their adoption. The temporary regulations shall not be subject to:

(1) Sections 201, 202 and 203 of the act of July 31, 1968 (P.L.769, No.240), referred to as the Commonwealth

Documents Law.

(2) The act of June 25, 1982 (P.L.633, No.181), known as the Regulatory Review Act.

(c) Expiration of authority.--The authority of the commission to adopt temporary regulations under subsection (b) shall expire two years from the effective date of this subsection. Regulations adopted after this period shall be promulgated as provided by law. Permanent regulations shall be published within 12 months following the effective date of this section.

(d) Compliance.--Every person subject to the provisions of this chapter shall comply with the regulations and orders of the commission and their terms and conditions.

(e) Employees.--The commission may appoint employees, attorneys, consultants and other individuals as necessary to carry out the purposes of this chapter. Employees under this subsection shall serve at the pleasure of the commission.

(f) Fees and costs.--The commission shall adopt a reasonable filing fee for applications under this chapter. Additional process costs of the Office of Administrative Law Judge may be assessed on the application.

§ 3432. Standard unit protest.

(a) Parties with standing.--Parties with standing to protest a proposed standard unit application are the following:

(1) The owners of a working interest subject to integration in the standard unit who have not entered into a voluntary agreement with the applicant.

(2) The owners of oil and gas in land directly adjacent to but outside the proposed standard unit.

(3) The owners of interests in potentially stranded

acreage who have not entered into a voluntary agreement with the applicant.

(4) The owner of the mineral rights that are proposed to be integrated.

(b) Notice.--Applicants shall employ reasonable methods to determine the identity of persons entitled to notice as follows:

(1) An applicant shall send a notice of the filing of a standard unit order application to all persons with standing to object.

(2) All notices shall state the date intended for the filing of an application.

(3) Notices shall be sent via United States certified mail with return receipt requested or other mail or delivery service providing a proof of delivery.

(4) Notices shall be sent at least five business days before the filing of a standard unit application.

(5) An applicant may arrange for personal service of a notice required under this chapter if proof of service is provided.

(6) Notices to persons who cannot be identified or located shall be given in accordance with the requirements of Pa.R.C.P. No. 430 (relating to service pursuant to special order of court. publication).

§ 3433. Standard of review.

(a) Standard of review.--The commission shall order the establishment of the proposed standard unit if the applicant shows by a preponderance of the evidence that the plan for the establishment of the unit will minimize surface disruption or impact to property or other environmental impact and:

(1) prevent the unnecessary loss of the use and benefits

of potentially recoverable oil or gas to a person or the Commonwealth; or

(2) protect the rights of owners of oil or gas interests in a manner that ensures the fair and reasonable ability to obtain an equitable share of oil and gas.

(b) Determination.--In making a determination under subsection (a), the commission may consider whether the establishment of the unit will permit the optimal development of oil and gas resources in this Commonwealth consistent with the protection of the health, safety, environment and property of its citizens.

(c) Protests.--Protests to applications for a standard unit may be filed only for the following reasons:

(1) The application fails to comply with the requirements of this subsection.

(2) The terms of the proposed joint operating agreement, including royalty payments, are not reasonable or the applicant failed to act in good faith.

(3) An owner or lessor of a working interest proposed to be integrated into the unit has or will have the capacity and resources and plan to develop their respective acreage outside the proposed unit in a manner that is consistent with oil and gas conservation principles. In determining whether a protest under this paragraph shall result in denial or modification of the application as to the acreage subject to the objection, the commission shall consider the following:

(i) The timing of the proposed development of the applicant and the protestant.

(ii) The investment of the parties in their respective acreage.

(iii) The impact of the inclusion or exclusion of the contested parcel on the long-term development plans of the applicant and the objector.

(iv) The scope of the proposed development of the applicant and the protestant.

(v) The type of commitments each applicant is willing to make to develop the contested land.

(vi) Whether inclusion of the acreage that is the subject of the protest meets the objectives of section 3402 (relating to legislative intent).

(vii) Any other relevant factors the commission reasonably determines to be appropriate.

(4) The proposed standard unit fails to protect the correlative rights of an owner of adjacent oil or gas interests, the owner of potentially stranded acreage or the integrated mineral owner. This objection must be filed by the owner.

(d) Other protests.--Protests by persons other than those specified with standing or authorized under section 3432(d) (relating to standard unit protest) shall not be considered.

(e) Averments.--Averments of a party relied upon by the commission in evaluating a protest under this section shall be made part of the joint operation agreement.

(f) Expansion.--The commission may order expansion of proposed standard units to avoid the potential for stranded acreage.

§ 3434. Hearings and appeals.

(a) Nature of proceedings.--Proceedings at all hearings shall be conducted in accordance with this chapter and rules adopted by the commission.

(b) Proposed findings and conclusions.--Before submission of a recommendation to the commission, the parties are entitled to a reasonable opportunity to submit for consideration:

(1) proposed findings and conclusions to be included in the recommendations submitted to the commission; and

(2) supporting reasons for the proposed findings or conclusions.

(c) Action by commission.--If the commission determines that an applicant failed to make a good faith effort to reach a voluntary agreement to establish a unit comprised of land owned or leased by a business actively engaged in the extraction of oil or gas for control of all unleased oil and gas interest owners and all working interests to be integrated into the unit, the commission may exclude the property subject to that determination from the proposed unit and the applicant shall have the option of proceeding with the unit as modified or of withdrawing its application for the unit.

§ 3435. Final action.

The decisions of the commission shall constitute the final action of the commission with respect to the matters subject to the hearing.

§ 3436. Appellate jurisdiction of Commonwealth Court.

Appeals from decisions of the commission shall be heard by the Commonwealth Court. The court shall consider appeals on the record of the proceedings before the commission and shall apply a narrow certiorari review standard.

SUBCHAPTER E

EFFECT OF ORDER

Sec.

3441. Establishment of units.

3442. (Reserved).

3443. Integration of working interests.

3444. Additional considerations.

3445. Joint operating agreement.

§ 3441. Establishment of units.

(a) Establishment.--Upon the grant of an order establishing a standard unit, all oil or gas interests within the unit shall be integrated in accordance with this chapter.

(b) Stratigraphic intervals.--Standard units created under this chapter:

(1) Shall be specific as to the stratigraphic intervals sought to be explored and produced by the applicant.

(2) May be created in stratigraphic intervals in lands already subject to voluntary units or to involuntary units established under this chapter. To incorporate in whole or in part a prior voluntary or involuntary unit of which the applicant does not control at least 65% of the interests, the prior units may not contain a well capable of producing from that stratigraphic interval and no active drilling permit exists for such a well, and, upon the creation of a unit under this chapter within any part of a preexisting voluntary or involuntary unit producing from a different stratigraphic interval, the voluntary or involuntary unit shall not be applicable to the portion of the specific stratigraphic interval that is subject to the new standard unit. Otherwise, the prior unit shall continue in effect as originally created.

(c) Location of involuntary unit.--Nothing in this chapter shall prohibit the commission from establishing a standard unit which is located around or, in whole or in part, within a

voluntary unit of which the applicant controls at least 65% of the interests producing from the same formation or stratigraphic interval. An objection to a proposed allocation of royalty or other payment from that unit may be adjusted as necessary to promote fairness among all interest holders.

(d) Perforated segments.--A standard unit may be established on lands upon which a well exists, except no perforated segment of a well drilled under a later unit shall be less than 500 feet from any perforated segment in the same stratigraphic interval existing on the date of its establishment.

(e) Contiguous units.--Upon the agreement of the working interest owner of at least 65% of the cost-bearing interests in two or more contiguous units, wells may be drilled within 250 feet from the adjacent boundaries of those units and production shall be allocated among the units as agreed by the working interest owner.

(f) Royalties and interests.--Royalties and interests shall be apportioned and paid to royalty interest holders based upon the relative surface acreage of the interests in each unit as set forth in the commission's order unless all of the owners of integrated interests expressly agree in writing to deviate from this chapter and adopt a different allocation method. Nothing in this section shall alter the application of the rule of apportionment of royalties as to oil and gas leases partially included in any unit established under this chapter.

(g) Stranded acreage.--If an application results in stranded acreage and 65% of the interests in the stranded acreage is timely filed as a protest to the application, the commission may order any of the following:

(1) Incorporation of the stranded acreage into the unit.

(2) Granting the protesters an exception to allow the land to be developed for oil and natural gas production without regard to the mandatory 250 feet setback requirements under this chapter.

§ 3442. (Reserved).

§ 3443. Integration of working interests.

(a) Working interest.--A working interest owner within the approved standard unit who has not entered into a voluntary agreement with the applicant may elect to be treated as one of the following:

(1) A nonconsenting party subject to the terms of the joint operating agreement for the unit, entitling him to a proportionate share of profits after being assessed a risk fee apportioned among all nonconsenting parties at the rate of 300% of their proportionate share of all of the costs incurred by the designated operator.

(2) A consenting party subject to the terms of the joint operating agreement for the unit, requiring him to contribute a proportionate share of the costs of preparing, drilling, completing and operating the well at the time of his election under this subsection and entitling him to a proportionate share of profits.

(b) Election.--The election under subsection (a) shall be exercised by returning a signed election form to the working interest owner and the Commonwealth within 14 calendar days of the date of the order establishing the unit. A working interest owner who fails to make an election under this subsection shall be treated as a nonconsenting party under subsection (a)(1).

(c) Limited nature of election.--A working interest owner shall be subject to the terms, conditions, rights and

obligations specified in the joint operating agreement. The election shall apply only to the well for which the election is made, with any further elections to be governed by the joint operating agreement.

§ 3444. Additional considerations.

(a) Additional matters.--Additional matters subject to an order of the commission under this chapter shall be governed by a joint operating agreement. An applicant may file a proposed joint operating agreement for the unit as part of the application for a standard unit order on a form approved by the commission. The following shall apply to an agreement under this subsection:

(1) A party controlling at least 15% of the working interests in the unit may propose additional drilling. No party owning or controlling less than 65% of interests in the unit may propose the drilling of more than one well in a calendar year.

(2) A lease attached to the joint operating agreement shall be the lease currently in use by the applicant.

(3) The cash and royalty provided under the lease shall be as provided under this chapter. The royalty shall be treated as a cost shared pro rata among all consenting and nonconsenting parties to the joint operating agreement.

(4) A risk avoidance penalty as provided under this chapter.

(5) Parties to the joint operating agreement shall have the right to take their gas in kind. Should a consenting or a nonconsenting party not elect to take its share of gas in kind, the operator of the unit shall have the right to market the share of production along with the operator's production

in accordance with the terms of the joint operating agreement. In no event may the nonoperator be entitled to receive an amount in excess of the amount received by the operator for its share of production. The joint operating agreement shall include an oil and gas balancing agreement. No working interest owner transporting oil or gas from a well in which the working interest owner has an interest shall be deemed a utility.

(b) Aggrieved party.--A party aggrieved by terms proposed by the applicant in a joint operating agreement filed with the application may protest as provided in this chapter.

(c) Withdrawal.--An applicant may withdraw its application within ten days after an order.

§ 3445. Joint operating agreement.

(a) Applicants and lessors.--A standard unit under this chapter shall be operated in accordance with the terms of the applicable leases, as modified by an order issued by the commission, if the only interest holders in the unit are the applicant and lessors.

(b) Other units.--All other standard units established under this chapter shall be operated under the terms of applicable leases, as modified by commission order and under the terms of the joint operating agreement. The consenting and nonconsenting parties may alter the terms of the joint operating agreement only by unanimous consent or by filing a petition with the commission for amendment. The commission shall approve or deny the amendment within 90 days of the date of filing. An amendment adopted by unanimous consent shall be filed with the commission.

SUBCHAPTER F

(Reserved)

SUBCHAPTER G

(Reserved)

SUBCHAPTER H

(Reserved)

SUBCHAPTER I

(Reserved)

SUBCHAPTER J

MISCELLANEOUS PROVISIONS

Sec.

3491. Certain rights preserved.

3492. Trade secrets.

3493. Applicability.

3494. Well setback.

3495. Voluntary establishment of a standard unit.

3496. Drilling permit not required.

§ 3491. Certain rights preserved.

(a) Policy statement.--Voluntary units implemented in accordance with the terms of executed oil and gas leases for the bona fide purpose of promoting the development of unconventional natural gas resources are declared to be necessary and reasonable for the development of unconventional gas resources in accordance with reasonable conservation principles and to reasonably protect affected correlative rights. Units created under a voluntary unitization agreement are declared to be per se reasonable and subject to modification only in accordance with the terms of the applicable leases or the express terms of this chapter.

(b) Common law rights.--Except as expressly provided under this chapter and in orders issued by the commission, this chapter does not supersede any common law rights of any person

before or after the effective date of this chapter recognized by the courts of this Commonwealth.

(c) Successors in interest.--All rights related to units created under this chapter and all leases integrated in the units, in whole or in part, shall be binding upon the heirs, successors and assigns of all parties, including a party taking title to the property as the result of judicial sale, mortgage foreclosure, tax sale or by other operation of law and shall be binding upon and shall run with the land. No action by an owner of any interest in a lien, judgment, mortgage or other encumbrance shall extinguish or impair the establishment of a standard unit under this chapter.

§ 3492. Trade secrets.

(a) Right to privacy.--Confidential proprietary information or trade secrets submitted by parties during proceedings under this chapter may not be disclosed by the commission or any other parties privy to such information or secrets. The information may be submitted under seal for review by the administrative law judge only and shall be exempt from the act of February 14, 2008 (P.L.6, No.3), known as the Right-to-Know Law.

(b) Violations.--A violation of this section shall constitute a violation of this chapter and also a violation of 12 Pa.C.S. Ch. 53 (relating to trade secrets), for which relief may be sought by an aggrieved party under and in accordance with the terms of 12 Pa.C.S. Ch. 53.

§ 3493. Applicability.

(a) Sandstone extractions.--This chapter shall apply to all wells drilled after the effective date of this chapter into and producing from unconventional oil and natural gas reservoirs below the base of the Elk Sandstone or its geologic equivalent

stratigraphic interval in this Commonwealth other than coal bed methane.

(b) Vertical wells.--The only provision of this chapter that shall apply to vertical wells is the 250 feet setback requirement from lease or unit lines and from other wells seeking production from the same stratigraphic interval. In the event of a preexisting vertical well on land subject to an integrated unit proceeding, a setback of 250 feet around the bore of that well shall be maintained in all operations upon a unit created under this chapter. The acreage within that setback area shall not be acreage within the unit. For horizontal wells, the 250 feet setback requirement from lease and unit lines imposed under section 3421(c) (relating to standard unit order) shall apply to wells drilled after the effective date of this chapter.

§ 3494. Well setback.

No perforated segment of any well drilled to be produced from an unconventional reservoir shall be located at any point less than 250 feet from the boundary of:

(1) a lease not included in a proposed voluntary unit or unit applied for or established under this chapter;

(2) a voluntary unit formed for the well; or

(3) any unit applied for or established under this chapter for the well.

§ 3495. Voluntary establishment of a standard unit.

An order of the commission shall not be required for the voluntary establishment of a standard unit.

§ 3496. Drilling permit not required.

The commission may not require an applicant to obtain a drilling permit to qualify for the establishment of a standard

unit.

Section 2. Repeals are as follows:

(1) The General Assembly declares that the repeal under paragraph (2) is necessary to effectuate the addition of 58 Pa.C.S. Ch. 34.

(2) The act of July 25, 1961 (P.L.825, No.359), known as the Oil and Gas Conservation Law, is repealed.

Section 3. The addition of 58 Pa.C.S. Ch. 34 is a continuation of the act of July 25, 1961 (P.L.825, No.359), known as the Oil and Gas Conservation Law. The following apply:

(1) Except as otherwise provided in 58 Pa.C.S. Pt. III Ch. 34, all activities initiated under the Oil and Gas Conservation Law shall continue and remain in full force and effect and may be completed under 58 Pa.C.S. Ch. 34. Orders, regulations, rules and decisions which were made under the Oil and Gas Conservation Law and which are in effect on the effective date of section 2(2) of this act shall remain in full force and effect until revoked, vacated or modified under 58 Pa.C.S. Ch. 34. Contracts, obligations and collective bargaining agreements entered into under the Oil and Gas Conservation Law are not affected nor impaired by the repeal of the Oil and Gas Conservation Law.

(2) Except as set forth in paragraph (3), any difference in language between 58 Pa.C.S. Ch. 34 and the Oil and Gas Conservation Law is intended only to conform to the style of the Pennsylvania Consolidated Statutes and is not intended to change or affect the legislative intent, judicial construction or administration and implementation of the Oil and Gas Conservation Law.

(3) Paragraph (2) does not apply to the addition of the

following provisions:

(i) The following definitions in section 3403:

(A) "Nonconsenting party."

(B) "Unit."

(ii) Section 3421(a) and (c).

(iii) Section 3431.1(a) and (c).

(iv) Section 3433(c)(2) and (3).

(v) Section 3434(c).

(vi) Section 3441(c).

(vii) Section 3443(a) introductory paragraph.

Section 4. This act shall take effect immediately.