

MINUTES
SENATE RESOURCES & ENVIRONMENT COMMITTEE

DATE: Thursday, March 23, 2017

TIME: 8:00 A.M.

PLACE: Room WW55

MEMBERS PRESENT: Chairman Bair, Vice Chairman Vick, Senators Siddoway, Brackett, Heider, Bayer, Johnson, Stennett, and Jordan

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 Senate Resources and Environment Committee (Committee) meeting to order at 8:17 a.m.

MINUTES: **Senator Heider** moved to approve the Minutes of March 6, 8, 13, and 15, 2017. **Senator Siddoway** seconded the motion. The motion carried by **voice vote**.

PAGE RECOGNITION: **Chairman Bair** acknowledged Melissa Freeman as Page for the Committee during the second half of the Session. **Chairman Bair** presented Melissa with a letter signed by all Committee members and a gift card to Barnes and Noble Bookstore and wished her good luck in the future.

H 319 **Clive Strong**, Deputy Attorney General for the State of Idaho, presented **H 319**. This bill creates three exceptions to the mandatory permit requirement for three temporary uses of water. The first exception authorizes the Director of the Idaho Department of Lands (IDL) to allow the diversion of water to prevent flood damage. The second exception authorizes the Director to allow the use of unanticipated high flows for the purpose of ground water recharge. The third exception allows the Director to authorize the use of water in response to State or federal health and safety requirements. These uses do not constitute a water right.

Mr. Strong said that in subsection 6 of the bill, page 2, line 20, it reads "for reservoir flood control authorized by state or federal laws" and said the purpose for this provision is to make it clear that this statute does not deal with the current conflict that exists with refilling reservoirs. That is a separate issue and will be handled either through litigation or through settlement discussions that have been ongoing. For purposes of today, this is separate and apart from any refill issues and solely for temporary uses.

Senator Stennett inquired if diverting water in existing ditches and canals would need extra emergency permits. **Mr. Strong** replied that this issue does not deal with water rights, it is just a use and the contemplation is that it is used for existing facilities.

MOTION: **Senator Siddoway** moved that **H 319** be sent to the floor with a **do pass** recommendation. **Senator Stennett** seconded the motion. The motion carried by **voice vote**. Chairman Bair will be the floor sponsor.

H 301aa **Chairman Bair** said that Senator Lee will give a brief introduction to **H 301aa**, followed by Tom Schultz, Director, IDL, providing a brief walk-through of the bill.

Senator Lee said a month ago, this was a different bill; however, today, it is a compromise bill. One question that had been asked is: have you worked with the industry? **Senator Lee** acknowledged several individuals who have tirelessly worked on the bill and they are: Chairman Bair; Representatives Boyle and Kirby; House Leadership; Chairman Gibbs; and the industry, Alta Mesa. **Senator Lee** stated that she also wanted to acknowledge Director Schultz's hard work and his expertise in helping to write this bill.

Director Schultz indicated that he would be brief and would provide a quick walk-through of **H 301aa**. The first part of the bill has to do with definitions. The next part concerns the make-up of the Oil and Gas Conservation Commission, which had been a point of contention with some folks. The Commission will be made up of three experts, appointed by the Governor, who have degrees in the geoscience or engineering field and have at least ten years of experience in the oil and gas industry. Also on the Commission will be the director of IDL and a county commissioner from a county where oil and gas are being produced or has been produced within the last ten years. The intent of the requirements for the members of the Commission is to increase the expertise.

Director Schultz said the next section has to do with permits to drill or treat a well, and the fees involved. IDL notifies the applicant within five business days of receipt of an application; the Idaho Department of Water Resources has 10 business days to recommend conditions necessary to protect fresh water supplies; and then IDL approves or denies the application in a timely and efficient manner.

Director Schultz said a new section was added to the bill which was for drilling locations, which he reviewed. The next section covered was well spacing and setbacks. Setbacks are defined on page 16 of the bill, lines 1 through 10. The next item **Director Schultz** talked about was integration; previously a point of contention. Integration is described on page 16, lines 14 through 27. In the absence of voluntary integration, IDL shall order integration of all tracts or interests in the spacing unit for drilling of a well and for the sharing of production.

The next topic covered was oil and gas metering systems. **Director Schultz** said all meters shall be properly constructed and installed. Calibrations shall be by a third party at least quarterly in each calendar year and records kept for five years.

Director Schultz explained the reporting requirements as found on page 23 of the bill, starting on line 23. Required reports are as follows:

- monthly production;
- gathering facility;
- transportation and storage;
- well tests;
- well production potential tests;
- logs;
- additional reports; and
- IDL's quarterly report to the Commission.

Director Schultz next discussed royalties. It was determined that each royalty payment shall be accompanied by a check stub that includes information regarding wells, sales, volume, price, taxes, and other pertinent information.

Director Schultz said the exemptions from disclosure include archaeological, endangered species, libraries, and licensing exams. The following records are exempt from disclosure:

1. Records, maps or other records identifying the location of archaeological or geophysical sites or endangered species, if not already known to the general public.
2. Archaeological and geologic records concerning exploratory drilling, logging, mining and other excavation.
3. Documents and data related to oil and gas production submitted to IDL or the Oil and Gas Conservation Commission.
4. Library records that reveal the identity of the library patron checking out, requesting, or using an item from a library.
5. Material of a library, museum or archive that has been contributed by a private person.
6. Test questions, scoring keys, and other data used to administer a licensing examination or employment.
7. Land management plans.

Director Schultz stated that pages 38 through 42 of **H 301aa** consists of cleanup language.

TESTIMONY: **Jim Classen**, representing himself, is a member of the Oil and Gas Conservation Commission, testified that he is strongly in favor of **H 301aa**. **Mr. Classen** stated that he is a geologist and has been in the oil and gas business for five decades and this bill is a step forward.

TESTIMONY: **C. J. McDonald**, Lone Tree Petroleum, said the data provides checks and balances for the landowners, allows the data to be utilized by his company as well as other companies to move forward, and allows for more protection for certain drilling operations. **Chairman Bair** said he appreciated Mr. McDonald's participation in this whole process and the time that he has spent.

TESTIMONY: **Larry Craig**, former U.S. Senator, indicated that he was speaking as a private citizen. **Mr. Craig** stated that for the last two years, he has worked with the delegation from District 9 and congratulated them on recognizing the problems in their district with the growth of the gas and oil industry in Idaho. **Mr. Craig** thanked Senator Lee, Representative Boyle, and Representative Kerby for their tremendous effort that they have put into **H 301aa**. **Mr. Craig** said this bill represents the kind of transparency and openness that all law must reflect that comes about with spacing, reporting, and metering. It protects the State's interest and it protects the landowners' interest. **Mr. Craig** said **H 301aa** is a step in the right direction.

TESTIMONY: **Julia Page**, board member of the Idaho Organization of Resource Councils (IORC), said they have been involved with the gas and oil issue since exploration first started in Washington and Payette Counties. **Ms. Page** stated that IORC supports the bill, even though it isn't perfect, and appreciates the delegation for listening to their concerns.

WRITTEN TESTIMONY: **Braden Jensen**, Energy and Natural Resources Specialist for the Idaho Farm Bureau Federation, submitted written testimony supporting **H 301aa**.

DISCUSSION: **Vice Chairman Vick** inquired if an oil and gas bill, **H 64** that is on the Governor's desk, conflicts with this bill, **H 301aa**. **Director Schultz** replied that the two bills do not conflict.

Chairman Bair invited Senator Lee to offer some closing remarks regarding **H 301aa**. **Senator Lee** said she appreciated all the work that had been done on this bill and asked that the Committee support the bill.

MOTION: **Senator Heider** moved that **H 301aa** be sent to the floor with a **do pass** recommendation. **Senator Stennett** seconded the motion. The motion carried by **voice vote**. Senator Lee will be the floor sponsor.

ADJOURNED: There being no further business at this time, **Chairman Bair** adjourned the meeting at 9:25 a.m.

Senator Bair
Chair

Juanita Budell
Secretary