

Chairman Eklund, members of the Senate Ways and Means Committee, I am Ted Bernert of the Law Firm BakerHostetler and we represent Stingray Pressure Pumping, LLC.

Stingray is a unit of Mammoth Energy Partners, a North American energy service company serving companies engaged in the exploration and development of North American onshore unconventional oil and natural gas reserves and energy infrastructure. Stingray operates in all of the major basins in North America including Utica Shale, Permian Basin, Marcellus, Midcontinent and Canadian Oil Sand and has operations in Ohio.

We are very concerned with HB 430 and must oppose the Bill as currently drafted. HB 430 would impose sales and use tax on the purchases of blending equipment used in the production of oil and gas. Specifically, the bill provides that equipment used in the production operation is exempt from the tax, but then declares that blending is taxable. We ask that the reference to “blending” be removed from the legislation.

Relevant Language: Line 638 of the bill as passed by the house with the necessary change.

As used in division (B)(g) of this section, “production operation” has the same meaning as in section 1509.01 of the Revised Code, but does not include any of the following operations, activities, or equipment: (ii) Storing, holding, ~~or blending~~ solutions or chemicals used in well stimulation as defined in section 1509.01 of the Revised Code.

Well stimulation (hydraulic fracturing) refers to the process of creating fissures underground and then ensuring that the fissures remain open so that oil and gas can be brought to the surface. Blending is an integral part of the stimulation process and should be exempt. The blending process is controlled, along with the pumps and manifold used to insert the blended materials underground, in a continuous motion throughout the stimulation process. The quantities of sand, water and chemicals are monitored constantly and adjusted while the stimulation proceeds. Blending is not a step removed or merely an adjunct to the stimulation process, but rather is central to that process. As a result, the costs for oil and gas producers would increase and imposing the tax on pressure pumping equipment will make Ohio less competitive for oil and gas production.

Stingray recently purchased \$125 million in new equipment that is being deployed in states other than Ohio due to the uncertainty of the tax situation in Ohio. Further, the issue of the exemption for blending is before the Franklin County Court of Appeals in *Stingray Pressure Pumping, LLC. V. Joseph W. Testa, Tax Commissioner of Ohio*, Case Nos. 18A-111 on appeal from the Ohio Board of Tax Appeals. The General Assembly should not short-circuit that appeal by declaring that the Tax Commissioner should be the winner in that litigation.

We appreciate the committee’s attention to our concern.