

Ky/Tenn Report

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PROPERTY TAX ISSUES ESCALATE – Tax assessors across the oil fields are ramping up their efforts to collect money from oil and gas property owners in what TOGA maintains is an illegal tax scheme.

Most recently, the Morgan County assessor's office has begun to send out a [questionnaire to property owners](#) requesting copies of the previous year's 1099s as a way to assess mineral value. Taxes based solely on payments appear to be nothing more than an income tax, which is illegal in Tennessee. Additionally, Tennessee law states that the severance tax is the only tax that shall be applied to oil and gas.

Throughout the summer, TOGA has been meeting with legislators, legal counsel and other interested parties to finalize a plan of action. The recommended plan will be presented at the August 21st association meeting and implemented based on the Board of Director's feedback and suggestions.

TOGA BOARD AND MEMBERSHIP MEETING – TOGA will host its quarterly board of directors and membership **Thursday, August 21st beginning at 4:30 p.m. at Amelia's, 109 West First Street in Oneida.** We will have food and drink courtesy of **Packer's Plus.**

REGULATORY UNCERTAINTY AROUND THE COUNTRY – When TOGA supported the development of new drilling regulations in 2012, it was a proactive move to address burgeoning issues surrounding hydraulic fracturing. Looking around the country at states without updated regulations, this forward-thinking philosophy seems to have averted many of the fights that others now find themselves.

- **California** – In late June of this year, the California legislature passed a bill that will delay the release of new fracking regulations from Jan. 2015 to July 2015. The bill also includes a provision to evaluate wells on a case-by-case basis (time consuming) and also allows for other regulatory agencies and local governments to conduct individual environmental reviews or impose mitigation measures (uncertainty).
- **Colorado** – After facing years of pushback from environmentalists, which includes some activist successes, the two most recent fracking initiatives have come off of November's ballot. Instead, a task force, which includes the lead legislative opponent of fracking, has been formed to come up with legislative recommendations on issues surrounding well siting. Although they might offer

some predictability to companies, it is hard to imagine they won't contain burdensome restrictions, too.

- **Florida** – Unauthorized drilling near the Everglades and accusations of inadequate response by the Florida Department of Environmental Protection have turned regulatory development into a political issue, which is expected to be settled by the legislature in 2015. It is safe to assume more rhetoric than science will play into the legislative debate now that a rogue operator has muddied the waters.
- **North Carolina** – Our neighbor to the east is still in the process of developing fracking rules and regulations after voting to approve the process in 2012. The state's legislature did pass a bill this year to set a January 1, 2015 deadline for the rules, but that's still a three-year delay in economic and energy development.
- **Ohio** – The state is now in the process of implementing new regulations for fracking within three miles of known "seismic activity areas" after state geologists claimed a link between drilling and earthquakes. The new regulations will require all drillers close enough to activity areas to install monitoring equipment. If any seismic activity of 1.0 magnitude or higher is detected, drillers would have to temporarily cease activity. If regulators determine there's a link between the two activities, drilling would stop altogether. Seemingly, this will discourage development in the seismic activity areas since so much uncertainty would exist for investors.
- **Pennsylvania** – Like their Ohio neighbors, Pennsylvania is considering regulations for drilling near "seismic hazard areas" but has yet to propose language.

TARDY TEMPORARY ABANDONMENT FEES – Oil and Gas Supervisor Mike Burton reports that several companies are tardy in paying their temporary abandonment fees. According to [regulation](#), a \$100 fee must be paid annually for each well in temporary abandonment. If you are unsure of your status, please contact TDEC's Oil and Gas Division at 615-687-7000 for more information.

TDEC ANNOUNCES NEW WATER RESOURCES DIRECTOR – In an interesting move, the Tennessee Department of Environment and Conservation has named a former public relations executive to lead the Water Resources Division, which traditionally has had a more technically-experienced management.

Tisha Calabrese has replaced Dr. Sandra Dudley who left the Department in July. Calabrese is a graduate of the University of Missouri – Columbia with a degree in journalism. Immediately prior to her appointment with Water Resources, Calabrese was TDEC's Assistant Commissioner of External Affairs and has been with the Department more than 10 years in a variety of PR roles.

SAVE THE DATE: TOGA CHRISTMAS PARTY – After the 2013 fire at the Dancing Bear Lodge and the cancellation of our party, TOGA has two Christmases to celebrate this year! So don't miss the fun! Make plans to join TOGA, Saturday, Dec. 6th at the RT Lodge in Maryville, TN for dinner, dancing and more.

Registration details and more information will follow in the months to come. You can keep up with it by visiting the [TOGA website](#).

MONTHLY DRILLING PERMITS – The monthly [reports for new drilling permits](#) for the states of Tennessee and Kentucky can now be found as PDFs in the members' only section of TOGA's website.