

Oil and Gas Advisory Board Meeting

May 27, 2015

Members in Attendance: Director Mike Mankowski, Kyle Kingston, Stephanie Storckman, Bryan Dicus, J. Larry Miller, Casey Lampley, Steve Persinger, and J. Nelson Wood

Guests: Brad Richards, Doug Shutt, Charles Williams

Mr. Wood called the meeting to order at 10:45am

Officer Elections:

Brian Dicus – Chair

Nelson Wood – Vice Chair

Stephanie Storckman – Secretary

Old Business:

Minutes – Mr. Wood motioned to approve the minutes from the January 6th meeting. Mr. Persinger seconded.

New Business:

Effect of bounced checks (5Ai) – Director Mankowski updated the board on permit volume. Permitting is down as compared to this time last year. The Department is averaging 3-10 permit applications per week. Turnaround for permit applications is now between 3 and 5 days. Due to this quick turnaround time, bounced checks have become an issue. Possible solutions on how to handle this issue were discussed. Among them were: require operators to pay with cashier's check, immediate revocation of the permit, or a combination of both.

Underground hydrocarbon storage facilities (5Aii) – Marathon is looking into storing liquids in an underground storage facility. There are currently no rules for storing liquids underground. Director Mankowski would like to come up with rules based on what other states have done and discuss at the next meeting.

Produced water recycling/reuse rules (5Aiii) – Our current rules do not include a section on water recycling or reuse. This is tabled until next meeting.

HB4128 – Falsification penalties (5Aiv) – Penalties were discussed concerning those who knowingly lied to the Department. For blatant offenders, a \$5000 fine is being proposed. A hierarchy for lesser penalties is being discussed for smaller, innocent mistakes.

While on the topic of fines, Director Mankowski and Mr. Shutt brought up the potential of issuing a \$50 fine for submitting an incomplete/sloppy permit application. Mr. Wood suggested that instead of issuing a fine, immediately return insufficient application with a letter stating that it is insufficient, but without taking the time of the Department to find all insufficiencies.

SB1378 – Notice by publication (5Av) – If this bill gets passed new rules will need to be written. As of now the only way to give notice is by certified mail or personal service. If companies have moved

out of the state or if the Department doesn't have a current address there is no way to serve them. Director Mankowski suggests adding notice by publication as a way to serve as notice, so that a hearing can be had.

HB3540 – Lease termination hearings (5Avi) – Mr. Richards mentioned that this bill is being combined with SB1378. What is being proposed is that if a well is non-productive for 24 months, it will be considered abandoned and put into the PRF. The Mineral owners and/or land owners can request a hearing regarding a nonproductive well, and then the lease could be terminated. It is anticipated that all legislation will be passed and we will discuss draft rules at the next meeting.

Certification Statements for permit applications (5Bi) – A draft version of the new OG-10 was presented. Questions and concerns arose about the complexity of question 20. The language in question 4 was discussed. Specifically, the 100%, was discussed being removed from question 4. The argument made by Mr. Wood, was that 100% leaves too much to interpretation, whereas simply asking under oath whether or not an operator has the right to drill, would be sufficient.

Director Mankowski requested that board members look over the new OG-10 and submit comments a few weeks prior to the next meeting.

A brief discussion on OG-9's and OG-18's was had. It was brought to the attention of the board that OG-9's are often submitted incomplete. As of now they enter the data provided. Mr. Nelson suggested to send back incomplete forms.

Well Site Restorations deadlines (5Bii) – Currently, Operators have 6 months from day of plugging to restore a well site. The rules give no authority for the Department to give an extension. Director Mankowski will put language together for next meeting that would allow the Department to be able to give an extension.

Sections 1205 & 1905 Test wells (5Biii) – Mr. Shutt noted that test well permits also increased in price to \$300 but was not included in the rule package. This needs to be corrected as well as removing the maximum cap paid by the permittee.

Section 1305 “Sworn Statements” certification (5Biv) – Director Mankowski wants to put additional language together clarifying sworn statements.

Spacing, including horizontal, tight shale wells (5Bv) – Mr. Wood suggested putting a task force together.

PRF wells and injection (5Bvi) – The Rules state that all wells within the lease be transferred if the new permittee seeks to operate any of the injection wells located within the leasehold. Mr. Dicus noted that some leases cover large areas. He suggested a change in the rules; instead of all wells within the lease be transferred, only transfer the wells that fall within the ¼ mile area of review as required by the OG-3 permit application.

OG Form changes – Minor Revisions to OG-21A and 22A (5C) – A few additions were made to the form: date of remedial work is completed, language stating that this form is not an extension request, and language regarding redacting. Mr. Kingston motioned to pass, Mr. Wood seconded. Motion was approved.

General Discussion (6) – Board members were asked to review the draft OG-10 and submit comments via email prior to the next meeting so discussions can be had.

Next meeting date was set for Wednesday, July 29th 2015 at 10:30am.

Meeting was adjourned at 1:30pm.