

MINUTES
HOUSE RESOURCES & CONSERVATION COMMITTEE

DATE: Tuesday, March 01, 2016

TIME: 1:30 P.M.

PLACE: Room EW40

MEMBERS: Chairman Raybould, Vice Chairman Gestrin, Representatives Moyle, Andrus, Shepherd, Wood, Boyle, Vander Woude, Gibbs, Miller, Bateman, Burtenshaw, Mendive, VanOrden, Youngblood, Pence, Erpelding, Rubel

**ABSENT/
EXCUSED:** Reps. Wood, Gestrin and Vander Woude

GUESTS: The sign-in sheet will be retained with the minutes in the committee secretary's office until the end of the session. Following the end of the session, the sign-in sheet will be filed with the minutes in the Legislative Services Library

Chairman Raybould called the meeting to order at 1:30 p.m.

MOTION: **Rep. Pence** made a motion to approve the minutes of the February 11, 2016, meeting. **Motion carried by voice vote.**

MOTION: **Rep. Pence** made a motion to approve the minutes of the February 17, 2016, meeting. **Motion carried by voice vote.**

S 1339: **Kate Haas**, Alta Mesa, presenting **S 1339** introduced **Eric Wilson** and yielded time to him.

Eric Wilson, Resource and Protection Assistance Bureau Chief, Idaho Department of Lands (IDOL), stated that since they are the administrative arm of the Oil and Gas Conservation Commission, he will provide some information on integration. He stated that oil is a fluid mineral that is trapped under an impermeable shallow layer that migrates into a trap and cannot migrate any farther, and that is what the oil and gas industry taps into. Mr. Wilson explained the history and processes of the 1900 Rule of Capture; however, Idaho currently utilizes the process of integration, which is the voluntary or involuntary process of pooling adjoining mineral tracts for inclusion into units for oil production while protecting ownership rights. Integration protects an individual's rights to ownership of the oil and gas. Mr. Wilson pointed out the benefits of integration, including: limiting over drilling; protection of landowner correlative rights to an equitable share of the oil and gas in the integration pool; less surface impact; lower costs; and limits dissipation of natural pressure in the oil reservoir and subsequent stranding of oil resources. Correlative rights make sure that each mineral owner is compensated for oil extraction. In twenty-six states 1 or 2 interested parties can initiate integration; in five states, 51% of land must be leased out before the other 49% can be forced pooled or integrated out; and in four states 60-78% of a drilling unit must be leased out before the remaining percentage is force pooled or integrated out. In Idaho, rules were approved last year setting 55% as the leased out amount before forced pool integration can be initiated.

Kate Haas, resumes presentation of **S 1339** stating the current process is an administrative undertaking which puts all the burden on the Oil and Gas Commission, which is a volunteer commission. The process is subject to a lot of delays and is not working. It is uncertain how long the current process takes, but about 400 days including appeals. Other states take 45 to 60 days, and **S 1339** deals with process and brings Idaho closer to other states in the number of processing days. **S 1339** creates certainty and clarity for all stakeholders through predictable time frames and clear expectations. The time frame of 3 weeks for drilling and other permits is the same as what the department review averages now. There is a review for completeness, and the current review by the Idaho Department of Water Resources (IDWR) is retained, with their time frame being within a day of what it is now. There is a public comment period and an overall approval and denial period with the same time frame as what the IDOL is already doing.

Regarding integration, the department is allowed to designate an operator for the unit. These are the same rules approved last year, but they are just being put into statute. There are 5 options that a landowner has when the state issues an integration order, four of which are in the rules already: the working interest owner; the non-consenting working interest owner; landowner choosing to be leased; and landowner choosing to be deemed leased. The new option is the objector option for a landowner who chooses to waive their right to the 1/8 royalty and give it to the state. A statement that the proposed drill site is leased needs to be put in integration applications, so an entity making an application for integration has to show that the well is on land that is already leased. The administrative process for integration is streamlined to 107 days. It makes IDOL the front line decision maker in charge of day-to-day operations, and the Oil and Gas Commission is sitting in an appellate capacity. **S 1339** requires IDOL to notify landowners about what is going on, what the next steps will be, when there is a hearing and who they contact at the department. **S 1339** does not change surface owner protections already in place.

In response to questions regarding why the public comment period was shortened from 15 business days to 10, **Ms. Haas** stated it was so that it could fit within the 15 business day period IDOL has to approve or deny, and within that period IDOL receives comments, posts on the website available to everyone and then has time to consider making the approval or denial decision.

Speaking **in support** of **S 1339** were **Jim Classen**; **John Puserich**, AMI; **Eric Wilson**, Idaho Department of Lands; **Dave Jones**; and **David Hawk** for the reason that the integration process is removed from being under Idaho's Administrative Procedures Act (except for Commission appeal decisions), which will streamline the integration application process, time lines and appeals and will keep oil and gas companies from taking their business to other states, as well as make the process clearer to all involved.

Speaking **in opposition** to **S 1339** were **Edward Mahola**; **David Monsees**; **Alma Hasse**; **Martin Fry**; **Robert Hawthorne**; **William Fowkes**; **Julia Page**, Idaho Organization of Resource Counselors; **Lelalwa Tano Rikiho**; **Elizabeth Roberts**, and **Casey Mahoun** for the reason that **S 1339** does not allow an effected property owner time to respond to the integration application, and has a detrimental affect on their property rights and values, water quality, mortgages and mortgage insurance. **Martin Fry** presented a petition with 800 signature in opposition to **S 1339**. (See Attachment 1.)

MOTION:

Rep. Gibbs made a motion to send **S 1339** to the floor with a **DO PASS** recommendation.

Jon Oppenheimer, Idaho Conservation League, said the restricted time lines in **S 1339** are a concern, and he asked the committee to consider an amendment to **S 1339** that extends the public comment time period to 15 days since 5 days are to determine application completeness and 10 days are for IDWR review, which left little time to address issues raised by public comments or IDWR.

Alma Hasse spoke in opposition to **S 1339** stating that the integration application is a proprietary application that protects trade secrets so that landowners facing integration receive redacted applications which are impossible to address.

SUBSTITUTE MOTION:

Rep. Erpelding made a substitute motion to send **S 1339** to General Orders with an amendment extending the public hearing period to twenty days.

The committee discussed a mineral owner's rights, no notice of drilling and only notice of integration, and the adequacy of the 10-day public notice in **S 1339**.

VOTE ON SUBSTITUTE MOTION:

Chairman Raybould called for a vote on the substitute motion to send **S 1339** to General Orders with an amendment extending the public hearing period to twenty days. **Motion failed by voice vote.**

VOTE ON ORIGINAL MOTION:

Chairman Raybould called for a vote on the original motion to send **S 1339** to the floor with a **DO PASS** recommendation. **Motion carried by voice vote. Reps. Moyle, Pence, Erpelding and Rubel** requested to be recorded as voting **NAY**. **Rep. Boyle** will sponsor the bill on the floor.

ADJOURN:

There being no further business to come before the committee, the meeting adjourned at 3:39 p.m.

Representative Raybould
Chair

Lorrie Byerly
Secretary