



OHIO LEGISLATIVE SERVICE COMMISSION

Tom Wert

Fiscal Note & Local Impact Statement

Bill: H.B. 225 of the 132nd G.A.

Status: As Reported by House Energy and Natural Resources

Sponsor: Rep. Thompson

Local Impact Statement Procedure Required: No

Subject: Modifies requirements concerning orphaned or abandoned wells

Fiscal Highlights

- **Well plugging.** Increasing the amount that must be spent annually on the Idle and Orphaned Well Plugging Program from 14% to 45% of revenue deposited in the Oil and Gas Well Fund (Fund 5180) in the previous fiscal year will increase expenditures under the program by several million dollars each year.
- **Restrictions on the use of moneys in Fund 5180.** The bill amends H.B. 49 of the 132nd General Assembly, the main operating budget act for the FY 2018-FY 2019 biennium, to bar money in Fund 5180 from (1) being used to satisfy judgements and settlements against the state, or (2) being transferred to the GRF.

Detailed Fiscal Analysis

The bill modifies requirements of the Idle and Orphaned Well Plugging Program overseen by DNR's Division of Oil and Gas Resources Management that will increase expenditures by several million dollars annually. These changes include increasing the amount that must be used annually to support the program, authorizing landowners to report idle and orphaned wells, and relieving landowners from the financial responsibility to plug those wells. Additionally, the bill prohibits money in the Oil and Gas Well Fund (Fund 5180) from being used to satisfy judgements and settlements against the state and prohibits cash transfers from Fund 5180 to the GRF under general authority provided in H.B. 49 of the 132nd General Assembly, the main operating budget act for the FY 2018-FY 2019 biennium. Details are discussed under the headings below.

Spending requirements under the Idle and Orphaned Well Plugging Program

The bill increases the amount that the Chief of the Division of Oil and Gas Resources Management must spend on plugging idle and orphaned wells each year. Under current law, the Chief must annually use 14% of the revenue deposited to the credit of the Oil and Gas Well Fund (Fund 5180) in the previous fiscal year. The bill increases the percentage that must be used to 45%. At the end of FY 2017, a total of almost \$52.2 million had been deposited to the credit of Fund 5180. To comply with

current law the Chief would need to use approximately \$7.3 million (\$52.1 million x 14%) to plug idle and orphaned wells in FY 2018. To comply with the spending requirement under the bill, the amount the Chief would need to use in FY 2018 increases to \$23.5 million (\$52.1 million x 45%). Spending for idle and orphan well plugging is authorized under Fund 5180 appropriation item 725677, Oil and Gas Well Plugging.

Reporting idle and orphaned wells

In conjunction with the increased spending requirement, the bill allows a landowner to report an idle and orphaned well to the Chief. Under the bill, after receiving the landowner report, the Chief must inspect the well within 30 days and prioritize it as being (1) distressed-high priority, (2) moderate-medium priority, or (3) maintenance-low priority using a scoring matrix for idle and orphaned wells established by the Chief. Upon determining that a well is an idle and orphaned well, the bill requires the Chief to make a reasonable attempt to determine the current owner or owners or rights or interests in the oil or gas mineral interests by reviewing records in the Office of the County Recorder. The bill requires the Chief to provide notice that a well is to be plugged by mailing each person with ownership or interests in the well and by publishing the notice in a newspaper of general circulation in the county where the well is located. The bill then authorizes the Chief to make expenditures to plug an idle and orphaned well pursuant to contracts entered into by other state agencies. Alternatively, continuing law provides that a landowner who reports an idle and orphaned well is not financially responsible for plugging that well, but may elect to plug the well and be reimbursed for costs to do so by the Division. Costs associated with prioritizing and plugging landowner-reported wells, including costs for reimbursement if landowners choose to plug the wells themselves, would presumably be supported by the increased spending requirement discussed above.

Restrictions on the use of moneys in Fund 5180

The bill amends sections 503.20 and 512.20 of H.B. 49 of the 132nd General Assembly, the main operating budget act for the FY 2018-FY 2019 biennium, to restrict the use of moneys in Fund 5180 from being used for certain purposes. Specifically, the bill prohibits the use of moneys in Fund 5180 from being used to satisfy judgements and settlements against the state under general authority to use appropriations for these purposes provided in H.B. 49. The bill also prohibits the Director of Budget and Management from transferring cash from Fund 5180 to the GRF under authority provided in H.B. 49 to transfer up to \$200 million from non-GRF funds to the GRF during the FY 2018-FY 2019 biennium.

Other provisions with little or no fiscal effects

The bill contains other provisions that appear to have little or no fiscal effect. These include certain reporting requirements, and a modification to the timeframe before certain equipment found at idle and orphaned wells is forfeited to the state. Please see the LSC Bill Analysis for additional details about these provisions.

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