

The Ohio Oil & Gas Association
**Legislative and Regulatory
Update**

SOOGA
April 20, 2017



Covered in this presentation



- State Issues:
 - House Bill 49 (State Budget Bill FY 18-19)
 - Sales Tax Clarification (Senate Bill 235 and beyond)
 - Senate Bill 30 (Local Road Authority)
 - House Bill 105 (Idle and Orphan Well Fund)
 - Other Bills
- Federal Issues:
 - Information Collection Requests (ICR's)
 - Endangered Species Act

House Bill 49 – It's Groundhog Day!



House Bill 49 (State Budget Bill)



- Severance Tax
 - 6.5% - wellhead crude oil and natural gas
 - 4.5% - “downstream” natural gas and NGL’s
 - Applies to both horizontal and conventional production
- Sales Tax
 - Increases rate from 5.75% to 6.25%
- Exempts “house gas” from severance tax
- Idle and Orphan Well Fund – 14% of severance to flat funding

Sales Tax Clarification



- Senate Bill 235 (131st General Assembly)
 - Clarified Ohio tax law by referring to a production operation via Ohio oil and gas law (ORC Section 1509.01)
 - Line Item Vetoed by Governor Kasich
 - \$264 in “projected lost revenue” for the state
- Clarification is still sought by the industry
- Continued discussions with leadership (House/Senate) in an effort to address the issue

Senate Bill 30 (Local Road Authority)



- Bill would authorize counties to adopt resolutions regulating motor vehicle traffic on county/township roads
- OOGA has joined a coalition of groups urging caution on the bill
 - ODNR – “sole and exclusive” regulatory agent
 - Potential to discriminate against oil and gas loads

House Bill 105 (Idle and Orphan Well Fund)



- Reps. Jack Cera (D) and Brian Hill (R)
- Severance tax revenue would flow to INO fund first, then fund regulatory program
- Additional severance revenues would go to:
 - Local Governments
 - Fire Departments
 - Grant Program for CNG

- Senator Mike Skindell (D-Lakewood)
 - Senate Bill 50 – Bans Injection Wells
 - Senate Bill 51 – Bans Drilling in Lake Erie
 - Already Executive Orders banning the process
 - Bills have received 1 hearing (Sponsor Testimony)
 - Both bills should die in committee. However, they can breed associated issues

Information Collection Requests (ICR's)



- November 16, 2016 - Obama Administration via U.S. EPA creates ICR's of oil and gas operations
- Cites Clean Air Act as authority
- Creates a long, burdensome process for operators to comply
- Goal is to provide U.S. EPA with more information to regulate the oil and gas industry
- March 2, 2017 – Trump Administration withdraws ICR

Endangered Species Act (ESA)



- Environmental interests continue to try and expand the species covered
 - Not based upon science
 - Based upon “sue and settle” practice
- Result: more species become protected under the act that aren’t “endangered” by industry activities
 - Bats (Indiana and Northern Long Eared Bat)
 - Rusty Patched Bumblebee
- End Result: Projects get delayed and potentially shut down due to permitted windows of opportunity being closed

Emergency Notification



- August 9 – Governor Kasich issues emergency executive order pertaining to emergency notification for oil and gas operations
- December 8, 2016- Permanent rules became effective through the JCARR process
- Established a one-call hotline for incident reporting
 - **1-844-OHCALL1 (or 1-844-642-2551)**

- **Who is required to report? “Reporting Person”**
 - **Owner**
 - well, production operation
 - **Permittees/Order Holders**
 - ORC Section 1509 or OAC Section 1501:9
 - **Brine Haulers**
 - ORC Section 1509.222
 - **Brine Spreaders/Local Governments**
 - ORC Section 1509.226
 - **Contractors**
 - Doing work for a “reporting person”
 - Must contact reporting person or, if they cannot be reached, ODNR directly

- **When do you report?**
 - **Events**
 - Gas release that results from a blowout, uncontrolled pop-off valve release in an urban are, or any release of gas that threatens public safety
 - Hydrogen sulfide release
 - Causing injury or death
 - 20 ppm/10 minute period
 - Fire or explosion where operator contacts Fire/EMS
 - Doesn't include flaring or combustors

Emergency Notification



- **When do you report? (cont.)**
 - **Releases**
 - NOTE: All releases must be outside secondary containment
 - **Crude Oil/Condensate/Saturated Materials**
 - 5 bbls in a 24-hour period

 - 25 gallons in 24-hour period (sensitive areas)
 - Urban area
 - Emergency management zone of public water intake
 - 5-year time of travel of a public drinking water well
 - 100-year floodplain

- **When do you report? (cont.)**
 - **Releases**
 - Refined oil products
 - Drilling mud, fuels (gasoline or diesel), lubricants
 - 25 gallons in a 24-hour period
 - ANY crude oil/condensate/refined oil entering waters of the state and causes a sheen
 - Brine/Sludges/Semi-solids (tank bottoms)
 - 42 gallons in 24-hour period
 - Any hazardous or extremely hazardous substance

- **What do you report?**
 - Contact information
 - What's the event?
 - Location (county/township/section or lot number/GPS/nearest intersection)
 - Permit number/other ID
 - Potentials health effects/safety concerns
 - Mitigation efforts
 - Emergency responders contacted?
 - Other state or federal agencies notified?
 - Additional information required for a “release”
 - Follow-up report in certain cases and per ODNR request



The new toll-free number is: **1-844-OHCALL1 (1-844-642-2551)**.

A reporting party is required to make a call to the Ohio One-Call System within 30-minutes after becoming aware of the occurrence, unless notification within that time is impracticable under the circumstances.

This requirement does not change current federal/SERC regulations for 30 minute notification to local fire department and LEPC.

In addition, calls to The National Response Center (NRC) shall be made for those reportable quantity releases involving CERCLA hazardous substances or oil to navigable waters as soon as possible. The National Response Center (NRC) 24-hour number is 1-800-424-8802.

ODNR's 24-hour dispatching center will receive all calls made to **1-844-OHCALL1** and makes notifications to the below agencies.

The Ohio One Call System Notifies:

- ODNR Division of Oil and Gas Resources Management
- ODC/ State Fire Marshal
- OEPA
- PUCO
- ODNR WILDLIFE

- **HB 59 – ORC 1509.22(C)**
 - The chief shall adopt rules regarding storage, recycling, treatment, processing, and disposal of brine and other waste substances . The rules shall establish procedures and requirements in accordance with which a person shall apply for a permit or order for the storage, recycling, treatment, processing, or disposal of brine and other waste substances that are not subject to a permit issued under section 1509.06 or 1509.21 of the Revised Code and in accordance with which the chief may issue such a permit or order.
- **First stakeholder meeting 1/30.**
- **Complex in scope and technical detail.**
 - OEPA, ODH, ODC and Fire Marshal

Facilities Rule



- Rule will set forth permitting and operational requirements.
- Areas where OOGA and ODNR are working together:
 - Facility Determination
 - *De Minimis* and TENORM testing
 - Baseline Assessment
 - Existing Facilities
 - Financial Assurance

- On 1/17 ODNR presented proposed language modify OAC 1501:9-1-04 to TAC.
 - 50% reduction in minimum acreage size.
 - 1,000-2,000 ft- 5 acres, 460 ft from producing well, 230 ft from boundary of drilling unit
 - 2,000-4,000 ft- 10 acres, 600 ft from producing well, 300 ft from boundary of drilling unit
 - Greater than 4,000ft- 20 acres, 1,000 ft from producing well, 500 ft from boundary of drilling unit
 - 150'/350' spacing for horizontal wells.
- TAC unanimously approved.
- Rulemaking should begin in coming months.

Federal Environmental Regulations Update



- Regulatory Freeze and Reform
 - White House Executive Order
- Waters of the United States
 - White House Executive Order
- Methane Regulations
 - US EPA
- Endangered Species Act
 - Congressional Review
- Rusty Patched Bumble Bee
 - US Fish and Wildlife

Questions?



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The Ohio Oil and Gas Association's mission is to protect, promote, foster and advance the common interest of those engaged in all aspects of the Ohio crude oil and natural gas producing industry.