Senate Bill 219- Sponsor Testimony

Chairman Chavez, Ranking Member Smith and members of the Senate Energy Committee, thank you for allowing me the opportunity to provide sponsor testimony on Senate Bill 219.

Ohio's oil and gas industry is arguably one of the state's most important industries, but also one of its most misunderstood. Many people I speak with are surprised to learn that Ohio is the nation's seventh largest natural gas producer, the tenth largest crude oil producer and the sixth largest refining capacity state. Every day we use the oil and gas extracted from the ground in Ohio to make modern life possible.

Senate Bill 219 is the first general update to
Ohio's oil and gas operation laws since Senate Bill 315 was signed by then Governor John Kasich in 2012. The purpose of that legislation was to update Ohio's oil and gas laws and regulations to account for the new oil and gas production coming from the Utica shale Formation. I was on the House Agriculture and Natural resources committee at that time and contributed to Senate Bill 315 during its time in the House.

Over the last 13 years, Ohio's oil and gas industry, both conventional vertical operators and unconventional horizontal operators, have continued to modernize and grow in development and technology. The Oil and Gas industry has changed vastly while our state's natural resources still hold a key role in our country’s national security. Energy is national security.

First, I'll focus on reforms and impacts to the orphan well plugging program. Senate Bill 219 makes two changes impacting the state's strong and well-organized orphan well plugging program.

Ohio's orphan well plugging program is one of the nation's oldest and most successful. To ensure its sustainable future, it is imperative that we protect the Oil and Gas Well Fund, which is funded mainly from severance taxes. The Fund has two main purposes: funding the ODNR Division of Oil and Gas and Geological Survey and to pay for the plugging of orphan wells, the majority of which were drilled prior to any state regulation that started in the 1960's.

Therefore, the bill first creates a custodial fund within the office of the Ohio State Treasurer to shield the fund from potential administrative rotary raids. Making this move would build on the good work by the DeWine Administration and provide a sustainable funding source for this important project.

Second, the bill streamlines the notice provision for the Landowner Pass Through Plugging program. When an orphan well is to be plugged under this state program, notice is only required through posting on the ODNR website or in a local newspaper. This is to ensure that these well-plugging projects continue in a timely manner.

Another aspect of the bill focuses on increasing efficiencies in regards to permits and reducing paperwork delays. First the bill allows for up to ten expedited permits per year for operators. An expedited permit can be required due to business and operational circumstances, and bringing back this important tool will improve drilling efficiency and hopefully help reduce potential delays in drilling schedules. The bill also allows for both the seller and the buyer of a well to provide portions of the paperwork to the state to increase the speed of transactions. Paperwork delays by the parties involved in the transaction can often lead to delays in transferring liability of the well. Senate Bill 219 would allow either party to provide portions of the paperwork. For example, the seller could provide the paperwork and not be required to wait on the buyer to do so as well.

The third major aspect of the bill updates current statutes to better align law with real life scenarios impacting industry and stakeholders in oil and gas. First the bill attempts to set some standards and guidelines around Road Use Maintenance Agreements. Today there are no standards in these agreements, and they can vary wildly depending on the location and the company. The bill also reduces the statute of limitations to terminate an oil and gas lease from 21 to 6 years, aligning it with other business contracts in Ohio. The bill also updates the definition of owner for purposes of obtaining a permit from the regulatory agency, recognizing that there may be multiple people with the right to drill and produce on a tract of land.

Finally, the bill clarifies two aspects of Ohio law that, although established, would benefit with more explicit language in the code. First the bill makes it clear that the Chief of the Division of Oil and Gas Resources Management has the authority to regulate cross-state drilling. It also clarifies that gathering lines are not subject to the public utility tax.

I hope this bill is a first step in updating Ohio's occasionally outdated laws when it comes to the realities of the oil and gas industry. Once again energy is national security, and our state plays a pivotal role in supporting it.

Mr. Chairman, members of the committee, thank you for the opportunity to provide sponsor testimony on Senate Bill 219, I would be happy to answer any questions.