

MINUTES
JOINT MEETING

**HOUSE RESOURCES & CONSERVATION COMMITTEE
SENATE RESOURCES & ENVIRONMENT COMMITTEE**

DATE: Wednesday, February 15, 2017

TIME: 1:30 P.M.

PLACE: Lincoln Auditorium

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

Chairman Bair, Vice Chairman Vick, Senators Siddoway, Brackett, Heider, Bayer, Johnson, Stennett, Jordan

**ABSENT/
EXCUSED:** None

GUESTS: John Chatburn, OEMR; Austin Hopkins and Justin Hayes, ILL; Emily Callihan and James Thum, IDL; Chris Beck and Ken Smith, OGCC; Marc Shigeta, Payette County; Brandy Kay, IWGA; Suzanne Budge, SBS Associates

Chairman Bair called the meeting to order at 1:35pm.

Tom Schultz, Director, Department of Lands, gave a brief overview of the day's agenda and introduced each of the speakers.

Kelly Williams, Attorney, Ray Quinney and Nebeker, provided an overview of legal issues regarding oil and gas. She stated there are three elements that make a successful oil and gas program. First, there should be incentives for cooperative development; establish regulations that will work for your state, constituents, and the environment. The second element is seeking uniformity within industry standards and working toward qualified transparency; making headway without over-regulating. And, finally, promote trust and open communications by providing adequate resources for increased education to all parties (industry, state, and private citizens) and access for all stakeholders in a collaborative process.

Ms. Williams explained the history of the Rule of Capture, which eventually necessitated oil and gas regulations. The Rule of Capture meant if the land owner has title to the oil and gas, and they set up wells on their land to extract the oil or gas, everything they extract, even if it is every drop from a reservoir that sits under other property owners in addition to their property, belongs to them and they will make all the money. This practice would actually damage reservoirs as a result of over production. As a result of this practice, correlative rights are protections that have been imposed against the Rule of Capture in order to protect adjoining land owners from being drained, granting multiple land owners the rights to equally produce the oil and gas under their properties.

She stated the two goals for oil and gas regulation and development is to promote the most amount of production possible and to prevent any waste of those resources. This is a finite resource so the goal is to get the most production out of the ground while preventing any waste by not leaving anything in the ground. Regulations are basically developed around these goals.

One of the ways to meet these goals for oil and gas development is through spacing. This is the conservation measure that identifies the location and number of wells that can be drilled to drain a reservoir. Much study goes into determining how quickly a reservoir can be drained, which is the basis for the number of wells on that reservoir. Technical agencies or entities will generally regulate oil and gas production because of their expertise in making these determinations.

Drainage is important to spacing because when a well produces over multiple land owners, there has to be a method devised to compensate all parties. Integration, or forced pooling, requires participation by agreement. Each oil and gas producing state has a different percentage of mineral rights owners needed to agree to pooling in order for the pooling to be approved. Some states are as low as 25%, while some are as high as 88%. This pooling method helps to develop a collaborative system.

Ms. Williams applauded Idaho for the way the state has worked with the IOGCC and other oil and gas producing states to try and come up with the best way to move forward with developing regulations with all interested parties in mind.

In response to committee questions, **Ms. Williams** explained that with forced pooling, or integration, if some mineral rights owners do not want to participate in development, that will not hold up production for those that want to develop the pool. But, as a result of not participating, they will generally not receive their pro rata royalty payments until all costs associated with setting up the well and drilling have been paid back to those who did participate.

Carol Booth, Communications Manager, Interstate Oil and Gas Compact Commission (IOGCC), provided an overview of the IOGCC. The vision of the IOGCC is to promote the maximum recovery of oil and gas, to prevent waste, to conserve the natural resources, and protect health, safety, and the environment. The IOGCC is made up of states and is the collective voice of oil and gas development. The IOGCC developed a model statute for enabling legislation, they create resolutions, they will go to Congress on behalf of the states, and they collaborate with federal agencies within the oil and gas industry.

Ms. Booth also described the role of the State Oil and Gas Regulatory Exchange (SOGRE), which provides consultation and assessments for state regulatory improvements. Consultations and assessments are done at the request of a state. Many consultations have occurred, but Idaho is the first state to request an assessment. The SOGRE assessment team is comprised of top state oil and gas regulators with more than 140 years of combined oil and gas experience. She stated **Mr. Baza**, the next presenter, will elaborate on this assessment.

John Baza, Director, Utah Division of Oil, Gas and Mining, provided a review of the assessment report. The Idaho Department of Lands requested the comprehensive SOGRE assessment in early 2016 to evaluate Idaho's overall regulatory framework, compare existing programs and processes to similar states, clarify rules and definitions, acknowledge current oil and gas technology, and identify any potential issues for consideration. The team found that Idaho has the fundamental tools and foundation in place to adequately oversee oil and gas operations. Just like in other states, as Idaho further develops its regulatory programs and continues to progress, it will face its own challenges and issues.

Mr. Baza covered some of the key findings in the assessment report including that Idaho's current approach to well spacing is appropriate at this stage of development and that the state has the necessary tools in place to adjust spacing as needed. Additional findings include that Idaho may wish to consider pursuing permitting primacy for Class II underground injection control from the EPA; that contractors, performance metrics, and staff with appropriate expertise be put in place, and to consider the twelve specific program improvements such as horizontal well standards, Class II UIC wells, electronic forms and databases, increasing blanket bond requirements, and recycling of produced water.

In summary, **Mr. Baza** stated the three take-away points are, there are no gaps or deficiencies in the Idaho regulatory process, Idaho isn't alone in the regulatory process, and one size does not fit all; each state is unique in its own regard due to differences in geologic, economic, and political subdivisions. He believes Idaho is in a great position to create success in its developing oil and gas production program.

ADJOURN:

There being no further business to come before the committee, the meeting adjourned at 2:57pm.

Representative Gibbs
Chair

Tracey McDonnell
Secretary