

Marcellus Shale Impact Fee Enacted

February 22, 2012 by *Randy L. Varner*

In February 8, 2012, legislation containing the Marcellus Shale impact fee was sent to Governor Corbett for his expected signature. The enactment of the impact fee ends several years of debate and contention surrounding the generation of revenues from Marcellus Shale natural gas.

The legislation allows counties that contain “unconventional gas wells” (like those contained in the Marcellus Shale region) to enact an “unconventional gas well fee.” A county wishing to do so must do so within 60 days of the enactment of the legislation. If a county neglects to enact the fee, a majority of municipalities within the county may vote to override the county’s decision and impose a fee.

If enacted, a fee is imposed on every unconventional gas well in a county, regardless of when those unconventional gas wells were drilled. For purposes of the legislation, all existing wells at the time of the enactment of the legislation are deemed to have been drilled in the year prior to enactment. The fees to be imposed vary depending upon the annual average price of natural gas (subject to adjustment depending on changes in the Consumer Price Index).

Year of Well	Fee Range
1	\$40,000-\$60,000
2	\$30,000-\$55,000
3	\$25,000-\$50,000
4-10	\$10,000-\$20,000
11-15	\$5,000-\$10,000

The fee is due to be paid to the Pennsylvania Public Utility Commission each April 1, with reports being due each September 1 and April 1. The fees will be deposited in the Unconventional Gas Well Fund (“Fund”). Distributions from the Fund are earmarked for

counties and municipalities that contain wells (in those counties that have enacted the fee), and other state and local agencies including county conservation districts, the Pennsylvania Fish and Boat Commission, the Public Utility Commission, the Pennsylvania Department of Environmental Protection, the Pennsylvania Emergency Management Agency, the Office of State Fire Commissioner and Pennsylvania Department of Transportation.

Leaders estimate the total fees generated in year one will be in the neighborhood of \$180 million, followed by an increase to \$211 million in year two.

© 2012 McNees Wallace & Nurick LLC

This document is presented with the understanding that the publisher does not render specific legal, accounting or other professional service to the reader. Due to the rapidly changing nature of the law, information contained in this publication may become outdated. Anyone using this material must always research original sources of authority and update this information to ensure accuracy and applicability to specific legal matters. In no event will the authors, the reviewers or the publisher be liable for any damage, whether direct, indirect or consequential, claimed to result from the use of this material.