



# OHIO LEGISLATIVE SERVICE COMMISSION

Tom Wert

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## Fiscal Note & Local Impact Statement

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

**Status:** As Enacted

**Sponsor:** Rep. Thompson

**Local Impact Statement Procedure Required:** No

**Subject:** Modifies requirements concerning orphaned or abandoned wells

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### Fiscal Highlights

- Increasing the amount that must be spent annually on the Idle and Orphaned Well Plugging Program from 14% to 30% 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.
- The bill amends H.B. 49 of the 132nd General Assembly to increase FY 2019 appropriations under Fund 5180 appropriation item 725677, Oil and Gas Well Plugging, by \$9.0 million to a total of \$15.0 million. This appropriation item is used by the Department of Natural Resources' Division of Oil and Gas Resources Management to pay the costs of plugging orphaned oil and gas wells.

### Detailed Fiscal Analysis

#### 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 30%. As of May 17, 2018, FY 2018 year-to-date revenue deposited to the credit of Fund 5180 totaled nearly \$59.5 million. To comply with current law the Chief would need to use at least \$8.3 million ( $\$59.5 \text{ million} \times 14\%$ ) to plug idle and orphaned wells in FY 2019. To comply with the spending requirement under the bill, the amount the Chief would need to use in FY 2019 increases to at least \$17.9 million ( $\$59.5 \text{ million} \times 30\%$ ).

Spending for idle and orphan well plugging is authorized under Fund 5180 appropriation item 725677, Oil and Gas Well Plugging. H.B. 49 of the 132nd General Assembly, the main operating budget for the FY 2018-FY 2019 biennium, provided \$6.0 million each fiscal year under appropriation item 725677, Oil and Gas Well Plugging. The bill amends H.B. 49 to increase the FY 2019 amount by \$9.0 million to a total of \$15.0 million.

## **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 of 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.

## **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.