



Ohio Legislative Service Commission

Bill Analysis

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Sen. Grendell

BILL SUMMARY

Definitions

- Revises the definitions of "owner" and "exempt domestic well" in the Oil and Gas Law, and revises the definition of "urbanized area" and applies it to the entire Oil and Gas Law.
- Defines "well stimulation" or "stimulation of a well," "production operation," "gathering," "annular overpressurization," "idle and orphaned well," "temporary inactive well," "material and substantial violation," "permittee," "local zoning authority," and "local inspector" in the Oil and Gas Law.

Regulation of oil and gas; well location

- Eliminates the sole and exclusive authority of the Division of Mineral Resources Management to regulate the permitting, location, and spacing of oil and gas wells in the state.
- Prohibits a well from being drilled in an area that is zoned residential or within 1,000 feet of a residential dwelling unless otherwise authorized by the local zoning authority.

Oil and Gas Well Fund

- Revises the purposes for which money in the Oil and Gas Well Fund may be used.
- Prohibits expenditures from the Oil and Gas Well Fund for the purchase of real property or to remove a dwelling in order to access a well.

Rules for the administration, implementation, and enforcement of the Oil and Gas Law

- Adds fail-safe warning systems, safe operating distances, noise mitigation, nighttime lighting mitigation, and protection and preservation of the environment and nonmineral resources as additional subjects that the Chief must address when attaching terms and conditions to a permit with respect to a well and the production facilities of a well that are located within an urbanized area.
- Requires the Division to conduct a site review to identify and evaluate any site-specific terms and conditions that may be attached to a permit to drill a proposed well that will be located within an urbanized area.

Enforcement actions, citations, and orders of the Chief

- Authorizes the Chief or the Chief's authorized representative to issue a citation in the form of a compliance notice or administrative order for a violation of the Oil and Gas Law or rules adopted under it, terms and conditions of a permit issued under it, a registration certificate issued under the Law, or orders issued under the Law.
- Authorizes the Chief to issue an order to initiate an enforcement action for a material and substantial violation, and authorizes the Chief to issue a suspension order for failure to comply with an enforcement action for a material and substantial violation or other violation.
- Authorizes the Chief to order the immediate suspension of drilling, operating, or plugging activities that are related to a material and substantial violation and to suspend and revoke an unused permit after finding that a permittee's actions present an immediate danger to the health or safety of the public or result in or may result in substantial damage to the natural resources of the state.
- Requires the Chief to provide the permittee an opportunity to be heard and to present evidence not later than five days after the Chief's issuance of a suspension order, and authorizes the permittee to appeal a suspension order to the court of common pleas of the county in which the activity that is the subject of the order is located.
- Authorizes the Chief to issue a bond forfeiture order under the Oil and Gas Law.
- Authorizes the Chief to notify drilling contractors, transporters, service companies, or other similar entities of the compliance status of an operator.
- Authorizes the Chief to issue a suspension order if the permittee fails to comply with a prior enforcement action, requires the Chief to provide the permittee an

opportunity to be heard and to present evidence not later than five days after the Chief's issuance of a suspension order, and authorizes the permittee to appeal a suspension order to the court of common pleas of the county in which the activity that is the subject of the order is located.

- Authorizes the Chief to enter into a compliance agreement by consent decree if such an agreement will end a violation.

Permit to drill a well

- Prohibits the Chief from issuing a permit to drill a well unless the terms and conditions of the permit will not conflict with any zoning, health, and safety ordinances and resolutions that are in effect in the municipal corporation or township where the well is to be located.

Application contents

- Revises the permit application requirements, including requiring notification of the submission of an application for a permit to drill a new well be sent to each person residing in a dwelling unit that is located within 3,000 feet of the surface location of the well rather than to the owner of each occupied dwelling that is located within 500 feet of the surface location of the well excluding any parcel of real property all or any portion of which is included in the drilling unit as in current law, and revises the contents of the notification.
- Requires the Chief to send notice of the application to the Director of Environmental Protection, the applicable fire chief, and the applicable local inspector for purposes of an inspection of the proposed well or well.
- Establishes duties that the Chief must perform before determining whether to approve an application, approve an application with modifications, or deny an application, including a review of the application, inspection of the surface location of the proposed well or well, review of the qualifications of the applicant, and conducting of a public meeting.
- Establishes new requirements, procedures, and time periods in accordance with which a permit must be issued after receipt of an application by the Chief.
- Increases the application fees for a permit to drill a well.

Term of a permit to drill

- Revises the time for which a permit to drill is valid by specifying that a permit for a well that is or is to be located in an urbanized area is valid for 12 months and all other permits are valid for 24 months rather than 12 months for all permits.

Permit and order restrictions

- Prohibits a permit or order of the Chief from authorizing or allowing the drilling of a well: within a park, recreational area, or nature preserve; within 2,000 feet of a body of water used as a source of drinking water; without a blow-out preventer; if hazardous waste, chemicals, or toxic substances will be buried at a well; or if best operating standards and practices will not be utilized.

Wells not completed or not producing

- Requires the permittee of a well that has not been completed, a well that has not produced within one year after completion, or a well that has no reported production for two consecutive reporting periods to plug the well, obtain a temporary inactive well status for the well as established under the bill, or perform another activity regarding the well that is approved by the Chief.

Temporary inactive well status

- Establishes temporary inactive well status for a well, provided that the permittee and the well are in compliance with the Oil and Gas Law, rules adopted under it, any terms and conditions of the permit for the well, and any applicable orders issued by the Chief.
- Establishes application requirements for temporary inactive well status, and requires that an application for temporary inactive well status include a \$100 nonrefundable fee.
- Establishes criteria and requirements by which the Chief must either deny the application by order or approve the application.
- Specifies that a temporary inactive well status expires one year after the date of approval of the application or production from the well commences, whichever occurs sooner.
- Establishes requirements and procedures for the renewal of temporary inactive well status, and requires that an application for a renewal include a nonrefundable fee of \$250 for the first renewal and \$500 for each subsequent renewal.

- Specifies that a renewal of a temporary inactive well status expires one year after the expiration date of the initial temporary inactive well status or one year after the expiration of the previous renewal of temporary inactive well status, or production from the well commences, whichever occurs sooner.
- Authorizes the Chief to require a permittee after a third renewal to provide a surety bond in an amount not to exceed \$10,000 for each of the permittee's wells that has been approved for temporary inactive well status.
- Requires the permittee of a well that has been approved for temporary inactive well status to notify the Chief of the commencement of production not later than 60 days after the commencement.

Liability insurance

- Increases the amount of liability insurance coverage that a permittee of a well must obtain from \$300,000 bodily injury coverage and \$300,000 property damage as in current law to \$5 million bodily injury coverage and \$10 million property damage coverage.
- Requires a permittee to maintain insurance coverage until all of the permittee's wells are plugged and maintained as required by the Oil and Gas Law or are transferred to a permittee who has obtained the required insurance and who is not under a notice of material and substantial violation or under a suspension order rather than until the permittee's wells are plugged and abandoned as in current law.

Surety bond

- Requires a permittee of any well that is not an exempt Mississippian well or exempt domestic well to execute and file a surety bond before operating or producing from a well rather than all permittees as in current law, and requires the surety bond to be in an amount equal to the estimated cost to plug the well and restore the surface location of the well rather than in an amount set by rule of the Chief.
- Eliminates current law that authorizes the Chief to accept proof of financial responsibility instead of a surety bond for owners of a well, and establishes new requirements in accordance with which a permittee of an exempt Mississippian well or exempt domestic well must demonstrate financial responsibility.
- Eliminates the authorization for an owner of an exempt Mississippian well or exempt domestic well to file a one-time fee of \$50 in lieu of filing a surety bond or other form of financial security.

New surety bond in the event of forfeiture of surety bond

- Authorizes the Chief to require a permittee, operator, producer, or other person who forfeited a surety bond to post a new surety bond in the amount of \$15,000 for a single well, \$30,000 for two wells, or \$50,000 for three or more wells.

Entry on land for restoration and plugging projects

- Revises the notice requirements concerning entry on land by agents or employees of persons contracting with the Chief to perform work on well site restoration, plugging, and injection projects.

Restoration requirements

- Requires a permittee to restore the land surface disturbed by plugging and abandoning a well in addition to siting, drilling, completing, and producing a well as in current law.
- Requires a permittee or a permittee's agent to fill all pits for containing brine and other waste substances and to remove all drilling supplies and equipment within 14 days after a well is completed to total depth in an urbanized area and within one month in all other areas rather than within five months after the drilling of a well is commenced as in current law.
- Requires a permittee or a permittee's agent to grade, plant, seed, or sod the area disturbed that is not required in the production of the well within one month after drilling is commenced in an urban area and within two months in all other areas, unless the Chief approves a longer time period, rather than within nine months after drilling of a well is commenced as in current law.
- Requires a permittee or a permittee's agent to remove all production and storage structures, supplies, and equipment, and any oil, salt water, and debris, and fill any remaining excavations within 30 days after the well is plugged, unless the Chief approves a longer time period not to exceed six months, rather than within six months after the well is plugged as in current law.

Coordination of enforcement

- Requires the Chief to coordinate with local inspectors in the enforcement of the Oil and Gas Law.
- Authorizes a local inspector to inspect an oil or gas well and the storage facilities of a well at any time in order to ensure compliance with local zoning or building codes,

and authorizes the applicable fire chief to inspect the well to ensure compliance with the applicable fire code.

Emergency responder training and local inspector inspection fee

- Levies on a permittee an annual fee of \$500 for each of the permittee's wells in a municipal corporation or township to be deposited in a special fund established by the municipal corporation or township.
- Requires money in the fund to be used to pay the costs of training police, fire, and medical personnel to respond to well-related emergencies, of periodic inspections by a local inspector to ensure proper maintenance of all well facilities, and of inspection by local inspectors of surface facilities of a well site to ensure compliance with local zoning or building codes.

Requirements for a permittee

- Requires a person who is issued a permit to do all of the following: meet with the applicable fire chief prior to drilling to discuss the operation; grant a right of entry to the applicable fire department for emergency planning; ensure the availability of a technician for hazardous or emergency conditions; develop safety checklists; perform inspections of the well; and provide the applicable fire chief with well safety and repair information.
- Requires a permittee to execute and file with the applicable local government a surety bond conditioned on compliance with the permit and all applicable laws and rules of the local government; requires the bond to provide coverage for damage associated with the well operation; and establishes requirements and procedures for the release of the bond.
- Establishes well safety requirements that a permittee must implement, including posting signs, implementing a monitoring system on a well, using fluid during drilling in residential areas, drilling only during certain hours, detonating explosives only during certain hours, installing and using certain equipment at the well, locating certain equipment and pipelines as specified, painting well equipment, providing access roads for emergency, and other similar requirements.

Location of well in a coal bearing township

- Revises the provisions concerning notifications that the Chief must send for a well that is or is to be located in a coal bearing township, including notification of the clerk of the applicable municipal corporation or township, the applicable fire chief, and the Director of Environmental Protection.

- Authorizes the applicable fire chief or the Director of Environmental Protection to submit an objection to the location of the well to the Chief, and requires the Chief to stay the approval of an application pending the withdrawal of an objection.

Requirements for drilling a well in the presence of hydrogen sulfide

- Requires a permittee to install certain monitoring equipment if a proposed well will be drilled within one mile of an existing well that was drilled into or through the same geologic formation of the proposed well and if hydrogen sulfide was found in drilling the existing well.
- Establishes duties that a permittee must perform if during the drilling of a well the permittee discovers, detects, or encounters hydrogen sulfide with a concentration of 20 ppm or greater, which include notification of the Division of Mineral Resources Management of the location and the concentration of the hydrogen sulfide.

Change in the location of a well

- Eliminates current law that establishes requirements and procedures governing the change in the location of a well, instead requires a well to be drilled under a permit only at the location designated on the map required in the permit application, and requires a permittee to return the original permit and file an amended application with a new map if a permittee requests a change of a well location.

Wireline electric logs

- Increases the time from 30 days after the completion of a well in current law to 60 days after the completion of drilling to the proposed total depth or after a determination that a well is a dry or lost hole within which a person must file with the Division all logs and requires a person also to file an accurate well completion record.
- Revises the information that must be designated in a log, and establishes additional requirements governing what must be designated in a log, including the dates on which drilling was commenced and completed, the name of the person who drilled the well, the name of the company that performed the logging of the well, and, if applicable, certain fluids used in acidizing or stimulating the well.
- Requires a permittee of a well to file with the Division a supplemental well completion record if the well is not completed within 60 days after completion of drilling operations, and specifies that the supplemental well completion record must include all of the information required under the bill's provisions concerning logs and well completion records.

Statement of production

- Requires a permittee that has more than 100 wells in the state to submit the required statement of production electronically in a format that is approved by the Chief.

Defective wells, casing, or tubing; plugging

- Revises the provisions that prohibit the construction of a defective well, casing, or tubing, and requires a permittee to notify the Chief within 24 hours upon discovering defective casing, tubing, or a well and immediately repair the defect or plug and abandon the well.

Payment for plugging of certain abandoned wells

- Revises current law that authorizes a board of county commissioners to submit to the electors the question of establishing a special fund by levy, by bond issue, or out of current funds to plug wells abandoned prior to September 1, 1951, by specifying that the question of establishing a special fund is by general levy, by general bond issue, or out of current funds rather than by special levy, by bond issue, or out of current funds as in current law.

Permit to plug and abandon a well

- States that the period of time for which a permit to plug and abandon a well is valid is 24 months from the date of issue rather than for a period of time from the date of issue that the Chief may establish by rule as in current law.
- Increases the application fee for a permit to plug and abandon a well if oil or gas has been produced from the well from \$50 to \$250.
- Requires the permittee of a well or the permittee's authorized representative to notify a mineral resources inspector at least 24 hours prior to the commencement of the plugging of a well unless waived by a mineral resources inspector.
- Revises the notice requirements that a permittee of a well must provide to specified persons of the permittee's intention to abandon the well.
- Eliminates the authority of the Chief to refuse to accept a request for an expedited review of an application for a permit to plug and abandon a well.

Written report of abandonment and plugging of a well

- Requires a permittee or a permittee's agent to make a written report of abandonment of a well when the Chief grants written permission to abandon and plug a well

rather than when the Chief grants such permission without the presence of a mineral resources inspector as in current law.

- Eliminates current law that authorizes the Chief to grant written permission for a permittee to plug and abandon a well without an inspector being present to supervise the plugging.

Well construction requirements

- Eliminates current law standards for the construction of a well, and establishes new standards for construction, which must include the use of materials that comply with industry standards for the type and depth of the well and the anticipated fluid pressures that are associated with the well.
- Authorizes the Chief to adopt rules that are consistent with the standards established in the bill for constructing a well, for evaluating the quality of well construction materials, and for completing remedial cementing.
- Establishes requirements in accordance with which a permittee must notify a mineral resources inspector concerning the cementing of a well, and requires a permittee to submit to the Chief cement tickets and logs concerning cementing not later than 60 days after the cementing.
- Requires the Chief to grant exemptions from the well construction standards and related rules under specific circumstances.

Well stimulation

- Establishes requirements concerning the stimulation of a well, including a requirement that the well be stimulated in a manner that will not endanger underground sources of drinking water.
- Requires the permittee or the permittee's representative to notify a mineral resources inspector not later than 24 hours before commencing the stimulation of a well.
- Establishes requirements and procedures concerning damage to specified parts of a well during the stimulation of the well.

Contamination or diminution of a person's water supply

- Authorizes a person to request the Division of Mineral Resources Management to investigate the person's water supply if the person believes that the drilling, conversion, or operation of a well has caused a diminution or contamination of the

person's water supply, and requires the Division to investigate the water supply within ten days of receipt of a written request.

- Establishes procedures and requirements to be used by the Chief in determining if a diminution or contamination was caused by the drilling, conversion, or operation of a well, including the establishment of a rebuttable presumption that the drilling, conversion, or operation of a well may have caused the diminution or contamination if the Chief is unable to conclusively determine the cause.
- Establishes requirements and procedures to be used by a permittee to rebut the presumption, and establishes procedures in accordance with which the Chief must determine if a permittee rebuts the presumption.
- Requires a permittee to provide replacement of a water supply if the permittee's well caused a diminution or contamination of a water supply.
- Requires the Chief to adopt rules that are necessary for the administration of the bill's provisions concerning diminution or contamination of a person's water supply.

Secondary or additional recovery operations

- Requires a permit for the underground injection of carbon dioxide for the secondary or tertiary recovery of oil or natural gas rather than only for the injection of fluids for those purposes as in current law.
- States that the Chief may authorize tests to evaluate if fluids or carbon dioxide may be injected in a reservoir and to determine the maximum allowable injection pressure.

Fluids associated with oil and gas development

- Prohibits a person from placing or causing to be placed crude oil, natural gas, or other fluids associated with the exploration or development of gas and gas resources, in addition to brine as in current law, in surface or ground water or in or on the land that causes or could reasonably be anticipated to cause either: (1) water that is used for consumption by humans or domestic animals to exceed Safe Drinking Water Act standards, or (2) damage or injury to the public health or safety or the environment; and prohibits the storage or disposal of such substances in surface or ground water or in or on the land.
- Requires a permittee, registered brine transporter, and an injection well permit holder jointly and severally to ensure that brine and other wastes from the permittee's well are stored and disposed of in accordance with the Oil and Gas Law and rules adopted under it.

Permit to inject brine or other waste substances

- Increases the amount of the fee from \$100 to \$1,000 for a permit to inject into an underground formation brine or other waste substances resulting or obtained from or produced in connection with oil or gas drilling, exploration, or production.
- Eliminates the authority of the Chief to authorize by rule the injection of brine and other wastes without a permit.
- Requires statutes, rules, orders, and terms and conditions of permits concerning the injection of brine and other wastes to be construed to be more stringent than required for compliance with the Safe Drinking Water Act, rather than no more stringent as in current law, to ensure that underground drinking water sources will not be endangered.
- States that any exception established under the Safe Drinking Water Act for oil and gas drilling does not apply if it conflicts with the bill's provisions concerning the storage and disposal of brine and other waste substances.
- Revises the requirements and procedures concerning the replacement of a person's water supply when the supply has been substantially disrupted by contamination, diminution, or interruption resulting from an oil or gas operation.

Injection well disposal fee

- Levies on the owner of an injection well a disposal fee of 5¢ per barrel of each substance that is to be injected in the well when the substance is produced within a Division of Mineral Resources Management regulatory district in which the well is located or within an adjoining district or 20¢ per barrel of each such substance when the substance is produced in all other districts.
- Specifies that the purpose of the fee is to provide money to the Division of Mineral Resources Management for the administration of the injection well provisions of the Oil and Gas Law.
- Requires the Chief of the Division of Mineral Resources Management to adopt rules that establish requirements and procedures for the collection of the fee, and requires all money received from the fee to be deposited in the Oil and Gas Well Fund.

Permit for extraction of minerals or energy other than oil or natural gas

- Establishes additional duties for a person who is issued a permit to drill a well or inject a substance for the extraction of minerals or energy other than oil or natural gas, including the submission of comprehensive lists of substances used in drilling

or extraction and the use of a closed-loop system in drilling within 2,500 feet of a drinking water source.

Brine transporters

- Requires a business entity that has been issued a registration certificate to transport brine to revise the required surety bonds or certificates of deposit and obtain a new certificate from an insurance company certifying that the business has the required liability insurance if the entity changes its name due to a business reorganization or merger.
- Increases from \$300,000 bodily injury coverage and \$300,000 property damage coverage to \$500,000 bodily injury coverage and \$1 million property damage coverage for a liability insurance policy that a registered brine transporter must have in force.
- Increases the amount of the surety bond that brine transporters must execute and file with the Division of Mineral Resources Management from \$15,000 to \$100,000 to provide compensation for damage and injury resulting from transporters' violations, and states that the requirements concerning a surety bond for brine transporters do not preclude recourse under the required insurance policy.

Rules for drilling and treatment of wells, production of oil and gas, and plugging

- Requires the Chief, in consultation with the Technical Advisory Council on Oil and Gas, rather than just the Chief as in current law, to adopt rules that require the implementation and use of best operating practices to be followed in the drilling of wells and production of oil and gas rather than rules establishing practices to be followed in the drilling of wells and production of oil and gas as in current law.

Mandatory pooling

- Eliminates mandatory pooling.

Transfer or assignment of the entire interest in an oil and gas lease

- Requires a notice to the Division of Mineral Resources Management of an assignment or transfer of the entire interest in an oil and gas lease to include a nonrefundable fee of \$100 for each well.

Transfer or assignment of the entire interest in an oil or gas well

- Requires the owner of a well who has been issued a permit to submit to the Chief an application for the proposed assignment or transfer of the entire interest in the well

to the landowner for use as an exempt domestic well, and requires the application to include a nonrefundable fee of \$100.

- Establishes requirements for the transfer or assignment of a well to a landowner for use as an exempt domestic well, and requires the proposed exempt domestic well owner to post a \$5,000 bond prior to the assignment or transfer under certain circumstances.
- Specifies that a new exempt domestic well owner is subject to severance taxes on oil and gas and all applicable fees established in the Oil and Gas Law.

Civil penalties

- Establishes a civil penalty of \$1,000 for each violation for a person who abandons a well without plugging it in accordance with the Oil and Gas Law and rules adopted under it.
- Increases the maximum amount of a civil penalty of up to \$1 million for certain violations, and establishes a minimum and maximum penalty, rather than a maximum penalty only as in current law, for certain violations.
- Eliminates a provision that prohibits a person from being subject to both a civil penalty and a criminal penalty for certain offenses, and states that a person may be subject to both civil and criminal penalties for the same offense.

Priority lien

- Establishes that the Division has a priority lien against a permittee's interest in a well if the permittee fails to pay the fees imposed by the Oil and Gas Law or the severance taxes on oil and gas or if the Chief incurs costs to correct conditions associated with the permittee's well.
- Specifies that a lien remains in force so long as any portion of the lien remains unpaid or until the Chief issues a certificate of release of the lien.
- Establishes procedures and requirements concerning the recording of a lien, certificates of release of the lien, modification of a lien, and other related provisions.
- Requires all money from the collection of liens to be deposited in the state treasury to the credit of the Oil and Gas Well Fund.

Oil and Gas Commission

- Increases the membership of the Oil and Gas Commission from five members to nine members by requiring the Governor to appoint four additional members representing the public within 90 days of the bill's effective date.
- Decreases terms of office of members of the Commission from five years to three years.

Appeals by persons aggrieved or adversely affected by Chief's orders

- Increases from ten days to 30 days the time within which the Oil and Gas Commission must give an appellant and the Chief written notice of the time and place for a hearing on the appeal.

Technical Advisory Council on Oil and Gas

- Abolishes the eight-member Technical Advisory Council on Oil and Gas, and requires the Governor, with the advice and consent of the Senate, to appoint a new five-member Technical Advisory Council on Oil and Gas within 90 days of the bill's effective date.
- Retains current law requirements, procedures, and responsibilities applicable to the Council.

Oil and gas regulatory cost recovery assessment

- Levies on the owner of a well an oil and gas regulatory cost recovery assessment of 10¢ per barrel of oil or ½¢ per 1,000 cubic feet of natural gas, as applicable, that is sold from all of the owner's wells located in this state.
- Establishes requirements and procedures for the collection of the assessment, and requires all money received from the assessment to be deposited in the Oil and Gas Well Fund.

Repealed provisions

- Repeals all of the following provisions of the Oil and Gas Law:
 - The authority, requirements, and procedures in accordance with which a board of county commissioners or township trustees or the legislative authority of a municipal corporation may adopt a resolution that allows the surface application of brine to roads, streets, highways, and other similar land surfaces it owns or has the right to control for control of dust or ice;

--The authority, requirements, and procedures in accordance with which the Chief may issue a special order for drilling unit requirements for a particular pool that differ from the requirements established in the Oil and Gas Law;

--The authority, requirements, and procedures in accordance with which the Chief may issue a permit as an exception tract if the Chief finds that the owner of a tract for which a drilling permit may not be issued has shown that the owner is unable to form a voluntary pooling agreement and would be unable to participate under a mandatory pooling order;

--The prohibition against construing authority granted by the Oil and Gas Law as authorizing a limitation on the amount that any well, leasehold, or field is allowed to produce under proration orders of the Division of Mineral Resources Management; and

--The prohibition against construing combinations of persons or interests authorized by the Oil and Gas Law to be a trust, monopoly, or other combination in restraint of trade prohibited by law.

Miscellaneous

- Makes conforming changes to reflect the revisions made by the bill.
- Makes technical changes.

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CONTENT AND OPERATION

Introduction

The Division of Mineral Resources Management in the Department of Natural Resources is the state agency that is responsible for regulating the permitting, location,

spacing, drilling, and operation of oil and gas wells within the state, including site restoration and disposal of wastes from those wells, in accordance with the Oil and Gas Law and rules adopted under it. The Chief of the Division of Mineral Resources Management heads the Division. The bill revises the Oil and Gas Law, including the authority of the Division.

Definitions

For purposes of the Oil and Gas Law, current law defines "owner" to mean the person who has the right to drill on a tract or drilling unit, to drill into and produce from a pool, and to appropriate the oil or gas produced from the pool 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 plugged in accordance with applicable rules adopted and orders issued under the Oil and Gas Law. The bill changes the meaning of the term by stating that "owner" means the person who, according to the records of the county in which a parcel of land is located, either holds fee title to the surface estate of the parcel of land on which oil or gas drilling operations may occur or holds fee title to the subsurface mineral rights of the parcel of land. (R.C. 1509.01(K).)

Current law defines "exempt domestic well" to mean a well that meets all of the following criteria: (1) is owned by the owner of the surface estate of the tract on which the well is located, (2) is used primarily to provide gas for the owner's domestic use, (3) is located more than 200 feet horizontal distance from any inhabited private dwelling house other than an inhabited private dwelling house located on the tract on which the well is located, and (4) is located more than 200 feet horizontal distance from any public building that may be used as a place of resort, assembly, education, entertainment, lodging, trade, manufacture, repair, storage, traffic, or occupancy by the public. The bill revises the definition by increasing the distance specified in (3) above to more than 400 feet horizontal distance. In addition, the bill adds that the well must be in compliance with the environmental and safety standards established in the Oil and Gas Law and rules adopted under it. (R.C. 1509.01(X).)

Current law defines "urbanized area," for the purpose of attaching terms and conditions to a permit, to mean an area where a well or production facilities of a well are located within a municipal corporation or within a township that has an unincorporated population of more than 5,000 in the most recent decennial census prior to the issuance of the permit for the well or production facilities. The bill revises the definition by instead stating that "urbanized area" means an area where a well or production facilities of a well are located within a municipal corporation or within a township that is contiguous to or includes any street or highway along which are located at intervals of 200 feet or less structures that are used for business purposes or residential dwellings. In addition, the bill applies the definition of "urbanized area" to

the entire Oil and Gas Law rather than only to the provisions pertaining to the subjects that the Chief must address when attaching terms and conditions to a permit. (R.C. 1509.01(Y).)

For purposes of the Oil and Gas Law, the bill defines all of the following:

(1) "Well stimulation" or "stimulation of a well" means the process of enhancing well productivity, including hydraulic fracturing operations (R.C. 1509.01(Z)).

(2) "Production operation" means site preparation, access roads, drilling, well completion, well stimulation, well operation, site reclamation, and well plugging. "Production operation" also includes all of the following:

(a) The piping and equipment used for the production and preparation of hydrocarbon gas or liquids for transportation or delivery;

(b) The processes of extraction and recovery, lifting, stabilization, treatment, separation, production processing, storage, and measurement of hydrocarbon gas and liquids; and

(c) The processes associated with production compression, gas lift, gas injection, and fuel gas supply. (R.C. 1509.01(AA).)

(3) "Gathering" means the use of any pipeline or series of pipelines to collect and transport natural gas from the furthestmost downstream point in a production operation to the furthestmost downstream point of a series of endpoints identified as the end of a gathering line under the Natural Gas Pipeline Safety Act of 1968, as amended, and the regulations adopted under it (R.C. 1509.01(BB)).

(4) "Annular overpressurization" means the accumulation of fluids within an annulus with sufficient pressure to allow migration of annular fluids into underground sources of drinking water (R.C. 1509.01(CC)).

(5) "Idle and orphaned well" means a well for which a bond has been forfeited or an abandoned well for which no money is available to plug the well in accordance with the Oil and Gas Law and rules adopted it (R.C. 1509.01(DD)).

(6) "Temporarily inactive well" means a well that has been granted temporary inactive status under the bill (see "**Temporary inactive well status**," below) (R.C. 1509.01(EE)).

(7) "Material and substantial violation" means all of the following:

(a) Failure to obtain a permit to drill, reopen, convert, plug back, or plug a well under the Oil and Gas Law;

(b) Failure to obtain or maintain insurance coverage that is required under the Oil and Gas Law;

(c) Failure to obtain or maintain a surety bond that is required under the Oil and Gas Law;

(d) Failure to plug an abandoned well or idle and orphaned well unless the well has been granted temporary inactive status or the Chief has approved another option concerning the abandoned well or idle and orphaned well;

(e) Failure to restore a disturbed land surface as required under the Oil and Gas Law;

(f) Failure to reimburse the Oil and Gas Well Fund pursuant to a final order issued under the Oil and Gas Law; and

(g) Failure to comply with an order of the Chief issued under the Oil and Gas Law. (R.C. 1509.01(FF).)

(8) "Permittee" means a person who has been issued a permit by the Division of Mineral Resources Management under the Oil and Gas Law and who by contract has the right to exploit oil or gas within a drilling unit (R.C. 1509.01(GG)).

(9) "Local zoning authority" means the authority of a municipal corporation that is charged with enacting zoning requirements within the municipal corporation or the board of township trustees, township zoning commission, or board of zoning appeals of a township, as applicable (R.C. 1509.01(HH)).

(10) "Local inspector" means an individual who has the authority in a municipal corporation or a township, as applicable, to enforce local zoning codes, state and local building codes, safety regulations, or health regulations (R.C. 1509.01(II)).

Regulation of oil and gas; well location

Current law vests in the Division of Mineral Resources Management the sole and exclusive authority to regulate the permitting, location, and spacing of oil and gas wells within the state. In addition, existing law states that the regulation of oil and gas activities is a matter of general statewide interest that requires uniform statewide regulation, and the Oil and Gas Law and rules adopted under it constitute a comprehensive plan with respect to all aspects of the locating, drilling, and operating of oil and gas wells within the state, including site restoration and disposal of wastes from

those wells. The bill instead states that except as provided under the bill, the Division has authority to regulate the permitting, location, spacing, installation, operation, maintenance, abandonment, plugging, and site restoration of, disposal of waste from, and all other matters related to oil and gas wells within the state that are necessary to protect the health and safety of the public, property, and the environment. Furthermore, the bill adds that on and after the bill's effective date, a well cannot be drilled in an area that is zoned residential or within 1,000 feet of a residential dwelling unless otherwise authorized by the local zoning authority. (R.C. 1509.02(A)(1) and (2).)

Oil and Gas Well Fund

Current law creates the Oil and Gas Well Fund in the state treasury. All money collected by the Chief from permit application fees, permit revision fees, forfeiture of bonds, fees for permits to plug and abandon a well, injection well permit fees, brine transporter registration fees, 90% of the money received from severance taxes on oil and gas, civil penalties for violations of certain provisions of the Oil and Gas Law, and criminal fines imposed for violations of certain provisions of the Oil and Gas Law must be credited to the Fund. (R.C. 1509.02.) The bill adds that injection well disposal fees (see "**Injection well disposal fee**," below), money from the collection of liens under the Oil and Gas Law (see "**Priority lien**," below), oil and gas regulatory cost recovery assessment money (see "**Oil and gas regulatory cost recovery assessment**," below), and money from corrective actions (see "**Expenditures from the Fund**," below) must be credited to the Fund (R.C. 1509.071(H), 1509.22(H), 1509.34(E), and 1509.50.)

Expenditures from the Fund

Current law requires the Chief to spend money in the Fund to plug wells and to restore land surface properly for which bonds have been forfeited, to plug abandoned wells in accordance with the Oil and Gas Law for which no funds are available, to inject oil or gas production wastes in abandoned wells, to correct conditions that the Chief reasonably has determined are causing imminent health or safety risks, for the expenses of the Division associated with the administration of the Natural Gas Policy Act of 1978, and for the Division's other functions (R.C. 1509.02 and 1509.071(B)).

The bill revises the uses of the money in the Fund. It first requires that the Fund be used to plug idle and orphaned wells or to restore land surface properly, or plug and maintain abandoned wells for which no funds are available to plug the wells in accordance with the Oil and Gas Law. For those purposes, current law requires the expenditures to be made pursuant to contracts between the Chief and persons who agree to furnish all of the materials, equipment, work, and labor as specified in the contract. The bill specifies that the contract is to be for activities associated with the restoration or plugging of a well as determined by the Chief. In addition, the bill adds

that the activities may include excavation to uncover a well, geophysical methods to locate a buried well when clear evidence of leakage from the well exists, cleanout of wellbores to remove material from a failed plugging of a well, plugging operations, installation of vault and vent systems, including associated engineering certifications and permits, restoration of property, and repair of damage to property that is caused by these activities. However, the bill prohibits the use of expenditures to purchase property or to remove a dwelling in order to access a well. (R.C. 1509.071(B)(1) and (D)(1).)

Rules for the administration, implementation, and enforcement of the Oil and Gas Law

Current law requires the Chief to adopt rules for the administration, implementation, and enforcement of the Oil and Gas Law. The bill adds that the rules must establish standards governing the drilling of a new well, the reopening of an existing well, the drilling of an existing well deeper regardless of its depth or the geological zone from which production occurs, and the plugging of an existing well. In addition, the rules must protect and preserve the health and safety of the public, property, and the environment. Current law requires rules to include an identification of the subjects that the Chief must address when attaching terms and conditions to a permit with respect to a well and production facilities of a well that are located within an urbanized area. The subjects must include all of the following:

(1) Safety concerning the drilling or operation of a well. The bill adds that such safety includes, but is not limited to, all of the following:

(a) Implementation of a fail-safe warning system at a new or existing oil or gas well for the detection of a leak of natural gas, hydrogen sulfide, or radon, a spill of a toxic chemical, or an explosion. In addition, the bill states that the rules must require the fail-safe warning system to provide an audible alarm to warn the workers at the surface location of the well and the public of such a leak, spill, or explosion. The rules also must require the fail-safe warning system to notify the fire department within whose jurisdiction the well is located of such a leak, spill, or explosion.

(b) Designation of safe operating distances for a new well that is located in an urbanized area; and

(c) Emergency response and evacuation planning. (R.C. 1509.03(A).)

(2) Protection of the public and private water supply (R.C. 1509.03(B));

(3) Location of surface facilities of a well (R.C. 1509.03(C));

- (4) Fencing and screening of surface facilities of a well (R.C. 1509.03(D));
- (5) Containment and disposal of drilling and production wastes (R.C. 1509.03(E));
- (6) Construction of access roads for purposes of the drilling and operation of a well (R.C. 1509.03(F));
- (7) Noise mitigation as added by the bill (R.C. 1509.03(G));
- (8) Nighttime lighting mitigation as added by the bill (R.C. 1509.03(H)); and
- (9) Protection and preservation of the environment and nonmineral natural resources as added by the bill (R.C. 1509.03(I)).

The bill adds that the rules adopted by the Chief also must provide for the application of the Fire Marshall and Fire Safety Law and rules adopted under it to the drilling and operation of a well and to production facilities of a well that are located within an urbanized area. The bill also adds that prior to the issuance of a permit to drill a proposed well that will be located within an urbanized area, the Division must conduct a site review to identify and evaluate any site-specific terms and conditions that may be attached to a permit. (R.C. 1509.03.)

Notices

Current law states that where notice to the owners is required by the Oil and Gas Law, the notice must be given as prescribed by a rule adopted by the Chief. The rule must provide for notice by publication except in those cases where other types of notice are necessary in order to meet the requirements of the law. The bill revises the requirement and instead states that where notice is required by the Oil and Gas Law, the notice must be deemed adequate if it provides reasonable or actual notice to the person, owner, resident, applicant, or permittee whose interest will be affected by an action of the Chief. (R.C. 1509.03.)

Entry on lands for administration or enforcement

Current law authorizes the Chief or the Chief's authorized representative at any time to enter upon lands, public or private, for the purpose of administration or enforcement of the Oil and Gas Law, the rules adopted or orders issued under it, or terms or conditions of permits or registration certificates issued under it and to examine and copy records pertaining to the drilling, conversion, or operation of a well for injection of fluids and logs as required under that Law. The bill removes at any time from the entry authority. (R.C. 1509.03.)

Enforcement actions, citations, and orders of the Chief

Current law requires the Chief, or the Chief's authorized representative, to enforce the Oil and Gas Law and the rules, the terms and conditions of permits and registration certificates, and orders adopted or issued under it. The bill also authorizes the Chief or the Chief's authorized representative to issue a citation to a permittee for a violation of the Oil and Gas Law or rules adopted under it, the terms and conditions of a permit issued under it, a registration certificate that is required under it, or orders issued under it. A citation may be in the form of a compliance notice or an administrative order. (R.C. 1509.04(B).)

The bill adds that the Chief may issue an order to initiate an enforcement action for a material and substantial violation. In addition, the Chief may issue a suspension order for failure to comply with an enforcement action for a material and substantial violation or other violation. (R.C. 1509.04(C).)

Additionally, under the bill, the Chief may order the immediate suspension of drilling, operating, or plugging activities that are related to a material and substantial violation and suspend and revoke an unused permit after finding that a permittee is causing, engaging in, or maintaining a condition or activity that the Chief determines presents an immediate danger to the health or safety of the public or that results in or is likely to result in substantial damage to the natural resources of the state. The Chief may issue such an order without prior notification if reasonable attempts to notify the permittee have failed or if the permittee has failed to comply with prior enforcement actions, but in that such a notification must be given as soon thereafter as practical. (R.C. 1509.04(D)(1).)

The bill adds that, not later than five days after the issuance of a suspension order, the Chief must provide the permittee an opportunity to be heard and to present evidence that the condition or activity does not present an immediate danger to the public health or safety or is not likely to result in substantial damage to natural resources. If the Chief, after considering evidence presented by the permittee, determines that the activities do not present such a threat, the Chief must revoke the suspension order.

The bill also adds that notwithstanding any other provision of the Oil and Gas Law, the permittee may appeal a suspension order to the court of common pleas of the county in which the activity that is the subject of the order is located. In such an appeal, any person may file a motion to intervene to uphold a suspension order if the person demonstrates that the person has an interest that is or may be adversely affected by the activity for which the Chief has issued a suspension order under the bill. If the court

upholds the suspension order, the court may require the appellant permittee to pay the court costs and reasonable attorney fees of the person intervening.

Under the bill, the Chief also may issue a bond forfeiture order and may notify drilling contractors, transporters, service companies, or other similar entities of the compliance status of an operator. (R.C. 1509.04(D)(2).)

The bill also adds that if the permittee fails to comply with a prior enforcement action, the Chief may issue a suspension order without prior notification, but in that event the Chief must give notice soon as thereafter as practical. Not later than five calendar days after the issuance of an order, the Chief must provide the permittee an opportunity to be heard and to present evidence that required records, reports, or logs have been submitted. If the Chief, after considering the evidence presented by the permittee, determines that the reporting requirements have been satisfied, the Chief must revoke the suspension order.

In addition, the bill states that notwithstanding any other provision of the Oil and Gas Law, the permittee may appeal a suspension order to the court of common pleas of the county in which the activity that is the subject of the suspension order is located. In such an appeal, any person may file a motion to intervene to uphold a suspension order if the person demonstrates that the person has an interest that is or may be adversely affected by the activity for which the Chief has issued a suspension order under the bill. If the court upholds the suspension order, the court may require the appellant permittee to pay the court costs and reasonable attorney fees of the person intervening.

Under the bill, the Chief may issue a bond forfeiture order. (R.C. 1509.04(D)(3).)

Current law states that the county prosecutor or the Attorney General, on the request of the Chief, may apply to the court of common pleas of the county in which any of the provisions of the Oil and Gas Law or any rules, terms or conditions of a permit or registration certificate, or orders adopted or issued pursuant to the Oil and Gas Law are being violated for a temporary restraining order, preliminary injunction, or permanent injunction restraining any person from such a violation. The bill adds that in such an action, any person may file a motion to intervene for the issuance of a temporary restraining order, preliminary injunction, or permanent injunction if the person demonstrates that the person has an interest that is or may be adversely affected by the violation for which the prosecuting attorney or Attorney General has commenced the action. (R.C. 1509.04 (E).)

Under the bill, the Chief may enter into a compliance agreement by consent decree if such an agreement will end a violation (R.C. 1509.04(F)).

In addition, the bill authorizes the Chief to request a peace officer or a fire department to respond to the surface location of a well and temporarily assist the Division of Mineral Resources Management in the enforcement or administration of the Oil and Gas Law until a mineral resources inspector arrives at the well (R.C. 1509.04(G)).

Permit to drill a well

Current law states that a person may not 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 source of supply different from the existing pool without having a permit to do so issued by the Chief of the Division of Mineral Resources Management and until the original permit or a photocopy of it is posted or displayed in a conspicuous and easily accessible place at the well site with the name, current address, and telephone number of the permit holder and the telephone numbers for fire and emergency medical services maintained on the posted permit. The bill generally retains the permit requirements. In addition, the bill prohibits the Chief from issuing a permit to a person unless the terms and conditions of the permit will not conflict with any zoning, health, and safety ordinances and resolutions that are in effect in the municipal corporation or township where the drilling tract and the well are to be located. (R.C. 1509.05.)

Application contents

Current law requires an application for a permit 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 to be filed with the Chief. The bill adds that plug back of a well to a different source of supply includes associated production facilities. (R.C. 1509.06(A).)

Current law also requires the application for a permit to contain specified information. One of the required pieces of information that an application for a permit to drill a new well must contain is the name and address of the owner and, if a corporation, the name and address of the statutory agent. The bill replaces owner with applicant and adds that the applicant also must include the name and telephone number of a person that may be contacted in an emergency and who is located within 20 minutes travel time from the location of the proposed well or well. (R.C. 1509.06(A)(1).)

Another piece of information that an application for a permit must contain concerns a sworn statement that the applicant has provided notice of the application to the owner of each occupied dwelling unit that is located within 500 feet of the surface

location of the well if the surface location will be less than 500 feet from the boundary of the drilling unit and more than 15 occupied dwelling units are located less than 500 feet from the surface location of the well, excluding any dwelling that is located on real property, all or any portion of which is included in the drilling unit. The bill revises the requirement by instead stating that the application must contain a sworn statement that the applicant has provided notice of the application to each person residing in a dwelling unit that is located within 3,000 feet of the surface location of the proposed well or well. Current law requires the notice to contain a statement that an application has been filed with the Division of Mineral Resources Management, identify the name of the applicant and the proposed well location, include the name and address of the Division, and contain a statement that comments regarding the application may be sent to the Division. The bill replaces those requirements governing the statement with a requirement that the following statement be used:

"PLEASE BE ADVISED. AN APPLICATION HAS BEEN FILED WITH THE DIVISION OF MINERAL RESOURCES MANAGEMENT IN THE DEPARTMENT OF NATURAL RESOURCES FOR A PERMIT TO DRILL AN OIL OR GAS WELL ON PROPERTY LOCATED AT [address of the location of the proposed surface location or surface location of the well]. A PUBLIC MEETING WILL BE HELD [location, date, and time of the meeting] AT WHICH YOU MAY APPEAR AND COMMENT ON WHETHER THE APPLICATION FOR THE PERMIT SHOULD BE APPROVED. IF YOU CANNOT ATTEND THE MEETING, YOU MAY CONTACT THE DIVISION AT [telephone number of the Division of Mineral Resources Management] TO PROVIDE YOUR COMMENTS. THE COMMENT PERIOD CONCERNING THE APPLICATION CLOSES [date that is seven business days after the date of the scheduled public meeting]. PLEASE REFER TO APPLICATION NUMBER [number of the application] WHEN YOU PROVIDE YOUR COMMENTS. THE APPLICATION WAS FILED BY [name and phone number of the person that filed the application and the name of the person's statutory agent, if applicable]." (R.C. 1509.06(A)(9).)

Current law states that the notice may be provided by hand delivery or regular mail. Also, the identity of the owners of occupied dwelling units must be determined using the tax records of the municipal corporation or county in which the dwelling unit is located as of the date of the notice. The bill revises the requirement by requiring the notice to be issued not later than 15 days prior to the date of the public meeting that is required. In addition, the bill requires the notice to be published, not later than 15 days prior to the public meeting, in a newspaper of general circulation in the county in which the well is or is to be located. The bill requires the identity of the persons residing in a dwelling unit to be determined using tax records and property records of the municipal corporation or county in which the dwelling unit is located as of the date of the notice. (R.C. 1509.06(A)(9).)

The bill requires as an additional piece of information that an application must contain a description of the qualifications of the person who will drill, reopen, convert, or plug back the well, including a description of the drilling procedures and safety procedures that will be used and if those procedures are consistent with the best standards and practices that are recognized by the oil and gas industry. The description also must include an explanation of the person's experience concerning oil and gas well operations, the person's safety record for such operations, and information concerning the condition and maintenance of the person's equipment that will be used. (R.C. 1509.06(A)(10).)

Map

Current law requires each application to be accompanied by a map. If the well is or is to be located within the excavations and workings of a mine, the map must include the location of the mine, the name of the mine, and the name of the person operating the mine. The bill also requires the address and telephone number of the person operating the mine. (R.C. 1509.06(A).)

Weekly circular and notice to local governments

Current law requires the Chief to provide a copy of the weekly circular prepared by the Division to the county engineer of each county that contains active or proposed drilling activity. Current law establishes the required content of the weekly circular. The Chief promptly must send an electronic copy or facsimile or, if those methods are not available to a municipal corporation or township, a copy via regular mail of a drilling permit application to the clerk of the legislative authority of the municipal corporation or to the clerk of the township in which the well or proposed well is or is to be located if the legislative authority of the municipal corporation or the board of township trustees has asked to receive copies of such applications and the appropriate clerk has provided the Chief an accurate, current electronic mailing address or facsimile number, as applicable. The bill eliminates those requirements and replaces them as discussed below. (R.C. 1509.06(B).)

Written notification to the Director of Environmental Protection, the applicable fire chief, and the applicable local inspector

The bill requires the Chief, not later than five days after receipt of an application and the applicable fee, to provide written notification that the application has been filed to the Director of Environmental Protection, the fire chief of the fire department within whose jurisdiction the well that is the subject of the application will be or is located, and the local inspector within whose jurisdiction the well that is the subject of the application will be or is located. The notice must be sent electronically or by regular mail and posted on the Division of Mineral Resources Management's web site. In

addition, the bill requires the Chief to schedule a date and a time that is mutually acceptable to all of the persons that the Chief has so notified for purposes of conducting an inspection of the surface location of the proposed well or well (see "**Duties of the Chief prior to approving or denying an application**," below). (R.C. 1509.06(B)(1).)

Database maintained by the Chief

The bill requires the Chief to maintain a database on the Division of Mineral Resources Management's web site that is accessible to and searchable by the public. The database must contain all of the following:

- (1) A listing of all wells that are being drilled and of all wells that are proposed to be drilled in this state;
- (2) The names and contact information of all permit holders and applicants for permits under the Oil and Gas Law;
- (3) The location of each well or proposed well in this state;
- (4) The name and address of a permit applicant and the telephone number of an emergency contact; the location of the tract or drilling unit on which the well is or is to be located; the designation of the well by name and number; the identity of the geological formation of the injection zone and the composition of the liquid to be injected if the well is for the injection of a liquid; and a description of the roads that will be used for ingress and egress from the well site for each permit application;
- (5) The map that is required to be submitted with each permit application (see above); and
- (6) Any other information that the Chief requires. (R.C. 1509.06(B)(2).)

Duties of the Chief prior to approving or denying an application

The bill adds that upon receipt of an application and all accompanying information that is required, but before determining whether to approve an application, approve an application with modifications, or deny an application, the Chief must do all of the following:

- (1) Review the application for compliance with all of the application requirements. If the Chief finds any errors or omissions in an application, the Chief immediately must notify the applicant of the errors and omissions. Not later than 30 days after receipt of such a notice, an applicant must correct the errors and omissions. If the applicant does not correct all of the errors and omissions within 30 days after receipt of the notice, the Chief must deny the application.

(2) Conduct an inspection of the surface location of the proposed well or well together with an inspector from the Environmental Protection Agency, the fire chief of the fire department within whose jurisdiction the well that is the subject of the application will be or is located, and the local inspector within whose jurisdiction the well that is the subject of the application will be or is located to determine if the location and operation will comply with state and federal environmental laws, applicable fire codes, and local zoning, health, and safety requirements. Any person participating in such an inspection may submit a written objection to the Chief opposing the issuance of a permit to the applicant. If the Chief receives such a written objection prior to approving the application or approving the application with modifications, the Chief must deny the application.

(3) Review the qualifications of the applicant to determine if the applicant is qualified to perform the proposed operation in compliance with the requirements established in the Oil and Gas Law and rules adopted under it. The bill authorizes the Chief to consider the applicant's current violations or unresolved violations of prior orders as grounds for denying the application. In addition, the Chief must deny an application if the applicant has been issued a notice of material and substantial violation or a suspension order and the applicant continues to be in substantial noncompliance.

(4) Conduct at a minimum one public meeting concerning the proposed well or well and provide the applicant and any interested persons an opportunity to be heard and to submit comments. The bill requires the public meeting to be conducted in the municipal corporation or township in which the well or proposed well is or is to be located. (R.C. 1509.06(C)(1) to (4).)

Approval or denial of permit

Current law requires the Chief to issue an order denying a permit if the Chief finds that there is a substantial risk that the operation will result in violations of the Oil and Gas Law or rules adopted under it that will present an imminent danger to public health or safety or damage to the environment. However, if the Chief finds that terms or conditions to the permit can reasonably be expected to prevent such violations, the Chief must issue the permit subject to those terms or conditions. The bill replaces those requirements as discussed below. (R.C. 1509.06(F).)

The bill states that upon satisfaction of the requirements discussed in items (1) to (4) above (hereafter, Chief's requirements), the Chief must issue an order approving the permit, approving the permit with modifications, or denying the permit in accordance with specified time frames for the issuance of a permit (see "**Time period for issuance of a permit**," below). The Chief must issue an order denying a permit if the Chief determines that the applicant is not qualified to perform the proposed drilling,

reopening, converting, or plugging in compliance with the requirements established in the Oil and Gas Law and rules adopted under it. An applicant who is denied a permit by the Chief may appeal the Chief's order denying the permit (see "**Appeals by person aggrieved or adversely affected by Chief's orders,**" below). (R.C. 1509.06(C).)

Time period for issuance of a permit

Current law prohibits the Chief from issuing a permit for at least ten days after the date of filing of the application for the permit unless, upon a reasonable cause shown, the Chief waives that period or a request for expedited review is filed. However, the Chief must issue a permit within 21 days of the filing of the application unless the Chief denies the application by order. The bill eliminates the requirement. (R.C. 1509.06(C).) It instead prohibits the Chief from issuing a permit for a well that is or is to be located in an urbanized area until all of the Chief's requirements are satisfied or until 30 days after the receipt of the application for the permit, whichever time period is longer. However, the Chief must issue a permit after all of those requirements are satisfied or within 35 days after receipt of the application for the permit, whichever time period is longer, unless the Chief denies the application by order. (R.C. 1509.06(D)(1).)

In addition, the bill prohibits the Chief from issuing a permit for a well that is or is to be located in an area that is not an urbanized area until all of the Chief's requirements are satisfied or until 35 days after the receipt of the application for the permit, whichever time period is longer, unless a request for an expedited review is filed under the bill or the Chief denies the application by order. (R.C. 1509.06(D)(2).)

Expedited review

Current law authorizes an applicant to file a request with the Chief for expedited review of a permit application if the well is not or is not to be located in a gas storage reservoir or reservoir protective area. The bill adds that an expedited review may be filed if the well is not or is not to be located in an urbanized area or in a natural area or nature preserve as defined in current law. (R.C. 1509.06(E).)

Current law requires a request for an expedited review to include a separate nonrefundable filing fee of \$500 in addition to a complete permit application and the permit fee. Upon the filing of such a request, the Chief must notify the applicable county engineer of the filing of the application and of the request for expedited review by telephone or other means that provides timely notice. The bill eliminates the requirement that the Chief notify the applicable county engineer. Current law requires the Chief to issue a permit within seven days of the filing of the request unless the Chief denies the application by order. The bill revises the time for issuance and instead states that if all of the Chief's requirements are satisfied, the Chief must issue a permit within

25 days of the filing of the application unless the Chief denies the application by order. In addition, the bill eliminates current law that authorizes the Chief to refuse to accept expedited review requests if the Chief determines that the acceptance would prevent the issuance, within 21 days of their filing, of permits for which applications are pending. (R.C. 1509.06(E).)

Drilling of a well and notification of violations of a permit

Current law requires that a well be drilled and operated in accordance with the plans, sworn statements, and other information submitted in the approved application. The bill instead requires that a well be drilled and operated in exact accordance with the plans, sworn statements, and other information submitted in the approved application and with all terms and conditions of the permit. In addition, the bill requires a permittee to notify the Chief or a mineral resources inspector within 24 hours of a violation of any term or condition of the permit that occurs during drilling operations. (R.C. 1509.06(F).)

Application fee for revision or reissuance of a permit

Current law requires each application for the revision or reissuance of a permit to be accompanied by a nonrefundable fee of \$250. The bill increases the fee to \$500. (R.C. 1509.06(G).)

Fees

Current law requires each application for a permit to be accompanied by a nonrefundable fee. Each current fee and the corresponding fee in the bill are as follows:

(1) \$250 for a permit to conduct activities in a township with a population of fewer than 5,000. The bill increases the amount of the fee to \$500. (R.C. 1509.06(G)(1).)

(2) \$500 for a permit to conduct activities in a township with a population of 5,000 or more, but fewer than 10,000. The bill increases the amount of the fee to \$1,500. (R.C. 1509.06(G)(2).)

(3) \$750 for a permit to conduct activities in a township with a population of 10,000 or more, but fewer than 15,000. The bill increases the fee to \$2,500. (R.C. 1509.061(G)(2).)

(4) \$1,000 for a permit to conduct activities in a township with a population of 15,000 or more or in a municipal corporation regardless of population. The bill increases the fee to \$3,500 (R.C. 1509.061(G)(3).)

Drilling or other operations in violation of a permit

The bill states that if the Chief finds that a permittee is drilling or conducting other operations in violation of a permit, the Oil and Gas Law, or rules adopted under it and there is substantial risk that the drilling or operations likely will result in danger to the health or safety of the public or damage to the environment, the Chief must issue an order to the permittee to cease or correct the violation immediately. If the permittee does not cease or correct the violation and appears to continue the violation, the Chief must issue an order that revokes the permittee's permit and that requires the permittee to cease drilling or other operations immediately. (R.C. 1509.06(H).)

Term of a permit to drill

Current law states that a permit to drill a new well, drill an existing well any deeper, reopen a well, convert a well to any use other than its original purpose, or plug back a well to a source of supply different from the existing pool is valid for 12 months. The bill instead provides that such a permit for a well that is or is to be located in an urbanized area is valid for 12 months, and all other permits are valid for 24 months. (R.C. 1509.05.)

Permit and order restrictions

The bill prohibits a permit or order issued by the Chief of the Division of Mineral Resources Management under the Oil and Gas Law from authorizing or allowing a permittee or any other person to do any of the following:

- (1) Drill an oil or gas well within the boundaries of a state, municipal, or township park or within a recreational area or nature preserve;
- (2) Drill an oil or gas well within 2,000 feet of a lake, stream, or other body of water that is used as a source of drinking water;
- (3) Drill an oil or gas well without the use of a blow-out preventer;
- (4) Bury hazardous waste, radioactive material, or chemicals used in fracturing subsurface strata or otherwise dispose of any toxic substance at the location of a well, as "hazardous waste," "radioactive material," and "toxic substance" are defined in current law; or
- (5) Drill a new well or drill an existing well deeper without implementing best operating standards and practices that are recognized by the oil and gas industry. (R.C. 1509.051.)

Wells not completed or not producing

The bill requires the permittee of a well that has not been completed, a well that has not produced within one year after completion, or an existing well that has no reported production for two consecutive reporting periods to plug the well in accordance with the plugging requirements of the Oil and Gas Law, obtain a temporary inactive well status for the well (see "**Temporary inactive well status**," below), or perform another activity regarding the well that is approved by the Chief. (R.C. 1509.062(A)(1).) If a well has a reported annual production that is less than 1,000 cubic feet of natural gas or 15 barrels of crude oil, or a combination of natural gas or crude oil, the Chief may require the permittee of the well to submit an application for a temporary inactive well status for the well (R.C. 1509.062(A)(2)).

Temporary inactive well status

The bill states that in order for the permittee of a well to submit an application for temporary inactive well status for the well, the permittee and the well must be in compliance with the Oil and Gas Law and rules adopted under it, any terms and conditions of the permit for the well, and applicable orders issued by the Chief (R.C. 1509.062(B)).

Application requirements

The bill requires that an application for temporary inactive status for a well be submitted to the Chief on a form prescribed and provided by the Chief and contain all of the following:

- (1) The permittee's name and address and, if the permittee is a corporation, the name and address of the corporation's statutory agent;
- (2) The signature of the permittee or of the permittee's authorized agent. When an authorized agent signs an application, the application must be accompanied by a certified copy of the agent's appointment as agent.
- (3) The permit number assigned to the well. If the well has not been assigned a permit number, the Chief must assign a permit number to the well.
- (4) A map, on a scale not smaller than 400 feet to the inch, that shows the location of the well and the tank battery, that includes the latitude and longitude of the well, and that contains all other data that are required by the Chief;
- (5) A demonstration that the well is of future utility and that the applicant has a viable plan to utilize the well within a reasonable period of time;

(6) A demonstration that the well poses no threat to the health or safety of persons, property, or the environment; and

(7) Any other relevant information that the Chief prescribes by rule.

The bill authorizes the Chief to waive any of the application requirements listed above if the Division possesses a current copy of the information or a document that is required in the application (R.C. 1509.062(B)).

An application for temporary inactive well status must be accompanied by a nonrefundable fee of \$100 (R.C. 1509.062(F)).

Approval or denial of an application

Upon receipt of an application for temporary inactive well status, the Chief must review the application and must either deny the application by issuing an order or approve the application. The bill requires the Chief to approve the application only if the Chief determines that the well that is the subject of the application poses no threat to the health or safety of persons, property, or the environment. If the Chief approves the application, the Chief must notify the applicant of the Chief's approval. Upon receipt of the Chief's approval, the permittee must shut in the well and empty all liquids and gases from all storage tanks, pipelines, and other equipment associated with the well. In addition, the permittee must maintain the well, other equipment associated with the well, and the surface location of the well in a manner that prevents hazards to the health and safety of people and the environment. The permittee must inspect the well at least every six months and submit to the Chief within 14 days after the inspection a record of the inspection on a form prescribed and provided by the Chief. (R.C. 1509.062(C).)

The bill states that temporary inactive well status approved by the Chief expires one year after the date of approval of the application for temporary inactive well status or production from the well commences, whichever occurs sooner (R.C. 1509.062(G)).

Renewal

Not later than 30 days before the expiration of temporary inactive well status or a renewal of temporary inactive well status approved by the Chief, the permittee of the well may submit to the Chief an application for renewal of the temporary inactive well status on a form prescribed and provided by the Chief. The application must include a detailed plan that describes the ultimate disposition of the well, the time frames for that disposition, and any other information that the Chief determines is necessary. The Chief must either deny an application by order or approve the application. If the Chief approves the application, the Chief must notify the owner of the well of the Chief's

approval. (R.C. 1509.062(D).) The bill requires an application for a renewal of temporary inactive well status to be accompanied by a nonrefundable fee of \$250 for the first renewal and \$500 for each subsequent renewal (R.C. 1509.062(F)).

The bill states that a renewal of temporary inactive well status expires one year after the expiration date of the initial temporary inactive well status or one year after the expiration date of the previous renewal of the temporary inactive well status, as applicable, or production from the well commences, whichever occurs sooner (R.C. 1509.062(G)).

Surety bond

The bill authorizes the Chief to require a permittee to provide a surety bond in an amount not to exceed \$10,000 for each of the owner's wells that has been approved by the Chief for temporary inactive well status (R.C. 1509.062(E)).

Miscellaneous

The owner of a well that has been approved by the Chief for temporary inactive well status may commence production from the well at any time. The bill requires the owner to notify the Chief of the commencement of production not later than 60 days after the commencement. (R.C. 1509.062(H).)

Finally, the bill states that the Oil and Gas Law and the rules adopted under it, any terms and conditions of the permit for a well, and applicable orders issued by the Chief apply to a well that has been approved by the Chief for temporary inactive well status or renewal of that status (R.C. 1509.062(I)).

Liability insurance

Current law requires an owner of any well, except an exempt Mississippian well or an exempt domestic well, to obtain liability insurance coverage from a company authorized to do business in this state in an amount of not less than \$300,000 bodily injury coverage and \$300,000 property damage coverage to pay damages for injury to persons or damage to property caused by the drilling, operation, or plugging of all the owner's wells in this state. The owner must maintain that coverage until all the owner's wells are plugged and abandoned as required by law. The bill increases the liability insurance coverage by requiring a permittee to obtain coverage in an amount of not less than \$5 million bodily injury coverage and \$10 million property damage coverage. In addition, the bill requires the permittee to maintain the coverage until all the permittee's wells are plugged and maintained as required by the Oil and Gas Law and rules adopted under it or are transferred to a permittee who has obtained the required

insurance and who is not under a notice of material and substantial violation or under a suspension order. (R.C. 1509.07(A).)

Surety bond

Current law requires an owner of any well, before being issued a permit to drill a well, to execute and file with the Division a surety bond that is conditioned on compliance with restoration requirements, plugging requirements, permit requirements for plugging and abandoning a well, and all rules and orders of the Chief relating to those requirements in an amount set by rule of the Chief. The bill qualifies the surety bond requirement by requiring a permittee of any well that is not an exempt Mississippian well or an exempt domestic well to execute and file a surety bond with the Chief before being issued a permit. In addition, the bill eliminates the requirement that the Chief establish the amount of the surety bond by rule and instead requires the surety bond to be in an amount equal to the estimated cost to plug the well and restore the surface location of the well.

Current law authorizes the owner of a well to deposit with the Chief, instead of a surety bond, cash, negotiable certificates of deposit, or irrevocable letters of credit having a cash value equal to or greater than the amount of the required surety bond. The bill qualifies that option by stating that a permittee of a well that is not an exempt Mississippian well or an exempt domestic well may deposit such cash, negotiable certificates of deposit, or irrevocable letters of credit instead of a surety bond. (R.C. 1509.07(B).)

Instead of a surety bond, current law authorizes the Chief to accept proof of financial responsibility consisting of a sworn financial statement showing a net financial worth within this state equal to twice the amount of the bond for which it substitutes and, as may be required by the Chief, a list of producing properties of the owner within this state or other evidence showing ability and intent to comply with the law and rules concerning restoration and plugging that may be required by rule of the Chief. The owner of an exempt domestic or exempt Mississippian well is not required to file scheduled updates of the financial documents, but must file updates of those documents if requested by the Chief. The owner of a nonexempt domestic or nonexempt Mississippian well must file updates of the financial documents in accordance with a schedule established by rule of the Chief. The bill eliminates current law authorizing the Chief to accept proof of financial responsibility instead of a surety bond for owners of a well. In addition, the bill removes the requirement that the owner of a nonexempt domestic or nonexempt Mississippian well file updates of the financial documents in accordance with a schedule established by rule of the Chief. (R.C. 1509.07.) The bill instead requires a permittee to file updates of any required financial

documents in accordance with a schedule established by rule of the Chief (R.C. 1509.07(D)).

The bill then requires a permittee of an exempt Mississippian well or an exempt domestic well to demonstrate financial responsibility to the Chief by providing one of the following:

(1) Proof of deposits in a bank organized or transacting business in this state or in a savings and loan association in an amount that is equal to or greater than the amount of the surety bond that is otherwise required to be executed and filed with the Chief; or

(2) Negotiable certificates of deposit or irrevocable letters of credit issued by such a bank or savings and loan association having a cash value that is equal to or greater than the amount of the surety bond that is otherwise required to be executed and filed. (R.C. 1509.07(C).)

Current law states that the Chief, upon determining that an owner for whom the Chief has accepted proof of financial responsibility instead of bond cannot demonstrate financial responsibility, must order the owner to execute and file a bond or deposit cash, certificates of deposit, or irrevocable letters of credit for the wells specified in the order within ten days of receipt of the order. If the order is not complied with, all wells of the owner that are specified in the order and for which no bond is filed or cash, certificates of deposit, or letters of credit are deposited must be plugged. Each day on which such a well remains unplugged constitutes a separate offense. The bill qualifies and modifies those requirements. The bill instead states that if the permittee of an exempt Mississippian well or an exempt domestic well cannot demonstrate financial responsibility to the satisfaction of the Chief, the Chief must order the permittee to execute and file a surety bond or deposit cash, certificates of deposit, or irrevocable letters of credit for the wells specified in the order within ten days of receipt of the order. The bill retains the requirement that the wells must be plugged if the Chief's orders are not complied with and that each day on which such a well remains unplugged constitutes a separate offense. However, the bill requires the Chief to assess a fine against the permittee in an amount that is not less than \$1,000 per offense as determined by the Chief. (R.C. 1509.07(C).)

Current law requires that the required surety bond be executed by a surety company authorized to do business in this state. The bill adds that the surety company must be in good standing. (R.C. 1509.07(E).)

Finally, current law authorizes an owner of an exempt Mississippian well or an exempt domestic well to file a one-time fee of \$50 in lieu of filing a surety bond, cash in

an amount equal to the surety bond, certificates of deposit, irrevocable letters of credit, or a sworn financial statement. The bill removes the provision. (R.C. 1509.07.)

New surety bond in the event of forfeiture of surety bond

Current law states that when the Chief finds that an owner has failed to comply with restoration requirements, plugging requirements, or certain permit provisions or rules and orders relating to them, the Chief must make a finding of that fact and declare any surety bond filed to ensure compliance with those provisions and rules forfeited in the amount set by rule of the Chief. The bill adds that the Chief may require a permittee, operator, producer, or other person who forfeited a surety bond to post a new surety bond in the amount of \$15,000 for a single well, \$30,000 for two wells, or \$50,000 for three or more wells.

Current law also states that in lieu of total forfeiture, the surety, at its option, may cause the well to be properly plugged and abandoned and the area properly restored or pay to the Treasurer of State the cost of plugging and abandonment. The bill adds that the cost of plugging and abandonment of the well includes the estimated cost of maintaining the well in a safe condition that complies with rules governing plugging. (R.C. 1509.071(A).)

Entry on land for restoration and plugging projects

Current law states that agents or employees of persons contracting with the Chief for restoration, plugging, and injection projects may enter upon any land on which a well is located for the purpose of performing the work. The bill removes injection projects from that authorization. (R.C. 1509.071(D)(1).)

Current law requires the Chief, prior to such entry, to give written notice to the owner of the well, the owner of the land upon which the well is located, the owner or agents of adjoining land, and the owner or lessee of certain mines of the existence of a contract for a project to restore, plug, or inject oil or gas production wastes into a well, the names of the persons with whom the contract is made, and the date that the project will commence. The bill instead requires the notice to be given to the owner of the land on which the well is located, the permittee of the oil or gas lease under which the well was drilled, the present holder of the lease if different from the permittee, persons having legal title to or a lien upon any of the equipment appurtenant to the well, the owner or agents of adjoining land, and the owner or lessee of certain mines. In addition, the bill requires the Chief to notify the Director of Environmental Protection of the above activities in order to obtain the Director's evaluation of any impact to the environment from the activities and the Director's determination of compliance with

state environmental laws. Finally, the bill removes injection of oil and gas production waste as an activity that requires such a notice. (R.C. 1509.071(D)(1).)

Current law authorizes certain owners of land on which a well is located who did not properly plug and abandon the well or who did not properly restore the land at the well site to be reimbursed by the Division of Mineral Resources for the reasonable cost of plugging the well under specified conditions. The bill retains those reimbursement provisions, but requires that expenditures for such purposes be consistent with the expenditures for activities described above. (R.C. 1509.071(D)(2)(a).) Current law requires such an owner to submit an application in order to plug such a well. If the Chief approves the application and issues a permit to plug and abandon the well, the plugging must be completed within 108 days after the landowner receives a notice of approval and permit from the Chief. The bill decreases the time by which the plugging must be completed from 108 days to 60 days. Current law authorizes the Chief to establish an annual limit on the number of such wells that may be plugged or an annual limit on the expenditures to be made for such purposes. The bill eliminates the Chief's authority to establish an annual limit on the number of such wells that may be plugged. (R.C. 1509.071(D)(2)(c) and (d).)

The bill also requires that the Fund be used to correct conditions that the Chief reasonably has determined are causing immediate health or safety risks. The bill specifies that the imminent health or safety risks must be at an idle and orphaned well. In addition, the bill adds that money from the Fund may be used to initiate a corrective action, within a reasonable period of time as determined by the Chief, for a well for which the person responsible for the well cannot be contacted (R.C. 1509.071(B)(2)). However, the bill prohibits the Chief from authorizing expenditures to purchase real property or to remove a dwelling (R.C. 1509.071(E)). In addition the bill adds that the Chief must issue an order that requires the owner of a well to pay the actual documented costs of such a corrective action concerning the well. The Chief must transmit the money so recovered to the Treasurer of State, who must deposit the money in the state treasury to the credit of the Oil and Gas Well Fund. (R.C. 1509.071(H).)

Restoration requirements

Current law prohibits an oil or gas well owner or agent of an oil or gas well owner from failing to restore the land surface within the area disturbed in siting, drilling, completing, and producing the well. The bill retains the prohibition and adds that areas disturbed by plugging and abandoning also must be restored. In addition, the bill replaces owner with permittee. (R.C. 1509.072.)

Filling of pits and grading

Current law

Within five months after the date on which the surface drilling of a well is commenced, the owner or the owner's agent, in accordance with the restoration plan filed under the Oil and Gas Law, must fill all the pits for containing brine, other waste substances resulting, obtained, or produced in connection with exploration or drilling for, or production of, oil or gas, or oil that are not required by other state or federal laws or regulations and remove all concrete bases, drilling supplies, and drilling equipment. Within nine months after the date on which the surface drilling of a well is commenced, the owner or the owner's agent must grade or terrace and plant, seed, or sod the area disturbed that is not required in production of the well where necessary to bind the soil and prevent substantial erosion and sedimentation. If the Chief finds that a pit used for containing brine, other waste substances, or oil is in violation of certain provisions of the Oil and Gas Law and rules adopted or orders issued under them, the Chief may require the pit to be emptied and closed before expiration of the five-month restoration period. (R.C. 1509.072(A).)

The bill

Within 14 days after the date on which the drilling of a well is completed to total depth in an urbanized area and within one month after the date on which the drilling of a well is completed in all other areas, the permittee or the permittee's agent, in accordance with the restoration plan that is filed under the Oil and Gas Law, must fill with clean fill all pits for containing brine and other waste substances resulting, obtained, or produced in connection with exploration or drilling for oil or gas that are not required by other state or federal laws or regulations and remove all concrete bases, drilling supplies, and drilling equipment. In addition, the permittee or the permittee's agent must remove all cuttings containing brine and all other waste substances and dispose of the cuttings and other waste substances in an appropriate facility licensed under the Solid, Hazardous, and Infectious Waste Law or dispose of such cuttings and waste substances in accordance with all applicable statutes and rules governing environmental protection.

Unless the Chief approves a longer time period, within one month after the date on which the surface drilling of a well is commenced in an urbanized area and within two months after the date on which the surface drilling of a well is commenced in all other areas, the permittee or the permittee's agent must begin to grade or terrace and plant, seed, or sod the area disturbed that is not required in production of the well where necessary to bind the soil and prevent substantial erosion and sedimentation. If the Chief finds that a pit used for containing brine, other waste substances, or oil is in violation of certain provisions of the Oil and Gas Law and rules adopted or orders

issued under them, the Chief may require the pit to be emptied and closed before expiration of the applicable restoration period. (R.C. 1509.072(A).)

Removal of all production and storage equipment

Current law requires that within six months after a well that has produced oil or gas is plugged, or after the plugging of a dry hole, the owner or the owner's agent must remove all production and storage structures, supplies, and equipment, and any oil, salt water, and debris, and fill any remaining excavations. Within that period the owner or the owner's agent must grade or terrace and plant, seed, or sod the area disturbed where necessary to bind the soil and prevent substantial erosion and sedimentation. The bill instead requires that within 30 days after a well that has produced oil or gas is plugged, or after the plugging of a dry hole, unless the Chief approves a longer time period not to exceed six months, the permittee or the permittee's agent must remove all production and storage structures, supplies, and equipment, and any oil, salt water, and debris, and fill any remaining excavations. Within 14 days after removal of such structures, supplies, equipment, oil, salt water, and debris and filling of such excavations, the permittee or the permittee's agent must grade or terrace and plant, seed, or sod the area disturbed where necessary to bind the soil and prevent erosion and sedimentation. (R.C. 1509.072(B).)

Current law states that the owner must be released from responsibility to perform any or all restoration requirements on any part or all of the area disturbed upon the filing of a request for a waiver with and obtaining the written approval of the Chief, which request must be signed by the surface owner to certify the approval of the surface owner of the release sought. The Chief must approve the request unless the Chief finds upon inspection that the waiver would be likely to result in substantial damage to adjoining property, substantial contamination of surface or underground water, or substantial erosion or sedimentation. The bill instead states that the permittee cannot be released from responsibility to perform any or all restoration requirements on any part or all of the area disturbed upon the filing of a request for a waiver with and obtaining the written approval of the Chief unless the request is signed by the surface owner to certify that the surface owner will undertake all of the responsibilities of the permittee to perform any or all of the restoration requirements. In addition, the Chief must approve the request only if the surface owner executes and files a surety bond with the Division of Mineral Resources Management in an amount equal to the estimated cost to plug the well and restore the site in accordance with the requirements established in the Oil and Gas Law and rules adopted under it. (R.C. 1509.072(B).)

Coordination of enforcement

The bill adds that in addition to the requirements established in current law and under the bill (see "**Enforcement actions, citations, and orders of the Chief,**" above), the Chief must coordinate with local inspectors in the enforcement of the Oil and Gas Law and rules adopted under it. The bill authorizes local inspectors to inspect an oil or gas well and the storage facilities of a well at any time in order to ensure compliance with local zoning or building codes. In addition, the chief of the fire department within whose jurisdiction an oil or gas well is located may inspect the well to ensure compliance with the fire code of the municipal corporation or township, as applicable. (R.C. 1509.073(A).)

The bill states that if a local inspector or chief of an applicable fire department discovers a violation of a permit issued under the Oil and Gas Law, the inspector or chief must notify the Chief of the Division of Mineral Resources Management or a mineral resources inspector within 24 hours of the discovery (R.C. 1509.073(B)).

Emergency responder training and local inspector inspection fee

The bill requires a permittee to annually pay to a municipal corporation or township, as applicable, a \$500 fee for each of the permittee's wells that is located within the territorial boundaries of the municipal corporation or township. The fee must be deposited in a special fund that is established by the municipal corporation or township. The money in the fund must be used by the municipal corporation or township to pay the costs of training police, fire, and medical personnel to respond to well-related emergencies in the municipal corporation or township, to pay the costs of periodic inspections by a local inspector to ensure proper maintenance of all well-related facilities, and to pay the costs of inspections by local inspectors of the site where the surface facilities of a well are located to ensure compliance with local zoning or building codes. (R.C. 1509.073(C).)

Requirements for a permittee

Inspections

The bill requires a person that is issued a permit to drill a well under the Oil and Gas Law to do all of the following:

(1) Prior to commencing drilling, meet with the chief of the fire department within whose jurisdiction the well is located to explain the drilling operation, including any potential problems or concerns and solutions to those problems or concerns, and to provide a schedule of the drilling;

(2) Grant a right of entry to an authorized representative of the fire department within whose jurisdiction the well is located for the purpose of formulating emergency operating procedures;

(3) Ensure the availability of a gas well technician who has knowledge of the mitigation of hazardous or emergency conditions at a well location. The permittee must ensure that a gas well technician responds to a hazardous or emergency condition at the well within 30 minutes of the permittee's receipt of notification that a hazardous or emergency condition exists at the well location. In addition, the permittee must provide to each technician the necessary tools and testing equipment that normally are required to determine the location and nature of a hazardous or emergency condition, to complete repairs, or to shut off a well if necessary.

(4) Develop a monthly and an annual safety inspection checklist that must be used for each monthly and annual inspection of each well head and tank battery;

(5) Inspect monthly and annually each well head and tank battery using the applicable checklist and submit a copy of the checklist monthly or annually, as applicable, to the chief of the fire department within whose jurisdiction the well is located; and

(6) Provide to the chief of the fire department within whose jurisdiction the well is located all information concerning inspections, investigations, and repairs that are performed at the well location after the occurrence of a hazardous or emergency condition at the well. (R.C. 1509.074.)

Local government surety bond

The bill requires a person that is issued a permit to drill a well under the Oil and Gas Law, prior to commencing drilling operations, to execute and file with the legislative authority of a municipal corporation or the board of township trustees of a township, as applicable, a surety bond for each of the permittee's wells that is located within the territorial boundaries of the municipal corporation or township. The surety bond must be conditioned on compliance with the terms and conditions of the permit and with all of the applicable laws and rules enacted or adopted by the municipal corporation or township and must provide coverage for damage to municipal corporation or township roads caused by vehicles associated with the drilling of the well, the cleanup of mud and drilling refuse from public property, and the cost of water testing conducted within six months of the drilling of the well. The amount of the surety bond must be established by the legislative authority of the municipal corporation or the board of township trustees of the township, as applicable, but cannot be less than 100% of the estimated cost of the screening and landscaping requirements

established in the Oil and Gas Law and rules adopted under it. The bill authorizes a permittee to deposit with the legislative authority of the municipal corporation or the board of township trustees of the township, in lieu of a surety bond, cash in an amount equal to the surety bond established under the bill or certificates of deposit having a cash value equal to or greater than that amount. (R.C. 1509.075(A).)

Upon completion of the installation of the well, the permittee must notify the applicable local inspector. Not later than five days after receipt of the notification, the local inspector must inspect the surface location of the well and determine if the installation of the well complies with the terms and conditions of the permit and with laws and rules of the applicable municipal corporation or township. If the inspector determines that the well complies with those terms and conditions and laws and rules, the inspector must notify the permittee and the legislative authority of the municipal corporation or the board of township trustees of the township, as applicable, and the legislative authority or board must release the surety bond or other financial security to the permittee. (R.C. 1509.075(B).)

If the inspector determines that the well does not comply with the terms and conditions of the permit or with laws or rules of the applicable municipal corporation or township, the inspector must notify the permittee and the applicable legislative authority or board and specifically describe the reasons for noncompliance. The permittee may take actions that are necessary to bring the installation of the well into compliance. Following the completion of those actions, the permittee must notify the applicable local inspector who must conduct a second inspection of the surface location of the well. If the inspector determines that the well complies with the terms and conditions of the permit and with laws and rules of the applicable municipal corporation or township, the inspector must notify the permittee and the legislative authority of the municipal corporation or the board of township trustees of the township, as applicable, and the legislative authority or board must release the surety bond or other financial security to the permittee. If the inspector again determines that the well does not comply with the terms and conditions of the permit or with laws or rules of the applicable municipal corporation or township, the inspector must notify the permittee and the applicable legislative authority or board. The legislative authority or board cannot release the surety bond or other financial security to the permittee. (R.C. 1509.075(B).)

Well safety

The bill requires a person that is issued a permit to drill a well to do all of the following on and after the bill's effective date:

(1) Post a sign prior to the commencement of the drilling of a well. The sign must be permanent and weatherproof and maintained at all times. In addition, the sign must consist of letters and numerals that are at least five inches in height and must contain all of the following:

(a) The number and name of the road that will be used to access the well site;

(b) The number of the well and of the permit for the well; and

(c) The name, address, and telephone number of the permittee or a representative of the permittee who may be contacted and available in the event of an emergency. (R.C. 1509.076(A).)

(2) Implement a monitoring system at a new or existing oil or gas well for the detection of a leak of natural gas, hydrogen sulfide, or radon, a spill of a toxic chemical, or an explosion. The monitoring system must have an audible alarm to warn the workers at the surface location of the well and the public of such a leak, spill, or explosion. The monitoring system also must notify the fire department within whose jurisdiction the well will be or is located of such a leak, spill, or explosion. In addition, the monitoring system and alarm must be operable during power failures and during the drilling of and production from a well until the well is abandoned and plugged. (R.C. 1509.076(B).)

(3) Conduct all operations in a manner that eliminates, as far as practical, dust, noise, vibrations, and noxious odors. In addition, a permittee is prohibited from allowing the noise from the drilling operation to exceed 80 decibels if the well is located within 500 feet of an occupied dwelling, a multiple unit dwelling with at least three units, a hospital as defined in current law, or a home as defined in current law. (R.C. 1509.076(C).)

(4) Use only fluid during the drilling of a well that is located in an area that is zoned residential or is otherwise a residential area in order to minimize flaring. In addition, if a permittee drills the well at night in an area that is zoned residential or is otherwise a residential area, the permittee must use only the amount of light that is necessary for conducting a safe operation. (R.C. 1509.076(D).)

(5) Operate a drilling rig between the hours of 7:30 a.m. and 7:00 p.m. unless all owners of property that is located within 1,000 feet of the location of the well consent in writing to the drilling of the well during other hours (R.C. 1509.076(E));

(6) Detonate explosives between the hours of 7:30 a.m. and 7:00 p.m. unless the chief of the fire department within whose jurisdiction the well is located authorizes the detonation of explosives during other hours (R.C. 1509.076(F));

(7) Store all flammable and combustible liquids from a producing well in underground tanks (R.C. 1509.076(G));

(8) Remove all liquids from a well tank using a tank truck (R.C. 1509.076(H));

(9) Keep the areas within 15 feet of all permanent production facilities mowed and cleared of combustible materials. In addition, those areas must be enclosed with fencing that is not less than six feet in height. (R.C. 1509.076(I).)

(10) Paint shut-off valves in a conspicuous color for ease of identification in emergencies (R.C. 1509.076(J));

(11) Install latches on well head and tank battery enclosures to hold the enclosures open (R.C. 1509.076(K));

(12) Lock all gates, storage tank manholes, discharge valves, fill valves, shut-off valves, and fence gates. All locks at a well must use a master key that is marked with the well number. In addition, a permittee must provide a copy of the master key for each well to a local inspector, the chief of the fire department within whose jurisdiction the well is located, and the applicable chief of police or sheriff. (R.C. 1509.076(L).)

(13) Bury all new oil and gas lines a minimum depth of 30 inches. In addition, a permittee must indicate the location of those oil and gas lines on a map and provide a copy of the map to the local inspector and to the chief of the fire department within whose jurisdiction the lines are located. (R.C. 1509.076(M).)

(14) Equip each permanent production structure, including, but not limited to, a separator unit and a storage tank, with properly grounded lightning rods (R.C. 1509.076(N));

(15) Provide for a drilling-in control gate in the drilling of a well or in the cleaning of an abandoned well in preparation for the plugging of the abandoned well. The drilling-in control gate must be constructed in a manner that will cut off the flow of gas to the top of the well and that will allow the gate to be operated at a remote location from the well. (R.C. 1509.076(O).)

(16) Vent a plugged well with a vent pipe that is not less than two inches in diameter and of a height that is determined by the Chief of the Division of Mineral Resources Management in consultation with the applicable fire chief and local inspector. In addition, the vent pipe must have a drilled and tapped inspection hold with a hole plug that is not less than ½ inch in diameter and that is not more than four feet above grade. (R.C. 1509.076(P).)

(17) Locate a new well head, tank battery, and storage tank in accordance with all of the following:

(a) At least 1,000 feet from a single or multiple family dwelling, hospital as defined in current law, clinic, home as defined in current law, school, day-care, playground, auditorium, theater, library, shopping center, place of worship, or any other building used as a place for public assembly;

(b) At least 2,000 feet from a lake, stream, river, or other large body of water; and

(c) At least 1,000 feet from a public right-of-way. (R.C. 1509.076(Q).)

(18) Paint a storage tank and other equipment that is located above ground shades of dark green in order to minimize the visual obtrusiveness of the equipment. In addition, a permittee must identify the contents of a storage tank using eight-inch letters on the outside of the tank in a color that is distinct from the tank color. (R.C. 1509.076(R).)

(19) Use a storage tank if a well is located on a steep slope or within a floodplain (R.C. 1509.076(S));

(20) Anchor a storage tank in a permanent manner in order to prevent movement of the tank (R.C. 1509.076(T));

(21) Use only a water-tight storage tank (R.C. 1509.076(U));

(22) Use only an electrically powered pump jack (R.C. 1509.076(V));

(23) Permanently mark all sales lines from a tank battery at intervals of not more than 200 feet (R.C. 1509.076(W));

(24) Install a brine tank not higher than eight feet above grade. A permittee may recess a brine tank below grade in order to comply with the bill. (R.C. 1509.076(X).)

(25) Maintain all equipment that is or is to be used at a well and all equipment at the surface location of a well in good operating condition according to best management practices that are recognized by the oil and gas industry (R.C. 1509.076(Y));

(26) Provide access roads to the surface location of a well in order for emergency responders to be able to access the location in an emergency. The roads used for ingress and egress to the surface location of a well must be made of concrete or asphalt and must be of sufficient width to enable emergency vehicles to turn around. In addition, a permittee must maintain the roads at all times, including keeping the roads free of

snow. If an access road crosses a drainage channel, a permittee must install culverts, which must be of a size that is appropriate for the drainage area and must be approved by the municipal engineer or county engineer, as applicable, prior to the installation of the culverts. (R.C. 1509.076(Z).)

(27) Locate a truck loading area or parking area in a location that is not on an access road to the surface location of a well and that is not on a public right-of-way (R.C. 1509.076(AA)); and

(28) Remove immediately from a municipal or township road all debris resulting from the drilling of or production from a well (R.C. 1509.076(BB)).

Well not located in a coal bearing township

Current law states that if the Chief receives an application for a permit to drill a well or an application for a permit to plug and abandon a well and if the well is not or is not to be located in a coal bearing township, or if it is to be located in a coal bearing township, but the landowner submits an affidavit attesting to ownership of the property in fee simple, including the coal, and has no objection to the well, the Chief must issue the permit. The bill instead states that if the Chief receives an application for a permit to drill a well or an application for a permit to plug and abandon a well and if the well is not or is not to be located in a coal bearing township, the Chief may issue the permit in accordance with the Oil and Gas Law and rules adopted under it. (R.C. 1509.08.)

Well located in a coal bearing township

Current law

If a permit application to drill, reopen, or convert concerns a well that is or is to be located in a coal bearing township, the Chief immediately must notify the owner or lessee of any affected mine that the application has been filed and send to the owner or lessee two copies of the map accompanying the application setting forth the location of the well. If the owner or lessee objects to the location of the well or objects to any location within 50 feet of the original location as a possible site for relocation of the well, the owner or lessee must notify the Chief of the objection, giving the reasons for the objection and, if applicable, indicating on a copy of the map the particular location or locations within 50 feet of the original location to which the owner or lessee objects as a site for possible relocation of the well within six days after the receipt of the notice. If the Chief receives no objections from the owner or lessee of the mine within ten days after the receipt of the notice by the owner or lessee, or if in the opinion of the Chief the objections offered by the owner or lessee are not sufficiently well founded, the Chief immediately must notify the owner or lessee of those findings. The owner or lessee

may appeal the decision of the Chief to the Reclamation Commission created in the Coal Mining Law. Notwithstanding provisions of the Oil and Gas Law to the contrary, the appeal must be filed within 15 days from the date on which the owner or lessee receives the notice. If the appeal is not filed within that time, the Chief immediately must approve the application and issue the permit if the provisions of the Oil and Gas Law pertaining to the issuance of such a permit have been complied with.

If the Chief receives an objection from the owner or lessee of the mine as to the location of the well within ten days after receipt of the notice by the owner or lessee, and if in the opinion of the Chief the objection is well founded, the Chief must disapprove the application and suggest a new location for the well, provided that the suggested new location is not a location within 50 feet of the original location to which the owner or lessee has objected as a site for possible relocation of the well if the Chief has determined that the objection is well founded. The Chief immediately must notify the applicant for the permit of the disapproval and any suggestion as to a new location for the well. The applicant may withdraw the application or amend the application to drill the well at the location suggested by Chief, or the applicant may appeal the disapproval of the application by the Chief to the Reclamation Commission.

If the Chief receives no objection from the owner or lessee of a mine as to the location of the well, but does receive an objection from the owner or lessee as to one or more locations within 50 feet of the original location as possible sites for relocation of the well within ten days after receipt of the notice by the owner or lessee, and if in the opinion of the Chief the objection is well founded, the Chief nevertheless must approve the application and issue a permit if the provisions of the Oil and Gas Law pertaining to the issuance of such a permit have been complied with, incorporating as a term or condition of the permit that the applicant is prohibited from commencing drilling at any location within 50 feet of the original location that has been disapproved by the Chief. The applicant may appeal to the Reclamation Commission the terms and conditions of the permit prohibiting the commencement of drilling at any such location.

Notwithstanding provisions in the Coal Mining Law concerning the Reclamation Commission to the contrary, any such appeal must be filed within 15 days from the date the applicant receives notice of the disapproval of the application, any other location within 50 feet of the original location, or terms or conditions of the permit, or the owner or lessee receives notice of the Chief's decision. No approval or disapproval of an application can be delayed by the Chief for more than 15 days from the date of sending the notice of the application to the mine owner or lessee. All such appeals must be treated as expedited appeals. The Reclamation Commission must hear an appeal in accordance with the provisions of the Coal Mining Law governing the Reclamation Commission and issue a decision within 30 days of the filing of the notice of appeal.

The Chief cannot issue a permit to drill a new well or reopen a well that is or is to be located within 300 feet of any opening of any mine used as a means of ingress, egress, or ventilation for persons employed in the mine, nor within 100 feet of any building or inflammable structure connected with the mine and actually used as a part of the operating equipment of the mine, unless the Chief determines that life or property will not be endangered by drilling and operating the well in that location. (R.C. 1509.08.)

The bill

Under the bill, the procedures and requirements concerning a well in a coal bearing township are as follows. If a permit application to drill, reopen, or convert concerns a well that is or is to be located in a coal bearing township, the Chief immediately must notify the owner or lessee of any affected mine that the application has been filed and send to the owner or lessee two copies of the map accompanying the application setting forth the location of the well. In addition, the Chief immediately must send notice and a copy of the application to all of the following: the clerk of the legislative authority of the municipal corporation or the clerk of the board of township trustees of the township, as applicable, in which the well is or is to be located; the fire chief of the fire department within whose jurisdiction the well is or is to be located; and the Director of Environmental Protection. The notice sent to the applicable fire chief must request that the fire chief determine if there would be adverse effects from the well or proposed well to the health and safety of persons residing in the municipal corporation or township, as applicable. The notice sent to the Director must request that the Director determine if the well or proposed well would violate applicable air, soil, or water pollution control standards.

If the owner or lessee of the mine, the applicable fire chief, or the Director objects to the location of the well, the owner or lessee, the applicable fire chief, or the Director, not later than 22 days after receipt of the notice of the filing of the application, must notify the Chief of the objection, giving the reasons for the objection. If either the applicable fire chief or the Director objects to the application, the Chief cannot approve the application until the fire chief sends a letter to the Chief that withdraws the fire chief's objections or the Director issues an opinion that recommends that the application be approved. The objection to the application by the applicable fire chief or the Director stays the application pending the withdrawal of the objection.

If the Chief receives no objections from the owner or lessee of the mine, the applicable fire chief, or the Director, the chief may approve the application and issue the permit in accordance with Oil and Gas Law and rules adopted under it. If the Chief denies the application, the owner or lessee of the mine may appeal the decision of the Chief to the Reclamation Commission. Notwithstanding provisions in the Coal Mining

Law pertaining to the Reclamation Commission to the contrary, the appeal must be filed within 15 days from the date on which the owner or lessee receives the notice.

If the Chief receives an objection from the owner or lessee of the mine as to the location of the well, the Chief must disapprove the application and request the owner or lessee to suggest a new proposed location for the well. The Chief immediately must notify the applicant for the permit of the disapproval and any suggestion as to a new proposed location for the well. The applicant may withdraw the application or amend the application to drill the well at the location suggested by the Chief, or the applicant may appeal the disapproval of the application by the Chief to the Reclamation Commission.

If the Chief receives no objection from the applicable fire chief or the Director or an objection from the applicable fire chief or the Director is withdrawn, but the Chief receives an objection from the owner or lessee of an affected mine as to the location of the well, the Chief cannot approve the application and issue a permit unless the owner or lessee of the affected mine withdraws the objection. The Chief immediately must notify the applicant of the objection. Not later than 60 days after receipt of the notification, the applicant must amend or withdraw the application. The Chief cannot approve an application or amended application unless the objection is withdrawn.

The Chief cannot issue a permit to drill a new well or reopen a well that is or is to be located within 1,000 feet of any opening of any mine used as a means of ingress, egress, or ventilation for persons employed in the mine nor within 1,000 feet of any building or inflammable structure connected with the mine and actually used as a part of the operating equipment of the mine. (R.C. 1509.08.)

Requirements for drilling a well in the presence of hydrogen sulfide

The bill states that if a proposed well will be drilled within a one-mile radius of an existing well that was drilled into or through the same geologic formation in which the proposed well will be drilled and if hydrogen sulfide was found in the drilling of the existing well, the permittee must install monitoring equipment in accordance with the American Petroleum Institute publication "Recommended Practices for Safe Drilling of Wells Containing Hydrogen Sulfide," to detect the presence of hydrogen sulfide during the drilling of the proposed well (R.C. 1509.081(A)).

Furthermore, if during the drilling of a well a permittee discovers, detects, or encounters hydrogen sulfide with a concentration of 20 parts per million or greater, the permittee must do all of the following:

(1) Drill the well in accordance with the American Petroleum Institute publication "Recommended Practices for Safe Drilling of Wells Containing Hydrogen Sulfide";

(2) Notify the Division of Mineral Resources Management of the location of the well and the concentration of hydrogen sulfide; and

(3) Operate the well in a manner that presents no danger to the health and safety of the public and the environment. (R.C. 1509.081(B).)

The bill requires the Division to maintain a database that contains the information required in item (2) above. The Division must make the database available to all permittees. (R.C. 1509.081(C).)

Change in the location of a well

Current law

A well may be drilled under a permit only at the location designated on the map required in the application for a permit (see "**Permit to drill a well**," above). The location of a well may be changed after the issuance of a permit only with the approval of the Chief of the Division of Mineral Resources Management unless the permit holder requests the issuance of an emergency drilling permit due to a lost hole under such circumstances that completion of the well is not feasible at the original location. If a permit holder requests a change of location, the permit holder must return the original permit and file an amended map indicating the proposed new location.

Drilling cannot be commenced at a new location until the original permit bearing a notation of approval by the Chief is posted at the well site. However, a permit holder may commence drilling at a new location without first receiving the prior approval if all of the following conditions are met:

(1) Within one working day after spudding the new well, the permit holder files a request for an emergency drilling permit and submits to the Chief an application for a permit that meets the requirements for an application for a permit, including the permit fee, with an amended map showing the new location;

(2) A mineral resources inspector is present before spudding operations are commenced at the location;

(3) The original well is plugged prior to the skidding of the drilling rig to the new location, and the plugging is witnessed or verified by a mineral resources inspector or, if the well is located in a coal bearing township, both a deputy mine inspector and a

mineral resources inspector unless the Chief or the Chief's authorized representative temporarily waives the requirement, but in any event the original well must be plugged before the drilling rig is moved from the location;

(4) The new location is within 50 feet of the original location unless, upon request of the permit holder, the Chief agrees to a new location farther than 50 feet from the original location;

(5) The new location meets all the distance and spacing requirements as prescribed by rules (see "**Rules establishing minimum acreage requirements**," below); and

(6) If the well is located in a coal bearing township, use of the new well location has not been disapproved by the Chief and has not been prohibited as a term or condition of the permit.

If the Chief approves the change of location, the Chief must issue an emergency permit within two working days after the filing of the request for the emergency permit. If the Chief disapproves the change of location, the Chief must deny the request by order and may issue an appropriate enforcement order. (R.C. 1509.09.)

The bill

The bill allows a well to be drilled under a permit only at the location designated on the map required in the application for a permit. The location of a well generally cannot be changed after the issuance of a permit. However, if a permittee requests a change of location, the permittee must return the original permit and file an amended application with a new map indicating the proposed new location. (R.C. 1509.09.)

Wireline electric logs

Current law

Current law requires any person drilling within the state, within 30 days after completion of the well, to file with the Division of Mineral Resources Management an accurate log that designates all of the following:

- (1) The purpose for which the well was drilled;
- (2) The character, depth, and thickness of geological formations encountered, including fresh water, coal seams, mineral beds, brine, and oil and gas bearing formations;

(3) The length in feet of the various sizes of casing and tubing used in drilling the well, the amount removed after completion, the type and setting depth of each packer, and other data relating to mudding in the annular space behind the casing or tubing, indicating completion as a dry, gas, oil, combination oil and gas, brine, or artificial brine well; and

(4) The elevation above mean sea level of the point from which the depth measurements were made, stating also the height of the point above ground level at the well. (R.C. 1509.10(A) to (D).)

The log must be in a form that has been approved by the Chief. The log must be submitted in duplicate with one copy retained by the Chief as a permanent record and the second copy transmitted by the Chief to the Division of Geological Survey. Any electric log, radioactivity log, or other geophysical log, if made in connection with the well, must be filed with the Division of Mineral Resources Management, and the Chief must transmit such logs to the Division of Geological Survey. (R.C. 1509.10.)

The bill

The bill requires any permittee drilling within the state, within 60 days after the completion of drilling operations to the proposed total depth or after a determination that a well is a dry or lost hole, to file with the Division all wireline electric logs and an accurate well completion record on a form that is approved by the Chief and that designates all of the following:

(1) The purpose for which the well was drilled;

(2) The character, depth, and thickness of geological units encountered, including coal seams, mineral beds, associated fluids such as fresh water, brine, and crude oil, natural gas, and sour gas, if such seams, beds, or fluids are known;

(3) The dates on which drilling operations were commenced and completed;

(4) The types of drilling tools used and the name of the person that drilled the well;

(5) The length in feet of the various sizes of casing and tubing used in drilling the well, the amount removed after completion, the type and setting depth of each packer, and all other data relating to cementing in the annular space behind such casing or tubing, and data indicating completion as a dry, gas, oil, combination oil and gas, brine injection, or artificial brine well or a stratigraphic test;

(6) The number of perforations in the casing and the intervals of the perforations;

(7) The elevation above mean sea level of the point from which the depth measurements were made, stating also the height of the point above ground level at the well, the total depth of the well, and the deepest geological unit that was penetrated in the drilling of the well;

(8) If applicable, the type, volume, and concentration of acid, and the date on which acid was used in acidizing the well;

(9) If applicable, the type and volume of fluid used to stimulate the reservoir of the well, the reservoir breakdown pressure, the method used for the containment of fluids recovered from the fracturing of the well, the methods used for the containment of fluids when pulled from the wellbore from swabbing the well, the average pumping rate of the well, and the name of the person that performed the well stimulation. In addition, the permittee must include a copy of the log from the stimulation of the well, a copy of the invoice for each procedure and method that was used on the well, and a copy of the pumping pressure and rate graphs. However, the permittee may redact from the copy of each invoice the costs of and charges for the procedures and methods that were used on the well.

(10) The name of the company that performed the logging of the well and the types of wireline electric logs performed on the well. (R.C. 1509.10(A)(1) to (10).)

The well completion record must be in a form that has been approved by the Chief and must be submitted in duplicate with one copy retained by the Chief as a permanent record and the second copy transmitted by the Chief to the Division of Geological Survey (R.C. 1509.10(A)).

Not later than 60 days after the completion of drilling operations to the proposed total depth, the permittee must file all wireline electric logs with the Division of Mineral Resources Management and the Chief must transmit such logs electronically, if available, to the Division of Geological Survey. If a well is not completed within 60 days after the completion of drilling operations, the permittee must file with the Division of Mineral Resources Management a supplemental well completion record that includes all of the required information within 60 days after the completion of the well. (R.C. 1509.10(B).)

Statement of production

Current law requires the owner of any well producing or capable of producing oil or gas to file with the Chief, on or before March 1, a statement of production of oil,

gas, and brine for the last preceding calendar year. The bill requires a permittee, rather than an owner, that has more than 100 wells in this state to submit electronically the statement of production in a format that is approved by the Chief. (R.C. 1509.11.)

Defective wells, casing, or tubing; plugging

Current law

Current law prohibits an owner of any well from permitting defective casing or tubing in the well to leak fluids or gas that may cause damage to other permeable strata. Upon notice from the Chief, the owner must immediately repair the tubing or casing or plug and abandon the well.

Unless written permission is granted by the Chief, any well that is or becomes incapable of producing oil or gas in commercial quantities must be plugged, but no well can be required to be plugged that is being used to produce oil or gas for domestic purposes or that is being lawfully used for a purpose other than production of oil or gas. Where the plugging method prescribed by rules adopted under the Oil and Gas Law cannot be applied or if applied would be ineffective in carrying out the protection that the Law is meant to give, the Chief, by order, may designate a different method of plugging. (R.C. 1509.12.)

The bill

The bill instead prohibits a permittee of any well from knowingly constructing a well, or permitting defective casing or tubing in a well to leak fluids or gases, that may cause damage to other permeable strata, underground sources of drinking water, or the surface of the land or that threatens the public health and safety. Upon discovering that the casing or tubing in a well is defective or that a well was not adequately constructed, the permittee of the well must notify the Chief within 24 hours of the discovery, and the permittee must immediately repair the tubing or casing, correct the construction inadequacies, or plug and abandon the well.

The bill states that unless temporary inactive well status is obtained (see "**Temporary inactive well status**," above) or another option is granted by the Chief, any well that is or becomes incapable of producing oil or gas must be plugged, but no well must be required to be plugged that is being used to produce oil or gas for domestic purposes or that is being lawfully used for a purpose other than production of oil or gas. (R.C. 1509.12.)

Payment for plugging of certain abandoned wells

Current law states that in the case of oil or gas wells abandoned prior to September 1, 1951, the board of county commissioners of the county in which the wells are located may submit to the electors of the county the question of establishing a special fund, by special levy, by bond issue, or out of current funds, which must be approved by a majority of the electors voting on that question, for the purpose of plugging the wells. The fund must be administered by the board, the plugging of oil and gas wells must be under the supervision of the Chief, and the board must let contracts for that purpose, provided that the fund cannot be used for the purpose of plugging oil and gas wells that were abandoned subsequent to September 1, 1951. The bill instead states that the question of establishing a special fund is by general levy, by general bond issue, or out of current funds rather than by special levy, bond issue, or out of current funds as in current law. (R.C. 1509.12.)

Permit to plug and abandon a well

Current law prohibits a person from plugging and abandoning a well without having a permit to do so issued by the Chief. The permit must be issued by the Chief in accordance with the Oil and Gas Law, and the Chief may establish by rule a period of time from the date of issue during which permits will be valid. The bill retains the requirement to obtain a permit to plug and abandon a well, but states that such a permit is valid for 24 months from the date of issue rather than for a period established by rule.

Current law requires an application for a permit to plug and abandon a well to be filed with the Chief and establishes application requirements. The bill adds that an application also must include a plan for plugging the well that complies with rules adopted by the Chief (see "**Abandoned well required to be plugged**," below). If oil or gas has been produced from the well, the application fee is \$50. The bill retains the application filing requirement, but increases the application fee if oil or gas has been produced from the well from \$50 to \$250.

Current law states that, if a new dry well has been drilled in accordance with law and the permit is still valid, the permit holder may receive approval to plug the well from a mineral resources inspector or, if the well is located in a coal bearing township, both a deputy mine inspector and a mineral resources inspector so that the well can be plugged and abandoned without undue delay. The bill instead states that if a well has been drilled in accordance with law and the permit is still valid, the permittee may receive approval to plug the well from a mineral resources inspector so that the well can be plugged and abandoned without undue delay. In addition, the bill adds that unless waived by a mineral resources inspector, the permittee of a well or the permittee's

authorized representative must notify a mineral resources inspector at least 24 hours prior to the commencement of the plugging of a well.

Current law prohibits the plugging and abandonment of a well without a mineral resources inspector present unless permission has been granted by the Chief. The owner of the well must give written notice at the same time to the owner of the land on which the well is located, the owners or agents of adjoining land, adjoining well owners or agents, and, if the well penetrates or passes within 100 feet of the excavations and workings of a mine, the owner or lessee of that mine of the well owner's intention to abandon the well and of the time when the well owner will be prepared to commence plugging it. The bill retains the requirement that a mineral resources inspector be present for the plugging and abandonment of a well unless permission has been granted by the Chief. In addition, the bill adds that the permittee of a well that has produced oil or gas must give written notice at the same time to all lessors that receive gas from the well pursuant to a lease agreement. Furthermore, the bill requires the permittee of the well, if the well penetrates or passes within 100 feet of the excavations and workings of a mine, to give written notice to the owner or lessee of that mine of the permittee's intention to abandon the well and of the time when the permittee will be prepared to commence plugging it. (R.C. 1509.13(A).)

Current law authorizes an applicant to file a request for an expedited review of an application for a permit to plug and abandon a well. The Chief may refuse to accept a request for expedited review if, in the Chief's judgment, acceptance of the request will prevent the issuance, within 21 days of filing, of permits. The bill eliminates the authority of the Chief to refuse to accept a request for expedited review. (R.C. 1509.13 (B).)

The bill adds that upon the completion of the proper plugging of a well, the mineral resources inspector that was present for the plugging must notify the Chief that the well was plugged in accordance with the requirements established in the Oil and Gas Law and rules adopted under it. Upon receipt of the notification, the Chief must issue an order that releases the permittee or surety from the obligations under the required bond (see "**Surety bond**," above). (R.C. 1509.13(C).)

Written report of abandonment and plugging of a well

Current law requires a person who abandons a well, when written permission has been granted by the Chief to abandon and plug the well without an inspector's presence to supervise the plugging, to make a written report of the abandonment to the Chief. The bill revises current law by instead prohibiting a person from abandoning a well without plugging it in accordance with the Oil and Gas Law and rules adopted under it. The bill establishes that each day that a well is abandoned and not plugged is

a separate offense. In addition, the bill eliminates the provision that allows the Chief to grant written permission for a permittee to abandon and plug a well without an inspector being present to supervise the plugging. Instead, the bill states that when the Chief grants written permission to abandon and plug a well, the permittee or the permittee's agent must make a written report of the abandonment to the Chief. (R.C. 1509.14(A) and (B).)

Current law requires the report to contain specified information. The information must indicate the depth of each seam of coal drilled through. The bill qualifies that required information by stating that the report must indicate the depth of each seam of coal drilled through, if known. (R.C. 1509.14(B)(8).)

Method of plugging abandoned well

Current law states that when any well is to be abandoned, it first must be plugged in accordance with a method of plugging adopted by rule by the Chief. The bill adds that the rule must require the use of best management practices and standards that are recognized by the oil and gas industry to attain a durable seal on a plugged well that will protect the health and safety of the public and that will prevent damage to the environment. (R.C. 1509.15.)

Well construction requirements

Current law

Current law states that any person who drills a well must, before drilling into the principal or major producing formation, encase the well with good and sufficient wrought iron or steel casing so as to exclude all surface, fresh, or salt water from any part of the well penetrating the oil or gas bearing sand or rock or fresh water strata. The method of placing the casing must be approved by the Chief and must be in accord with the most approved method used in the operation of the type of well. The Chief may, in lieu of the casing method, accept adequate mudding methods with prepared clay in the annular space behind the casing in sufficient quantities to shut off all gas or oil and that will exclude all surface, fresh, or salt water from any part of the well penetrating the oil, gas, or mineral bearing formation or fresh water strata.

Written approval from the Chief is required in each case. In the operation of a gas well, all casing in such a well may be withdrawn with the written consent of the Chief, leaving only the tubing and the packer, provided that the well is filled with prepared clay from the top of the pack to the surface as each succeeding string of casing in the well is withdrawn. When the well penetrates the excavations of a mine, the casing must remain intact and must be plugged and abandoned in accordance with the Oil and Gas Law. (R.C. 1509.17.)

The bill

Standards for constructing a well

The bill generally eliminates the provisions discussed above. Instead, the bill states that a well must be constructed in a manner that is approved by the Chief using materials that comply with industry standards for the type and depth of the well and the anticipated fluid pressures that are associated with the well. In addition, a well must be constructed using sufficient steel or conductor casing in a manner that supports unconsolidated sediments, that protects and isolates all underground sources of drinking water as defined by the Safe Drinking Water Act, and that provides a base for a blowout preventer or other well control equipment that is necessary to control formation pressures and fluids during the drilling of the well and other operations to complete the well. An oil and gas reservoir must be isolated during well stimulation and during the productive life of the well, using steel production casing with sufficient cement. In addition, sour gas zones and gas bearing zones that have sufficient pressure and volume to over-pressurize the surface production casing annulus must be isolated using approved cementing, casing, and well construction practices. However, isolating an oil and gas reservoir cannot exclude open-hole completion. A well cannot be perforated for purposes of well stimulation in any zone that is located around casing that protects underground sources of drinking water without written authorization from the Chief as provided under the bill's provisions discussed below. The bill retains the provision of current law that states that when the well penetrates the excavations of a mine, the casing must remain intact and be plugged and abandoned in accordance with the requirements of the Oil and Gas Law. (R.C. 1509.17(A).)

Rules

The Chief may adopt rules in accordance with the Administrative Procedure Act that are consistent with the provisions discussed above and that establish standards for constructing a well, for evaluating the quality of well construction materials, and for completing remedial cementing. In addition, the standards established in rules must consider local geology and various drilling conditions and must require the use of reasonable methods that are based on sound engineering principles. (R.C. 1509.17(B).)

Cementing

A permittee or a permittee's authorized representative must notify a mineral resources inspector each time that the permittee or the authorized representative notifies a person to perform the cementing of the conductor casing, the surface casing, or the production casing. In addition, not later than 60 days after the completion of the cementing of the production casing, a permittee must submit to the Chief a copy of the

cement tickets for each cemented string of casing and a copy of all logs that were used to evaluate the quality of the cementing. (R.C. 1509.17(C).)

Exemption

The Chief must grant an exemption from the standards for constructing a well if the Chief determines that a cement bond log confirms zonal isolation and there is a minimum of 500 feet between the uppermost perforation of the casing and the lowest depth of an underground source of drinking water (R.C. 1509.17(D)).

Well stimulation

The bill requires a permittee who elects to stimulate a well to stimulate the well in a manner that will not endanger underground sources of drinking water. Not later than five days before commencing the stimulation of the well, the permittee must submit to the Chief a comprehensive list of each substance and the concentration of the substance that will be used in the stimulation of the well. A permittee who elects to simulate a well must comply with the rules regarding storage and disposal of brine and other waste substances. In addition, such a permittee cannot use hydraulic fracturing fluid that is known to pose a significant risk to human health. (R.C. 1509.19(A).)

Not later than 24 hours before commencing the stimulation of a well, the permittee or the permittee's authorized representative must notify a mineral resources inspector. If during the stimulation of a well damage to the production casing or cement occurs and results in the circulation of fluids from the annulus of the surface production casing, the permittee must immediately terminate the stimulation of the well and notify the Chief. If the Chief determines that the casing and the cement may be remediated in a manner that isolates the oil and gas bearing zones of the well, the Chief may authorize the completion of the stimulation of the well. If the Chief determines that the stimulation of a well resulted in irreparable damage to the well, the Chief must order that the well be plugged and abandoned within 30 days of the issuance of the order. For purposes of determining the integrity of the remediation of the casing or cement of a well that was damaged during the stimulation of the well, the Chief may require the permittee of the well to submit cement evaluation logs, temperature surveys, pressure tests, or a combination of such logs, surveys, and tests. (R.C. 1509.19(B).)

Finally, the bill requires a permittee to notify the Chief or a mineral resources inspector within 24 hours of a violation of any term or condition of the permit that occurs during hydraulic fracturing (R.C. 1509.19(C)).

Contamination or diminution of a person's water supply

The bill states that if a person who has experienced a diminution of the person's water supply or whose water supply is contaminated believes that the diminution or contamination is the result of the drilling of a well, conversion of a well to a different purpose, or operation of a well, the person may send written notification regarding the person's water supply to the Division of Mineral Resources Management and request the Division to conduct an investigation of the person's water supply (R.C. 1509.191(A)).

Investigation of a water supply

Not later than ten days after the Division's receipt of a written notification, the Chief or the Chief's authorized representative must investigate the water supply that is the subject of the notification. Not later than 45 days after receipt of the notification, the Chief must determine whether a diminution of the water supply or contamination of the water supply, as applicable, was caused by the drilling, conversion, or operation of a well. If the Chief determines that a diminution or contamination of the water supply was caused by the drilling, conversion, or operation of a well, the Chief must order the permittee who is responsible for the well to provide a temporary replacement of the water supply until a permanent replacement of the water supply is fully implemented. If the Chief determines that the diminution or contamination of the water supply was not caused by the drilling, conversion, or operation of a well, the Chief must issue an order stating that the diminution or contamination was not caused by a well and must send a copy of the order to the person who submitted the notification.

If the Chief cannot conclusively determine that the diminution or contamination of the water supply was or was not caused by the drilling, conversion, or operation of a well, the Chief must issue an order indicating the Chief's inability to make such a determination. The Chief also must send a notice to the permittee of each well that may have caused the diminution or contamination stating that a rebuttable presumption may apply. (R.C. 1509.191(A).)

Rebuttable presumption

If a water supply that is the subject of a notification, as discussed above, is located within 1,000 feet from the surface location of a well and diminution of the water supply or contamination of the water supply occurred within six months after completion of drilling or converting the well or after commencement of operation of the well, as applicable, there is a rebuttable presumption that the permittee of the well caused the diminution or contamination of the well. A permittee may rebut the presumption by proving at least one of the following:

(1) The diminution or contamination of the water supply existed prior to the drilling, conversion, or operation of the well.

(2) The person who has experienced the diminution or contamination of the water supply refused to allow the permittee of the well access to the water supply to conduct a survey of the water supply prior to the drilling, conversion, or operation of the well.

(3) The diminution or contamination of the water supply was caused by something other than the drilling, conversion, or operation of the well. (R.C. 1509.191(B)(1).)

Not later than ten days after receipt of an order from the Chief as discussed above, a permittee of a well to which a rebuttable presumption applies must submit all information that the permittee wishes to submit in order to rebut the presumption. Not later than 30 days after receipt of all of the information submitted by a permittee of a well or not later than 30 days after a permittee of well received such an order or notice, whichever is earlier, the Chief must determine if the permittee rebutted the presumption. If the Chief determines that the permittee rebutted the presumption, the Chief must send notice to the permittee and to the person that submitted the notification indicating the Chief's determination that the presumption was rebutted. If the Chief determines that the permittee failed to rebut the presumption, the Chief must order the permittee to provide a temporary replacement of water supply for all of the person's intended uses. The permittee must provide the temporary replacement of water supply until a permanent replacement of the water supply is fully implemented. (R.C. 1509.191(B)(2).)

Rules

The bill requires the Chief to adopt rules in accordance with the Administrative Procedure Act that are necessary for the administration of bill's requirements concerning the diminution or contamination of a person's water supply. The rules must establish all of the following:

(1) Requirements governing and procedures for the certification of laboratories to conduct water surveys for the purposes of the bill;

(2) Requirements governing and procedures for the collection of water samples for purposes of such a water survey; and

(3) Requirements governing and procedures to be used by a permittee to demonstrate that the person who claims to have diminution or contamination of a water supply refused to allow the permittee of the well access to the water supply to

conduct a survey prior to the drilling, conversion, or operation of the well. (R.C. 1509.191(C).)

Certified independent laboratory

The bill requires a permittee to use an independent laboratory that is certified by the Chief to conduct a survey of a water supply that may be required for purposes of rebutting a presumption as discussed above. A certified independent laboratory that conducts a survey of a water supply must prepare a report to the Division, the permittee, and the person that submitted a notification under the bill. The report of a water survey must contain all of the following:

- (1) The location of the water supply and the name of the surface landowner;
- (2) The name of the certified laboratory, the person who conducted the survey, and the date on which the survey was conducted;
- (3) A description of where and how samples for the survey were collected;
- (4) A description of the type and age, if known, of the water supply;
- (5) A description of any treatment of the water supply;
- (6) The name of each applicable permittee; and
- (7) The results of all laboratory analysis conducted on samples from the water supply. (R.C. 1509.191(D).)

Miscellaneous

The bill authorizes any person to contract with a certified independent laboratory to survey a water supply in order to support a future claim that diminution or contamination of the water supply, as applicable, was or was not caused by the drilling, conversion, or operation of a well (R.C. 1509.191(E)).

Gas flaring

Current law states that all owners, lessees, or their agents, drilling for or producing crude oil or natural gas, must use every reasonable precaution in accordance with the most approved methods of operation to stop and prevent waste of oil or gas, or both. Any well productive of natural gas in quantity sufficient to justify utilization must be utilized or shut in within ten days after completion. The bill instead states that any well productive of natural gas in quantity sufficient to justify utilization must be

utilized or shutdown in accordance with the requirements established in the Oil and Gas Law and rules adopted under it.

Current law authorizes the owner of any well producing both oil and gas to burn such gas in flares when the gas is lawfully produced and there is no economic market at the well for the escaping gas. The bill instead states that the permittee of any well producing both oil and gas may burn such gas in flares when, after inspection of the well, the Chief or a mineral resources inspector, in consultation with the permittee, determines that it is necessary to prevent the dangerous accumulation of gas and to protect the health and safety of the public or the workers at the well. (R.C. 1509.20.)

Secondary or additional recovery operations

Current law prohibits a person, without first having obtained a permit, from conducting secondary or additional recovery operations, including any underground injection of fluids for the secondary or tertiary recovery of oil or natural gas or for the storage of hydrocarbons that are liquid at standard temperature or pressure, unless a rule of the chief expressly authorizes such operations without a permit. The bill removes the authority of the Chief to authorize by rule such recovery operations without a permit and adds that a permit also is required for the underground injection of carbon dioxide for the secondary or tertiary recovery of oil or natural gas.

Current law states that secondary or additional recovery operations must be conducted in accordance with rules and orders of the Chief and any terms or conditions of the permit authorizing the operations. The bill adds that the Chief may authorize tests to evaluate whether fluids or carbon dioxide may be injected in a reservoir and to determine the maximum allowable injection pressure. (R.C. 1509.21.)

Fluids associated with oil and gas development

Current law prohibits a person, except when applying brine to roads in accordance with the Oil and Gas Law, from placing brine or causing brine to be placed in surface or ground water or in or on the land in such quantities or in such manner as actually causes or could reasonably be anticipated to cause water that is used for consumption by humans or domestic animals to exceed the standards of the Safe Drinking Water Act or damage or injury to public health or safety or the environment. The bill removes the exception for the application of brine to roads (see "**Repealed provisions**," below). In addition, the bill expands the prohibition to include the storage and disposal of brine and adds crude oil, natural gas, or other fluids associated with the exploration or development of oil and gas resources to the prohibition. (R.C. 1509.22(A).)

Joint and several responsibility to ensure that brine and other wastes are stored and disposed of properly

Current law prohibits a person from storing or disposing of brine in violation of a plan approved under specified provisions of the Oil and Gas Law, in violation of a local resolution submitted for the surface application of brine to roads, or in violation of rules or orders applicable to those plans or resolutions. The bill eliminates the prohibition. The bill then requires a permittee, a person registered to transport brine, and an injection well permit holder jointly and severally to ensure that brine and other waste substances associated with the exploration or development of oil and gas resources from the permittee's well are stored and disposed of in accordance with the Oil and Gas Law and rules adopted under it and with orders issued by the Chief. (R.C. 1509.22(B).)

Rules and orders concerning storage and disposal of wastes

Current law requires the Chief to adopt rules and issue orders regarding storage and disposal of brine and other waste substances. However, the storage and disposal of brine and other waste substances, as added by the bill, and the Chief's rules relating to storage and disposal are subject to all of the following standards:

(1) Brine from any well except an exempt Mississippian well must be disposed of only by methods or procedures authorized by the Oil and Gas Law. The bill includes other waste substances in addition to brine for purposes of the disposal requirements. In addition, the bill eliminates as a method of disposal the surface application of brine and other waste substances to roads (see "**Repealed provisions**," below). (R.C. 1509.22(C)(1).)

(2) Muds, cuttings, and other waste substances cannot be disposed of in violation of any rule. The bill revises the standard and instead requires muds, cuttings, and other waste substances to be disposed of in accordance with the restoration plan that is included with the applicable permit application (see "**Permit to drill a well**," above). (R.C. 1509.22(C)(2).)

(3) Pits may be used for containing brine and other waste substances resulting from, obtained from, or produced in connection with drilling, fracturing, reworking, reconditioning, plugging back, or plugging operations, but the pits must be constructed and maintained to prevent the escape of brine and other waste substances. The bill revises the requirement by providing instead that steel tanks must be used as authorized by the Chief for containing brine and other waste substances resulting from, obtained from, or produced in connection with drilling, well stimulation, reworking, reconditioning, plugging back, or plugging operations that are located within 2,500 feet of a lake, stream, or other body of water that is used as a source of drinking water. In

addition, the steel tanks must be constructed and maintained to prevent the escape of brine and other waste substances. The bill also authorizes the use of a steel tank or pit at a well that is located more than 2,500 feet from a lake, stream, or other body of water that is used as a source of drinking water if the use is authorized by the Chief. A steel tank or pit so used must be constructed and maintained to prevent the escape of brine and other waste substances. (R.C. 1509.22(C)(3).)

(4) A dike or pit may be used for spill prevention and control. A dike or pit so used must be constructed and maintained to prevent the escape of brine, and the reservoir within such a dike or pit must be kept reasonably free of brine and other waste substances. (R.C. 1509.22(C)(4).)

(5) Earthen impoundments constructed pursuant to the Division's specifications may be used for the temporary storage of brine and other waste substances in association with a saltwater injection well, an enhanced recovery project, or a solution mining project. The bill eliminates the standard. (R.C. 1509.22(C)(5).)

(6) No pit, earthen impoundment, or dike can be used for the temporary storage of brine except in accordance with the standards discussed in items (1) to (7). The bill also prohibits the use of a pit, earthen impoundment, or dike from being used for the temporary storage of other substances. (R.C. 1509.22(C)(5).)

(7) No pit or dike can be used for the ultimate disposal of brine. The bill adds that no pit or dike can be used for the ultimate disposal of other waste substances as well. (R.C. 1509.22(C)(6).)

Permit to inject brine or other waste substances

Current law prohibits a person, without first having obtained a permit from the Chief, from injecting brine or other waste substances resulting from, obtained from, or produced in connection with oil or gas drilling, exploration, or production into an underground formation unless a rule of the Chief expressly authorizes the injection without a permit. An application for such a permit must include a fee of \$100. The bill eliminates the authority of the Chief to authorize by rule the injection of brine or other waste substances without a permit. In addition, the bill increases the amount of the fee for such a permit from \$100 to \$1,000.

Under current law, the Chief must adopt rules in accordance with the Administrative Procedure Act regarding the injection into wells of brine and other waste substances resulting from, obtained from, or produced in connection with oil or gas drilling, exploration, or production. The bill adds that the rules must include eligibility requirements for an applicant for an injection well permit and provisions governing terms and conditions of permits.

Current law states that the statutes and rules, orders, and terms and conditions of permits adopted or issued under the statutes concerning the injection of brine and other wastes must be construed to be no more stringent than required for compliance with the Safe Drinking Water Act unless essential to ensure that underground sources of drinking water will not be endangered. The bill instead states that such statutes, rules, orders, and terms and conditions of permits must be construed to be more stringent than required for compliance with the Safe Drinking Water Act in order to ensure that underground sources of drinking water will not be endangered.

The bill adds that any exception established under the Safe Drinking Water Act for oil and gas drilling operations does not apply if it conflicts with the statute discussed above concerning the storage or disposal of brine and other waste substances or rules adopted under it. In addition, the Chief may issue an order without a prior adjudication hearing that requires compliance with that statute and rules adopted under it and the terms and conditions of a permit issued under it. (R.C. 1509.22(D).)

Replacement of water supply

Current law

Current law requires an owner to replace the water supply of the holder of an interest in real property who obtains all or part of the holder's supply of water for domestic, agricultural, industrial, or other legitimate use from an underground or surface source where the supply has been substantially disrupted by contamination, diminution, or interruption proximately resulting from the owner's oil or gas operation. However, the owner may elect to compensate the holder for the difference between the fair market value of the interest before the damage occurred to the water supply and the fair market value after the damage occurred if the cost of replacing the water supply exceeds the difference in fair market values. During the pendency of any order issued, the owner must obtain for the holder or must reimburse the holder for the reasonable cost of obtaining a water supply from the time of the contamination, diminution, or interruption by the operation until the owner has complied with an order of the Chief for compliance or such an order has been revoked or otherwise becomes not effective. If the owner elects to pay the difference in fair market values, but the owner and the holder have not agreed on the difference within 30 days after the Chief issues an order for compliance, within ten days after the expiration of that 30-day period, the owner and the Chief each must appoint an appraiser to determine the difference in fair market values, except that the holder of the interest in real property may elect to appoint and compensate the holder's own appraiser, in which case the Chief cannot appoint an appraiser. The two appraisers appointed must appoint a third appraiser, and within 30 days after the appointment, the three appraisers must hold a hearing to determine the difference in fair market values. Within ten days after the hearing, the appraisers must

make their determination by a majority vote and issue their final determination of the difference in fair market values. The Chief must accept a determination of the difference in fair market values made by agreement of the owner and holder or by appraisers and must make and dissolve orders accordingly. Current law states that the above provisions do not affect the right of any person to enforce or protect, under applicable law, the person's interest in water resources affected by an oil or gas operation. (R.C. 1509.22(F).)

The bill

The bill states that the Chief may order the current permittee to replace the water supply of the holder of an interest in real property who obtains all or part of the holder's supply of water for domestic, agricultural, industrial, or other legitimate use from an underground or surface source where the supply has been substantially disrupted by contamination, diminution, or interruption proximately resulting from the permittee's oil or gas operation. Not later than five days after the Chief determines that a holder's water supply has been substantially disrupted, the permittee must provide a temporary replacement of the water supply for all of the holder's intended uses. The permittee must provide the temporary replacement of the water supply until a permanent replacement of the water supply is fully implemented. The Chief may assess a fine against a permittee for each day that the permittee fails to replace a holder's water supply. A permittee's replacement of a holder's water supply does not affect the holder's right to bring an action against the permittee for the permittee's negligence in the substantial disruption of the holder's water supply. (R.C. 1509.22(F).)

Injection well disposal fee

In order to provide money to the Division of Mineral Resources Management for the administration of the requirements governing the storage and disposal of brine and other waste substances in the Oil and Gas Law, the bill levies on the owner of an injection well the following fees:

(1) 5¢ per barrel of each substance that is delivered to a well to be injected in the well when the substance is produced within the Division's regulatory district in which the well is located or within an adjoining regulatory district; or

(2) 20¢ per barrel of each substance that is delivered to a well to be injected in the well when the substance is not produced within the Division's regulatory district in which the well is located or within an adjoining regulatory district. (R.C. 1509.22(H).)

An owner of an injection well who is issued a permit for the injection well under the Oil and Gas Law must collect the fee on behalf of the Division of Mineral Resources Management and forward the fee to the Division. The Chief must transmit all money

received from the fees to the Treasurer of State, who must deposit the money in the state treasury to the credit of the Oil and Gas Well Fund (see "**Oil and Gas Well Fund**," above). An owner of an injection well who collects the fee may retain, for administrative costs, up to 3% of the amount collected. (R.C. 1509.22(H).)

The bill requires the Chief to adopt rules in accordance with the Administrative Procedure Act establishing requirements and procedures for collection of the fee. (R.C. 1509.22(H).)

Injunctive relief and civil penalty

The bill adds that in an action under specified provisions of the Oil and Gas Law to enforce the provisions concerning the storage and disposal of brine and other wastes, replacement of contaminated water supplies, injection well permits, injection well disposal fees, and related provisions, the court must grant preliminary and permanent injunctive relief and impose a civil penalty upon the showing that the person against whom the action is brought has violated, is violating, or will violate those provisions or rules, orders, or terms or conditions of permits adopted or issued under them. The court cannot require, prior to granting preliminary and permanent injunctive relief or imposing a civil penalty, proof that the violation was, is, or will be the result of intentional conduct or negligence. In any such action, any person may intervene as a plaintiff upon the demonstration that the person has an interest that is or may be adversely affected by the activity for which injunctive relief or a civil penalty is sought. (R.C. 1509.22(I).)

Permit for extraction of minerals or energy other than oil or natural gas

Current law prohibits a person, without first having obtained a permit from the Chief of the Division of Mineral Resources Management, from drilling a well or injecting a substance into a well for the exploration for or extraction of minerals or energy, other than oil or natural gas, including, but not limited to, the mining of sulfur by the Frasch process, the solution mining of minerals, the in situ combustion of fossil fuel, or the recovery of geothermal energy to produce electric power, unless a rule of the Chief expressly authorizes the activity without a permit. The bill removes the authority of the Chief by rule to expressly authorize such activity without a permit. (R.C. 1509.221(A).)

In addition, the bill adds that in order to protect the health and safety of the public, drinking water sources, and the environment, a person who is issued a permit to drill a well or inject a substance into a well for the extraction of minerals or energy other than oil and natural gas must do all of the following:

(1) Submit to the Chief a comprehensive list of each substance and the corresponding concentration of each substance that will be used in drilling and in hydraulic fracturing and recovery processes in order for the Chief to establish a water quality baseline of water supplies that are in close proximity to the proposed well prior to the commencement of drilling or hydraulic fracturing. The permittee must submit the list not later than six months prior to the start of the drilling or hydraulic fracturing. (R.C. 1509.221(B)(1).)

(2) In hydraulic fracturing and recovery processes, use hydraulic fracturing fluid that is known not to pose a significant risk to human health (R.C. 1509.221(B)(2));

(3) Use a closed-loop system in drilling operations that occur within 2,500 feet of a drinking water source in order to prevent the contamination of surface and ground water with hydraulic fracturing fluid and to protect drinking water, the health of the public, and the environment (R.C. 1509.221(B)(3)); and

(4) Notify the Chief or a mineral resources inspector within 24 hours of a violation of any term or condition of the permit that occurs during drilling operations or hydraulic fracturing (R.C. 1509.221(B)(4)).

Brine transporters

Update of bond and certificate to reflect business name change

Current law prohibits a person from transporting brine by vehicle in this state unless the business entity that employs the person registers with and obtains a registration certificate and identification number from the Chief (R.C. 1509.222(A)(1)). Before being issued a registration certificate, the applicant must execute and file with the Division a \$15,000 surety bond, cash, or negotiable certificates of deposit (R.C. 1509.225(A)). The bill adds that if a business entity that has been issued a registration certificate changes its name due to a business reorganization or merger, the business entity must revise the required surety bond or certificates of deposit and obtain a new certificate from an insurance company (see "**Insurance certificate**," below) to reflect the change in the name of the business entity (R.C. 1509.222(A)(3)).

Insurance certificate

Current law requires an applicant to submit a certificate from an insurance company authorized to do business in this state certifying that the applicant has in force a liability insurance policy in an amount not less than \$300,000 bodily injury coverage and \$300,000 property damage coverage. The bill increases the amount of the liability insurance policy to \$500,000 bodily injury coverage and \$1 million property damage coverage. (R.C. 1509.222(A)(2).)

Criteria for denial of an application for a registration certificate

Current law requires the Chief to issue an order denying an application for a registration certificate if the Chief finds that either of the following applies:

(1) The applicant, at the time of applying for the certificate, has been found liable by a final nonappealable order of a court of competent jurisdiction for damage to streets, roads, highways, bridges, culverts, or drainways pursuant to the Motor Vehicle Equipment Law or the Motor Vehicle Load Limits Law until the applicant provides the Chief with evidence of compliance with the order; or

(2) The applicant's plan for disposal does not provide for compliance with the requirements of the Oil and Gas Law and rules of the Chief pertaining to the transportation of brine by vehicles and the disposal of brine so transported. The bill revises the provision by instead stating that the application must be denied if the applicant's plan for disposal does not provide for compliance with the requirements of Ohio law pertaining to the protection of public health and safety and the environment and the rules adopted under the statutes concerning the storage and disposal of brine and other wastes. (R.C. 1509.222(B).)

Suspension or revocation of brine transporter's registration certificate

Current law states that in addition to other remedies, if the Chief has reason to believe that a pattern of the same or similar violations of any requirements of the provisions of the Oil and Gas Law concerning storage and disposal of brine and other wastes and the transportation of brine, or any rule adopted under them or term or condition of the registration certificate, exists or has existed, and the violations are caused by the transporter's indifference, lack of diligence, or lack of reasonable care or are willfully caused by the transporter, the Chief immediately must issue an order to the transporter to show cause why the certificate should not be suspended or revoked. The bill instead requires the Chief to immediately issue an order to the transporter suspending the transporter's registration certificate for such violations caused by the transporter.

Current law requires the Chief, after the issuance of such an order, to provide the transporter an opportunity to be heard and present evidence at an informal hearing conducted by the Chief. If, at the conclusion of the hearing the Chief finds that such a pattern of violations exists or has existed, the Chief must issue an order suspending or revoking the transporter's registration certificate. The bill retains only the authority of the Chief to revoke a registration certificate if the Chief finds that a pattern of violations exists or has existed. (R.C. 1509.224(A).)

Surety bond

Current law requires brine transporters to execute and file with the Division a \$15,000 surety bond, cash, or negotiable certificates of deposit to provide compensation for damage and injury resulting from transporters' violations. The bill increases the amount of the surety bond to \$100,000 dollars and specifies that it is to provide immediate compensation for such damage and injury. (R.C. 1509.225(A).) In addition, the bill states that requirements concerning a surety bond for brine transporters do not preclude recourse under the insurance policy that is required for brine transporters (R.C. 1509.225(D)).

Rules for drilling and treatment of wells, production of oil and gas, and plugging

Current law authorizes rules of the Chief of the Division of Mineral Resources Management to specify practices to be followed in the drilling of wells and in the production of oil and gas for protection of public health or safety and to prevent damage to natural resources. The bill instead requires the Chief, in consultation with the Technical Advisory Council on Oil and Gas (see "**Technical Advisory Council on Oil and Gas**," below), to adopt rules that require the implementation and use of best operating practices that are recognized by the oil and gas industry to be followed in the drilling of wells and production of oil and gas for protection of the health and safety of persons working at a well site and of the public and to minimize damage to the environment. The bill also adds that the rules must require a permittee and all persons working at a well to utilize those practices. (R.C. 1509.23(A).)

The rules must establish requirements for all of the following:

(1) Appropriate devices--appropriate drilling and extraction devices and techniques under the bill;

(2) Minimum distances that wells and other excavations, structures, and equipment must be located from water wells and bodies of water, streets, roads, railroad tracks, and other similar structures, public or private recreational areas, zoning districts, and buildings or other structures;

(3) Other methods of operation; and

(4) Procedures, methods, and equipment and other requirements for equipment to prevent and contain discharges of oil from oil production facilities and oil drilling and workover facilities consistent with and equivalent in scope, content, and coverage to certain provisions of the Federal Water Pollution Control Act Amendments of 1972. The bill removes the phrase "and other requirements for equipment." (R.C. 1509.23(A).)

The bill adds that the rules cannot conflict with any provision of the Oil and Gas Law (R.C. 1509.23(A)).

Rules establishing minimum acreage requirements

Current law authorizes the Chief, with the approval of the Technical Advisory Council on Oil and Gas (see "**Technical Advisory Council on Oil and Gas**," below), to adopt rules relative to minimum acreage requirements for drilling units and minimum distances from which a new well may be drilled or an existing well deepened, plugged back, or reopened to a source of supply different from the existing pool from boundaries of tracts, drilling units, and other wells for the purpose of conserving oil and gas reserves. The bill instead requires the Chief, with the approval of the Technical Advisory Council on Oil and Gas, to adopt rules relative to minimum acreage requirements for drilling units and minimum distances between an existing well in a drilling unit and a new well that may be drilled in that drilling unit. In addition, the rules must address and attempt to accomplish all of the following:

- (1) Prevention of the waste of oil and gas reserves;
- (2) Protection of the health and safety of the public, employees of a permittee or operator, and workers at a well site; and
- (3) Minimization of the impact on the environment in furtherance of the requirements established in the Oil and Gas Law and rules adopted under it and of the goals of the Safe Drinking Water Act. (R.C. 1509.24.)

Voluntary pooling

Current law authorizes the owners of adjoining tracts to agree to pool the tracts to form a drilling unit that conforms to the minimum acreage and distance requirements of the Division of Mineral Resources Management. The bill instead authorizes two or more owners of adjoining tracts to agree to pool the tracts to form a drilling unit that conforms to the minimum acreage and distance requirements of the Division established in rules (see "**Rules establishing minimum acreage requirements**," above). (R.C. 1509.26.)

Mandatory pooling

Current law states that if a tract of land is of insufficient size or shape to meet the requirements for drilling a well on it as required in the Oil and Gas Law and the owner has been unable to form a drilling unit by agreement, on a just and equitable basis, the owner may submit an application to the Division of Mineral Resources Management for a mandatory pooling order. In addition, current law establishes application

requirements and procedures governing such an order, requirements and procedures concerning a nonparticipating owner and a nonparticipating owner's proportionate share, and other requirements and procedures concerning mandatory pooling. The bill eliminates mandatory pooling. (R.C. 1509.27.)

Record retention by a oil and gas well permit holder

Current law

Current law authorizes the holder of a royalty interest in any natural gas well to request the owner to report to the holder, no more frequently than the payment period in the contract with the owner:

(1) The volume of gas for which the holder was or is being paid for the most recent period in the holder's contract with the owner and for any other previous periods within two years of the date of production for which the owner has not already given the holder such a report;

(2) The price per 1,000 cubic feet paid to the holder for the gas; and

(3) The volume of gas that was shown to have passed through the owner's meter for the field containing the holder's well.

The owner must preserve records of such volume for at least two years after the date the record is made. Upon receipt by the owner or the owner's agent of a request by the holder, the owner must supply the information to the holder within 15 days or the end of the current payment period in the contract, whichever is later. (R.C. 1509.30.)

The bill

The bill authorizes the holder of a royalty interest in any natural gas well to request the permittee to report to the holder, no more frequently than the payment period in the contract with the permittee, any or all of the following:

(1) The volume of gas for which the holder was or is being paid for the most recent period in the holder's contract with the permittee, and for any other previous periods within two years of the date of production for which the permittee has not already given the holder such a report within the most recent six months;

(2) The price per 1,000 cubic feet paid to the holder for the gas; and

(3) The volume of gas that was shown to have passed through the permittee's meter for the field containing the holder's well.

The permittee must preserve records of such volume for at least three years after the termination of the lease agreement with the holder. Upon receipt by the permittee or the permittee's agent of a request by the holder, the permittee must supply the information to the holder within 14 days of receipt of the request. (R.C. 1509.30.)

Transfer or assignment of the entire interest in an oil and gas lease

Current law establishes certain requirements and procedures governing whenever the entire interest in an oil and gas lease is assigned or otherwise transferred. The requirements and procedures include the requirement that the assignor or transferor notify the holders of the royalty interests and, if a well or wells exist on the lease, the Division of Mineral Resources Management. The bill clarifies that if a well or wells exist on the lease, the assignor or transferor must notify the Division. Current law states that when notice of any such assignment or transfer is required to be provided to the Division, it must be provided on a form prescribed and provided by the Division and verified by both the assignor or transferor and by the assignee or transferee. The bill adds that such a notice must include a nonrefundable fee of \$100 for each well. Finally, current law requires that the notice for assignment or transfer of a well to the surface owner of the land on which the well is located contain a statement informing the landowner that the well may require periodic servicing to maintain its productivity. The bill requires the statement also to indicate that the well may require servicing to maintain the structural integrity of its plug. (R.C. 1509.31(A).)

Transfer or assignment of the entire interest in an oil and gas well

The bill adds that when the entire interest of a well is proposed to be assigned or otherwise transferred to the landowner for use as an exempt domestic well, the owner who has been issued a permit under the Oil and Gas Law for the well must submit to the Chief an application for the assignment or transfer that contains all documents that the Chief requires and a nonrefundable fee of \$100. The application for such an assignment or transfer must be prescribed and provided by the Chief. The Chief may approve the application if the application is accompanied by a release of all of the oil and gas leases that are included in the applicable formation of the drilling unit, the release is in a form such that the well ownership merges with the fee simple interest of the surface tract, and the release is in a form that may be recorded. However, if the owner of the well does not release the oil and gas leases associated with the well that is proposed to be assigned or otherwise transferred or if the fee simple tract that results from the merger of the well ownership with the fee simple interest of the surface tract is less than five acres, the proposed exempt domestic well owner must post a \$5,000 bond with the Division of Mineral Resources Management prior to the assignment or transfer of the well to ensure that the well will be properly plugged. The Chief, for good cause, may modify the requirements governing the assignment or transfer of the interests of a

well to the landowner. Upon the assignment or transfer of the well, the owner of an exempt domestic well is subject to the severance taxes on oil and gas and all applicable fees established in the Oil and Gas Law. (R.C. 1509.31(B).)

Foreclosed mortgaged property that is subject to an oil or gas lease

The bill states if a mortgaged property that is being foreclosed is subject to an oil or gas lease, pipeline agreement, or other instrument related to the production or sale of oil or natural gas and the lease, agreement, or other instrument was recorded subsequent to the mortgage, and if the lease, agreement, or other instrument is not in default, the oil or gas lease, pipeline agreement, or other instrument, as applicable, has priority over all other liens, claims, or encumbrances on the property so that the oil or gas lease, pipeline agreement, or other instrument is not terminated or extinguished upon the foreclosure sale of the mortgaged property. If the owner of the mortgaged property was entitled to oil and gas royalties before the foreclosure sale, the oil or gas royalties must be paid to the purchaser of the foreclosed property. (R.C. 1509.31(D).)

Complaints alleging failure to restore disturbed land surfaces

Current law

Current law authorizes any person adversely affected to file with the Chief a written complaint alleging failure to restore disturbed land surfaces in violation of the Oil and Gas Law or a rule adopted under it. Upon receipt of a complaint, the Chief must investigate the lands where the alleged violation has occurred and send copies of the investigation report to the person who filed the complaint and to the owner. Upon finding a violation, the Chief must order the owner to eliminate the violation within a specified time. If the owner fails to eliminate the violation within the time specified, the Chief may request the applicable county prosecutor or the Attorney General to bring appropriate action to secure compliance. If the Chief fails to bring such an action to secure compliance within 20 days after the time specified, the person filing the complaint may request the applicable county prosecutor to bring an appropriate action to secure compliance. The Division of Mineral Resources Management may cooperate with any state or local agency to provide technical advice or minimum standards for the restoration of various soils and land surfaces or to assist in any investigation. (R.C. 1509.32.)

The bill

The bill retains the authorization for any person adversely affected to file with the Chief a written complaint alleging failure to restore disturbed land surfaces in violation of the Oil and Gas Law or a rule adopted under it. The bill states that not later than five days after receipt of a complaint, the Chief must investigate the lands where

the alleged violation has occurred. Not later than 30 days after receipt of the complaint, the Chief must prepare and complete a report that discusses in detail the Chief's findings and must make the report available to the public. The bill requires the Chief to send copies of the investigation report to the person who filed the complaint and to the person who, according to the records of the Chief, is responsible for the restoration of the site. Upon finding a violation, the Chief must order the responsible person to eliminate the violation immediately. The responsible person must complete the restoration of the site within 30 days after the issuance of the order unless the Chief authorizes a longer period of time because weather conditions prevented the completion of the site restoration within the 30-day period.

If the person fails to eliminate the violation within the time authorized, the Chief must request the applicable county prosecutor or the Attorney General to bring appropriate action to secure compliance with the applicable provision of the Oil and Gas Law or rule adopted under it. Notwithstanding an order issued or any other action or inaction by the Chief, the person filing the complaint may request the applicable county prosecutor to bring an appropriate action to secure compliance with the applicable provision of the Oil and Gas Law or rule adopted under it. The Division of Mineral Resources Management must cooperate with any state or local agency to provide technical advice or minimum standards for the restoration of various soils and land surfaces or to assist in any investigation. (R.C. 1509.32.)

Civil penalties

Current law and the bill establish civil penalties for violations of specified provisions of the Oil and Gas Law as discussed in the table below.

Current law violation	Violation under the bill	Current law civil penalty	Civil penalty under the bill
Violating provisions of the Oil and Gas Law that establish duties or responsibilities or any rules adopted or orders or terms or conditions of a permit or registration certificate issued pursuant to those provisions for which no specific penalty is provided (R.C. 1509.33(A))	Same as current law	Not more than \$4,000 for each offense	Not less than \$250 nor more than \$1 million for each offense

Current law violation	Violation under the bill	Current law civil penalty	Civil penalty under the bill
Drilling a well or injecting a substance into a well for the exploration for or extraction of minerals or energy or similar actions without first obtaining a permit or violating any rules adopted or orders or terms or conditions of a permit (R.C. 1509.33(B))	Same as current law	Not more than \$4,000 for each violation	Not less than \$2,500 nor more than \$1 million for each violation
Injecting brine or other waste substances from oil or gas drilling or production into an underground formation or transporting brine without a registration certificate (R.C. 1509.33(C))	Injecting brine or other waste substances from oil or gas drilling or production into an underground formation (R.C. 1509.33(C))	Not less than \$2,500 nor more than \$20,000 for each violation	Not less than \$10,000 nor more than \$1 million for each violation
Placing or causing to be placed brine in surface or ground water or in or on the land in quantities or in a manner that causes or could cause water for consumption to exceed Safe Drinking Water Act standards or damage or injure the public health or safety or the environment (R.C. 1509.33(D))	Same as current law plus failure of a permittee, registered brine transporter, and injection well permit holder jointly and severally to ensure that brine and other waste substances from oil and gas development or production are stored and disposed of properly (R.C. 1509.33(D))	Not less than \$2,500 nor more than \$10,000 for each violation	Not less than \$2,500 nor more than \$1 million for each violation
Entering into an agreement with or permitting any	Same as current law (R.C. 1509.33(E))	Not more than \$10,000 for each violation	Not less than \$500 nor more than \$10,000 for each

Current law violation	Violation under the bill	Current law civil penalty	Civil penalty under the bill
person to transport brine from the well who is not a registered brine transporter (R.C. 1509.33(E))			violation
Failing to restore the land surface within the area disturbed in siting, drilling, completing, and producing a well (R.C. 1509.33(F))	Failing to restore the land surface within the area disturbed in siting, drilling, completing, producing, plugging, and abandoning a well (R.C. 1509.33(F))	Not more than \$5,000 for each violation	Not less than \$500 nor more than \$5,000 for each violation
No provision	Abandoning a well without plugging it in accordance with the Oil and Gas Law and rules adopted under it (R.C. 1509.33(G))	No provision	Not less than \$1,000 for each violation

Current law states that in addition to other penalties provided in the Oil and Gas Law, whoever stores or disposes of brine in violation of approved disposal plans, in violation of local resolutions pertaining to the application of brine to roads, or in violation of rules or orders applicable to those plans or resolutions is liable for any damage or injury caused by the violation and for the cost of rectifying the violation and conditions caused by the violation. Because the bill eliminates the prohibition against those actions, it also eliminates the liability provision. (R.C. 1509.33(H).)

Current law states that a person cannot be subject to both a civil penalty for any of the first four violations in the above table and a criminal penalty for the same offense. The bill eliminates that provision and instead states that a person may be subject to both civil and criminal penalties for the same offense for such violations. (R.C. 1509.33(I).)

Priority lien

The bill specifies that if an permittee fails to pay the fees imposed under the Oil and Gas Law or the severance taxes on oil and gas, or if the Chief incurs costs to correct conditions associated with the permittee's well that the Chief reasonably has determined are causing imminent health or safety risks, the Division of Mineral Resources Management has a priority lien against that permittee's interest in the

applicable well in front of all other creditors for the amount of any such unpaid fees and taxes and costs incurred. The Chief must file a statement in the office of the county recorder of the county in which the applicable well is located of the amount of the unpaid fees and taxes and costs incurred. The statement constitutes a lien on the permittee's interest in the well as of the date of the filing. The lien remains in force so long as any portion of the lien remains unpaid or until the Chief issues a certificate of release of the lien. If the Chief issues a certificate of release of the lien, the Chief must file the certificate of release in the office of the applicable county recorder. (R.C. 1509.34(A).)

The bill requires the Chief to promptly issue a certificate of release of a lien under either of the following circumstances:

(1) Upon the repayment in full of the amount of unpaid fees imposed under the Oil and Gas Law or severance taxes levied on oil and gas or costs incurred by the Chief as described above; or

(2) Any other circumstance that the Chief determines to be in the best interest of the state. (R.C. 1509.34(B).)

The bill authorizes the Chief to modify the amount of a lien. If the Chief modifies a lien, the Chief must file a statement in the office of the county recorder of the applicable county of the new amount of the lien. (R.C. 1509.34(C).)

A permittee regarding which the Division has recorded a lien against the permittee's interest in a well cannot transfer a well, lease, or mineral rights to another permittee or person until the Chief issues a certificate of release for each lien against the permittee's interest in the well (R.C. 1509.34(D)). The bill states that all money from the collection of liens must be deposited in the state treasury to the credit of the Oil and Gas Well Fund (R.C. 1509.34(E)).

Oil and Gas Commission

Current law creates the Oil and Gas Commission consisting of five members appointed by the Governor who include all of the following:

- (1) One member must be a representative of a major petroleum company;
- (2) One member must be a representative of the public;
- (3) One member must be a representative of independent petroleum operators;
- (4) One member must be learned and experienced in oil and gas law; and

(5) One member must be learned and experienced in geology. (R.C. 1509.35(A).)

The bill revises the membership of the Commission. Not later than 90 days after the bill's effective date, the Governor must appoint four additional members who must be representatives of the public (R.C. 1509.35(A) and Section 4). Thus, under the bill, the Commission has nine members. The bill states that the members who are serving on the bill's effective date hold office until their terms expire unless they are removed by the Governor under provisions of current law. Of the additional members appointed under the bill, one member's term expires in 2011, one member's term expires in 2012, and two member's terms expire in 2013. (Section 4.)

Current law prohibits no more than three members from the same political party. The bill prohibits no more than five members from the same political party. Currently, terms of office are for five years. The bill decreases terms of office to three years. (R.C. 1509.35(A).) Current law provides that three members constitute a quorum. The bill increases the number of members necessary for a quorum to five members (R.C. 1509.35(B)).

Appeals by persons aggrieved or adversely affected by Chief's orders

Current law states that any person claiming to be aggrieved or adversely affected by an order of the Chief may appeal to the Oil and Gas Commission for an order vacating or modifying the order. Upon the filing of an appeal, the Commission promptly must fix the time and place for the hearing on the appeal and must give the appellant and the Chief at least ten days' written notice of it by mail. The bill increases the time within which the written notice must be provided to 30 days. Current law authorizes the Commission to postpone or continue any hearing upon its own motion or upon the application of the appellant or of the Chief. The bill eliminates the authorization for the appellant or the Chief to submit an application with the Commission to postpone or continue a hearing. (R.C. 1509.36.)

Technical Advisory Council on Oil and Gas

Current law creates in the Division of Mineral Resources Management a Technical Advisory Council on Oil and Gas. The Council consists of eight members appointed by the Governor with the advice and consent of the Senate as follows: (1) three members must be independent oil or gas producers, operators, or their representatives, operating and producing primarily in this state, (2) three members must be oil or gas producers, operators, or their representatives having substantial oil and gas producing operations in this state and at least one other state, (3) one member must represent the public, and (4) one member must represent persons having landowners' royalty interests in oil and gas production. Terms of office are for three

years. In addition, current law establishes requirements and procedures governing and responsibilities of the Council. (R.C. 1509.38.)

The bill abolishes the Technical Advisory Council on Oil and Gas created under current law. It then requires the Governor, not later than 90 days after the bill's effective date, to appoint initial members of a new Technical Advisory Council on Oil and Gas with the advice and consent of the Senate. (Section 3.) The Council must consist of the following five members: (1) one member who, by reason of the person's previous training and experience, represents independent petroleum operators, (2) one member who, by reason of the person's previous training and experience, is learned and experienced in oil and gas law, (3) one member who, by reason of the person's previous training and experience, is learned and experienced in geology, and (4) two persons who, by reason of their previous vocations, employment, or affiliations, are representatives of the public. Terms of office must be for three years. (R.C. 1509.38.) In making the appointments, the Governor must provide for staggered terms of office for members of the Council (Section 3). The bill applies the requirements, procedures, and responsibilities in current law to the new Council. (R.C. 1509.38.)

Oil and gas regulatory cost recovery assessment

The bill states that in addition to paying the applicable taxes on the severance of oil and gas, an owner must pay an oil and gas regulatory cost recovery assessment of 10¢ per barrel of oil or ½¢ per 1,000 cubic feet of natural gas, as applicable, that is sold from all of the owner's wells located in this state. The owner must collect from each person who has a revenue interest in a well that person's pro-rata share of the assessment. The minimum amount of the assessment for every quarterly period, which periods are specified in the Severance Tax Law, must be either the amount of \$15 multiplied by the total number of the owner's wells or the amount of the owner's severance taxes levied under the Severance Tax Law plus the oil and gas regulatory cost recovery assessment imposed by the bill, whichever is greater. An owner must pay the assessment at the time and using the procedures that are established for the collection of the severance taxes on oil and gas. The bill requires all money collected from the assessment to be deposited in the state treasury to the credit of the Oil and Gas Well Fund (see "**Oil and Gas Well Fund**," above). (R.C. 1509.50.)

The bill requires the oil and gas regulatory cost recovery assessment to be treated the same and equivalent for all purposes as the taxes levied on the severance of oil and gas. However, the bill states that the assessment imposed is not a tax under the Severance Tax Law. (R.C. 1509.50.) Furthermore, the bill requires an owner that pays an oil and gas regulatory cost recovery assessment to use and file the same return for the assessment that is prescribed by the Tax Commissioner under the Severance Tax Law for the return of severance taxes. However, the bill states that the amounts

received by the Tax Commissioner from the oil and gas regulatory cost assessment are not revenue from severance taxes. (R.C. 5749.06.)

Repealed provisions

The bill repeals all of the following provisions of the Oil and Gas Law:

(1) The authority, requirements, and procedures in accordance with which a board of county commissioners or township trustees or the legislative authority of a municipal corporation may adopt a resolution that allows the surface application of brine to roads, streets, highways, and other similar land surfaces it owns or has the right to control for control of dust or ice (R.C. 1509.226);

(2) The authority, requirements, and procedures in accordance with which the Chief may issue a special order for drilling unit requirements for a particular pool that differ from the requirements established in the Oil and Gas Law (see "**Rules establishing minimum acreage requirements**," above) (R.C. 1509.25);

(3) The authority, requirements, and procedures in accordance with which the Chief may issue a permit as an exception tract if the Chief finds that the owner of a tract for which a drilling permit may not be issued has shown that the owner is unable to form a voluntary pooling agreement and would be unable to participate under a mandatory pooling order (R.C. 1509.29);

(4) The prohibition against construing authority granted by the Oil and Gas Law as authorizing a limitation on the amount that any well, leasehold, or field is allowed to produce under proration orders of the Division of Mineral Resources Management (R.C. 1509.40); and

(5) The prohibition against construing combinations of persons or interests authorized by the Oil and Gas Law to be a trust, monopoly, or other combination in restraint of trade prohibited by law (R.C. 1509.41).

Miscellaneous

The bill makes conforming changes to reflect the revisions made by it. In addition, the bill makes technical changes.

HISTORY

ACTION

DATE

Introduced
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