

Transcript Prepared By the Clerk of the Legislature
Transcriber's Office

Natural Resources Committee
March 26, 2010

[CONFIRMATION]

The Committee on Natural Resources met at 8:30 a.m. on Friday, March 26, 2010, in Room 1525 of the State Capitol, Lincoln, Nebraska, for the purpose of conducting a public hearing on the confirmation of Perry Van Newkirk. Senators present: Chris Langemeier, Chairperson; Annette Dubas, Vice Chairperson; Tom Carlson; Tanya Cook; Deb Fischer; Beau McCoy; and Ken Schilz. Senators absent: Ken Haar.
[CONFIRMATION]

SENATOR LANGEMEIER: (Recorder malfunction)...Resources Committee; you can come on up. Little less informal. Let me introduce the committee. Senator Beau McCoy, who sits on the end, will be joining us momentarily. Senator Haar is not going to be with us this morning. Then we have Senator Ken Schilz from Ogallala. Then we have Senator Annette Dubas who's the Vice Chair of the Natural Resources Committee. Then we have Laurie Lage, the legal counsel for the committee. Then clear out to our right we have Barb Koehlmoos who is the committee clerk, which you're very familiar with at this point. And then we have Senator Tanya Cook from Omaha.
[CONFIRMATION]

PERRY VAN NEWKIRK: Hi. [CONFIRMATION]

SENATOR COOK: Good morning. [CONFIRMATION]

SENATOR LANGEMEIER: And we have Senator Tom Carlson from Holdrege.
[CONFIRMATION]

PERRY VAN NEWKIRK: Hello. [CONFIRMATION]

SENATOR LANGEMEIER: Then we have Senator Deb Fischer from Valentine.
[CONFIRMATION]

PERRY VAN NEWKIRK: Hello. [CONFIRMATION]

SENATOR LANGEMEIER: And we'd like to welcome you here today; we appreciate you coming in for your confirmation hearing to join the Oil and Gas Conservation Commission. This is your...you are a new appointee to the committee and welcome and if you'll say and spell your name and then tell us a little bit about yourself and why you want to be on this commission and what you bring to it. Welcome. [CONFIRMATION]

PERRY VAN NEWKIRK: Okay. [CONFIRMATION]

SENATOR LANGEMEIER Welcome. [CONFIRMATION]

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PERRY VAN NEWKIRK: (Exhibit 1) Okay. My name is Perry Van Newkirk, and it's spelled P-e-r-r-y, and then my last name is two words, Van Newkirk, V-a-n and then there's a space, then capital N-e-w-k-i-r-k. I reside at 3716 Longhorn Road in Kimball, Nebraska. A little bit about me; I was born in Garden County, Nebraska, in Lewellen, Nebraska to be specific; raised on a ranch 2.5 miles east of Oshkosh, Nebraska. We raise horned Hereford cattle and that ranch is still there. My brother still does that; family still has the ranch, still has an annual Hereford bull sale. Went to school at Garden County High in high school; graduated in 1969. Then I came to Lincoln and went to college at UNL for five years; graduated in 1975, I believe, with a degree in business administration with an emphasis in accounting at that time. At that time, sometime, I think, in my senior year I was married to my present wife, Vicki, who was from Lewellen, Nebraska and we moved to Kimball and we went to work for a public accountant and I was an accountant by trade for three or four years and then went to work for a company called Evertson Well Service and the Evertson Companies and worked there until 1985, I believe. At that time I started working for a company called Castronics, which, if you're from a ranch, that name has...brings vivid pictures, but the initials, the CAST stands for Computer Automated Speed Threading. And what we are and what we do is we're a business that threads oil field pipe. It's a very large business; we have a truck traffic in and out of approximately 50 trucks a day. We have mills and end-users and distributors that bring us steel pipe and it is down-hole casing and tubing and it comes into us plain end and what we do is put threads on it. We have four big computer lathes that actually thread the end of each joint of pipe. We buck on a coupling; we fill it with water and pressure test it and then we are a 24/7, 365-day-a-year yard that ships pipe to oil well or gas well locations. So we ship all over the country; Wyoming, Colorado, Texas, California, Canada, we just...we ship all over; very busy facility right now. We employ between 40 and 50 people. I know you guys have spent a lot of time on the wind energy lately. We are the other, the older type energy, you know, which is still very viable energy. We employ a lot of people and since we're so far west, oftentimes people forget there is an energy or an oil and gas industry in Nebraska; there is, very viable. There are wells...or rigs running most times in the state of Nebraska; getting to be a lot more interest in drilling more oil and gas wells in Nebraska. But that's pretty much about me. I think what I can bring to the Oil and Gas Commission is I've been involved in the industry for, you know, 30 years, 20, 25 years; deal with it on a daily basis, that's my job. I talk to these oil people. If I'm confirmed as a commissioner, what I can tell you is I will be fair and I will make my decisions based on facts. And that's pretty much all about me. [CONFIRMATION]

SENATOR LANGEMEIER: Very good. Are there any questions? Senator Dubas.
[CONFIRMATION]

SENATOR DUBAS: Thank you, Senator Langemeier. Thank you, Mr. Van Newkirk, for coming all the way to Lincoln. [CONFIRMATION]

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PERRY VAN NEWKIRK: Uh-hum. You're very welcome. My pleasure, my pleasure.
[CONFIRMATION]

SENATOR DUBAS: People, people quite...from the Lincoln area always say we have to drive all the way out there? Well it's the same distance both ways. So I appreciate you taking the time and effort. [CONFIRMATION]

PERRY VAN NEWKIRK: You bet. I think I checked, it was 378 miles here so it's quite a jaunt. [CONFIRMATION]

SENATOR DUBAS: We have a son that lives in Sidney, so we make it to that part of the beautiful...beautiful part of the state. [CONFIRMATION]

PERRY VAN NEWKIRK: Sure. It is, it is. [CONFIRMATION]

SENATOR DUBAS: Are you aware of the TransCanada Keystone Pipeline that's coming through Nebraska? [CONFIRMATION]

PERRY VAN NEWKIRK: Yes, just know a little bit about it, yes, yeah.
[CONFIRMATION]

SENATOR DUBAS: We have a portion of that that's actually going through some of our farm ground and we have a bill introduced this year. Some landowners are very concerned about the fact that there's...they feel there's really no oversight or no regulatory restrictions or parameters placed around them at the state level. I know they have to comply with a lot of federal issues. [CONFIRMATION]

PERRY VAN NEWKIRK: Yes. Yes. [CONFIRMATION]

SENATOR DUBAS: And so we...I am planning on introducing a resolution to kind of look at that this year... [CONFIRMATION]

PERRY VAN NEWKIRK: Sure. [CONFIRMATION]

SENATOR DUBAS: ...and see if, maybe we need to look at something. Would you have any thoughts about... [CONFIRMATION]

PERRY VAN NEWKIRK: You know, on the pipelines I can tell you the federal government has extraordinary measures to cover these that I don't see it as a state problem, but it really...I know the federal government has extreme restrictions on these pipelines. So I do know that. [CONFIRMATION]

SENATOR DUBAS: Well I know one of the concerns that the landowners have is they

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feel like they wouldn't have anybody to go to that they could...if there were problems or they had concerns or something like that. If it is so much controlled at the federal level, they don't feel like the state would be there to help them out. [CONFIRMATION]

PERRY VAN NEWKIRK: I'm sure there would be somebody to go to, yeah. It may be on the federal level, but there would definitely be somebody. Yeah. [CONFIRMATION]

SENATOR DUBAS: Well as I said, we are going to have an interim study and we'll probably be looking to the Oil and Gas Commission for some input on that. [CONFIRMATION]

PERRY VAN NEWKIRK: Okay. We'll definitely look at it. [CONFIRMATION]

SENATOR DUBAS: All right; thank you. [CONFIRMATION]

SENATOR LANGEMEIER: Other questions? Senator Carlson. [CONFIRMATION]

SENATOR CARLSON: Thank you, Senator Langemeier. Perry, what...how do you assess the gas and oil supply in Nebraska? How extensive is it and what...what does that mean in the future for Nebraska? [CONFIRMATION]

PERRY VAN NEWKIRK: You know Nebraska, you know, you'd like to be optimistic. There are a few rigs running right now. I'm fairly optimistic about the future of the oil and gas industry in Nebraska. There are some fields to be found out there. They just found a new field just 40 miles from Castronics' front door that is just very prolific oil producers. It happens to be in Colorado right now, but it's very close to Nebraska. So we're very optimistic about it. You know, we think there's going to be more oil found; more gas found, so I think the state of it is very good. [CONFIRMATION]

SENATOR CARLSON: So there might even be some pleasant surprises yet. [CONFIRMATION]

PERRY VAN NEWKIRK: Oh sure; especially if you're a landowner, yeah. [CONFIRMATION]

SENATOR CARLSON: Now, in Kimball, Castronics would have a pretty important impact on the economic base in Kimball. [CONFIRMATION]

PERRY VAN NEWKIRK: Yes, we do. [CONFIRMATION]

SENATOR CARLSON: Are there...how's Kimball's population held? [CONFIRMATION]

PERRY VAN NEWKIRK: You know, the oil field is one of the few bright spots in Kimball.

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They're having a tough time just like everybody else. The town itself and Castronics, we're trying to work together to put in a rail spur right now. With that rail spur is an industrial park where there's four or five other businesses that can come in. So we're really, we're really staking a lot on this rail spur, thinking if we get this spur in, not only will it help Castronics, but there will be other businesses that can come in and that will provide for. So Kimball is having a tough time right now. You know, Castronics is one of the bright spots. We've hired between 10 and 12 new people in the last 45 days and I've had just...I think we've had close to 80 applications. So, you know, it's kind of a tough time. [CONFIRMATION]

SENATOR CARLSON: One other question; you grew up in Lewellen. Are you a goose hunter? [CONFIRMATION]

PERRY VAN NEWKIRK: Used to be; not much of a goose hunter any more; too busy. [CONFIRMATION]

SENATOR CARLSON: Okay. All right. Thank you. [CONFIRMATION]

SENATOR LANGEMEIER: Any other questions? I do have one. You talked about that there is some pumping going on in western Nebraska. [CONFIRMATION]

PERRY VAN NEWKIRK: Yes. [CONFIRMATION]

SENATOR LANGEMEIER: Is it strictly the price of a barrel of oil drives that at some level? You pump at some level, you don't; or is that an accessibility sometimes of the year due to water pressure, I mean, it works, it doesn't? [CONFIRMATION]

PERRY VAN NEWKIRK: You know, it kind of depends on the well. Some of them are not economical to pump at low rates; others you have to pump all the time because if you don't pump they'll quit pumping. So it just depends on the well. Right now I think oil is like \$80 a barrel. Probably what they get here is less than that, but it just really depends on the economics of that certain well. When oil was down to \$30, I really don't know many people that quit pumping oil, you know. It still...they've still got to produce some; they still got to have revenue from somewhere, you know. It's not like when oil drops below \$40 they just don't produce; they continue to produce. Just makes it a little more profitable when it's \$80 a barrel. [CONFIRMATION]

SENATOR LANGEMEIER: My next question is the, the Oil and Gas Conservation. Are you familiar with their board; have you been to some of their meetings? I mean... [CONFIRMATION]

PERRY VAN NEWKIRK: I have been. I have been. [CONFIRMATION]

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SENATOR LANGEMEIER: What type of people come in there? I mean, is that landowners coming in, in questioning? Is it new developers coming in? Or who is your clientele on a day to day basis? [CONFIRMATION]

PERRY VAN NEWKIRK: Yeah, you know, I've just been to two meetings and there's...there...the one meeting where the producers and the landowners that were doing a water flood, so we really represent both, producers, the landowners come, you know, basically, as I see the job, is we oversee to make it fair and equitable between the producers and the landowners. So you really deal with, you know, the whole spectrum; not just the producers, but you deal with the landowners and everybody involved. [CONFIRMATION]

SENATOR LANGEMEIER: Very good. Any other questions? Senator Carlson. [CONFIRMATION]

SENATOR CARLSON: Thank you, Senator Langemeier. The response to...see, it bothers me when I see oil wells that aren't pumping. [CONFIRMATION]

PERRY VAN NEWKIRK: Um-hum. [CONFIRMATION]

SENATOR CARLSON: Because it makes you think, well, they've exhausted that supply. And by what you said, that might be true? [CONFIRMATION]

PERRY VAN NEWKIRK: No, some of them can be on timers; some of them will only pump two or three hours a day. There's just not enough reservoir there. If they pump it all the time it will be dry, you know. They might be on a timer where it doesn't pump 24 hours a day; or they could shut them off manually and only run them, you know, six hours a day. Or they could be waiting for a rig to come out and work on them. Maybe there's a hole in the tubing or the rods are broke or something like that. There's a number of reasons why they...you...they may not be pumping. [CONFIRMATION]

SENATOR CARLSON: Well in your response to Senator Langemeier, you talked about not stopping. What was the circumstance again where they just keep pumping? [CONFIRMATION]

PERRY VAN NEWKIRK: They'll produce every day. They won't shut them down for weeks at a time, is what I'm saying. [CONFIRMATION]

SENATOR CARLSON: Okay. Thank you. [CONFIRMATION]

SENATOR LANGEMEIER: Very good. Are there any other questions? Seeing none, thank you very much. You did a great job. [CONFIRMATION]

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PERRY VAN NEWKIRK: You're very welcome, very welcome. [CONFIRMATION]

SENATOR LANGEMEIER: And we appreciate you coming down; that shows to us the commitment to do the job. If you're willing to come down here, you'll go to the meetings. [CONFIRMATION]

PERRY VAN NEWKIRK: My pleasure and thanks for having me. [CONFIRMATION]

SENATOR LANGEMEIER: Can I get a motion to go into Exec Session?
[CONFIRMATION]