

Chairman Eklund, members of the Senate Ways and Means Committee, I am Mike Wise of the Law Firm McDonald Hopkins and we represent Gulfport Energy.

Gulfport Energy is an independent natural gas and oil company focused on the exploration and development of natural gas and oil properties in North America and is one of the largest producers of natural gas in the contiguous United States. Headquartered in Oklahoma City, Gulfport holds a significant acreage position in the Utica Shale of Eastern Ohio and has been the most active driller in the Utica over the last three years.

While we do not oppose the general objectives of HB 430, we are very concerned with the arbitrary exclusion of oil and gas blending equipment (used for oil and gas production) from the exemption. For that reason, we ask that you remove the reference to blending equipment from the bill.

The Bill provides that equipment used in the “production operation” is exempt from the tax. Hydraulic fracturing is central to the production operation and refers to the process of creating fissures underground and then ensuring that the fissures remain open so that oil and gas can be brought to the surface. Blending is an integral part of the fracking process and blending equipment should be exempt from Ohio sales tax.

There is no rational basis for excluding blending equipment from the production operation. The blending process is controlled, along with the pumps and manifold used to insert the blended materials underground, in a continuous motion throughout the stimulation process. The quantities of sand, water and chemicals are monitored constantly and adjusted while the stimulation proceeds. Blending is not a step removed or merely an adjunct to the stimulation process, but rather is central to that process. We invite any member of this Committee to tour a Gulfport well pad and see first-hand how blending equipment is integral to the drilling process.

As a result of the tight nexus of blending equipment to the production process, blending equipment must be included in the sales tax exemption. We appreciate the committee’s attention to our concern.