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*Forging a partnership between farmers and consumers.  
•Working together for Ohio's farmers•*

**Senate Energy and Natural Resources Committee  
H.B. 225 Proponent Testimony  
Jenna Beadle, Director of State Policy  
February 28, 2018**

Chairman Balderson, Vice Chair Jordan, Ranking Member O'Brien, and members of the Senate Energy and Natural Resources Committee, thank you for the opportunity to provide testimony in support of H.B. 225 and to Representative Thompson for carrying this legislation to address idle and orphaned or abandoned wells.

Ohio has been home to oil and gas exploration since the late 1800s. Including both traditional vertical and new horizontal drilling technologies, over 250,000 wells have been drilled throughout the state. Farm fields, woodlands, suburbs, and subdivisions accommodate all types of drilling infrastructure that a few short years ago were open country.

Over the decades drillers have gone bankrupt, companies have merged, leases have expired, production assets have changed hands, and developers are lost to history. Current ownership of some infrastructure still on the land is untraceable. Some landowners are left to address deteriorating well casings that expose adjoining soil and water resources to pollution. Many landowners rely on the Ohio Department of Natural Resource's (ODNR) Orphan Well Program for assistance to have abandoned wells decommissioned, casings sealed, and infrastructure removed from their property.

HB 225 would alleviate several of the challenges associated with orphaned wells. First, the bill requires ODNR to establish a scoring matrix for orphaned wells and to use that matrix to determine the priority of those wells for plugging purposes. Wells would be classified as:

1. Distressed – high priority
2. Moderate – medium priority
3. Maintenance – low priority

This prioritization structure would cause ODNR to evaluate these wells and develop a strategy to begin quickly addressing orphaned wells that are the most hazardous to the surrounding environment. In addition, ODNR would be required to inspect a well within thirty days of the landowner reporting it. One of the obstacles that landowners face is the

amount of time it takes to report, inspect, and finally plug the orphaned well. This section of the bill will help address the amount of time this process takes.

The bill also makes several changes to the notices ODNR is required to send throughout the process and speeds up that timeline. As an example, the bill allows the Chief of the Division of Oil and Gas to make a “reasonable attempt” to find anyone with an owner interest in the well scheduled for plugging to provide notice of the Division’s intent. Under the bill, the Division does not have to search more than forty years prior to the date the well was determined to be orphaned for the “current” owner or owner interest of the land on which the well is located. This limits the scope of ODNR’s search, the resources expended, and the timeliness of fulfilling the notice requirement.

The second obstacle landowners face is how much it costs to plug a well; the average cost to plug a well is about \$30,000, but it can vary widely. Currently a landowner is required to submit a 1099 tax form if he or she receives funds from ODNR to plug an idle and orphaned well. Landowners are, therefore, penalized on their taxes for attempting to rectify the issue. This has become a disincentive to landowners and keeps many from reporting the existence of the well in the first place. HB 225, however, would require the Division of Oil and Gas to distribute funds to the contractor plugging the well instead of the landowner thereby removing the issue entirely.

Finally, the bill forbids the transfer of funds from the Oil and Gas Well Fund to the General Revenue Fund or to fulfill another state purpose. This provision ensures that the funds will be used for their intended purpose of funding the regulatory duties of the Division and the Orphaned Well Program. Ohio Farm Bureau policy supports ODNR’s regulating authority of the oil and gas industry and ensuring they have the proper funding and protocols in place to adequately perform their duties.

At a time when farmers are experiencing the lowest farm incomes in twelve years, they cannot be further burdened by the current taxes associated with plugging a well. HB 225 would encourage more landowners to report the existence of orphan wells on their property, create additional financial resources for communities to address this issue, and would create collaboration between ODNR, local governments, and rural residents.

Thank you again for the opportunity to voice our members’ concerns, and I will take any questions you may have at this time.