



## Testimony before the Ohio Senate Agriculture & Natural Resources Committee

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Chair Schaffer, Vice Chair Huffman, Ranking Member Fedor and members of the Senate Agriculture & Natural Resources Committee, thank you for the opportunity to testify today.

My name is Matthew Hammond, I serve as the President of the Ohio Oil & Gas Association. Founded in 1947, OOGA is a statewide trade association, today serving approximately 1,100 members. This includes both small, independent conventional producers and large independent horizontal operators exploring Ohio's shale play. Our 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 mission is to protect, promote, foster and advance the common interests of those engaged in all aspects of the industry.

Today, Ohio ranks fifth in the nation in natural gas production and 12<sup>th</sup> in crude oil production. It has the seventh-largest crude oil refining capacity in the nation, and the state's four refineries can process nearly 600,000 barrels of oil a day. The Utica Shale accounts for almost all of the rapid increase in Ohio's natural gas production, which was more than 30 times higher in 2019 than in 2012.

With the increase in Utica Shale activity in Ohio, large independent natural gas and oil companies have expanded into our state and invested billions of dollars in acquiring mineral rights, drilling for and producing oil and gas resources, paying lease bonuses and royalties to Ohioans, and are the driving force behind hundreds of thousands of jobs being created in the state.

These companies have explored for oil and natural gas in various shale plays across our country. They, along with independent producers, continue to look for ways to improve and expand our proven oil and natural gas reserves.

Today, I want to provide the committee with a brief, but comprehensive, overview of how our state's natural gas and oil industry benefits Ohio families and communities, as well as outline some of our legislative priorities during the 134<sup>th</sup> General Assembly.

First, I will share some important economic and investment statistics.

### **Jobs:**

- More than 208,000 Ohioans are employed in the natural gas and oil industry, according to the Ohio Department of Job & Family Services.

- From 2011 to 2019, core shale-related industry employment (such as pipeline construction and well drilling) was up by 5,655 (77.6 percent).
- From 2011 to 2019, ancillary shale-related industry employment—such as freight trucking and environmental consulting—increased by 21,375 (12.3 percent).

**Power Generation:** There are currently 12 new natural gas fired power plants being permitted, under construction or operating in Ohio, with an investment of over \$10 billion, creating more than 6,700 construction jobs with the ability to power more than 9 million homes. Without producers exploring for and producing natural gas in Ohio, it is highly likely independent power producers would not be making these investments.

**Wages:** The average wages of shale-related jobs are \$81,749 in core industries and \$70,787 in ancillary industries. In both cases, this is higher than the average wage in all Ohio industries: \$51,740.

**Investments:** According to JobsOhio and its Energy and Chemicals team, the industry has invested \$86.4 billion in Ohio since 2011 (\$60 billion in upstream, \$20.2 billion in midstream and \$6.2 billion in downstream).

**RUMAs (Road Use Maintenance Agreements):** Agreements reached between natural gas and oil producers that require companies to repair damage to public roads. The upstream industry spent more than \$300 million in eight Ohio counties from 2011 to 2017 and improved more than 630 miles of roads from these investments alone. We are unaware of any other private sector industry investing more in public infrastructure.

**Ad Valorem Taxes:** Producers pay an ad valorem tax once natural gas or oil is produced from a well. The tax is based on a calculation set forth by the state to establish a valuation and with the revenue going to local governments. In total, the oil and natural gas industry contributed more than \$141.9 million to eight Ohio counties from 2010 to 2017 from ad valorem taxes alone. That is more than triple our previously reported \$45 million these counties received from 2010 to 2015. School districts receive approximately 60-65% of the tax.

### **Environmental Benefits**

The proliferation of natural gas over the past decade has also resulted in environmental benefits while providing significant economic benefits to the state and country. Energy industry efforts to curb emissions has helped bring combined methane emissions from petroleum and natural gas systems down 23.2 percent from their 1990 levels. Generally, methane emissions in the United States continue to decline, according to updated data released in the Environmental Protection Agency's final 2020 Greenhouse Gas Inventory. The GHGI data shows U.S. methane emissions were 18 percent lower than in 1990 and 10 percent below 2005 levels.

Ohio power sector carbon emissions declined 37.7 percent from 2005 to 2015, reductions that took place while natural gas-fired electricity generation has increased 940 percent. In 2018, the Environmental Defense Fund labeled Ohio as the "nation's carbon-reducing powerhouse," which they credited to the state's "dramatic increase in natural gas-fired electricity generation."

I will now outline some of the top legislative priorities for which our Association is currently advocating.

### **Streamlining the Unitization Process**

Unitization is a process in current law which allows for the efficient development of natural gas and oil and protects the property rights of mineral owners. Mineral owners who are unitized are fairly compensated for their minerals. This is a time-consuming and expensive process for producers and they will always prefer entering into a lease agreement over going through the unitization process. It can take 5-6 months in Ohio to go through the entire process, which is significantly longer than other states. The Ohio Oil and Gas Association supports H.B. 152, which would streamline the unitization process and codify some existing practices. The primary goal of the bill is to give the Division of Oil and Gas timelines to shorten the period from submitting an application to receiving an order to approximately three months.

### **Leasing State Minerals**

In 2011, Gov. Kasich signed H.B. 133 into law, legislation that created the Oil and Gas Leasing Commission, which was intended to be the entity to manage the leasing of state-owned minerals for natural gas and oil development. Gov. Kasich did not appoint members to the commission until 2017 and the commission has yet to lease a single parcel. Unfortunately, this impacts private mineral owners from having their minerals developed and recognizing their economic opportunity. Other than Pennsylvania, where development of state-owned minerals is taking place, but current leasing is prohibited, Ohio is currently the only major natural gas and oil producing state to not lease their state-owned minerals to producers. We view leasing state minerals in two tiers:

Tier I one would be smaller parcels that are currently within a producer's contiguous block of acreage. We estimate there are 13,000 acres that fit this description and, considering current market rates for leases, would generate approximately \$200M-\$220M in free revenue for the state of Ohio over time. Producers would soon begin to lease these parcels as it is currently preventing development in some areas.

Tier II would include larger areas of state-owned minerals, such as forests and wildlife areas. Development of these larger swaths of acreage would be a long-term strategy given that low commodity prices have caused some capital to be constrained to lease and develop at this time. However, a mechanism must be in place now to better position the industry and the state for the next several years.

### **Orphan Well Plugging Program**

Historic orphan wells, which were drilled during pre-regulatory times and as far back as the late 1800's, are a problem in Ohio and every major historic natural gas and oil producing state. There is a growing narrative around the country about the importance of plugging these orphan wells. These wells are in three of Ohio's four quadrants, including northwest Ohio. Ohio is in a unique position to eradicate these wells due to the fact that our severance tax revenue is dedicated to the regulatory program. We will continue to work with the Ohio Department of Natural Resources to ensure these historic wells are plugged.

Again, thank you to the committee for affording me the opportunity to testify today. At this time, I would be happy to answer any questions the committee may have.