



House Energy and Natural Resources Committee
Ohio Oil and Gas Association Proponent Testimony on House Bill 225
June 6, 2017

Chairman Landis, Ranking Member O'Brien and members of the House Energy and Natural Resources Committee, thank you for the opportunity to testify in support of House Bill 225. I am Shawn Bennett and I serve as the Executive Vice President of the Ohio Oil & Gas Association (OOGA).

The Ohio Oil & Gas Association is a statewide trade association representing 2,100 members who explore for, develop and produce Ohio's crude oil and natural gas resources. Our membership consists of people who professionally represent all phases of the exploration and production (E&P) process and all sizes of producers, from small independents to major oil companies. The OOGA has represented Ohio's oil and gas producing industry since 1947.

Ohio's Idle and Orphan Well Program was created in 1976 by the enactment of Amended House Bill 28, which set aside a portion of the mineral severance tax for plugging orphaned oil and natural gas wells. The legislation sought to rectify the plight of landowners who had abandoned wells on their property and had no means to address the problem. When enacted in 1976, Ohio was the first state to set up such a program in the Appalachian Basin.

As the third state in the nation to begin commercially developing our oil and natural gas resources in 1860, Ohio has become the most heavily drilled state in the union. A vast majority of the 265,000 wells that have been drilled were drilled well before Ohio had a comprehensive oil and gas regulatory system. Prior to the 1960's we did not have a procedure in place to require operators to plug these wells. If the wells were plugged, they were often done so using less than adequate methods necessary to protect other reservoirs, groundwater or surface resources. Today, we have a much more sophisticated regulatory structure that mandates plugging and restoration requirements necessary to protect health, safety and the environment. It also is a more technologically driven approach to isolating our oil and gas zones to ensure we are good stewards of the environment and protect sources of groundwater.

I just want to be clear; the wells we are discussing today are not like the 65,000 wells that are currently producing or those that will be drilled in the future. Today, we have both bonding and regulatory requirements in place to plug our currently producing wells and ensure future wells will be plugged accordingly by their owners. The wells that are being addressed in this legislation are true orphan wells, which have no known owner. The industry, through this program, is requesting that more of the taxes we already pay be dedicated to help eradicate this continued issue for Ohio.

We have always encouraged ODNR to support, sustain and invigorate the Idle and Orphan Well Fund. It was once heralded in 1995, as part of an overall review of the Division of Oil & Gas, in which they noted, "Ohio's program is one of the better funded and progressive programs in the country; more wells are plugged annually in Ohio with state funding than any other Appalachian state."

We as an industry want to see that commitment renewed and enhanced. Given the amount of revenue contributed to the oil and gas fund, we believe we should be allocating far more resources to this important program.

The industry strongly supports the I&O program and believes that it is proper for taxes levied on production to be used to correct problems that may have arisen from the early (historic) days of the industry. We are proud to point out that our industry directly supports this critical environmental, health and safety issue. Assuring that orphaned wells are plugged is the responsible thing to do and demonstrates our commitment to the welfare of Ohio's citizens.

Today, the division is flush with severance tax revenue from increased production, largely derived from the Utica Shale. While the state collects over \$50 million dollars from the industry, it only allocates \$3 million dollars to the Idle and Orphan well program annually, even though it is legally required to allocate 14% of the previous fiscal year's funds. This would include severance taxes, fees, fines, and civil penalties collected, along with any bonds forfeited due to the improper plugging of idle and orphaned wells.

If the program is given adequate funding, we as an industry are ready and willing participants to help solve a problem that has plagued our state for decades. If this money isn't spent, we as an industry fear it will be pilfered and used for other programs as was done during the Celeste Administration, which would once again skirt the obligations the division is legally required to perform. That was a tragic loss of funds that, by law, was specifically designated to improve the environment and address a critical need.

Let's not repeat the same mistake today. Instead, let's embrace this opportunity to fully fund this program so we can say that not only was Ohio a leader in creating and refining its Idle and Orphan Well Program, but a leader to eliminate all known idle and orphan wells in the state of Ohio. To do so will be the single best thing this Assembly can do to protect groundwater resources in this state.

On behalf of our Association and its members, I thank you for allowing me to testify today in support of House Bill 225. The Ohio Oil & Gas Association urges the House Energy and Natural Resources Committee to support House Bill 225, which help eradicate this issue that continues to be a problem for landowners across Ohio.

Respectfully submitted,

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