

LEGISLATURE OF NEBRASKA
ONE HUNDRED FOURTH LEGISLATURE
SECOND SESSION

LEGISLATIVE BILL 1082

FINAL READING

Introduced by Schilz, 47; Haar, 21; Hadley, 37; Mello, 5; Stinner, 48.

Read first time January 20, 2016

Committee: Natural Resources

1 A BILL FOR AN ACT relating to oil and gas; to amend sections 57-901,
2 57-903, 57-905, 57-911, 57-913, 57-914, 57-915, 57-916, 57-916.01,
3 57-917, 57-918, 57-919, 57-920, 57-921, 57-922, and 81-1531.01,
4 Reissue Revised Statutes of Nebraska; to change and restate intent;
5 to change powers and duties of the Nebraska Oil and Gas Conservation
6 Commission as prescribed; to provide for a periodic injection well
7 fluid analysis and report by certain operators; to harmonize
8 provisions; and to repeal the original sections.
9 Be it enacted by the people of the State of Nebraska,

1 Section 1. Section 57-901, Reissue Revised Statutes of Nebraska, is
2 amended to read:

3 57-901 The purpose of sections 57-901 to 57-923 and section 4 of
4 this act is to permit the development of Nebraska's oil and natural gas
5 resources up to the maximum efficient rate of production while promoting
6 the health, safety, and environment of the residents of Nebraska. It is
7 the public policy of the state and in the public interest to encourage
8 responsible development, production, and utilization of oil and gas
9 natural resources and their products, to prevent waste, to protect the
10 correlative rights of all owners, to encourage and authorize cycling,
11 recycling, pressure maintenance, and secondary recovery operations to
12 obtain the most efficient recovery of oil and gas resources for the
13 highest benefit of landowners, royalty owners, producers, and the general
14 public, and to facilitate open communication with and the participation
15 of the general public and affected local governmental entities ~~It is~~
16 ~~hereby declared to be in the public interest to foster, to encourage and~~
17 ~~to promote the development, production and utilization of natural~~
18 ~~resources of oil and gas in the state in such a manner as will prevent~~
19 ~~waste; to authorize and to provide for the operation and development of~~
20 ~~oil and gas properties in such a manner that the greatest ultimate~~
21 ~~recovery of oil and gas be had; and that the correlative rights of all~~
22 ~~owners be fully protected; and to encourage and to authorize cycling,~~
23 ~~recycling, pressure maintenance and secondary recovery operations in~~
24 ~~order that the greatest possible economic recovery of oil and gas be~~
25 ~~obtained within the state to the end that the landowners, the royalty~~
26 ~~owners, the producers and the general public realize and enjoy the~~
27 ~~greatest possible good from these vital irreplaceable natural resources.~~

28 ~~It is the intent and purpose of sections 57-901 to 57-921 to permit~~
29 ~~each and every oil and gas pool in Nebraska to be produced up to its~~
30 ~~maximum efficient rate of production, subject to the prohibition of waste~~
31 ~~as herein defined and subject further to the enforcement and protection~~

1 ~~of the correlative rights of the owners of a common source of oil or gas~~
2 ~~so that each common owner may obtain his just and equitable share of~~
3 ~~production therefrom.~~

4 Sec. 2. Section 57-903, Reissue Revised Statutes of Nebraska, is
5 amended to read:

6 57-903 As used in sections 57-901 to 57-921 and section 4 of this
7 act, unless the context otherwise requires:

8 (1)(a) Waste, as applied to oil, shall include underground waste,
9 inefficient, excessive, or improper use, or dissipation of reservoir
10 energy, including gas energy and water drive, surface waste, open pit
11 storage, and waste incident to the production of oil in excess of the
12 producer's aboveground storage facilities and lease and contractual
13 requirements, but excluding storage, other than open pit storage,
14 reasonably necessary for building up or maintaining crude stocks and
15 products thereof for consumption, use, and sale; (b) waste, as applied to
16 gas shall include (i) the escape, blowing, or releasing, directly or
17 indirectly, into the open air of gas from wells productive of gas only,
18 or gas from wells producing oil or both oil and gas and (ii) the
19 production of gas in quantities or in such manner as will unreasonably
20 reduce reservoir pressure or unreasonably diminish the quantity of oil or
21 gas that might ultimately be produced, but excluding gas that is
22 reasonably necessary in the drilling, completing, testing, and producing
23 of wells and gas unavoidably produced with oil if it is not economically
24 feasible for the producer to save or use such gas; and (c) waste shall
25 also mean the abuse of the correlative rights of any owner in a pool due
26 to nonuniform, disproportionate, unratable, or excessive withdrawals of
27 oil or gas therefrom causing reasonably avoidable drainage between tracts
28 of land or resulting in one or more owners in such pool producing more
29 than his or her just and equitable share of the oil or gas from such
30 pool;

31 (2) Commission shall mean the Nebraska Oil and Gas Conservation

1 Commission;

2 (3) Person shall mean any natural person, corporation, association,
3 partnership, limited liability company, receiver, trustee, executor,
4 administrator, guardian, fiduciary, or other representative of any kind
5 and any department, agency, or instrumentality of the state or of any
6 governmental subdivision thereof;

7 (4) Oil shall mean crude petroleum oil and other hydrocarbons
8 regardless of gravity which are produced at the wellhead in liquid form
9 and the liquid hydrocarbons known as distillate or condensate recovered
10 or extracted from gas other than gas produced in association with oil and
11 commonly known as casing-head gas;

12 (5) Gas shall mean all natural gas and all other fluid hydrocarbons
13 not defined as oil;

14 (6) Pool shall mean an underground reservoir containing a common
15 accumulation of oil or gas or both, each zone of the structure which is
16 completely separated from any other zone in the same structure is a pool
17 as that term is used in sections 57-901 to 57-921 and section 4 of this
18 act;

19 (7) Field shall mean the general area underlaid by one or more
20 pools;

21 (8) Owner shall mean the person who has the right to drill into and
22 produce from a pool and to appropriate the oil or gas he or she produces
23 therefrom either for himself or herself or for himself or herself and
24 others;

25 (9) Producer shall mean the owner of a well or wells capable of
26 producing oil or gas or both or any person who owns and operates a lease,
27 or a unit of producing leases in which other persons own interests, with
28 respect to such well or wells;

29 (10) Correlative rights shall mean the opportunity afforded to the
30 owner of each property in a pool to produce, so far as it is reasonably
31 practicable to do so without waste, his or her just and equitable share

1 of the oil or gas, or both, in the pool; and

2 (11) The word and shall include the word or, and the word or shall
3 include the word and.

4 Sec. 3. Section 57-905, Reissue Revised Statutes of Nebraska, is
5 amended to read:

6 57-905 (1) The commission shall have jurisdiction and authority over
7 all persons and property, public and private, necessary to enforce
8 effectively the provisions of sections 57-901 to 57-921 and section 4 of
9 this act.

10 (2) The commission shall have authority, and it is its duty, to make
11 such investigations as it deems proper to determine whether waste exists
12 or is imminent or whether other facts exist which justify action by the
13 commission.

14 (3) The commission shall have authority to require: (a)
15 Identification of ownership of oil or gas wells, producing leases, tanks,
16 plants, structures, and facilities for the production of oil and gas; (b)
17 the making and filing of directional surveys, and reports on well
18 location, drilling, and production within six months after the completion
19 or abandonment of the well; (c) the drilling, casing, operating, and
20 plugging of wells in such manner as to prevent the escape of oil or gas
21 out of one stratum into another, the intrusion of water into oil or gas
22 strata, the pollution of fresh water supplies by oil, gas, or salt water,
23 and to prevent blowouts, cave-ins, seepages, and fires; (d) the
24 furnishing of a reasonable bond with good and sufficient surety,
25 conditioned for the performance of the duty to comply with all the
26 provisions of the laws of the State of Nebraska and the rules,
27 regulations, and orders of the commission; (e) that the production from
28 wells be separated into gaseous and liquid hydrocarbons, and that each be
29 accurately measured; (f) the operation of wells with efficient gas-oil
30 and water-oil ratios, and to fix these ratios; (g) metering or other
31 measuring of oil, gas, or product in pipelines or gathering systems; (h)

1 that every person who produces or purchases oil or gas in this state
2 shall keep and maintain or cause to be kept and maintained for a five-
3 year period complete and accurate records of the quantities thereof,
4 which records shall be available for examination by the commission or its
5 agents at all reasonable times, and that every such person file with the
6 commission such reports as it may reasonably prescribe with respect to
7 such oil or gas or the products thereof; ~~and~~ (i) that upon written
8 request of any person, geologic information, well logs, drilling samples,
9 and other proprietary information filed with the commission in compliance
10 with sections 57-901 to 57-921 and section 4 of this act, or any rule,
11 regulation, or order of the commission, may be held confidential for a
12 period of not more than twelve months; (j) periodic sampling and
13 reporting of injection fluids injected into Class II commercial
14 underground injection wells; (k) monitoring of produced water
15 transporters; and (l) periodic evaluation of financial assurance
16 requirements on existing and proposed wells to ensure ability to pay the
17 costs of plugging, abandonment, and surface restoration.

18 (4) The commission is authorized to conduct public informational
19 meetings and forums for public interaction on Class II commercial
20 underground injection well permit applications under the jurisdiction of
21 the commission.

22 (5 4) The commission shall have authority in order to prevent waste,
23 to regulate: (a) The drilling, producing and plugging of wells, or test
24 holes, and all other operations for the production of oil or gas; (b) the
25 shooting and chemical treatment of wells; (c) the spacing of wells; (d)
26 operations to increase ultimate recovery such as, but without limitation,
27 the cycling of gas, the maintenance of pressure, and the introduction of
28 gas, water, or other substances into producing formations; and (e)
29 disposal of oilfield wastes, including salt water.

30 (6 5) The commission shall not have authority to limit the
31 production of oil or gas, or both, from any pool or field except to

1 prevent waste therein.

2 (7 6) The commission shall have authority to classify wells as oil
3 or gas wells for purposes material to the interpretation or enforcement
4 of the provisions of sections 57-901 to 57-921 and section 4 of this act.

5 (8 7) The commission shall have authority to promulgate and to
6 enforce rules, regulations, and orders to effectuate the purposes and the
7 intent of sections 57-901 to 57-921 and section 4 of this act.

8 (9 8) The commission, with the approval of the Governor, shall have
9 authority to establish and maintain its principal office and its books,
10 papers, and records at such place in the state as it shall determine. The
11 commission shall not have authority to purchase its principal office
12 quarters.

13 (10 9) The commission shall have authority to require that all wells
14 drilled for oil and gas shall be adequately logged with mechanical-
15 electrical logging devices, and to require the filing of logs.

16 (11 10) The commission shall have the authority to regulate the
17 drilling and plugging of seismic and stratigraphic tests in oil and gas
18 exploration holes.

19 (12 11) The commission shall have the authority to act as the state
20 jurisdictional agency pursuant to the federal Natural Gas Policy Act of
21 1978, Public Law 95-621, 92 Stat. 3350.

22 (13 12) The commission shall have the authority to have one or more
23 examiners, who are employees of the commission, conduct any of its
24 hearings, investigations, and examinations authorized by sections 57-901
25 to 57-921 and section 4 of this act. Such examiner may exercise the
26 commission's powers including, but not limited to, the taking of evidence
27 and testimony under oath, resolving questions of fact and questions of
28 law, and the entering of an order. Such order shall be entered in the
29 commission's order journal. Any person having an interest in property
30 affected by an order issued by an examiner and who is dissatisfied with
31 such order may appeal to the commission by filing a petition on appeal to

1 the commission within fifteen days of the entering of the examiner's
2 order. Such person shall provide notice to all interested persons by
3 personal service or registered or certified United States mail with
4 return receipt, requiring such parties to answer within fifteen days from
5 the date of service. Upon appeal, the commission shall hear the case de
6 novo on the record and shall not be bound by any conclusions of the
7 examiner. The commission shall hold a hearing on the appeal within forty-
8 five days of the filing of an appeal to the commission and issue its
9 order within fifteen days after the hearing. The commission shall review
10 all orders issued by an examiner that are not appealed and issue an order
11 concerning the examiner's order within sixty days after the examiner's
12 order. The commission shall adopt, amend, or reject the examiner's order.
13 Any order of an examiner which is not appealed to the commission and
14 which the commission adopts shall not be appealable to the district court
15 unless the commission adopts an order before the end of the time for
16 appeal to the commission.

17 (14) The commission shall require, upon receipt of a Class II
18 commercial underground injection well permit application, that notice be
19 provided to the county, city, or village and natural resources district
20 within which the proposed well would be located and shall provide such
21 county, city, or village and natural resources district with copies of
22 all permit application materials.

23 Sec. 4. An operator of a Class II commercial underground injection
24 well shall sample and analyze the fluids injected into each disposal well
25 at sufficiently frequent time intervals to yield data representative of
26 fluid characteristics, but no less frequently than once annually. The
27 operator shall submit a copy of the fluid analysis to the commission.

28 Sec. 5. Section 57-911, Reissue Revised Statutes of Nebraska, is
29 amended to read:

30 57-911 (1) The commission shall prescribe rules and regulations
31 governing the practice and procedure before the commission.

1 (2) No rule, regulation, or order, or amendment thereof, except in
2 an emergency, shall be made by the commission without a public hearing
3 upon at least fifteen days' notice. The public hearing shall be held at
4 such time and place as may be prescribed by the commission, and any
5 interested person shall be entitled to be heard.

6 (3) When an emergency requiring immediate action is found to exist,
7 the commission is authorized to issue an emergency order without notice
8 or hearing which shall be effective upon promulgation. No emergency order
9 shall remain effective for more than twenty days.

10 (4) Any notice required by the provisions of sections 57-901 to
11 57-921 and section 4 of this act, except in proceedings involving a
12 direct complaint by the commission, shall be given at the election of the
13 commission either by personal service, registered or certified mail, or
14 one publication in a newspaper of general circulation in the county where
15 the land affected, or some part thereof, is situated. The notice shall be
16 issued in the name of the state, shall be signed by a member of the
17 commission or its secretary, and shall specify the style and number of
18 the proceedings, the time and place of the hearing, and the purpose of
19 the proceeding. Should the commission notice be by personal service, such
20 service may be made by any officer authorized to serve summons, or by any
21 agent of the commission, in the same manner and extent as is provided by
22 law for the service of summons in civil actions in the district courts of
23 this state. Proof of the service by such agent shall be by his or her
24 affidavit and proof of service by an officer shall be in the form
25 required by law with respect to service of process in civil actions. In
26 all cases where a complaint is made by the commission or the Director of
27 the Nebraska Oil and Gas Conservation Commission that any part of any
28 provision of sections 57-901 to 57-921 and section 4 of this act, or any
29 rule, regulation, or order of the commission is being violated, notice of
30 the hearing to be held on such complaint shall be served on the
31 interested parties in the same manner as is provided in the code of civil

1 procedure for the service of process in civil actions in the district
2 courts of this state. In addition to notices required by this section,
3 the commission may provide for further notice of hearing in such
4 proceedings as it may deem necessary in order to notify all interested
5 persons of the pendency of such proceedings and the time and place of
6 hearing and to afford such persons an opportunity to appear and be heard.

7 (5) All rules, regulations, and orders issued by the commission
8 shall be in writing, shall be entered in full and indexed in books to be
9 kept by the commission for that purpose, shall be public records open for
10 inspection at all times during reasonable office hours, and shall be
11 filed as provided by the Administrative Procedure Act. A copy of any
12 rule, regulation, or order certified by any member of the commission, or
13 its secretary, under its seal, shall be received in evidence in all
14 courts of this state with the same effect as the original.

15 (6) The commission may act upon its own motion or upon the petition
16 of any interested person. On the filing of a petition concerning any
17 matter within the jurisdiction of the commission, the commission shall
18 promptly fix a date for a hearing thereon, and shall cause notice of the
19 hearing to be given. The hearing shall be held without undue delay after
20 the filing of the petition. The commission shall enter its order within
21 thirty days after the hearing.

22 (7) A petition filed with the commission for a public hearing shall
23 be accompanied by a filing fee of two hundred fifty dollars.

24 Sec. 6. Section 57-913, Reissue Revised Statutes of Nebraska, is
25 amended to read:

26 57-913 Any person having an interest in property affected by and who
27 is dissatisfied with any rule, regulation, or order made or issued under
28 sections 57-901 to 57-921 and section 4 of this act may appeal the rule,
29 regulation, or order, and the appeal shall be in accordance with the
30 Administrative Procedure Act.

31 Sec. 7. Section 57-914, Reissue Revised Statutes of Nebraska, is

1 amended to read:

2 57-914 (1) No temporary restraining order or injunction of any kind
3 against the commission or its agents, employees or representatives, or
4 the Attorney General, shall become operative unless and until the
5 plaintiff party shall execute and file with the clerk of the district
6 court a bond in such amount and upon such conditions as the court issuing
7 such order or injunction may direct, with surety approved by the clerk of
8 the district court thereof. The bond shall be made payable to the State
9 of Nebraska, and shall be for the use and benefit of all persons who may
10 be and to the extent that they shall suffer injury or damage by any acts
11 done under the protection of the restraining order or injunction, if the
12 same should not have issued. No suit on the bond may be brought after six
13 months from the date of the final determination of the suit in which the
14 restraining order or injunction was issued.

15 (2) Any suit, action, or other proceedings based upon a violation of
16 any of the provisions of sections 57-901 to 57-921 and section 4 of this
17 act shall be commenced within one year from the date of the violation
18 complained of.

19 Sec. 8. Section 57-915, Reissue Revised Statutes of Nebraska, is
20 amended to read:

21 57-915 (1) Any person who violates any provision of sections 57-901
22 to 57-921 and section 4 of this act, or any rule, regulation or order of
23 the commission shall be guilty of a Class II misdemeanor. Each day that
24 such violation continues shall constitute a separate offense.

25 (2) If any person, for the purpose of evading the provisions of
26 sections 57-901 to 57-921 and section 4 of this act, or any rule,
27 regulation or order of the commission, shall make or cause to be made any
28 false entry or statement in a report required by the provisions of
29 sections 57-901 to 57-921 and section 4 of this act, or by any such rule,
30 regulation or order, or shall make or cause to be made any false entry in
31 any record, account or memorandum required by the provisions of sections

1 57-901 to 57-921 and section 4 of this act, or by any such rule,
2 regulation or order, or shall remove from this state or destroy,
3 mutilate, alter or falsify any such record, account or memorandum, such
4 person shall be guilty of a Class II misdemeanor.

5 (3) Any person knowingly aiding or abetting any other person in the
6 violation of any provision of sections 57-901 to 57-921 and section 4 of
7 this act, or any rule, regulation or order of the commission shall be
8 subject to the same penalty as that prescribed by the provisions of
9 sections 57-901 to 57-921 and section 4 of this act for the violation by
10 such other person.

11 (4) The penalties provided in this section shall be recoverable by
12 suit filed by the Attorney General in the name and on behalf of the
13 commission, in the district court of the county in which the defendant
14 resides, or in which any defendant resides, if there be more than one
15 defendant, or in the district court of any county in which the violation
16 occurred. The payment of any such penalty shall not operate to relieve a
17 person on whom the penalty is imposed from liability to any other person
18 for damages arising out of such violation.

19 Sec. 9. Section 57-916, Reissue Revised Statutes of Nebraska, is
20 amended to read:

21 57-916 (1) Whenever it appears that any person is violating or
22 threatening to violate any provision of sections 57-901 to 57-921 and
23 section 4 of this act, or any rule, regulation or order of the
24 commission, the commission shall bring suit against such person in the
25 district court of any county where the violation occurs or is threatened,
26 to restrain such person from continuing such violation or from carrying
27 out the threat of violation. Upon the filing of any such suit, summons
28 issued to such person may be directed to the sheriff of any county in
29 this state for service by such sheriff or his deputies. In any such suit,
30 the court shall have jurisdiction and authority to issue, without bond or
31 other undertaking, such prohibitory and mandatory injunctions as the

1 facts may warrant.

2 (2) If the commission shall fail to bring suit to enjoin a violation
3 or threatened violation of any provision of sections 57-901 to 57-921 and
4 section 4 of this act, or any rule, regulation, or order of the
5 commission, within ten days after receipt of written request to do so by
6 any person who is or will be adversely affected by such violation, the
7 person making such request may bring suit in his own behalf to restrain
8 such violation or threatened violation in any court in which the
9 commission might have brought suit. The commission shall be made a party
10 defendant in such suit in addition to the person violating or threatening
11 to violate a provision of sections 57-901 to 57-921 and section 4 of this
12 act, or a rule, regulation or order of the commission, and the action
13 shall proceed and injunctive relief may be granted in the same manner as
14 if suit had been brought by the commission; Provided, that in such event
15 the person bringing suit shall be required to give bond in accordance
16 with the rules of civil procedure in the district courts.

17 Sec. 10. Section 57-916.01, Reissue Revised Statutes of Nebraska, is
18 amended to read:

19 57-916.01 (1) In addition to the penalties prescribed in section
20 57-915, any person who violates any provision of sections 57-901 to
21 57-921 and section 4 of this act, any rule, regulation, or order of the
22 commission, or any term, condition, or limitation of any permit issued
23 pursuant to such sections, rule, regulation, or order may be subject to a
24 civil penalty imposed by the commission of not to exceed one thousand
25 dollars. No civil penalty shall be imposed until written notice is sent
26 pursuant to subsection (2) of this section and a period of ten days has
27 elapsed in which the person may come into compliance if possible. If any
28 violation is a continuing one, each day a violation continues after such
29 ten-day period shall constitute a separate violation for the purpose of
30 computing the applicable civil penalty. The commission may compromise,
31 mitigate, or remit such penalties.

1 (2) Whenever the commission intends to impose a civil penalty under
2 this section, the commission shall notify the person in writing (a)
3 setting forth the date, facts, and nature of each violation with which
4 the person is charged, (b) specifically identifying the particular
5 provision or provisions of the section, rule, regulation, order, or
6 permit involved in the violation, and (c) specifying the amount of each
7 penalty which the commission intends to impose. Such written notice shall
8 be sent by registered or certified mail to the last-known address of such
9 person. The notice shall also advise such person of his or her right to a
10 hearing and that failure to pay any civil penalty subsequently imposed by
11 the commission will result in a civil action by the commission to collect
12 such penalty. The person so notified may, within thirty days of receipt
13 of such notice, submit a written request for a hearing to review any
14 penalty to be imposed by the commission. A hearing shall be held in
15 accordance with the Administrative Procedure Act, and any person upon
16 whom a civil penalty is subsequently imposed may appeal such penalty
17 pursuant to such act. On the request of the commission, the Attorney
18 General or county attorney may institute a civil action to collect a
19 penalty imposed pursuant to this section.

20 Sec. 11. Section 57-917, Reissue Revised Statutes of Nebraska, is
21 amended to read:

22 57-917 To enable the commission to carry out its duties and powers
23 under the laws of this state with respect to conservation of oil and gas
24 and to enforce sections 57-901 to 57-921 and section 4 of this act and
25 the rules and regulations so prescribed, the commission shall employ one
26 chief administrator who shall not be a member of the commission and who
27 shall be known as the Director of the Nebraska Oil and Gas Conservation
28 Commission, and as such he or she shall be charged with the duty of
29 administering and enforcing the provisions of sections 57-901 to 57-921
30 and section 4 of this act and all rules, regulations, and orders
31 promulgated by the commission, subject to the direction of the

1 commission. The director shall be a qualified petroleum engineer with not
2 less than three years' actual field experience in the drilling and
3 operation of oil and gas wells. Such director shall hold office at the
4 pleasure of the commission and receive a salary to be fixed by the
5 commission. The director, with the concurrence of the commission, shall
6 have the authority, and it shall be his or her duty, to employ assistants
7 and other employees necessary to carry out the provisions of sections
8 57-901 to 57-921 and section 4 of this act. The director shall be ex
9 officio secretary of the Nebraska Oil and Gas Conservation Commission and
10 shall keep all minutes and records of the commission. The director shall,
11 as secretary, be bonded or insured as required by section 11-201. The
12 premium shall be paid by the State of Nebraska. The director and other
13 employees of the commission performing duties authorized by sections
14 57-901 to 57-921 and section 4 of this act shall be paid their necessary
15 traveling and living expenses when traveling on official business at such
16 rates and within such limits as may be fixed by the commission, subject
17 to existing laws.

18 Sec. 12. Section 57-918, Reissue Revised Statutes of Nebraska, is
19 amended to read:

20 57-918 The Attorney General shall be the attorney for the Nebraska
21 Oil and Gas Conservation Commission; Provided, that in cases of emergency
22 or in other special cases the commission may, with the consent of the
23 Attorney General retain additional legal counsel, and for such purpose
24 may use any funds available under the provisions of sections 57-901 to
25 57-921 and section 4 of this act. Any member of the commission, or the
26 secretary thereof, shall have the power to administer oaths to any
27 witness in any hearing, investigation or proceeding contemplated by
28 sections 57-901 to 57-921 and section 4 of this act or by any other law
29 of this state relating to the conservation of oil and gas.

30 Sec. 13. Section 57-919, Reissue Revised Statutes of Nebraska, is
31 amended to read:

1 57-919 (1) All money collected by the Tax Commissioner or the
2 commission or as civil penalties under sections 57-901 to 57-921 and
3 section 4 of this act shall be remitted to the State Treasurer for credit
4 to a special fund to be known as the Oil and Gas Conservation Fund.
5 Expenses incident to the administration of such sections shall be paid
6 out of the fund. Transfers may be made from the fund to the General Fund
7 at the direction of the Legislature. Any money in the Oil and Gas
8 Conservation Fund available for investment shall be invested by the state
9 investment officer pursuant to the Nebraska Capital Expansion Act and the
10 Nebraska State Funds Investment Act.

11 (2) There is hereby levied and assessed on the value at the well of
12 all oil and gas produced, saved, and sold or transported from the
13 premises in Nebraska where produced a charge not to exceed fifteen mills
14 on the dollar. The commission shall by order fix the amount of such
15 charge in the first instance and may, from time to time, reduce or
16 increase the amount thereof as in its judgment the expenses chargeable
17 against the Oil and Gas Conservation Fund may require, except that the
18 amounts fixed by the commission shall not exceed the limit prescribed in
19 this section. It shall be the duty of the Tax Commissioner to make
20 collection of such assessments. The persons owning an interest, a working
21 interest, a royalty interest, payments out of production, or any other
22 interest in the oil and gas, or in the proceeds thereof, subject to the
23 charge provided for in this section shall be liable to the producer for
24 such charge in proportion to their ownership at the time of production.
25 The producer shall, on or before the last day of the month next
26 succeeding the month in which the charge was assessed, file a report or
27 return in such form as prescribed by the commission and Tax Commissioner
28 together with all charges due. In the event of a sale of oil or gas
29 within this state, the first purchaser shall file this report or return
30 together with any charges then due. If the final filing date falls on a
31 Saturday, Sunday, or legal holiday, the next secular or business day

1 shall be the final filing date. Such reports or returns shall be
2 considered filed on time if postmarked before midnight of the final
3 filing date. Any such charge not paid within the time herein specified
4 shall bear interest at the rate specified in section 45-104.02, as such
5 rate may from time to time be adjusted, from the date of delinquency
6 until paid, and such charge together with the interest shall be a lien as
7 provided in section 57-702. The Tax Commissioner shall charge and collect
8 a penalty for the delinquency in the amount of one percent of the charge
9 for each month or part of the month that the charge has remained
10 delinquent, but in no event shall the penalty be more than twenty-five
11 percent of the charge. The Tax Commissioner may waive all or part of the
12 penalty provided in this section but shall not waive the interest. The
13 person remitting the charge as provided in this section is hereby
14 authorized, empowered, and required to deduct from any amounts due the
15 persons owning an interest in the oil and gas or in the proceeds thereof
16 at the time of production the proportionate amount of such charge before
17 making payment to such persons. This subsection shall apply to all lands
18 in the State of Nebraska, anything in section 57-920 to the contrary
19 notwithstanding, except that there shall be exempted from the charge
20 levied and assessed in this section the following: (a) The interest of
21 the United States of America and the interest of the State of Nebraska
22 and the political subdivisions thereof in any oil or gas or in the
23 proceeds thereof; (b) the interest of any Indian or Indian tribe in any
24 oil or gas or in the proceeds thereof produced from land subject to the
25 supervision of the United States; and (c) oil and gas used in producing
26 operations or for repressuring or recycling purposes. All money so
27 collected shall be remitted to the State Treasurer for credit to the Oil
28 and Gas Conservation Fund and shall be used exclusively to pay the costs
29 and expenses incurred in connection with the administration and
30 enforcement of sections 57-901 to 57-921 and section 4 of this act.

31 Sec. 14. Section 57-920, Reissue Revised Statutes of Nebraska, is

1 amended to read:

2 57-920 The State of Nebraska being a sovereign state and not
3 disposed to jeopardize or surrender any of its sovereign rights, sections
4 57-901 to 57-921 and section 4 of this act shall apply to all lands in
5 the State of Nebraska lawfully subject to its police powers, except ;
6 ~~Provided~~, it shall apply to lands of the United States or to lands
7 subject to the jurisdiction of the United States only to the extent that
8 control and supervision of conservation of oil and gas by the United
9 States on its lands shall fail to effect the intent and purposes of
10 sections 57-901 to 57-921 and section 4 of this act and otherwise shall
11 apply to such lands to such extent as an officer of the United States
12 having jurisdiction, or his or her duly authorized representative, shall
13 approve any of the provisions of sections 57-901 to 57-921 and section 4
14 of this act or the order or orders of the commission which affects such
15 lands, and ; ~~and provided further~~, the same shall apply to any lands
16 committed to a unit agreement approved by the Secretary of the Interior
17 of the United States, or his or her duly authorized representative,
18 except that the commission may, under such unit agreements, suspend the
19 application of the provisions of sections 57-901 to 57-921 and section 4
20 of this act or any part of sections 57-901 to 57-921 and section 4 of
21 this act so long as the conservation of oil and gas and the prevention of
22 waste, as provided in sections 57-901 to 57-921 and section 4 of this
23 act, is accomplished thereby but such suspension shall not relieve any
24 operator from making such reports as are necessary or advised to be fully
25 informed as to operations under such agreement and as the commission may
26 require under the provisions of sections 57-901 to 57-921 and section 4
27 of this act.

28 Sec. 15. Section 57-921, Reissue Revised Statutes of Nebraska, is
29 amended to read:

30 57-921 Notwithstanding anything heretofore contained in sections
31 57-901 to 57-921 and section 4 of this act, the Nebraska Oil and Gas

1 Conservation Commission shall have no authority to establish, fix or in
2 any way control the price or value of oil, gas, other hydrocarbon
3 substances or any of the products or component parts thereof.

4 Sec. 16. Section 57-922, Reissue Revised Statutes of Nebraska, is
5 amended to read:

6 57-922 There is hereby created in the state treasury a special fund
7 to be known as the Oil and Gas Conservation Trust Fund. All sums of money
8 received by the Nebraska Oil and Gas Conservation Commission, in a manner
9 other than as provided in sections 57-901 to 57-921 and section 4 of this
10 act, shall be paid into the state treasury and the State Treasurer shall
11 deposit the money in the Oil and Gas Conservation Trust Fund. The State
12 Treasurer shall disburse the money in the trust fund as directed by
13 resolution of the Nebraska Oil and Gas Conservation Commission. All
14 disbursements for the fund shall be made upon warrants drawn by the
15 Director of Administrative Services. Any money in the fund available for
16 investment shall be invested by the state investment officer pursuant to
17 the Nebraska Capital Expansion Act and the Nebraska State Funds
18 Investment Act.

19 Sec. 17. Section 81-1531.01, Reissue Revised Statutes of Nebraska,
20 is amended to read:

21 81-1531.01 Nothing in the Environmental Protection Act shall be
22 construed to apply to any wells or holes covered by sections 57-901 to
23 57-922 and section 4 of this act.

24 Sec. 18. Original sections 57-901, 57-903, 57-905, 57-911, 57-913,
25 57-914, 57-915, 57-916, 57-916.01, 57-917, 57-918, 57-919, 57-920,
26 57-921, 57-922, and 81-1531.01, Reissue Revised Statutes of Nebraska, are
27 repealed.