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# OHIO LEGISLATIVE SERVICE COMMISSION

Office of Research  
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Office

**S.B. 219**  
**136<sup>th</sup> General Assembly**

## Bill Analysis

**Version:** As Introduced

**Primary Sponsor:** Sen. Landis

Amanda Goodman, Attorney

### SUMMARY

#### Oil and Gas Resolution and Remediation Fund

- Creates the Oil and Gas Resolution and Remediation Fund (OGRRF) as a custodial fund.
- Requires the Chief of the Division of Oil and Gas Resources Management to use money in the OGRRF to plug orphaned wells in accordance with current law.
- Authorizes the Chief to use the OGRRF for expenses that are critical and necessary for the protection of human health and safety and the environment related to oil and gas production.
- Requires the Treasurer of State, at the beginning of each fiscal year, to transfer the amount of money in the Oil and Gas Well Fund that exceeds the total amount appropriated to it for that fiscal year to the OGRRF.
- Requires the Treasurer to make disbursements, other than interest earnings, from the OGRRF on a quarterly basis, on order of the Chief.
- Requires the \$50 filing fee for an exempt domestic well or exempt Mississippian well (that may be filed in lieu of posting a surety bond) and any funds collected by the Chief from the issuance of corrective action orders to be deposited into the OGRRF instead of the Oil and Gas Well Fund.
- Requires interest earned on the OGRRF to be reserved for use by the ODNR Director for any ODNR-related purpose, subject to the written approval of the Technical Advisory Council on Oil and Gas.

#### ODNR authority to regulate cross-state wells

- Clarifies that the Division of Oil and Gas Resources Management's sole and exclusive authority to regulate oil and gas wells and production operations within Ohio includes the

authority to regulate *any portion* of an oil and gas well *located in Ohio*, regardless of whether any other portion of that oil and gas well is located outside of Ohio.

- Accordingly, requires a well owner that proposes to operate in Ohio to apply for a permit to do so if *any portion* of the well is located in Ohio, regardless of whether any other portion of that well is located outside of Ohio.

### **Expedited drilling permit review**

- Eliminates the Chief's authority to refuse to accept requests for expedited reviews of drilling permit applications, which, under current law, the Chief may do if the Chief determines that the acceptance of expedited requests would prevent the issuance, within 21 days of their filing, of permits for which applications are pending.
- Prohibits a well owner from applying for an expedited permit more than ten times within a calendar year.
- Prohibits the Chief from issuing more than ten expedited permits to an owner within a calendar year unless an emergency requires that an expedited permit be issued, as determined by the Chief.

### **Well owner obligations upon assignment or transfer**

- Relieves the owner of a well of the owner's obligations and liabilities under the Oil and Gas Law upon the transfer of the well if the owner files required information with the Division of Oil and Gas Resources Management and provides financial assurance, instead of maintaining those obligations and liabilities until the assignee or transferee performs those actions as under current law.

### **Well owner ability to obtain a drilling permit**

- Clarifies that *each* person who meets certain criteria may apply for a drilling permit, accounting for those who are joint interest owners.

### **Statute of limitations – oil and gas lease termination action**

- Requires an action alleging that an oil and gas lease has terminated or is no longer in effect or expired to be brought within six years after the cause of the action accrued.

### **Unitization**

- Clarifies that operations conducted pursuant to a Chief's order for the unit operation of a pool constitutes fulfillment of all the express or implied terms of each lease or contract covering lands in the unit area *and cannot be construed to be a breach of any such terms*.
- Specifies that if a lease's terms are inconsistent with the Chief's order for unit operations, the terms of the lease are not deemed to be breached so long as the well owner complies with the Chief's order.

## **Orphaned wells**

- Relieves the Chief from certain notice requirements in the case of a landowner who discovers one or more orphaned wells on their land.

## **Road use agreements for horizontal well owners**

- Eliminates the requirement that a horizontal well permit applicant enter into road maintenance and safe use agreements with local governments, or attempt in good faith to do so, and instead makes such an agreement voluntary.
- Requires any road maintenance and safe use agreement that is voluntarily entered into to terminate within three years of execution.
- Allows for the continual renewal of road maintenance and safe use agreements, but for periods not exceeding three years.
- Exempts a horizontal well permit holder from the requirement to obtain a special regional heavy hauling permit when operating a vehicle or hauling a load that is of a size or weight exceeding road weight limits set forth in current law if the permit holder attempted to enter into a road maintenance and safe use agreement with just and reasonable terms.

## **Natural gas gathering exemption from public utility tax**

- With respect to the exemption of natural gas gatherers from public utility taxation, specifies that a person qualifies for that exemption, beginning in tax year 2027 and every tax year thereafter, if the total dekatherms the person gathers exceeds the total dekatherms the person purchases from nongathered sources in a calendar year.

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## **DETAILED ANALYSIS**

### **Oil and Gas Resolution and Remediation Fund<sup>1</sup>**

The bill creates the Oil and Gas Resolution and Remediation Fund (OGRRF) as a custodial fund. It requires the Chief of the Division of Oil and Gas Resources Management to use money in the OGRRF to plug orphaned wells in accordance with current law. The Chief may use the OGRRF for expenses that are critical and necessary for the protection of human health and safety and the environment related to oil and gas production. The Treasurer of State must disburse money, other than interest earnings, from the OGRRF quarterly on order of the Chief.

#### **Investments**

The bill allows the Treasurer of State to invest any portion of the OGRRF not needed for immediate use in the same manner as, and subject to all provisions of law with respect to the investment of, state funds.

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<sup>1</sup> The provisions of the bill related to the OGRRF were originally enacted in H.B. 96 of the 136<sup>th</sup> General Assembly, the state budget bill. The Governor vetoed those provisions.

## Deposits into the OGRRF

Under the bill, the Treasurer of State, at the beginning of each fiscal year, must transfer to the OGRRF the amount of money in the Oil and Gas Well Fund that is in excess of the total amount appropriated to it for that fiscal year.<sup>2</sup> Additionally, the bill requires the following to be credited to the OGRRF, rather than the Oil and Gas Well Fund as in current law:

1. The \$50 filing fee for an exempt domestic well or exempt Mississippian well (that may be filed in lieu of posting a surety bond);<sup>3</sup> and
2. Any funds collected by the Chief from the issuance of corrective action orders related to the plugging of oil and gas wells.<sup>4</sup>

The bill also eliminates a provision of law that requires the Director of Budget and Management, in consultation with the Chief, to establish an accounting code for purposes of tracking expenditures made for plugging orphaned wells from the Oil and Gas Well Fund.<sup>5</sup>

## Interest earned

Under the bill, interest earned on the OGRRF must be credited to the OGRRF and reserved for use by the ODNR Director for any ODNR-related purpose, subject to the written approval of the Technical Advisory Council on Oil and Gas. If the Council receives a request from the ODNR Director to approve an expenditure from the OGRRF, the Council must vote to approve or deny that expenditure. The Council must then notify the Director in writing of the approval or denial. The Director must provide the Treasurer of State with written notice of the Council's approval before the Treasurer of State disburses money from the OGRRF.<sup>6</sup>

## ODNR authority to regulate cross-state wells

The bill clarifies that the Division of Oil and Gas Resources Management's sole and exclusive authority to regulate the permitting, location, and spacing of oil and gas wells and production operations within Ohio includes the authority to regulate *any portion* of an oil and gas well *located in Ohio*, regardless of whether any other portion of that oil and gas well is located outside of Ohio.<sup>7</sup> Accordingly, a well owner that proposes to drill a new well, drill an existing well deeper, reopen a well, convert a well to any use other than its original purpose, or plug back a well to a different source of supply must apply for a permit to do so if *any portion* of the well is located in Ohio, regardless of whether any other portion of that well is located outside of Ohio.<sup>8</sup>

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<sup>2</sup> R.C. 1509.075 and 1509.02.

<sup>3</sup> R.C. 1509.07(B)(5).

<sup>4</sup> R.C. 1509.071(F).

<sup>5</sup> R.C. 1509.071(B)(2).

<sup>6</sup> R.C. 1509.075 and 1509.38.

<sup>7</sup> R.C. 1509.02.

<sup>8</sup> R.C. 1509.06(A).

## Expedited drilling permit review

The bill eliminates the Chief's authority to refuse to accept requests for expedited reviews of applications for drilling permits (to drill, reopen, convert, or plug back a well). Under current law, if, in the Chief's judgment, the acceptance of expedited review requests would prevent the issuance, within 21 days of their filing, of permits for which applications are pending, the Chief may refuse to accept the requests. The bill eliminates this authority. However, the bill also limits the number of expedited review requests that a well owner may submit to the Chief to no more than ten times within a calendar year. Accordingly, the bill prohibits the Chief from issuing more than ten expedited permits to an owner within a calendar year unless an emergency requires that an expedited permit be issued, as determined by the Chief.

Therefore, as long as a person submits an expedited permit application, pays the additional nonrefundable \$250 expedited filing fee, and has not exceeded ten expedited permit applications in a given year, the Chief must do both of the following:

1. Cause the appropriate county engineer to be notified of the filing of the permit application and the request for expedited review by telephone or other means that in the judgement of the Chief will provide timely notice of the application and request; and
2. Issue a permit within seven days of the filing of the request unless the Chief denies the application by order.<sup>9</sup>

## Well owner obligations upon assignment or transfer

The bill modifies a well owner's obligations and liabilities following an assignment or transfer of a well. Under current law and as modified by the bill, an owner who holds a permit for a well is responsible for all obligations and liabilities imposed by law, issued orders, and terms and conditions of a permit, and no assignment or transfer of the well by the owner relieves the owner of the obligations and liabilities until and unless certain steps occur. The following table shows the steps that are necessary to relieve the owner (i.e., the assignor or transferor) from obligations and liabilities under current law and the bill.<sup>10</sup>

Steps necessary to relieve the assignor or transferor from obligation and liability		
Steps to be taken	Current law	S.B. 219
Filing required information	<b>Step 1:</b> The assignee or transferee must file with the Division of Oil and Gas Resources Management required information (e.g., the owner's name and address and, if a corporation, the name and address of the statutory agent; the names and addresses	<b>Step 1:</b> <i>Either</i> the assignee or transferee <i>or</i> the assignor or transferor must file the required information.

<sup>9</sup> R.C. 1509.06(D).

<sup>10</sup> R.C. 1509.31.

Steps necessary to relieve the assignor or transferor from obligation and liability		
Steps to be taken	Current law	S.B. 219
	of all persons holding the royalty interest in the tract upon which the well is located or is to be drilled or within a proposed drilling unit; the location of the tract or drilling unit on which the well is located or is to be drilled identified by section or lot number, city, village, township, and county; and a plan for restoration of the land surface disturbed by drilling operations).	
Liability insurance	<b>Step 2:</b> The assignee or transferee must obtain liability insurance coverage as required under current law.	<b>Step 2:</b> <i>Either</i> the assignee or transferee must obtain <i>or</i> the assignor or transferor must provide liability insurance coverage as required under current law.
Surety bond or other financial responsibility	<b>Step 3:</b> The assignee or transferee must execute and file a surety bond, negotiable certificates of deposit or irrevocable letters of credit, or cash, or file proof of financial responsibility.	<b>Step 3:</b> There is no step 3 before the assignor or transferor is relieved of their obligations and liabilities. However, the bill <i>requires</i> the assignee or transferee, upon assignment or transfer, to execute and file such financial responsibility, but whether the assignee or transferee does so has no bearing on the assignor or transferor's obligations and liabilities.

## Well owner ability to obtain a drilling permit

The bill adds that an owner, for purposes of obtaining a drilling permit, means each person having the right to drill on a tract or drilling unit, to drill into and produce from a pool, and to appropriate the oil and gas produced therefrom either for the person or for others, except that a person ceases to be an owner with respect to a well when the well has been legally plugged. Current law refers only to “the” person with the right to drill.<sup>11</sup> Thus, this addition essentially clarifies that *each* person who meets such criteria may apply for a drilling permit, accounting for those who are joint interest owners.

<sup>11</sup> R.C. 1509.01(K)(2).

## Statute of limitations – oil and gas lease termination action

The bill requires an action alleging that an oil and gas lease has terminated or is no longer in effect or expired to be brought within six years after the cause of the action accrued. Currently, the six-year statute of limitations only is specified for an action alleging a breach with respect to any other issue that the lease or license involves. Current law also specifies that the statute of limitations is four years for an action alleging breach of any express or implied provision of an oil and gas lease that concerns the calculation or payment of royalties.<sup>12</sup>

## Unitization

The bill alters the legal protection of a well owner who operates pursuant to a unitization order issued by the Chief. Specifically, the bill clarifies that operations conducted pursuant to a Chief's order for the unit operation of a pool constitutes fulfillment of all the express or implied terms of each lease or contract covering lands in the unit area and cannot be construed to be a breach of any such terms. Additionally, if the lease terms are inconsistent with the Chief's order, the terms of the lease are not deemed to be breached so long as the well owner complies with the Chief's order. Under current law, the operations conducted pursuant to the Chief's order constitutes fulfillment of all the express or implied *obligations* of each lease or contract covering lands in the unit area to the extent that compliance with such obligations cannot be had because of the Chief's order.<sup>13</sup>

## Orphaned wells

The bill relieves the Chief from certain notice requirements in the case of a landowner who discovers one or more orphaned wells on their land. Under current law, if the Chief determines that a well is an orphaned well, the Chief must do all of the following:

1. Make a reasonable attempt to determine from the records in the county recorder's office the identity of the current owner of the land on which the well is located, the identity of each person owning a right or interest in the oil or gas mineral interests, and the identities of the persons having a lien upon any of the equipment appurtenant to the well;
2. Mail notice to each person so identified in the records;
3. Include in the notice to each person having a lien upon any equipment appurtenant to the well, a statement informing the person that the well is to be plugged and offering the person the opportunity to remove that equipment from the well site at the person's own expense in order to avoid forfeiture of the equipment to the state; and
4. Publish notice in a newspaper of general circulation in the county where the well is located that the well is to be plugged or post the notice on the Department of Natural Resources' website.

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<sup>12</sup> R.C. 2305.041 and 2305.06, not in the bill.

<sup>13</sup> R.C. 1509.28.

Under the bill, the Chief is not required to perform any of those notification duties if the landowner is the one to discover one or more orphaned wells on their land, except the Chief must publish notice in a newspaper of general circulation in the county where the well is located that the well is to be plugged. In the alternative, the Chief may post notice on ODNR's website.

Additionally, the bill clarifies that the landowner who discovers an orphaned well on their property may plug it and be reimbursed by the Division for the reasonable plugging costs in accordance with procedures established in current law.<sup>14</sup>

## **Road use agreements for horizontal well owners**

The bill eliminates the requirement that a horizontal well permit applicant enter into road maintenance and safe use agreements with local governments, or attempt in good faith to do so, and instead makes such an agreement voluntary. Additionally, it requires any road maintenance and safe use agreement that is voluntarily entered into to terminate within three years of execution. Such an agreement may be continually renewed, but for periods not exceeding three years.<sup>15</sup>

The bill also exempts a horizontal well permit holder from obtaining a special regional heavy hauling permit when operating a vehicle or hauling a load that is of a size or weight exceeding road weight limits set forth in current law, provided the permit holder attempted to enter into a road maintenance and safe use agreement with just and reasonable terms.<sup>16</sup> Current law does not provide for such an exemption and prohibits a person from operating or moving a vehicle or load on public streets and highways in excess of specified weight limits unless the Director of Transportation or the appropriate local authority has issued a special regional heavy hauling permit.<sup>17</sup>

## **Natural gas gathering exemption from public utility tax**

With respect to the existing exemption of natural gas gatherers from public utility taxation, the bill specifies that a person qualifies for that exemption, beginning in tax year 2027 and every tax year thereafter, if the total dekatherms the person gathers exceeds the total dekatherms the person purchases from nongathered sources in a calendar year.<sup>18</sup> Under current law, any person whose primary business in Ohio consists of producing or gathering natural gas rather than supplying or distributing natural gas to consumers is exempted from taxes that would otherwise apply to a "public utility," "electric company," "natural gas company," "pipe-line company," "water-works company," "water transportation company," or "heating company."

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<sup>14</sup> R.C. 1509.071(E).

<sup>15</sup> R.C. 1509.063 and 1509.06(B)(11).

<sup>16</sup> R.C. 5577.02.

<sup>17</sup> See R.C. 5577.01 to 5577.14, not in the bill except for R.C. 5577.02.

<sup>18</sup> R.C. 5727.02; Section 3.



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## HISTORY

Action	Date
Introduced	06-10-25

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