



Ohio Oil and Gas Association
Interested Party Testimony
House Bill 33

Senate Finance Committee
Senator Matt Dolan, Chairman

Chairman Dolan and members of the committee, thank you for the opportunity to provide Interested Party Testimony regarding House Bill 33.

The Ohio Oil and Gas Association (OOGA) is a 76-year-old statewide trade association representing both independent conventional producers and large independent horizontal operators exploring Ohio's shale play. OOGA membership also consists of midstream companies, large-scale transmission line companies, contractors, oilfield service and supply providers, manufacturers, gas utilities and various other professional entities.

Our organization appreciates the work done by both the Governor's administration and the House of Representatives on the bill. We are generally supportive of a variety of the bill's proposals, but there are a few concerns and requested changes that we would like to bring to the committee's attention today.

Oil and Gas Well Fund

Industry research suggests Ohio has more than 40,000 orphan wells, the vast majority of which are from the first half of the 20th century, prior to any state regulation. It is critically important that the money set aside for the program in the Oil and Gas Well Fund is used for its intended purpose of plugging these wells.

The DeWine administration should be commended for increasing the number of wells that have been plugged in the past few years. OOGA believes that, after recent changes to the state plugging programs, there is the potential to double the amount of wells plugged in the next two years.

We are asking the Senate to remove the \$12 million grant funding earmark from the Oil and Gas Well Fund added by the House, and not to add any new earmarks to the Oil and Gas Well Fund. Siphoning money away from the fund only jeopardizes Ohio's lone environmental program focused on orphan wells and designed to reduce methane emissions and protect groundwater.

OOGA also supports the creation of an oil and gas well custodial fund to preserve the money for plugging orphan wells. We believe a custodial fund is the best way to maximize the current dollars and provide flexibility and security for the fund's future.

Pollution Control Facility Fees

The House-passed version of the budget includes additional new fees for the disposal of oil and gas brine at pollution control facilities. Currently fees are capped at 500,000 barrels. The House language would increase fees over the current cap. The fee was originally designed for regulatory purposes, and any new fees would be counter to that purpose. We are asking the Senate to eliminate this new fee and stay with the current law and fee structure.

Permitting of Stratigraphic Wells

House Bill 33 establishes ODNR's regulatory authority over stratigraphic wells, which are boreholes that are drilled to conduct research. OOGA is generally supportive of this regulatory oversight. However, as drafted, the bill's language would stifle subsurface research. We continue to work hard with other interested parties to find a workable solution for these wells and this language.

Enforcement Orders and Notice

The House made changes to the administration's proposals regarding who is subject to oil and gas law enforcement orders and notices. Our organization and the industry worked with the agency to clarify who is subject to enforcement in order to avoid any unintended consequences. We fully support the House changes.

Mr. Chairman and members of the committee, thank you for the opportunity to offer testimony today. I would be happy to try and answer questions from the committee.



5/18/2023

The Honorable Chairman Dolan
Chairman
Ohio Senate
1 Capitol Square
1st Floor
Columbus, OH 43215

Dear Chairman Dolan,

The Ohio Oil and Gas Association, API Ohio, Ohio Environmental Council Action Fund, and the Nature Conservancy of Ohio appreciate the opportunity to express our collective concern about Oil and Gas Well Fund transfer provisions included in House Bill 33, the state operating budget.

The Oil and Gas Well Fund is funded through severance taxes paid by oil and gas producers. It provides operational resources for the Division of Oil and Gas, as well as money for the state's orphan well plugging program, one of the oldest and most successful programs in the country. The state has identified around 20,000 orphan wells in Ohio, whereas industry research puts the amount at double the state's number. The amount of money needed to plug these wells, the vast majority of which were drilled prior to regulation in the mid-twentieth century, far exceeds the fund's current balance.

The House removed three such transfers from the Oil and Gas Well Fund where the money would be transferred for other purposes. These transfers were:

1. Allowing the Director of OBM to transfer "excess" funds from the Oil and Gas Well Fund to the All Ohio Future Fund in future years;
2. Transferring \$16 million for the purchase of ODNR park vehicles; and
3. Transferring \$9.4 million for the Parks and Watercraft Federal Grants Fund.

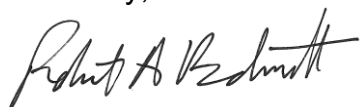
While we appreciate the House holding firm and eliminating those provisions from the bill, they did include a new transfer in the current version of the bill. The omnibus

amendment transferred \$12 million from the Oil and Gas Well Fund over the next two fiscal years to select local governments for road purposes.

Now is not the time to weaken our state program through unrelated money transfers. Ohio and the Department of Natural Resources should be commended on the progress the state has made under the DeWine administration regarding plugging orphan wells. However, even with the one-time money from the federal government to help plug wells, concern remains that there will not be enough money to plug all the state's abandoned wells if there are continued attempts to redirect money in the Oil and Gas Well Fund to projects and issues outside its intended purpose. This is Ohio's only environmental fund designed to help reduce emissions and protect groundwater from legacy wells in the state. Therefore, we would urge the Senate to remove this new provision included in the omnibus amendment from the bill and prevent any other cash transfers out of the fund throughout the budget process.

Thank you for taking our concerns into consideration as you and your colleagues continue to debate House Bill 33.

Sincerely,



Rob Brundrett
President
Ohio Oil and Gas Association



Chris Zeigler
Executive Director
API Ohio

Pete Bucher

Pete Bucher
Chief of Staff
Ohio Environmental Council Action Fund



Bill Stanley
Ohio Director
The Nature Conservancy

CC: Finance Vice Chairman Cirino
Finance Ranking Member Sykes