



**Testimony of Deputy Secretary Scott Perry**  
**Office of Oil and Gas Management**  
**Department of Environmental Protection**  
**House Environmental Resources and Energy Committee**  
**Monday, February 7th, 2022**

Good morning Chair Metcalfe, Chair Vitali, and members of the House Environmental Resources & Energy Committee. On behalf of the Department of Environmental Protection, thank you for the opportunity to provide information about the federal Infrastructure Investment and Jobs Act (IIJA) – also known as the Bipartisan Infrastructure Law – particularly the funding Pennsylvania anticipates for plugging abandoned oil and gas wells and how the Department has been preparing to successfully utilize this increased funding in order to maximize the environmental protection, economic development, and public health and safety benefits associated with plugging Pennsylvania’s many abandoned oil and gas wells.

Pennsylvania has a long history of oil and gas development with the first commercial oil well drilled in 1859 near Titusville, Pennsylvania. Since then, it has been estimated that as many as 300,000 to 760,000 oil and gas wells have been drilled in the state. A significant number of wells were drilled and abandoned prior to enactment of Pennsylvania’s modern oil and gas statute, which was established in 1984 (1984 Oil and Gas Act). The 1984 Oil and Gas Act required an operator to plug a well that was not in production for over one year or from which production equipment was removed. Since then, other wells have been abandoned by operators who declare bankruptcy or move operations out of Pennsylvania, leaving their wells unplugged and posing a potential threat to public health, public safety and the environment.

DEP’s Well Plugging Program was established to plug oil and gas wells where there is no identifiable responsible party. Since the Well Plugging Program began, the Department has documented over 25,000 abandoned wells and plugged more than 3,000 wells. Plugging priority has been determined through site investigations that assign a numeric score based on the abandoned well’s risk. Risks associated with abandoned wells that are considered in the prioritization process include oil leakage into water resources, health and safety issues like

methane migrating into homes and private water wells, and fugitive methane emissions being released into the atmosphere. Higher risk wells are plugged before lower risk wells.

However, despite over 30 years of activity by the Department, 26,908 identified wells without a responsible owner and/or operator still require plugging in Pennsylvania. The Department also estimates there are an additional 200,000 abandoned wells throughout Pennsylvania that haven't been located or identified yet.

Funding to plug Pennsylvania's abandoned oil and gas wells was established by the 1984 Oil and Gas Act via permit surcharges of \$150 and \$250 per oil and gas well, respectively. These surcharge amounts have remained the same for the past 38 years since the passage of the 1984 Oil and Gas Act. Over the past five fiscal years (FY2016-17 to FY2020-21), the Department received on average \$470,420 per year from these permit surcharges. These funds pay for contractors, often small businesses, to plug wells and remediate and restore well sites. The Department does not use this funding to administer the Oil and Gas Program, purchase supplies and equipment or address overhead costs.

The cost to plug an abandoned well depends on multiple variables, including the condition of the well to be plugged, the location of the well and the level of complexity to remove potential debris, repair the casing and set the plug. The cost can range from tens of thousands to well over one hundred thousand dollars for complex plugging projects. However, on average, the Department estimates a cost of \$68,068 to plug a typical abandoned well in Pennsylvania. Given the current number of documented abandoned wells (i.e., 26,908), the projected cost to plug the existing number of documented wells in Pennsylvania is about \$1.8 billion.

Although well intentioned, the permit surcharges included in the 1984 Oil and Gas Act are not sufficient to allow the Commonwealth to address the liability associated with abandoned oil and gas wells. With the current amount of funding, the Department has only been able to plug on average 12 abandoned wells per year. At this rate, it would take 2,242 years to plug just the currently known 26,908 abandoned wells in Pennsylvania. This does not include the potentially hundreds of thousands of abandoned wells that are currently unknown.

However, on November 15, 2021, President Biden signed into law the 2021 Infrastructure Investment and Jobs Act. Included within the Bipartisan Infrastructure Law is \$4.7 billion specifically allocated to create a federal program to plug, remediate and reclaim abandoned oil and gas wells. In it, Pennsylvania qualifies for almost \$200 million in abandoned well plugging funding. For context, the Department has spent \$37 million plugging approximately 3,000 wells from 1989 through 2021. Accordingly, this federal infrastructure funding represents a monumental opportunity to address the Commonwealth's backlog of unplugged abandoned oil and gas wells.

Specifically, the funding under the Bipartisan Infrastructure Law related to plugging, remediating and reclaiming abandoned oil and gas wells that Pennsylvania is eligible for includes the following separate funding sources:

- Initial Grant: \$25 million available to Pennsylvania. The Commonwealth must apply for this money no later than May 16, 2022. Funds are then to be distributed to Pennsylvania

within 30 days of submission, and Pennsylvania must obligate the funds within one year of receipt or then return the funding. 90 percent of the funds must be used to issue new contracts or amend existing contracts or issue grants for plugging/remediation work. 10 percent of the funds can be used for covering administrative costs.

- Formula Grant: \$104,178,000 available to Pennsylvania. The Commonwealth successfully submitted a Notice of Intent to the Department of Interior by the December 30, 2021, deadline to qualify for the formula grant. State allocations were based on the number of oil and gas job losses in each state from March 2020 through November 2021; the number of documented abandoned oil and gas wells in each state; and the estimated cost of cleaning up abandoned wells in each state. This money can be spent over a ten-year period if obligated by five years after receipt. Funding unobligated after 5 years must be returned.
- Performance Grant – Regulatory Improvement: Two \$20 million grants available to Pennsylvania. This funding can be used for Pennsylvania to improve well plugging and financial assurance regulations. Pennsylvania can apply for this grant any time within 180 days after receipt of the Initial Grant.
- Performance Grant – Matching Grant: Up to \$30 million available to Pennsylvania matching every dollar Pennsylvania spends annually in excess of average annual plugging expenditures from 2010-2019. Pennsylvania can apply for this grant annually on a fiscal year basis over a period of 10 years.

While additional guidance is needed from the federal government on many of the specifics for each of these grant programs, the Department has been preparing to ensure the necessary resources and structures are in place to successfully utilize this historic funding and maximize the environmental protection, economic, and public health and safety benefits of plugging Pennsylvania's 26,908 documented abandoned oil and gas wells. This work so far has focused on identifying internal improvements and conducting external collaboration.

Internally, the Department has identified additional staffing needed to carry out this new well plugging workload efficiently and effectively. In addition to positions needed in the Office of Oil and Gas Management, this will include hiring additional staff in the support divisions of the Department, including the Department's Grant Center and Contracts, Procurement and Bonding Division. According to the terms of the Initial Grant and Formula Grant, 10 percent of the grants can be used for administrative expenses. However, recruiting and hiring candidates and providing the necessary training to ensure success in these roles will be critical.

The Department has also been considering alternative contracting models to ensure grant funds can be obligated within the allotted timeframes. While the Department is currently planning on obligating a significant amount of the initial funding under the current Construction Contracts model, it will be critical that any review and approval is conducted in a timely manner so the Commonwealth does not find itself in a position to return federal monies that haven't been obligated within statutory timeframes. To obligate the Initial Grant within one year, the

Department estimates that two contracts per week will likely need to be issued. The model tentatively developed by the Department to support this scenario assumes the Well Plugging Program will need to run "Request for Bid" contracts using typical contractors and will not receive any bond relief, which is allowed under the procurement code. Without bond relief, the Department will mainly be running contracts with 10 or fewer wells. Under the Formula Grant, the Department does plan to run some larger contracts as contract throughput might be higher without significant changes needed to the procurement process. However, if standard processing or turn-around times do jeopardize obligating this federal funding, the Department will explore and implement potential streamlined alternative processes to facilitate this.

Additionally, the Department has been considering contracting out services for abandoned well responsible party investigations. Under the 1984 Oil and Gas Act, a due diligence investigation for well ownership needs to be completed to meet the definitions of "orphan well" or "abandoned well". Currently, the Department does not have sufficient in-house expertise to complete this work for tens of thousands of candidate abandoned wells. Given the likely availability of private sector resources to conduct this work, the Department is considering developing a contract for these services as part of the Initial Grant process.

Externally, the Department has been collaborating with the oil and gas industry to assess interest, availability, and technical ability to aid in plugging Pennsylvania's abandoned oil and gas wells. Specifically, to develop data to support future Departmental efforts, the Department's Bureau of Oil and Gas Planning and Program Management developed an online Plugging and Plugging Support Contractor Survey. The Bureau sent out an invitation to complete the survey to oil and gas industry groups and contractors via email and posted the survey on the Department's website in October. To date, 133 oil and gas well operators and plugging support contractors have responded. All operators have expressed an interest in opportunities to plug orphan and abandoned wells via the federal stimulus project.

In conclusion, the federal Bipartisan Infrastructure Law funds represent a historic investment in addressing Pennsylvania's abandoned oil and gas well problem and present a unique opportunity to fund the plugging of Pennsylvania's 26,908 documented abandoned wells. To successfully utilize this funding within the Law's specified timeframes, the Department will continue to identify internal improvements and collaborate with external stakeholders while waiting for additional federal guidance.

Thank you again for the opportunity to provide comment for today's hearing.