

Pending Legislation Related to Natural Gas

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The Pennsylvania House and Senate are considering multiple bills pertaining to the natural gas industry. This article lists the bills introduced during the 2009/2010 session, and provides a brief synopsis of each bill. Interested citizens and organizations are encouraged to provide comments about bills of interest directly to their state senator and/or house representative.

Natural Gas Legislation Update

The speed of development of natural gas within the Marcellus Shale has resulted in a flurry of legislative activity during the 2009/2010 session. Individuals wishing to advocate for or comment on any of the bills under consideration should contact his/her state representative and/or senator.

Revenue-Related Legislation

House Bill 10 – To amend the General County Assessment Law to enable counties to assess value to coal, minerals, natural gas, methane gas, and oil.

House Bill 208 - To standardize rules regarding properties in Clean and Green. The bill would limit drilling and extraction to one acre and impose roll-back taxes on only that one acre. The remaining eligible land will be assessed at the preferential value.

House Bill 623 – Creates a special fund for royalty payments from leasing of state forestry lands. Eighty percent of the royalties would be dedicated to property tax reduction and 20% would be put in the Oil and Gas Lease Fund for conservation purposes.

House Bill 834 – Requires the Pennsylvania Dept. of Conservation and Natural Resources (DCNR) to hold regular auctions for drilling rights on state forest lands.

Senate Bill 490 – Allocates money from the Oil and Gas Lease Fund according to this breakdown:

- \$174 million to the General Fund
- \$5 million to DEP for review and processing of oil and gas permit applications and to conduct inspections on oil and gas sites
- \$3 million to DEP for implementation of nutrient credit trading program as provided by law
- \$1 million to DCNR for administration of the PA Natural Heritage Program and for processing online environmental review applications submitted under the PA Natural Diversity Inventory
- \$500,000 to the PA Fish and Boat Commission for the administration of environmental reviews received under the PA Natural Diversity Inventory
- \$500,000 to the PA Game Commission for the administration of environmental reviews received

under the PA Natural Diversity Inventory

House Bill 977 – Legislation to:

- Extend the Oil and Gas Conservation law to development of Marcellus Shale formation
- Exclude production costs from being deducted from royalty payments
- Ensure that horizontal drilling is not conducted under any lands where a lease between a landowner and a well operator does not exist
- Provide a definition for a lease
- **House Bill 1050** – Amends state statutes to lease 390,000 acres of state forest land, 130,000 acres/year over 3 years. Leases would be required to have a minimum bid of \$2,000 per acre and 16% royalty payment. It is expected that the leases would generate \$260 million in first year. The revenue would be distributed as follows:
 - 80% general fund
 - 12.5% to communities with active wells
 - 2.5% communities with Marcellus wells
 - 5% to Conservation Districts

House Bill 2015 – Permits an independent agency to retain all rents and royalty payments from oil and gas leases on lands owned by that agency, but does not apply to the PA Game Commission and the PA Fish and Boat Commission.

Governor's Severance Tax Proposal – a 5% tax on the value of the gas and \$0.047 tax on each million cubic feet extracted.

Regulatory Legislation

House Bill 297 – Requires PennDOT to update road bonding amounts based on increased maintenance costs by 2011 and every 3 years thereafter.

House Bill 473 – Creates a “Surface Owners’ Bill of Rights” which would require surface owners and well operators to more actively reach agreement on surface damages. In the absence of an agreement, the land owner may appeal to the PA Department of Environmental Protection for assistance.

House Bill 808 – Provides for doubling the amount of the bond required on oil and gas wells and used to fund the plugging of abandoned wells.

House Bill 934 – Permits landowners access to gas well production information at regular intervals in lieu of the 5-year moratorium on this information.

House Bill 1139 – Amends the Oil and Gas Resource Coordination Act by removing the minimum well separation distance requirement and requires the granting of a request when the well distance is less than 1,000 feet and there is a written agreement.

House Bill 1155 – Establishes a presumption that a well operator is responsible for water well pollution that is within 2,500 feet of an oil or gas well. Will require well operators to:

- Provide a landowner 15-day notice, prior to entry on their land, to conduct activities that will not disturb the surface, such as surveys and inspections
- Provide surface owners and those within a ½ -mile radius of any drilling activity, a 45-day notice of all planned activity

House Bill 1205 – Legislation to protect water well supplies by:

- Extending the presumption of liability on the part of a well operator for damage to a water supply within 2,000 feet of a well in lieu of the current 1,000 feet
- Extends the timeframe for when the damage was to have occurred to 24 months from the current 6 months
- Requires that well operators conduct a test of water supplies within 2,000 feet of a well operation prior to drilling, and to conduct, upon a landowner or water purveyor's request, up to two follow-up tests within a 24-month period after production has commenced.

House Bill 2183 – Legislation to amend the Oil and Gas Act by requiring a public notice of every oil or gas well permit application submitted to DEP be published once a week for 4 consecutive weeks in a newspaper of general circulation.

House Bill 2184 – Similar to House Bill 2183, but amends the Oil and Gas Conservation Law.

House Bill 2213 – Requires:

- DEP to inspect a well during all phases of development
- Extends the presumption of liability on the part of a well operator for damages to water supply within 2,500 feet of a well in lieu of the current 1,000 feet
- Requires disclosure of the hydraulic fracking chemicals by well operators to DEP
- Increases the bonding requirements on Marcellus shale wells to \$150,000 per well
- Attempts to clarify the authority of state and local governments over oil and gas well drilling operations

House Bill 2214 – Requires that royalty payments exclude post-production costs and be exempt from any severance taxes.

House Bill 2266 – Establishes criteria for when interest in oil and gas can be deemed abandoned. If the interest in oil or gas owned by another party (other than surface owner) has not been sold, leased, mortgaged or transferred for a 20 year period, it shall be deemed abandoned. Establishes provisions for preserving the interest as well.

House Bill 2276 – Similar to HB 977 but removes all references to the unitization provisions and their extension to the Marcellus shale formation contained in HB 977.

Senate Bill 297 – Requires the well operator to semi-annually submit production reports to the PA DEP. After a 5-year confidentially period, DEP will post the production reports on the website.

Senate Bill 298 – Establishes that for land in Clean and Green, roll-back taxes will only imposed on acreage used for drilling and extraction.

Senate Bill 1092 – Requires each well operator to provide a cement quality log or other approved method to DEP, to allow them to evaluate the adequacy of the cement being used in drilling operations.

All these bills can be reviewed in their entirety at www.legis.state.pa.us.

