

MINUTES
SENATE RESOURCES & ENVIRONMENT COMMITTEE

DATE: Wednesday, January 28, 2015

TIME: 1:30 P.M.

PLACE: Room WW55

MEMBERS PRESENT: Chairman Bair, Vice Chairman Vick, Senators Cameron, Siddoway, Brackett, Heider, Nuxoll, Stennett and Buckner-Webb

ABSENT/ EXCUSED: None

NOTE: The sign-in sheet, testimonies and other related materials will be retained with the minutes in the committee's office until the end of the session and will then be located on file with the minutes in the Legislative Services Library.

CONVENED: **Chairman Bair** called the meeting of the Senate Resources and Environment Committee (Committee) to order at 1:30 p.m.

RS 23209 **Ms. Sharon Kiefer**, Idaho Department of Fish and Game (IDFG), stated that this legislation exempts duplicate licenses which included licenses, tags, and permits, from set-aside account provisions of the dedicated Fish and Game Fund because their set-aside account provisions are achieved at the time of the original license purchase.

MOTION: **Senator Cameron** moved to print **RS 23209**. **Senator Stennett** seconded the motion. The motion carried by **voice vote**.

RECOGNITION: **Chairman Bair** welcomed former U. S. Senator Larry Craig to the meeting.

PASSED THE GAVEL: Chairman Bair passed the gavel to Vice Chairman Vick.

Vice Chairman Vick stated that voting would be held on the three dockets for the Department of Environmental Quality (DEQ).

MOTION: **Senator Heider** moved to approve **Docket No. 58-0102-1301**. **Senator Nuxoll** seconded the motion. The motion carried by **voice vote**.

MOTION: **Chairman Bair** moved to approve **Docket No. 58-0102-1401**. **Senator Cameron** seconded the motion. The motion carried by **voice vote**.

MOTION: **Senator Cameron** moved to approve **Docket No. 58-0110-1401**. **Senator Heider** seconded the motion. The motion carried by **voice vote**.

WELCOME: **Vice Chairman Vick** welcomed Tom Schultz, Director, Idaho Department of Lands (IDL), who provided an introduction to **Docket No. 20-0702-1401**.

Director Schultz said that IDL is the administrative agency for the Idaho Oil and Gas Conservation Commission (Commission). The Commission's duty under Idaho Code § 47-3 is to prevent waste during the exploration and development of oil and gas resources, protect the correlative rights of mineral owners, and protect fresh waters during oil and gas development on all federal, state, and private lands in Idaho.

This rulemaking was conducted to update Idaho's Oil and Gas Program rules to better align them with best management practices of the industry and to prevent waste. IDL is requesting these rules be adopted to allow for orderly development of oil and gas resources, with clear direction to the industry as to how business is to be conducted.

There are three major advancements in the rules regarding integration, setbacks, and protection of clean water.

Integration is important in protecting correlative rights. Oil and gas rights are divided into units based on Idaho's geography. The establishment of drilling units ensures that all mineral owners will receive proper compensation for the oil and gas produced from a unit. Integration is an important means of allowing development to move forward.

Setbacks of 200 feet were originally agreed upon; however, under HUD guidelines, the minimum setback is 300 feet for existing construction. The rules were then changed to match the 300 foot setbacks for both holding tanks and new gas processing facilities. This distance will reduce the amount of noise and noticeable traffic during maintenance and daily operations.

Protecting water quality in Idaho is a priority. Changing the rules to require operators to give 72 hours notice before drilling and 24 hours notice before cementing allows an inspector to be on site during critical well construction. By inspecting at the critical points of well construction, Idaho's water is better protected.

A PowerPoint presentation, "Integration Explained", was reviewed by Director Schultz for the benefit of the Committee. Highlights of the presentation were:

- Rule of Capture - the owner of a tract of land acquires title to the oil and gas which he produces from wells drilled thereon, though it may be proved that part of such oil or gas migrated from adjoining lands;
- Integration - The voluntary or involuntary process of pooling adjoining mineral tracts (leased and unleased) for inclusion into units for the purposes of producing oil and gas resources, while protecting correlative rights;
- Benefits of Integration - limits overdrilling, limits dissipation of natural energy/reservoir pressure, and protects correlative rights

Attached are copies of Director Schultz's testimony (see attachment 1) and the PowerPoint presentation (see attachment 2).

- TESTIMONY:** **Mr. Michael Christian**, AM Idaho and Alta Mesa, testified in support of this docket. He stated that from an operational standpoint, they are happy to support the rule as written.
- TESTIMONY:** **Ms. Mary Sue Roach**, Chair of the Weiser River Resource Council, presented her concerns, suggestions, and comments regarding this docket. Changes she would like to see involve integration; setbacks (1,000 feet instead of 300 feet); and the flaring notification. A copy of Ms. Roach's testimony is attached (See attachment 3).
- TESTIMONY:** **Mr. Pete Eromenok** said his concern regards private property rights and he is directly affected by what is going on in New Plymouth. He feels that his property will lose value with what the construction of the oil/gas company is doing adjacent to him. **Mr. Eromenok** also stated that an air monitoring system is needed.
- TESTIMONY:** **Mr. Jim Classen**, an exploration geologist (over 55 years), testified in support of the rule. He is a graduate of the Colorado School of Mines, Stanford University, and a member of the Oil and Gas Conservation Commission. **Mr. Classen** said that based on his experience, the good job done by IDL on these rules is good for the State, as they are straightforward and based on years of experience from other states.
- TESTIMONY:** **Mr. Ken Smith**, Oil and Gas Conservation Commissioner, with 40 years of experience in many states, testified in support of this proposed rule. He feels it is good for the State of Idaho.

TESTIMONY: **Ms. Alma Hasse** provided three handouts to the Committee. They were: a letter from the Huntley Law Firm regarding generic mineral lease and issues raised (see attachment 4); a deed of trust form with related information (see attachment 5); and *The Conversation*, a publication about the false promise of fracking and local jobs (see attachment 6).

PASSED THE GAVEL: Due to time constraints, **Vice Chairman Vick** ended the testimony for the Oil and Gas rule. **Docket No. 15-0301-1401**, for the Office of the Governor, Forest Products Commission, will be postponed until next Monday. Vice Chairman Vick passed the gavel back to Chairman Bair.

MINUTES: **Senator Brackett** made the motion to approve the minutes of January 19, 2015. **Senator Cameron** seconded the motion. The motion passed by **voice vote**.

ADJOURNED: **Chairman Bair** adjourned the meeting at 3:05 p.m.

Senator Bair
Chair

Juanita Budell
Secretary