



Representative Christina M. Hagan

50th House District of Ohio

Sponsor Testimony

HB 8 - Unitization

April 14, 2015

Chairman Balderson, Vice Chair Jones, Ranking Member Gentile and Members of the Ohio Senate Energy and Natural Resources committee, it is my great honor to present to this committee, newly created for purposes such as this, to bring forth for your vetting House Bill 8: legislation that is threefold in its intentions. House Bill 8 is a measure which would establish a statutory timeline for rendering a decision pertaining to unitization applications. The bill is priority legislation for the Ohio House of Representatives, encouraging economic development and job creation, respecting personal property rights and lastly, but not in any way least important, moving at the speed of business by creating clarity and certainty in government permitting processes which have stunted further investment and realization of individual property owner's assets beyond basic royalty agreements.

Again, to be clear, this legislation is intended to achieve three goals:

- To promote 21st century energy-related economic development
- To empower landowners to realize their full investment potential
- To move Ohio at a competitive speed of business while ensuring clarity and certainty in the process

Central to every business decision that is made is an understanding of the economic climate and viability of that decision. In Ohio we have worked hard to improve such a business climate. However, there is always more that can and should be reviewed, considered and accomplished when evolving alongside new developments.

The shale play that has taken off in Ohio is still relatively new. Each variable which we can control to enhance its economic viability is a variable that we should pursue. Companies such as Shell, BP, Anadarko and many others have exited Ohio due to many factors including economic viability, uncertainty in tax structure, and a downturn in commodity prices, amongst others., I believe it is wise of us to consider enhancing the facets we do have control over in the legislature to create clarity where clarity is currently lacking.

It is our responsibility as legislators to responsibly govern and create the best quality of life possible for Ohioans. In the opinion of many people from my district, that means removing government blockades so that good paying jobs can flourish and bolster our economy.

Every business knows that time is money and moving at the speed of business is no longer an option but a necessity in a global economic climate. We no longer have the luxury of only competing with ourselves nationally, but now Ohio must compete on a world stage of natural resource development.

This is the heart of the issue House Bill 8 addresses. **It is our goal to improve the application timeline and create more certainty.** Issuance of a decision regardless of the outcome improves our economic climate. **Certainty in business – especially the energy industry - is key.** Future investments are always contingent upon present outcomes and or hindrances such as uncertainties in the process.

In many competing states, applications are submitted and permits are issued much more efficiently. In some cases, decisions on unitization applications are issued as quickly as 2 weeks. Understanding the current environment in which such permits have been applied for, we believe strongly in the process outlined in the bill. This includes holding a hearing not later than 45 days after the Chief receives an application and subsequently ensuring that the chief shall issue an order within 30 days after the date of the hearing. This will accomplish the objective of moving us at the speed of business while defining a timeline that can create certainty for investors and property owners.

In my opinion, this is an extremely reasonable proposal considering each unitization application is submitted to the Ohio Department of Natural Resources along with a \$10,000 application fee. Since current law does not require a timeline in which the Chief shall render a decision, dramatic delays (in some instances, as much as 12-15 months and counting) exist which prevent wells from being drilled, jobs from being created and the stunting of landowner's economic opportunity. Every day these permits are unreasonably delayed, energy companies, associated businesses and landowners are negatively impacted. This will allow Ohioans to reap a greater economic benefit from timeliness in applications being processed. This variable is one that can dramatically improve our business climate in Ohio and further job growth immediately.

Representative Ginter and myself have both witnessed the results of local economies which have benefited by such substantial economic development. It is important to note that in no way are we altering the process of unitization itself. Unitization is a method by which landowners owning oil and or gas rights can share in the benefits of the extraction of that resource, which would otherwise never be produced. Our bill is solely aimed at reducing the time in which economic development is experiencing paralysis without cause. Placing such a timeline into statute is good for all Ohioans and will encourage further investment.

It is also important to realize that the process by which ad valorem taxation occurs is in no way altered by the bill. The language in House Bill 8 ensures that crude oil and natural gas are only being valued and assessed when they are extracted from the earth, mirroring current state statute. This also creates clarity for our local government partners who have experienced shale development in Eastern Ohio.

In closing, I want to thank you again Chairman Balderson and members of the Committee for providing me the opportunity to present House Bill 8 to you today. As a State, we should prioritize landowner's rights and partner with those wanting to invest in our great state. To do so, we must respond swiftly to the need for orderly oil and gas development in Ohio. **House Bill 8 creates a path for us to move Ohio forward and respond quickly to improve the way we do business.** I look forward to working through any questions you might have following the testimony of my Joint Sponsor, Representative Ginter.