

THE GENERAL ASSEMBLY OF PENNSYLVANIA

SENATE BILL

No. 694 Session of
2019INTRODUCED BY YAW, K. WARD, YUDICHAK, FONTANA, MARTIN, REGAN AND
BROWNE, MAY 31, 2019AS REPORTED FROM COMMITTEE ON ENVIRONMENTAL RESOURCES AND
ENERGY, HOUSE OF REPRESENTATIVES, AS AMENDED,
OCTOBER 22, 2019

AN ACT

1 ~~Amending Title 58 (Oil and Gas) of the Pennsylvania Consolidated <--~~
 2 ~~Statutes, in development, further providing for well permits.~~
 3 AMENDING THE ACT OF JULY 20, 1979 (P.L.183, NO.60), ENTITLED "AN <--
 4 ACT REGULATING THE TERMS AND CONDITIONS OF CERTAIN LEASES
 5 REGARDING NATURAL GAS AND OIL," PROVIDING FOR CROSS UNIT
 6 DRILLING FOR UNCONVENTIONAL WELLS.

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

9 ~~Section 1. Section 3211 of Title 58 of the Pennsylvania <--~~
 10 ~~Consolidated Statutes is amended by adding a subsection to read:~~
 11 ~~§ 3211. Well permits.~~

12 * * *

13 ~~(n) Cross unit drilling.~~

14 ~~(1) If an operator has the right to drill an oil or gas~~
 15 ~~well on separate leases or units, the operator may drill and~~
 16 ~~produce a well that traverses, by horizontal drilling, more~~
 17 ~~than one lease or unit, if:~~

18 ~~(i) The operator reasonably allocates production~~

~~from the well to or among each unit the operator reasonably determines to be attributable to each unit. The operator may allocate production on an acreage basis for multiple units provided the allocation has a reasonable correlation to the horizontal wellbore in each unit.~~

~~(ii) The traversing well is not expressly prohibited by the terms of a lease.~~

~~(2) The 330 foot location requirement in section 6 of the act of July 25, 1961 (P.L.825, No.359), known as the Oil and Gas Conservation Law, shall not apply to unit lines traversed by a conservation well.~~

~~(3) Nothing in this subsection shall be construed to:~~

~~(i) authorize an operator to drill an oil or gas well that is not subject to a valid lease or royalty agreement; and~~

~~(ii) automatically expand or diminish the current surface rights of an operator to include operations related to any existing unit or any well drilled between existing units.~~

~~Section 2. This act shall take effect in 60 days.~~

SECTION 1. THE ACT OF JULY 20, 1979 (P.L.183, NO.60), KNOWN AS THE OIL AND GAS LEASE ACT, IS AMENDED BY ADDING A SECTION TO READ: <--

SECTION 2.2. CROSS UNIT DRILLING FOR UNCONVENTIONAL WELLS.

(A) GENERAL RULE.--IF AN OPERATOR HAS THE RIGHT TO DRILL AN OIL OR GAS WELL ON SEPARATE UNITS, THE OPERATOR MAY DRILL AND PRODUCE A WELL THAT TRAVERSES, BY HORIZONTAL DRILLING, MORE THAN ONE UNIT, IF:

(1) THE OPERATOR REASONABLY ALLOCATES PRODUCTION FROM

1 THE WELL TO OR AMONG EACH UNIT THE OPERATOR REASONABLY
2 DETERMINES TO BE ATTRIBUTABLE TO EACH UNIT. THE OPERATOR MAY
3 ALLOCATE PRODUCTION ON AN ACREAGE BASIS FOR MULTIPLE UNITS
4 PROVIDED THE ALLOCATION HAS A REASONABLE CORRELATION TO THE
5 PORTION OF THE HORIZONTAL WELLBORE IN EACH UNIT.

6 (2) THE TRAVERSING WELL IS NOT EXPRESSLY PROHIBITED BY
7 THE TERMS OF A LEASE.

8 (B) LOCATION REQUIREMENT.--THE 330-FOOT LOCATION REQUIREMENT
9 IN SECTION 6 OF THE ACT OF JULY 25, 1961 (P.L.825, NO.359),
10 KNOWN AS THE OIL AND GAS CONSERVATION LAW, SHALL NOT APPLY TO
11 UNIT LINES TRAVERSED BY A CONSERVATION WELL.

12 (C) CONSTRUCTION.--NOTHING IN THIS SUBSECTION SHALL BE
13 CONSTRUED TO:

14 (1) AUTHORIZE AN OPERATOR TO DRILL AN OIL OR GAS WELL
15 THAT IS NOT SUBJECT TO A VALID LEASE OR ROYALTY AGREEMENT;
16 AND

17 (2) AUTOMATICALLY EXPAND OR DIMINISH THE CURRENT SURFACE
18 RIGHTS OF AN OPERATOR TO INCLUDE OPERATIONS RELATED TO ANY
19 EXISTING UNIT OR ANY WELL DRILLED BETWEEN EXISTING UNITS.

20 SECTION 2. THIS ACT SHALL TAKE EFFECT IN 60 DAYS.