

MINUTES
HOUSE RESOURCES & CONSERVATION COMMITTEE

DATE: Monday, March 20, 2017

TIME: 1:30pm or Upon Adjournment

PLACE: Room EW42

MEMBERS: Chairman Gibbs, Vice Chairman Gestrin, Representatives Moyle, Raybould, Shepherd, Wood, Boyle, Vander Woude, Miller, Burtenshaw, Mendive, Youngblood, Kauffman, Giddings, Blanksma, Erpelding, Rubel, Jordan (Ringo)

**ABSENT/
EXCUSED:** None

GUESTS: The sign-in sheets 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 sheets will be filed with the minutes in the Legislative Services Library.

Chairman Gibbs called the meeting to order at 2:00pm.

Chairman Gibbs explained how today's meeting will be conducted. Each person signed up to testify will be given 5 minutes. He stated he hoped to get through the hearing today with a vote, but if not, the hearing would resume the next day, Tuesday, March 21, 2017, during the committee's regularly scheduled meeting time.

H 301: **Rep. Boyle**, District 9, stated this bill, the Landowner Bill of Rights, amends **Title 47, Chapter 3** relating to oil and gas. It protects private property owners, State Endowment Lands, and taxpayers by updating Idaho law in accordance with other Rocky Mountain states by improving processes, transparency, and reporting of oil and gas development.

Rep. Boyle yielded the podium to **Tom Schultz** to present **H 301** to the committee.

Tom Schultz, Director, Idaho Department of Lands, stated he is speaking today as an informational witness. Additionally, the Commission he works for is not taking a position on this bill. Mr. Schultz walked the committee through the 42-page bill addressing changes, additions, and deletions. A few of the key discussions are as follows.

In response to questions regarding royalty payments, **Mr. Schultz** stated the key language in this bill is on page 33 in **Section 24, 47-331**. This section states deductions will not be made for the marketing, transporting, and processing costs of oil, gas, or natural gas to the royalty owner, but rather the production company will bear all those costs. He further stated royalties are not fixed; there are a variety of ways leases are established and they are all negotiated based on how the prices and payments will be made.

In response to questions regarding the use of surface and mineral rights, **Mr. Schultz** stated it's common law throughout the country that the mineral owner has more rights than the surface owner. He stated that means the right to explore comes from the mineral owner, even if there's a different surface owner who doesn't agree. This bill attempts to balance the rights of the surface owner and the mineral owner with a voluntary surface use agreement, which identifies actions like which roads may be used and any timing restrictions such as if a field with crops needs to be removed. Without this voluntary agreement, it doesn't negate the mineral rights owner's ability to execute the lease, but with the agreement a \$6,000 bond will be provided to protect the surface owner against unreasonable loss of crops, unreasonable loss of existing improvements on the land, and unreasonable permanent damages to surface lands.

In response to questions regarding how severance taxes are apportioned, **Mr. Schultz** stated a 2.5% tax on the gross income received by a producer of oil and gas will be collected. He stated this bill changes how the money collected would be distributed. Sixty percent (60%) will still go into the Oil and Gas Conservation Fund. The remaining 40% would be distributed as follows: 44% of that 40% would go to the county from which the oil and gas was produced to mitigate the impacts associated with oil and gas production, development, and transportation within that county; 28% would be paid to the cities within the county from which the oil and gas was produced; and 28% would go to the public school income fund.

Kate Haas, representing Alta Mesa, pointed out several areas in **H 301** where Alta Mesa had concerns. She stated there is language that is unclear, areas of the bill that contradict one another, and language that appears to be missing. Some of these concerns include the confidential well status language, the application process; and within the drilling locations section, confusion is created with the new language where drilling units and spacing units are used interchangeably. Alta Mesa also has concerns with the integration section. She stated Idaho would have a higher threshold than any other sister state and that this higher threshold is usually for when operators are working with other operators, not for when an operator is working with a landowner. This would set Idaho apart from the industry standard and would make integration much harder incentivizing people not to lease. Ms. Haas pointed out in the metering systems section, there is confusion because all products should be metered, not just gas, and there is language that moves Idaho away from the industry standard regarding reporting requirements. Additionally, Alta Mesa has concerns with the penalty provision, the public data section, the interested persons section, and the royalties section. Ms. Haas stated this bill as currently written has too many contradictions and has too many issues to be palatable, so therefore Alta Mesa is **in opposition** to this bill.

Chairman Gibbs called a recess of the committee at 4:01pm.

Chairman Gibbs reconvened the meeting at 4:15pm.

Those speaking **in support** of **H 301** were **Jim Classen**, representing self; **Harry Soolen**, representing self; **Larry Craig**, representing self; **JG Schwarz**, representing self; **CJ McDonald**, representing Lone Tree Petroleum; **Mike Roe**, representing self; **Shelly Brock**, representing self; **Ken Winkleman**, representing self; **Julia Page**, representing IORC; **Victoria Casetta**, representing CAIA; **David Morvsees**, representing self; **Lee Turner**, representing self; **Maria Le**, representing self; **Jane Rohling**, representing self.

In summary, those speaking **in support** of **H 301** believe it will benefit and protect the financial interests and the medical health of Idaho landowners when under contract with companies to produce oil and gas products. It provides both transparency and accountability from both industry and public officials crucial to protecting the rights of Idahoans.

Those speaking **in opposition** to **H 301** were **Craig Simmons**, representing H2O Environmental; **Craig McCullough**, representing 4 Rivers Surveying Inc.; **Rob Murdock**, representing self; **Edward Johnson**, representing Alta Mesa; **Wade Moore**, representing Alta Mesa; **Taylor Jensen**, representing Alta Mesa; **Perry Clegg**, representing CPC Mineral LLC; **Patrick Harris**, representing Alta Mesa; **Lyle Anderson**, representing self; **Anna Hatfield**, representing HTI Services LLC; **Irene Shaver**, representing self; **Charles Shaver**, representing self.

In summary, those speaking **in opposition** to **H 301** believe if the state wanted to kill the oil and gas industry then this is the bill to do it; bad process makes bad bills. This is an intrusion into private contract negotiations. They believe the integration increase to 67% is intended to make it more expensive for oil and gas companies to operate in Idaho.

Chairman Gibbs called a recess of the committee at 6:08pm.

Chairman Gibbs reconvened the meeting at 6:20pm.

After discussion with Leadership during the recess, **Chairman Gibbs** announced due to the time of day and number of people signed up still waiting to testify, **H 301** will be carried over to the meeting of March 21, 2017 at 1:30pm or upon afternoon adjournment.

ADJOURN: There being no further business to come before the committee, the meeting adjourned at 6:22pm.

Representative Gibbs
Chair

Tracey McDonnell
Secretary