



State Representative Tim Ginter

**HB 8 Sponsor Testimony
House Energy & Natural Resources Committee**

February 17, 2015

Chairman Landis, Ranking Member O'Brien, and members of the House Energy and Natural Resources Committee, thank you for the opportunity to offer sponsor testimony for Substitute House Bill 8. I am proud to jointly sponsor this bill with Rep. Hagan.

As a legislator from Columbiana County, I am well aware of the impact that the oil and gas industry has had on the economy of this state. I strongly urge support for this bill, which will provide an orderly timeline for the application for unitization, reaffirm current law as it pertains to ad valorem taxation, and clarifies that certain state lands can be unitized.

Unitization is a method by which landowners can share in the benefits of oil and gas resources by combining acreage into a "unit". These units are created to comply with spacing laws to promote the conservation and responsible extraction of oil and gas. Originally enacted in 1965, unitization seeks to protect the property rights of all stakeholders, and to allow for the production of resources that would not have been produced in the absence of the unit.

Under current law, unitization applications are submitted to the Ohio Department of Natural Resources, along with a \$10,000 application fee. A hearing must then be held on the application, with the Chief of the Division of Oil and Gas Resources Management rendering the decision on whether the unitization application is to be approved. However, current law does not stipulate a timeline in which the Chief shall render the decision.

This has led to extremely long delays in the approval process. Some applications have been waiting over one year without a decision or explanation for the delay. Such delays represent wasted economic opportunity, preventing new wells from being drilled, good paying jobs being created and landowners being able to exercise their right to benefit from the resources contained in their land. Some of these delays have been caused by the existence of state land cutting through the area to be unitized. Frequently land owned by the state, it can sometimes constitute as little as 0.14% of a 700 acre unit. This small percentage of land owned by the state should not intrude on private landowners' rights to develop their land.

House Bill 8 will address these problems by requiring that the Chief must hold a hearing within 45 days of receipt of a unitization application. Further, a decision must be rendered by the chief within 30 days of that hearing. This timeline will help ensure that landowners are given a decision in a timely manner. If granted, unitization applications that are decided upon quickly will allow landowners to pursue the production on the natural resources below their feet.

This bill also allows for the unitization of state lands that have been tying up the unitization applications in the past. It is important to note that unitization of state lands excludes all state nature preserves (ORC 1509.73). This will prevent the interests of the minority (here, the state) from intruding upon the property interests of the majority (here, the landowners).

Finally, there has been some discrepancy across the state in the application of the Ad Valorem tax. The ad valorem tax is a statewide tax levied for the benefit of the county in which the natural resource is produced. County auditors apply the tax according to a formula laid out in the Ohio Revised Code. However, certain county auditors in the shale region have interpreted the Ohio Revised Code to allow for input values different than those currently permitted. House Bill 8 will reaffirm that county auditors must follow the current law when assessing the tax on mineral resources. Not to be construed as a change or addition to existing law, this portion of the bill simply clarifies and reinforces the method already codified for the assessment of the ad valorem tax. This will promote a level playing field across the state, and remove some of the variation in taxing seen across the shale region.

I am very proud to sponsor this bill, as I see the direct benefit it will have in my district and many others. The provisions in this bill create a smoother process for landowners to unitize their acreage together to take advantage of the natural resources they possess. This will allow for more wells to be drilled, more jobs to be created, and revenue increase for landowners, producers, and state and local governments. I urge the Committee to support House Bill 8. Representative Hagan and I are happy to answer any questions you may have.