

MINUTES  
**HOUSE RESOURCES & CONSERVATION COMMITTEE**

**DATE:** Tuesday, January 17, 2012

**TIME:** 1:30 P.M.

**PLACE:** Room EW40

**MEMBERS:** Chairman Stevenson, Vice Chairman Shepherd, Representative(s) Wood(35), Barrett, Moyle, Eskridge, Raybould, Bedke, Andrus, Wood(27), Boyle, Hagedorn, Harwood, Vander Woude, Gibbs, Pence, Higgins, Lacey

**ABSENT/  
EXCUSED:** Vice Chairman Shepherd, Representative Bedke

**GUESTS:** The sign-in sheet will be retained 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 Stevenson** called the meeting to order at 1:33 p.m.

**MOTION:** **Rep. Lacey** made a motion to approve the minutes of Monday, January 9, 2012.  
**Motion carried by voice vote.**

**Chairman Stevenson** reviewed direction from leadership regarding the secretary taking a silent or verbal roll call at each meeting, explaining that we will continue to take a silent roll call. He reviewed other issues regarding sending agenda items to facebook and twitter during the meeting, saying we will not be doing this.

**DOCKET NO.  
20-0702-1102:** **Eric Wilson**, Minerals Resource Manager, Idaho Department of Lands, said last year the Department entered into rule making to revise the rules governing the drilling, completing and plugging of oil and gas wells. He said the rules have not been change since 1989, but the technology used by the oil and gas industry has advanced and expectations for ground water protection and regulatory oversight have increased. Mr. Wilson gave a summary of the proposed changes to the rules. He said the Department had several negotiated rule making sessions throughout 2011. Mr. Wilson explained the need for the changes to the rules. He said regulations in other states have continued to evolve and Idaho has not kept pace with the industry. Mr. Wilson said with the first discovery of a commercial gas field in Idaho it is now Idaho's turn to modernize oil and gas rules. He said the proposed changes provide better protection for Idaho's fresh water resources.

In response to questions from the Committee, **Mr. Wilson** said the items incorporated by reference in the rule were suggested by agencies and others in the industry. He said the industry had input in the processes and it is his understanding they are not opposed to these changes.

**Chairman Stevenson** reviewed the rules section by section. **Mr. Wilson** responded to Committee questions regarding drilling permits and notification of those in close proximity to a proposed well. He said there are several different materials used depending on the geology and drilling plan, he explained the process for opening sub-fractures.

**Mr. Wilson** answered questions regarding bonding, saying several rule making participants, including the industry, were satisfied with the size and types of bonds. The conservationists were not as satisfied. He said the bond amounts are similar to other states and the industry has no objections to the bond rules.

**Mr. Wilson** responded to questions regarding surface owner protection, explaining the mineral estate owner has the dominate estate and there are basic things the surface owner has a right to be compensated for. Mr. Wilson said a significant change to the prior rules is there are no longer unlined pits allowed, he explained the rule regarding lost radioactive tools. He also explained the process of a well that produces water instead of gas, saying the Department of Water Resources will determine if the well meets their standards then the Department of Lands will release the gas well permit to Water Resources. Mr. Wilson reviewed the spacing requirements between wells.

**Justin Hayes**, Idaho Conservation League, said he participated in the rule making process over four months this summer. He thanked the Department of Lands for their solid work. He said some things in the rules are good, but he is asking the Committee to oppose the rules because some things in the rules are not perfected yet. He thought the state should spend more time perfecting the rules. Mr. Hayes said the provision for lined pits and regulating fluids on the surface and how the wells are drilled and handled are good. He said the individual bond section amount is appropriate, but he feels the blanket bonding provisions did not go far enough. He gave examples of blanket bonds and the amounts of bonds per wells. Mr. Hayes expressed additional concerns with the issue of fracking and the cancer causing fluids used in the fracking process.

**Mr. Hayes** answered questions from the Committee regarding blanket bonding and alternatives to using cancer causing chemicals used in fracking. **Mr. Wilson** said there was considerable discussion regarding the use of carcinogenic compounds used to dissolve the buildup of paraffin.

**Larry Lundin**, Midvale, ID, said there is always risks in everything and there has been some misinformation given in Washington County. He said gas exploration in the County is important and will bring jobs and economic growth.

**Ron Blendu**, representing himself, said he looks forward to where this industry is going in the country but has some concern about overregulation. He said a fair amount of thought has gone into this and he is pleased the Department has included industry members. Mr. Blendu said he has listened to misinformation about fracking, but the gas and oil industry is something this country has experience in. He said he liked that the staff at the Department has looked at what other states have done and has put Idaho more in the middle of the road. Mr. Blendu said he didn't think gas and oil should be regulated at the county level but should be regulated at the state level.

**Jay Langer**, representing himself, said he would like to see the regulatory body be the state on this issue. He said we have the proper professional people in the Department of Lands and this shouldn't be regulated through the County.

**Michael Christian**, attorney, Snake River Oil & Gas, said he participated in the rule making process. He said the Department has worked hard on the rules and he commended Mr. Wilson for a job well done. He said his client and the industry in whole is supportive of rule in the current form.

**Jim Williams**, Midvale, said he is concerned with misinformation given locally. He said we need natural resources jobs. He said we need these jobs to stay in Idaho because the young people are leaving the area to go to other states to work. He said the surface rights and mineral rights can be negotiated. Mr. Williams said the state of Idaho will have the means of knowing which chemicals are being used and he likes the plan and wants to keep the jobs in Idaho.

**Alma Hassie**, Payette County, business and farm owner, Executive Director, ICARE, said she personally didn't feel the rules were adequate enough and should be reopened to public comment so the County people can have their voices heard. She didn't think the process should be rushed. She said there are other things at stake, such as the rivers, ponds, and sports fishermen. She said they know there is going to be fracking, they were told at first that they weren't going to do fracking and they also said there wouldn't be wells closer than 640 acres, but now well spacing could be reduced. She said there are other things the rules don't cover such as loss of livestock and the deterioration of concrete when the wells are capped. She said other areas of concern are earthquakes caused by injection wells, the water usage and pipeline maintenance. She said there needs to be a good handle on what we are going to do with radio active waste and methane migration is a huge issue. Ms. Hassie said the rules haven't been discussed enough and there is only one chance to get it right.

**MOTION:** **Rep. Hagedorn** made a motion to **approve Docket No. 20-0702-1102** as written.

**Rep. Harwood** said he would oppose the rules because this is a new industry and he felt the rules were overreaching. He said if they want the industry to thrive they should not put too many rules and regulations on it. **Rep. Barrett** said she would support the rules because the industry was involved in the rule making process and is comfortable with the rules. She said time is of the essence and they must develop the resources and provide jobs. **Rep. Raybould** said the industry was involved in the process and the rules are not more stringent than in other states that are developing.

**VOTE ON MOTION:** **Motion carried by voice vote** with **Rep. Harwood** being recorded as voting **NAY**.

**RS 20856:** **Tom Schultz**, Director, Idaho Department of Lands, said the proposed legislation will increase the drill permit application fee up to a maximum of \$2,500. He said the current fee is not sufficient to cover the costs of reviewing and administering the permits.

**Mr. Schultz** answered questions from the Committee regarding the substantial increase in the fee saying this would cover the estimated cost of starting and running the program and is comparable to other states. He said this would fund the creation and the administration of the program. He explained the industry did show some concern but agrees that they want the program.

**MOTION:** **Rep. Gibbs** made a motion to introduce **RS 20856**.

**Rep. Wood(35)** said they don't want to discourage the industry with a high fee for the permit and she would oppose the motion. Other Committee members expressed the need for more information on the projected costs of administering the program.

**VOTE ON MOTION:** **Motion carried by voice vote** with **Reps. Barrett, Wood(35), and Harwood** being recorded as voting **NAY**.

**RS 20860:** **Tom Schultz**, said this proposed legislation updates and reorganizes definitions and provides a one-year limit on confidentiality of drill logs. He said this legislation also updates the enforcement provisions available to the Oil and Gas Conservation Commission.

**MOTION:** **Rep. Gibbs** made a motion to introduce **RS 20860**. **Motion carried by voice vote**.

**RS 20861:** **Tom Schultz**, said this proposed legislation will allow the State Tax Commission to collect, distribute, and audit all portions of the oil and gas severance tax. He said this will also allow the general fund portion of this tax to be redirected to the Oil and Gas Conservation Commission.

**MOTION:**        **Rep. Raybould** made a motion to introduce **RS 20861**. **Motion carried by voice vote.**

**ADJOURN:**      There being no further business to come before the Committee the meeting adjourned at 3:58 p.m.

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Representative Stevenson  
Chairman

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Susan Werlinger  
Secretary