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FACTS**



## **Abandoned and Orphan Well Plugging: Environmental Benefits for Pennsylvania, Economic Opportunities for Producers/Service Companies**

The Federal Infrastructure Investment and Jobs Act, also referred to as the Bipartisan Infrastructure Law, is steadily moving toward implementation, including the program to address the nation's backlog of legacy oil and natural gas wells through an enhanced plugging effort. It is well known that Pennsylvania, home of the historic Drake crude oil and Haymaker natural gas wells, has one of the largest inventories of these wells in the nation, a fact not lost on legislators or the U.S. Department of the Interior. Approximately \$395 million in federal funds are available for the Commonwealth to pursue, ranking it only behind Texas as the largest potential beneficiary of the new federal program.

### **Funding Available**

The specific funding sources available for the program require Pennsylvania to apply and meet certain criteria throughout implementation:

Pennsylvania will apply for an "Initial Grant" of \$25 million by May 16, 2022, and the Commonwealth must utilize those funds within one year of receiving them.

A "Formula Grant" of more than \$104 million is also available to Pennsylvania, and the state provided notice to the Department of Interior before the deadline of December 31, 2021 to qualify for this grant. Grant formulae is based on three factors: state job losses in the industry between March 2020-November 2021, and the inventory and estimated cost of addressing abandoned wells in each state. These funds can be spent over ten years if they are obligated in the five years following their receipt. Any funding unobligated after 5 years must be returned to the federal government.

Finally, the program includes two "Performance Grants" of \$20 and \$30 million each, with the first allocated to states that implement enhanced well plugging and financial assurance regulations, and the second a matching grant for every dollar a state spends each year in excess of average annual plugging expenditures between 2010-2019.



Now-abandoned wells like this one helped Pennsylvania produce energy that fueled the Industrial Revolution and the growth of America's economy over several decades. Producers' compliance with evolving environmental regulations now ensure wells are properly sealed when production ends. The state's eligibility to receive the second largest amount of federal funds in the Infrastructure Bill reflects the importance of the Commonwealth's contribution to the early years of energy development in the U.S.

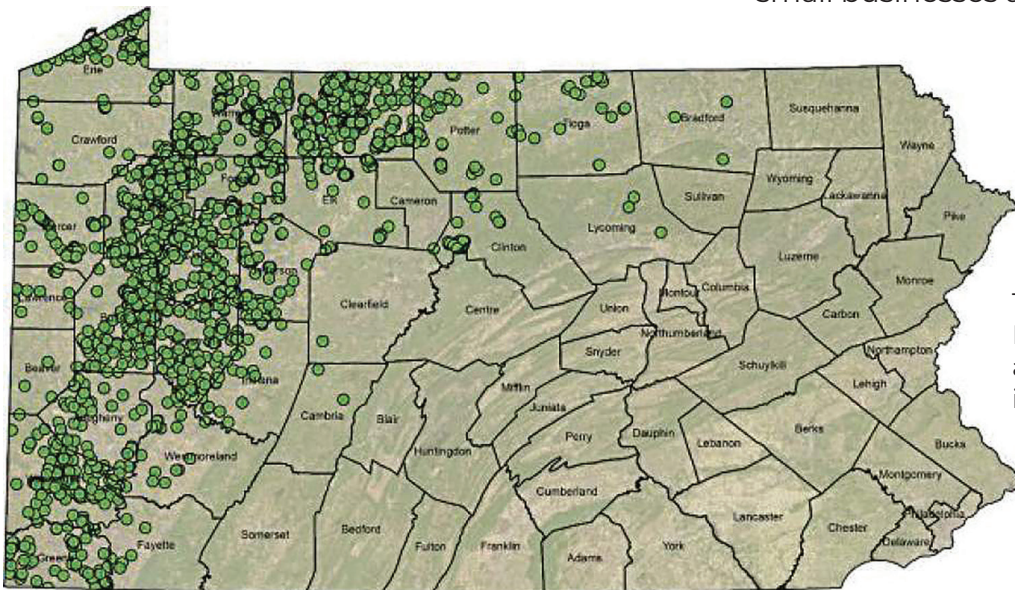
The state Department of Environmental Protection (PADEP) plans to pursue all of these funding streams, and is currently seeking to address hiring needs to administer the program, given that PADEP's well-plugging budget has never been more than \$3.5 million a year. The state is also reviewing the location and condition of approximately 500 high-priority wells that it can address in the earlier stages of the program.

## Opportunities

PADEP recently initiated a Plugging and Plugging Support Survey to assess interest among Pennsylvania-based producers and industry service companies to bid for upcoming contracts through the program, a program that included coordination with PIOGA. As of mid-February, nearly 135 companies had responded positively to the survey, with more than half reporting that they had plugged wells under state-issued contracts in the past, and two-thirds saying they anticipate hiring additional staff if awarded contracts.

PIOGA has been working in Harrisburg and with members on several fronts to help position Pennsylvania-based companies to obtain these plugging projects, including working with legislative allies on the program, assisting members with the completion of their filing requirements and communicating with PADEP on contractor requirements to allow companies with local, real-world experience to participate in the bidding process.

The association has emphasized that the state's conventional producers and service companies are particularly well positioned to complete these projects safely and efficiently, along with the fact that allowing Pennsylvania-based businesses to compete for this work would benefit the environment, small businesses and local economies.



The state Department of Environmental Protection's oil and gas GIS system includes an inventory of legacy wells.

Source: PADEP

## The Facts

The Bipartisan Infrastructure Law's provisions will invest in the plugging of legacy oil and natural gas wells in states like Pennsylvania with a storied and lengthy history of supplying the energy needed to fuel the Industrial Revolution, win two world wars and more. PIOGA urges members to identify how they can take advantage of this federal program and provide the services needed to complete these important projects, and will work to provide members with assistance to bid on contracts developed by PADEP in the future.



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