

Veto No. 1990-6

HB 614

November 29, 1990

To the Honorable, the House of Representatives
of the Commonwealth of Pennsylvania:

I return herewith, without my approval, House Bill 614, Printer's No.4196, entitled "An act amending the act of December 19, 1984 (P.L.1140, No.223), entitled 'An act relating to the development of oil and gas and coal; imposing duties and powers on the Department of Environmental Resources; imposing notification requirements to protect landowners; and providing for definitions, for various requirements to regulate the drilling and operation of oil and gas wells, for gas storage reservoirs, for various reporting requirements, including certain requirements concerning the operation of coal mines, for well permits, for well registration, for distance requirements, for well casing requirements, for safety device requirements, for storage reservoir obligations, for well bonding requirements, for a Well Plugging Restricted Revenue Account to enforce oil and gas well plugging requirements, for the creation of an Oil and Gas Technical Advisory Board, for oil and gas well inspections, for enforcement and for penalties,' further providing for definitions, well permits, well registration, inactive status, plugging requirements, well reporting requirements, bonding, the Oil and Gas Technical Advisory Board, public nuisances, civil penalties, determination of compliance, unlawful conduct, surcharges for new wells; exempting certain wells from bonding requirements; and further providing for local ordinances."

House Bill 614 would make several substantial changes to the Oil and Gas Act of 1984. Among other things, the 1984 Act required the owner or operator of a gas or oil well to file a bond in the amount of \$2500 per well or a \$25,000 blanket bond to cover all their wells. These bonds were intended to provide some security for the Commonwealth should the owner or operator fail to plug a well and restore the well site when the well is no longer useful.

Unplugged wells allow commingling of clean waters with contaminated waters, allow gas to leak into water supplies and coal mines and allow potentially flammable gas to escape at the surface. DER has documented hundreds of instances where abandoned, unplugged or improperly plugged wells have threatened our environment and public health and safety. In some cases, families have been forced to evacuate their homes and their water supplies have been contaminated. Pennsylvania's 1990 Water Quality Assessment identified oil and gas drilling contaminants as a major problem in the thirty-county oil and gas area.

Despite all this evidence of environmental damage from unplugged wells, House Bill 614 would exempt more than half of the known active oil and gas wells from any bonding requirements, if the well is registered within a year. This exemption would apply to all wells drilled before 1975. Those owners and operators who already met the bond requirement for their pre-1975 wells

would receive a credit toward bonding wells drilled after January 1, 1975. In other words, the entire cost of plugging any well started more than fifteen years ago would fall on the taxpayers of Pennsylvania if the owners fail in their obligation. The Office of the Budget has estimated this potential cost at \$85 million on the conservative assumption that only 10% of these wells will ultimately be abandoned to the Commonwealth for plugging.

House Bill 614 shifts responsibility from the well drillers to the taxpayers in other ways. Under current law, DER can allow a well to be considered inactive, without being plugged, for five years if the operator demonstrates that the well has future utility. House Bill 614 would extend the period of inactive status to a minimum of ten years and weaken the criteria by which DER would determine that the well will be used in the future. Operators who have no real intention of using the wells later could simply delay their obligation to plug until they go out of business. Coupled with the elimination of the bonding requirement, this change virtually guarantees that the responsibility for plugging a large number of pre-1975 wells will fall on the Commonwealth.

Proponents of House Bill 614 have argued that the existing bonding requirements place an unfair burden on smaller operators. I have indicated to the proponents of this legislation a willingness to lessen the bonding burden of the small operator so long as the solution does not relieve them of responsibility for plugging and site restoration. At my direction, my staff, as well as staff of the Department of Environmental Resources, met on numerous occasions over a period of two years with representatives of the operators, small and not-so-small, to address their special problems. As one example, to enable the small operator to meet the bonding requirements on existing wells, a proposal for affordable phased collateral deposits spread out over a period of years was offered. The operators continued to insist on exempting existing wells. Certainly the elimination of all bonding requirements for older wells, regardless of the number of wells each person owns or operates, is not in the public interest.

Unfortunately, House Bill 614 goes well beyond what might have been necessary to grant appropriate relief to the many small independent well operators in Pennsylvania. The net effect of the bill would be a significant increase in the abandonment of environmentally unsafe wells without proper plugging, an increased potential for environmental harm and significantly increased costs to the taxpayers to clean up the resulting environmental damage.

For these reasons, House Bill 614 is inconsistent with the broad public interest of the people of Pennsylvania and, therefore, I am withholding my approval from the bill.

ROBERT P. CASEY