

MINUTES
HOUSE RESOURCES & CONSERVATION COMMITTEE

DATE: Tuesday, January 27, 2015

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:** None

GUESTS: Bobby Johnson, Idaho Department of Lands; Justin Hayes, Idaho Conservation League; Tom Schultz, Idaho Department of Lands; Larry Craig, Northwest Operating; Jack Lyman, Idaho Mining Association; Richard Brown, Snake River Alliance; Bob Hatfield, HTI Services; Mike Christian, Alta Mesa; John Peiserich, Alta Mesa; Terry Jones; Elizabeth Criner, J. R. Simplot Company; Evan Mortimer, Idaho State Bar; Ken Miller, Snake River Alliance; Norm Semanko, Idaho Water Users Association; Brandt Bullade, Idaho Water Users Association; Jim Claussen, Oil and Gas Commission; Roger Batt, Idaho Heartland Consultant; Mary Sue Roach, WRRRC; Doug Paddock, IORC; Russell Westerberg, Rocky Mountain Power; Julia Page, IORC; Sharon Kiefer, Idaho Department of Fish and Game; Bob Hatfield, HTI Services; Jon Eromenok, Goosebuster Retrievers; Alma Hasse; and Jim Pluckinski.

Chairman Raybould called the meeting to order at 1:31 p.m.

RS 23379: **Rep. Paul Shepherd** stated **RS 23379** recognizes the de minimus nature of suction dredge mining and tries to free this important small business vocation from unreasonable regulation as the threshold of "addition of pollutants" is not met by activities that transfer water and aggregate within the same body of water. He further stated in accordance with the existence of Federal Mining Claims under the 1872 Mining Act and amendments that no agency of the State or Federal Government may abridge those rights by regulatory scheme or by long permit delays.

MOTION: **Rep. Wood** made a motion to introduce **RS 23379**. **Motion carried by voice vote.**

RS 23213: **Tom Shultz**, Idaho Department of Lands, stated revenues from navigable waterways, except for mineral royalties, will be deposited in the Navigable Water Fund established for the purpose of administering the Lake Protection Act. Mineral royalties are a one-time revenue source and will be deposited into the Public School Permanent Endowment Fund.

MOTION: **Rep. Moyle** made a motion to introduce **RS 23213**. **Motion carried by voice vote.**

RS 23224: **Tom Shultz**, Idaho Department of Lands, indicated **RS 23224** modifies Chapter 3 of Title 47, Idaho Code to define the time period for which oil and gas production records will be exempt from public disclosure as six months from the date of filing with the Oil and Gas Conservation Commission. Mr. Schultz indicated this proposed legislation is not completely supported in the industry for the confidentiality of oil and gas production records.

MOTION: **Rep. Erpelding** made a motion to introduce **RS 23224**. **Motion carried by voice vote.**

RS 23264: **Tom Shultz**, Idaho Department of Lands, stated the Oil and Gas Commission received General Fund appropriations to supplement regulatory activities and this proposed legislation establishes a schedule of fees for oil and gas permit activities on private, state, and federal lands changing from \$100 to \$2,500 for a permit fee. Mr. Shultz further indicated there was no opposition in public hearings.

MOTION: **Rep. Gibbs** made a motion to introduce **RS 23264. Motion carried by voice vote.**

RS 23274: **Tom Shultz**, Idaho Department of Lands, stated this proposed legislation is to define how oil and gas operators cooperate in the development of oil and gas in a field, pool or part thereof, and allows a smaller number of wells to be drilled in a common reservoir to promote reservoir pressure conservation and prevention of waste for the efficient drainage of oil and gas.

MOTION: **Rep. Wood** made a motion to introduce **RS 23274. Motion carried by voice vote.**

DOCKET NO. 20-0702-1401: **Tom Shultz**, Idaho Department of Lands, indicated this pending rule was previously on hold by the House Resources and Conservation Committee meeting on January 19, 2015, for further review. Mr. Shultz stated this pending rule has many changes to prevent waste and to protect mineral owners and has been approved by the Commission. Mr. Shultz explained all mineral owners will receive proper compensation, but some mineral owners are hesitant to participate even after a good faith effort to negotiate. Mr. Shultz explained the concept of integration or compensatory forced pooling. He explained the nonconsenting landowner would receive a proportionate monetary share based on mineral acreage. Mr. Shultz further explained each landowner may have surface use, but not mineral rights, although surface and mineral rights may be owned by the same person. Mr. Shultz said the leases were 2 to 3 years in duration and everyone in the unit has to have a lease, otherwise the unit's progress would be held up as Idaho law doesn't currently provide the state with authority to take oil and gas. Mr. Shultz indicated the need for possible road agreements on properties. Mr. Shultz identified Idaho as having 9 out of 11 hits as very favorable conditions and this information originated from 3-D seismic reports.

Larry Craig, Northwest Operating, supports the rule and believes it would create competitiveness in the marketplace.

Mike Christian, Attorney for Alta Mesa, declined to testify and stated **Tom Schultz** with the Idaho Department of Lands did a wonderful job of explaining the negotiated rule making process.

John Peiserich, Vice President of Alta Mesa, stated the integration process is utilized in other states. Mr. Peiserich indicated the drilling process time may vary, but normally progresses at 1,000 feet of rock in one hour.

Mary Sue Roach, resident of Weiser, Idaho, identified concerns for areas in safety and property rights regarding this proposed rule. Ms. Roach indicated the public sector was not in favor of integration, claimed it is a front to Idaho's property rights, and needs further revision. Ms. Roach believes the rules are complicated and the average person has no clue about the rule requirements. Ms. Roach stated the entities must work together to make sure all of the rules and regulations are followed, provide transparency, and responsible development.

Alma Hasse, testified previously in a House Resources and Conservation Committee Meeting on January 19, 2015, regarding this proposed rule. Ms. Hasse stated some property owners don't own their mineral rights as the developer has retained those mineral rights and, as a result, there isn't adequate protection for the surface land owner. Ms. Hasse indicated the land surface owner will have activities on their property in violation of their deed of trust and contract with the mortgage lender. Ms. Hasse reiterated the ramifications to mortgage companies and individuals. Ms. Hasse explained that individuals will be in violation of their deed of trust and found to be in default of their mortgage. Ms. Hasse stated the rules as they stand are not sufficient and do not provide any protection for private land owners. Ms. Hasse feels the prior rules are better than the rules in today's docket.

Ms. Hasse stated there were spacing concerns and referred to 120(4) where an exception can be granted in well spacing so wells are closer than 640 acres and alluded to a higher density in other states. Ms. Hasse stated working interest land owners are forced to have infrastructure on the property. Ms. Hasse asserted the forced infrastructure has happened in other states and as a working interest owner you also accept the liability. She recommended the proposed rule should have an opt-out clause in addition to an option not to accept liability.

Jim Plucinski, land owner and mineral owner in Payette county, stated property rights to Idahos are very important. He said a person works hard for their investments and another person taking your investment property to offer you a share of your investment property would be considered "taking". Mr. Plucinski said he feels he should have a choice and an opportunity to make a decision that would benefit his investment strategy. Mr. Plucinski said he believes he is being forced to do business with a company, Alta Mesa, whose business rating is questionable. Mr. Plucinski questioned why he should be forced to do business with this company.

Joli Eromenok, owner of Goosebuster Retrievers, stated she believes in religious freedom and property rights, and has a religious conviction to stay debt free by working hard and saving money for small and large purchases including her current home and property. Ms. Eromenok said she enjoys her nice home and property but lives next to oil and gas development referred to in this rule. She feels the state laws are drafted in favor of gas industry. She stated that real human beings live next door to these potential bombs and the smell of benzene is in the air. She explained she couldn't use her property due to the constant noise, hydrocarbon emissions, and flaring, and this affects the property value. She said she wants a peaceful life.

Terry Jones. lives in Emmett, has a dairy and large head of cattle, and said he feels conservationists use regulatory action to destroy business. He said he feels this gas and oil exploration company is truthful and he likes to conduct business with them. He said they provide good customer service, have a commitment to explore and leave the ground in its original condition. Mr. Jones said he feels the local area needs a dependable local supply of energy, he supports the regulations, and he doesn't believe the system is broken.

MOTION:

Rep. Wood made a motion to approve **Docket No. 20-0702-1401**.

Rep. Erpelding stated he appreciated the work performed by the Idaho Department of Lands. Rep. Erpelding stated that government protects the minority and majority. He believes that 55% majority is too low for forced pooling and it does not protect property rights. He provided an example of western states, such as Wyoming and New Mexico, with a 75% majority for pooling or integration. Rep. Erpelding requested to reject a portion of the rule, specifically, 130.01(h).

SUBSTITUTE MOTION:

Rep. Erpelding made a substitute motion to approve **Docket No. 20-0702-1401** with the exception of Section 130. **Motion failed by voice vote.**

**VOTE ON
ORIGINAL
MOTION:**

The Original Motion carried by voice vote. Rep. Erpelding requested he be recorded as voting **NAY**.

ADJOURN:

There being no further business to come before the committee, the meeting was adjourned at 3:24 p.m.

Representative Raybould
Chair

Jennifer Smith
Secretary