

Transcript Prepared by Clerk of the Legislature Transcribers Office
Natural Resources Committee February 22, 2018

SENATOR HUGHES: [00:00:35] I do have 1:30 on my phone, so we will open the hearing. Welcome to the Natural Resources Committee. I am Senator Dan Hughes. I am from the Venango, Nebraska, and I represent the 44th Legislative District. I serve as Chairman of this committee. The committee will take up the bills in the order posted. Our hearing today is your public part of the legislative process. This is your opportunity to express your position on proposed legislation before us today. The committee members may come and go during the hearing; this is just part of the process as we have bills to introduce in other committees. I ask you to abide by the following procedures to better facilitate today's proceedings. Please silence or turn off your cell phones. Please move to the-- introducers will make initial statements followed by proponents, opponents, and neutral testimony. Closing remarks are reserved for the introducing senator only. If you are planning to testify, please pick up a green sign-in sheet that is at the table at the back of the room. Please fill out the green sign-in sheet before you testify; please print, and it is important to complete the form in its entirety. When it is your turn to testify, please give the sign-in sheet to the committee clerk or to the page, this will help us make a more accurate public record. If you do not wish to testify today but would like to record your name as being present at the hearing, there is a separate white sheet on the table that you can sign in for that purpose. This will be part of the official record of the hearing. If you have handouts, please make sure you have 12 copies and give them to the page when you come up to testify and they will be distributed to the committee. When you come up to testify, please speak clearly into the microphone. Tell us your name, and please spell your first and last name to ensure we get an accurate record. We will be using the light system for all testifiers. You will have five minutes to make your initial remarks to the committee. When you see the yellow light come on, that means you have one minute remaining, and the red light indicates your time has ended and you need to wrap it up. Committee's from the-- questions from the committee may follow. No displays of support or opposition to a bill, vocal or otherwise, are allowed at a public hearing. The committee members with us today will introduce themselves beginning on my left.
[00:02:49] [133.5]

SENATOR QUICK: [00:02:50] Dan Quick, District 35, Grand Island.
[00:02:52] [1.3]

SENATOR WALZ: [00:02:53] Lynne Walz, District 15, Dodge County.
[00:02:53] [0.8]

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SENATOR HUGHES: [00:02:55] And on my right. [00:02:56][0.5]

SENATOR ALBRECHT: [00:02:57] Hi. Joni Albrecht from District 17, Thurston, Wayne, and Dakota Counties in northeast Nebraska. Welcome. [00:02:57][0.1]

SENATOR McCOLLISTER: [00:03:04] John McCollister, District 20, central Omaha. [00:03:05][1.5]

SENATOR BOSTELMAN: [00:03:07] Bruce Bostelman, District 23, Butler, Saunders, and majority of Colfax Counties. [00:03:12][4.8]

SENATOR HUGHES: [00:03:13] To my left is committee legal counsel, Laurie Lage; and to my far right is committee clerk, Mandy Mizerski. Our page for the committee today is Lee-Ann Sims from Lincoln. She is a junior at UNL studying political science and global studies. So with that we will turn to our first gubernatorial appointment; and we have Mr. Robert Goodwin on the phone with us. Thank you for hanging on, Mr. Goodwin. If you would like to give us-- this is a reappointment to the Nebraska Oil and Gas Commission. And if you would like to take a moment to just give us a very brief background of yourself and why you want to be reappointed to the oil and gas commission. [00:03:52][39.2]

ROBERT GOODWIN: [00:03:56] Thank you, Mr. Chairman. Am I good to go? [00:03:59][2.9]

SENATOR HUGHES: [00:03:59] Yes, you're good to go. [00:04:00][0.6]

ROBERT GOODWIN: [00:04:01] Okay. This is Robert Prescott Goodwin, R-o-b-e-r-t G-o-o-d-w-i-n. I was born and raised in Sidney, Nebraska. I graduated from Sidney High School in 1974; and in 1978 I received a Bachelor of Science at the University of Nebraska in Lincoln in agriculture. In 1981, I received a Juris Doctorate degree from the University of Nebraska, College of Law, and I was admitted to the Nebraska bar in 1982. I started my work, really, as the Deputy County Attorney in Keith County, Nebraska, where I served in that capacity from 1982 to 1985. I also was the county attorney in Arthur, Nebraska,-- Arthur County and that was from 1983 to 1985. I became the county attorney in Cheyenne County, Nebraska, having been appointed in 1985, and then elected in 1986. Currently, I am an attorney shareholder of the law firm of Sinntag, Goodwin, and Leef, P.C. where I've been working since about-- since I came back-- or since I left the county attorney's office in 1989. I guess that I'm interested in serving on the Nebraska Oil and Gas Conservation Commission for the reason that my experience and background in agriculture, I've always been interested in making sure that the correlated rights of others

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are respected; that the footprint left by wells, oil and gas wells, is returned to its agricultural use. And really that was my motivating factor of getting on the commission, which I did in 19, excuse me, 2013. I was chairman of that commission from that point until this year when Mr. John Rundel was appointed as, elected actually, as chair of that commission. So I think that gives you a little bit of background as to me. Obviously again, I'm interested in making sure that wells are plugged and abandoned. I think it's important that we do permit the development of Nebraska oil and natural gas in the state of Nebraska to the best extent or to entice rate of production as specified in Section 57-901. In this regard, it's critically important to me that we promote the health and safety and environmental concerns of the residents of the state of Nebraska and that the recovery of oil be for the highest benefit of the landowners, the royalty owners and producers involved with the well, but most importantly to the general public. All of this is set forth in our purposes in 57-901. I don't know if there is anything further you would like me to add.

[00:07:41][220.3]

SENATOR HUGHES: [00:07:43] Thank you, Mr. Goodwin. Are there any questions from the committee of Mr. Goodwin? Seeing none, you did a very good job. If you want to hold on for just a second, I will ask if there is anyone who wishes to testify in support of the reappointment of Mr. Goodwin. Seeing no one, is there anyone wishing to testify in opposition to the reappointment of Mr. Goodwin? Seeing no one, is there anyone who wishes to offer neutral testimony for the reappointment of Mr. Goodwin to the oil and gas commission? Seeing none, that will close our hearing. Thank you, Mr. Goodwin, we appreciate your willingness to serve and sorry you could not be here in person today, but look forward to meeting you at some point in time. Thank you. [00:08:27][44.8]

ROBERT GOODWIN: [00:08:28] And I do want to thank the commission for allowing me to testify telephonically today. It would have been a hardship for me to get there in light of other work that I had actually yesterday and today. So I do very much appreciate your allowing me to testify in this manner. Thank all of the members.

[00:08:52][23.7]

SENATOR HUGHES: [00:08:52] Thank you, Mr. Goodwin. Have a good day.

[00:08:53][1.4]

ROBERT GOODWIN: [00:08:55] Bye. [00:08:55][0.0]

SENATOR HUGHES: [00:08:55] Okay, we will close that. We will open the hearing for the reappointment of Thomas Oliver to the Nebraska Oil and

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Gas Commission. We'd like to have-- come up-- come up and have a chair, Mr. Oliver. And same thing, just kind of give us a little background about yourself and why you like being on the oil and gas commission. Welcome. [00:09:14][18.9]

THOMAS OLIVER: [00:09:15] Thank you, Chairman and senators, thank you for the opportunity to appear in person. I appreciate the opportunity to appear telephonically, I'm from Bridgeport, but I think it's important in a couple of reasons. One is so you can put a face with the name; and two, maybe would be an easier situation to ask questions, if you do have questions. I would like to give a little bit of my background to show that I am qualified to serve. And also I'd like to make a couple of comments about the commission that might be helpful; you may already know this, but I thought it might be helpful too after having served on it for a while. First of all, I got my law degree from the University of Nebraska, College of Law; went to Colorado and practiced in a small firm for a couple of years before I had the opportunity to join Chevron USA in Denver. After a few years with Chevron, Chevron acquired Gulf Oil Corporation and made some changes. And so subsequently we moved to Houston and spent a number of years there with Chevron. Among other things that I handled at Chevron was I represented them at the Federal Energy Regulatory Commission in Washington D.C. and before the California Public Utilities Commission in San Francisco. Guess it was 1996 that I had an opportunity to join a smaller oil and gas company with expanded responsibilities, that was Seagull Energy Corporation. I enjoyed working with those people back in 1998. My wife and I started discussing kind of our life in Houston. I was spending 75 minutes each way commuting. We had daughters that were just coming into high school. I wanted to be available to participate in their lives more fully. And so we kind of started looking at smaller community and decided to come back to Nebraska where we had aging parents and maybe more opportunities to be involved in community activities and in our daughters' lives. And so we moved back to my hometown of Bridgeport, which is quite a change for them; and my wife is a native of Lincoln, so that it was closer to all the family up here so. We opened a private law office there and it's just been very busy since then. Mr. Sydow contacted me about the opportunity to serve on the oil and gas commission, and with my background I thought this would be an interesting opportunity. I believe in giving back to your state, to the people, and this is one way to serve. My time in a private practice as one of the aspects of that has been representing ranchers and farmers in land issues, oil and gas lease negotiations. So I've had the opportunity to both see it from a corporation, from a business perspective, but also for the last number of years for talking to farmers and ranchers understanding the

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issues that they face with operations on their property and the impact that I'm particularly interested in is making sure the surface has been protected, the water has been protected. Part of my private practice has been involved in litigation about surface water rights and led to some big decisions in Nebraska how surface water and groundwater interact, so I do have an interest. Just a couple comments I would like to share about the commission, we act as a quasi-judicial body, meaning that we hear testimony. We use the rules of evidence to look at that evidence; we apply the law and the regulations that are in place to make sure that that an applicant has met the test that have been laid down in the law and the regulations. It isn't a public policy committee. It is-- we don't operate on emotion or what the public sentiment may be; it's based on what the law is. And so it's important to us to evaluate, make sure the evidence is there, that procedure is followed, and that's what we've tried to adhere to. I really appreciate my co-commissioners, Mr. John Rundel, who's here; Mr. Goodwin, who is back in Sidney, that they have that same philosophy and we really try to do our best to comply with the law, follow through and yet use our consciousness too make sure what we're doing is right. The other thing I did want to mention too was I want to just impress upon you how professional and experienced and diligent the commission staff is in Sidney. You know there's nobody looking over their shoulders. They do a good job. They-- we have an outstanding data system that they've all helped in putting together. Director Sydow, who's sitting back here, when we had the hearing on the Sioux County disposal well, took call after call after call from people inquiring, explaining the process; willing to educate them on the protections that were in place, what the law required, and then made himself available for any kind of educational opportunities before public meetings if people are interested. That's why I want to make sure-- because we are located in Sidney that you knew would a great staff that there is out there and how hard they work to serve the state of Nebraska. I guess I just would like to continue in the position of commissioner to further that professionalism and the knowledge that we bring in serving Nebraska. [00:15:38][383.6]

SENATOR HUGHES: [00:15:40] Okay, thank you, Mr. Oliver. Are there any questions? Senator Albrecht. [00:15:42][1.9]

SENATOR ALBRECHT: [00:15:46] Thank you, Chairman Hughes. Well thank you for your service. There's only two of you on this commission? [00:15:49][3.1]

THOMAS OLIVER: [00:15:49] Three. [00:15:49][0.0]

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SENATOR ALBRECHT: [00:15:50] Three, and two of you are up.
[00:15:54][3.5]

THOMAS OLIVER: [00:15:54] Yeah. Mr. Rundel, right here is the third commissioner. [00:15:54][0.3]

SENATOR ALBRECHT: [00:15:55] Okay, very good. So the office is in Sidney? [00:15:59][4.0]

THOMAS OLIVER: [00:16:01] That's right. [00:16:01][0.2]

SENATOR ALBRECHT: [00:16:01] And so there's like a director, you said; who is here as well. [00:16:04][2.3]

THOMAS OLIVER: [00:16:04] Yes, Mr. Sydow right here. [00:16:04][0.4]

SENATOR ALBRECHT: [00:16:05] Okay. And how many times would you say a year you have cases to be heard or how often do you meet?
[00:16:14][8.8]

THOMAS OLIVER: [00:16:14] Well, it varies on the price of oil, for one thing; how much activity is going on; what programs, what success has been. Sometimes it's every other month, sometimes it's been several months in a row. When the Sioux County disposal well came up, we had several hearings within that time period. Part of what I think we took upon ourselves was during that time was to be studying the evidence, writing up the order that was prepared. So there are times of hearings and there's time for preparation before and afterwards too.
[00:16:56][42.0]

SENATOR ALBRECHT: [00:16:56] Okay, very good. So if there's new wells or old ones to be taken out, do you have to oversee that as well?
[00:17:04][7.5]

THOMAS OLIVER: [00:17:05] Well, through the director, he'll bring the programs and the-- and we'll talk about it in our meetings and have our input, discuss the pros and cons of those issues, know what places may be problems, when operators may be having issues with performing their duties and set up programs, just as Mr. Goodwin indicated about plugged wells. It's important that we not leave those wells out there.
[00:17:35][30.5]

SENATOR ALBRECHT: [00:17:37] Well, I happened to have a really great breakfast today, and I heard very good things about what you all do, so thanks for your service. [00:17:42][5.0]

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THOMAS OLIVER: [00:17:43] Well, thank you very much. [00:17:43][0.3]

SENATOR HUGHES: [00:17:45] Any additional questions? Senator McCollister. [00:17:45][0.2]

SENATOR McCOLLISTER: [00:17:46] Yeah, and thank you for your service and appearance here today. How big is the staff that does some of the inspections? [00:17:55][9.0]

THOMAS OLIVER: [00:17:57] Well, Mr. Sydow can comment on that better, but I'm thinking we have three. [00:18:02][4.6]

AUDIENCE MEMBER: [00:18:11] [Inaudible]. [00:18:11][0.0]

SENATOR McCOLLISTER: [00:18:11] So when a well is either opened up or closed, generally a staff member will go out and see how well it's done. Is that the way it works? [00:18:18][7.1]

THOMAS OLIVER: [00:18:18] Well, there's certainly a procedure that they have to follow through and comply and check that site. [00:18:24][5.3]

SENATOR McCOLLISTER: [00:18:25] Is there much drilling activity in Nebraska at this point? [00:18:28][3.2]

THOMAS OLIVER: [00:18:29] Well, there is actually in southwest Nebraska; it has been for a while, even with lower prices. Some fines have eliminated more, more activity, so; not so much in the Panhandle, which was traditionally, in part, the reason why Sidney was the location for the oil and gas commission too. That-- as-- as with anything, as prices go up, then it becomes more economical for people to revisit those. [00:19:02][32.8]

SENATOR McCOLLISTER: [00:19:03] Makes sense; thank you very much. [00:19:04][0.1]

SENATOR HUGHES: [00:19:08] Okay, any additional questions? Senator Bostelman. [00:19:10][1.5]

SENATOR BOSTELMAN: [00:19:09] Thank you, Mr. Chairman. Can you tell me a little bit more about your practice? [00:19:11][1.8]

THOMAS OLIVER: [00:19:14] About my practice? [00:19:15][0.2]

SENATOR BOSTELMAN: [00:19:15] Your law practice. [00:19:15][0.0]

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THOMAS OLIVER: [00:19:15] Well yes, yes, in a small town it's kind of whatever comes in the door. But I do admit a little bit in the fact I don't do bankruptcies or divorces, and it has centered around a lot of real estate and a certain amount of oil and gas that working with families on matters for estate planning, and wills, and trust, and formation of corporations, and limited liability companies and things like that. So it's kind of what you imagined as more rural communities the needs that are there and try to help. And I had to kind of reinvent myself as a corporate lawyer to adopt to that circumstances, so. [00:20:00][45.3]

SENATOR BOSTELMAN: [00:20:00] Sure. Have you ran into any areas where you felt you would have a conflict being on the commission with any of your clients? And if so, how did you handle that? [00:20:13][12.9]

THOMAS OLIVER: [00:20:14] I have not. I have some cases that I'm not handling now that involves some oil and gas matters. And, of course, I would recuse myself if those issues would come up, but I think it's-- well it's certainly in the attorney's code of ethics, and some you might be surprised that attorneys actually have a code of ethics, but we do. But it's to avoid even the appearance of impropriety. So the same thing on the commission, I wouldn't want anything that would look like that would taint my decisions at all. [00:20:46][32.0]

SENATOR BOSTELMAN: [00:20:47] Appreciate that, Mr. Oliver, and thank you for coming in today. [00:20:50][2.3]

THOMAS OLIVER: [00:20:50] Thank you. [00:20:50][0.2]

SENATOR HUGHES: [00:20:52] Any additional questions? I do have a couple. Senator Bostelman brought up your practice. To what-- what-- what would-- and know if you're not uncomfortable, if you're not comfortable answering you don't have to, you know, what would be your standard per hour fee for being an attorney? [00:21:06][14.7]

THOMAS OLIVER: [00:21:07] It's a 175 an hour. [00:21:08][1.5]

SENATOR HUGHES: [00:21:09] Okay. I think that's good. The only red flag that I saw on your application, and it is a big one, is under the references you have a Steve Erdman as a reference. [00:21:20][10.7]

SENATOR ALBRECHT: [00:21:20] I didn't see that. [00:21:20][0.0]

SENATOR HUGHES: [00:21:24] That may have an impact. I can't speak for the committee. [00:21:27][3.4]

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THOMAS OLIVER: [00:21:27] I've got a red pen here, I can--
[00:21:27][0.0]

SENATOR HUGHES: [00:21:30] Would you like to put somebody else in
right quick? [00:21:34][3.1]

THOMAS OLIVER: [00:21:34] No, I'm glad to acknowledge Senator Erdman
as a friend. [00:21:37][3.7]

SENATOR HUGHES: [00:21:39] Oh, you're not helping, quit digging. Okay,
are there any other questions for Mr. Goodwin-- or Mr. Oliver, I'm
sorry, Mr. Oliver? Seeing none, that will-- we appreciate you coming.
[00:21:49][9.8]

THOMAS OLIVER: [00:21:50] I would like to add one more thing. I just
also want to just acknowledge Ms. Mizerski's tremendous help in
organizing things, communicating, let we know where and when and been
so helpful and I just want you to all know what a person she is.
[00:22:07][17.4]

SENATOR HUGHES: [00:22:07] The Natural Resources Committee does have
the best staff of any committee in the Legislature. [00:22:10][3.2]

THOMAS OLIVER: [00:22:10] You have, good for you. [00:22:10][0.0]

SENATOR HUGHES: [00:22:12] Absolutely. Thank you. If you'd like to
have a seat back there I'll ask if there's anyone who would like to
offer testimony in support of the reappointment of Mr. Oliver. Is
there anyone who would like to offer testimony in opposition to the
reappointment of Mr. Oliver? Seeing none, is there any one who would
like to offer testimony in the neutral position of the reappointment
of Mr. Oliver? Seeing none, that will close the hearing for the
reappointment of Thomas Oliver to the Nebraska Oil and Gas Commission.
We do have one last appointment, a John Orr from the Nebraska
Environmental Trust. He has not-- was not able to join us today
because of a medical emergency at his house-- or at his home. But
since it was advertised, I do need to ask if there's anyone here who
would like to offer testimony in support of Mr. John Orr for the
Nebraska Environmental Trust Board? Is there anyone who would like to
offer testimony in opposition to Mr. Orr? Anyone who would like to
offer testimony in the neutral position? Seeing none, that will close
our hearing. Mister-- we were-- we are trying to make arrangements for
him to call in or to be available to us for the committee to ask
questions, but since it was advertised, we did-- we did need to ask
anybody in the audience who came. So with that we'll close that
portion of the hearing today and we will begin with the bills-- LB713.

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Welcome, Senator Erdman, to the Natural Resources Committee.

[00:23:53][100.6]

SENATOR ERDMAN: [00:23:53] Thank you, Senator Hughes. My name is Steve Erdman, S-t-e-v-e E-r-d-m-a-n, I represent the 47th District in the Nebraska Panhandle and I will not name all 10 counties. I'm here today to talk to you about LB713. Yeah. First let me start with how this came about. Last summer I was in the town of Sidney, took a load of sweetcorn down to deliver some people there, and they were having an open house at the oil and gas commission office and I stopped by to visit with the people there. And one thing led to another and we got talking about compensation. And the question was how much do you meet-- how much are you compensated for being a state senator, and I said \$1.37 an hour. And that conversation went on and they shared with me the fact that they had been receiving the same compensation \$50 a meeting since 1959. I thought that was a little absurd. You know, one of their commissioners drives from Trenton, Nebraska. It's a long ways to Sidney. And so I suggested perhaps we need to make an adjustment to their compensation. Further, we discussed where the funds come from that they get-- that they receive, that they get paid from, and they are proceeds from the oil and gas sales and transactions. So they get no state aid, no state dollars, no General Fund dollars; but yet, we the Legislature have authority over how much they are compensated. I think it's kind of peculiar in a way that we have authority over what they are compensated, but yet we have no financial contribution to what they get. So you've seen in the note, you see the fiscal note with \$16,200 that comes from the cash fund. So what happens is the state collects those fees and they hold them and then they distribute them back to the oil and gas commission. So did some analysis of what is the value of \$50 today compared to what it was in 1959. So \$50 today, in 2018 dollars, \$50 would have to be \$426 today to be equal to what they were getting in 1959. And as Mr. Oliver so describe to you the things that they do before they get to the meeting, there's a lot of preparation, especially when they were dealing with the Sioux County well. And Senator Hughes, I heard him ask-- heard you ask him the question how much does he charge per hour, and I know that for a fact to be the right answer. So if you think about it, and he's taken away from his personal practice at a dollar-- \$175 an hour to do something for the gas commission at \$50 a day, there may be a little sacrifice there. And so just because we get peanuts doesn't mean that everybody else should get peanuts also. And so my concern is that it's been a long time since they've seen a compensation increase. So the bill that you have before you, LB713, brings their compensation up to \$500 a meeting with a total cap of \$6,000 for the year. And I don't believe that's out of line, and I think there needs to be a provision,

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as the bill says, down the road as things cost more and their compensation can be adjusted accordingly. I don't think it's appropriate that they should have to come back to the Legislature every four or five years and ask for more compensation. And let me be clear on this, they did not ask me to put in for more compensation. They did not do that. That was my idea. Okay. So don't-- don't-- I don't want you to have any-- any inkling that they asked me to do that, it was my-- my intention and I asked those gentlemen, the two that testified today, I know quite well, and I would highly recommend both those-- those men are very dedicated. And I emailed them and ask would-- would you be fine with me putting in for you a raise and they said that would be-- that would be appreciated. So that's where we're at. And so based on what \$50 would be today compared to 1959, I think 500 is a reasonable number and I would expect or I hope that you could pass this with unanimous consent so that we can get this on the consent calendar. Any questions you may have I will try to answer.

[00:28:22][269.2]

SENATOR HUGHES: [00:28:26] Thank you, Senator Erdman. Senator McCollister. [00:28:26][0.1]

SENATOR McCOLLISTER: [00:28:26] Yeah, thank you, Mr. Chairman; and thank you for bringing this-- this bill, Senator. How many times a year does the commission meet? [00:28:36][10.1]

SENATOR ERDMAN: [00:28:37] They could meet up to 12 times. [00:28:38][1.0]

SENATOR McCOLLISTER: [00:28:38] Twelve time a year. [00:28:39][0.0]

SENATOR ERDMAN: [00:28:39] Yeah, I don't know how much they meet exactly, but they can meet up to 12 times. [00:28:42][3.1]

SENATOR McCOLLISTER: [00:28:43] So they would receive \$6,000 for the entire year regardless of how many meetings they attend? [00:28:48][5.3]

SENATOR ERDMAN: [00:28:48] Only the meetings they meet. [00:28:48][0.0]

SENATOR McCOLLISTER: [00:28:50] Okay, thank you. [00:28:51][0.7]

SENATOR HUGHES: [00:28:55] Senator Geist. [00:28:55][0.1]

SENATOR GEIST: [00:28:57] Thank you. And thank you, Senator, for bringing this. [00:28:57][0.1]

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SENATOR ERDMAN: [00:28:57] Thank you. [00:28:57][0.0]

SENATOR GEIST: [00:28:57] I do have a question on the cash fund. Is that cash fund-- does it have the capacity to pay these gentlemen with its balance? [00:29:10][12.2]

SENATOR ERDMAN: [00:29:10] My understanding it does. [00:29:11][0.7]

SENATOR GEIST: [00:29:11] Okay. [00:29:11][0.0]

SENATOR ERDMAN: [00:29:14] The cash fund is \$16,200. So if they met 12 times a year, that's 36 meetings, for three of them on the commission; so it would be \$450 per meeting, increased to \$16,200. The math is right. But that's what it would be. [00:29:28][14.9]

SENATOR GEIST: [00:29:29] Okay. Thank you. [00:29:29][0.0]

SENATOR ERDMAN: [00:29:30] The competition all comes-- all the money is collected from those people that are in the oil and gas industry. There's no state dollars in there. It's very similar to the corn and wheat and those kind of checkoffs. And so the state collects and holds that money; it's not the state's money, but they hold it there. And some governors in the past have thought to sweep some that cash to balance their budget, but it's not the state's money, it's actually their money. [00:29:51][21.3]

SENATOR GEIST: [00:29:51] Okay. [00:29:51][0.0]

SENATOR HUGHES: [00:29:55] Any additional questions? Senator Albrecht. [00:29:55][0.6]

SENATOR ALBRECHT: [00:29:56] Thank you, Chairman Hughes. Thank you for bringing this. Where did you come up with the numbers? I mean, are there other oil and gas commissions in other states? Did you look to see what they were paid or--. [00:30:09][13.5]

SENATOR ERDMAN: [00:30:11] No, Senator Albrecht, we didn't do that, we just, like I said, we analyzed what \$50-- how much would they have to get today to be equal to \$50 back in 1959, and that's how we came up with--. [00:30:20][8.7]

SENATOR ALBRECHT: [00:30:20] We wouldn't want to short change them was the reason I asked. [00:30:21][1.2]

SENATOR ERDMAN: [00:30:22] But the bill has a provision for every five years they can make an adjustment if there-- if it needs be. And I think that's a situation that needs to be-- there's a lot of checkoff

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boards, a lot of boards that are in the same position that they are, and we need to start looking at some of that, because we're asking people to do quite a bit for a little bit of nothing. [00:30:37][15.5]

SENATOR HUGHES: [00:30:40] Senator McCollister. [00:30:40][0.0]

SENATOR McCOLLISTER: [00:30:41] Yeah. So there are other boards that have the same kind of arrangement, are they compensated about the same rate or-- [00:30:48][6.9]

SENATOR ERDMAN: [00:30:48] Yes, they are. [00:30:48][0.0]

SENATOR McCOLLISTER: [00:30:50] So the corn board would be approximately \$500? [00:30:51][1.7]

SENATOR ERDMAN: [00:30:54] No, those boards are all compensated about the way the gas commission is now, they're very lowly-- very small compensation-- the ones we looked at. [00:31:02][8.4]

SENATOR McCOLLISTER: [00:31:03] Thank you. [00:31:03][0.2]

SENATOR ERDMAN: [00:31:04] I didn't choose to do all those, I'm just going to do this one. We may want to look at those as a whole. [00:31:09][4.5]

SENATOR HUGHES: [00:31:12] Any additional questions? Seeing none, thank you, Senator Erdman. [00:31:14][2.8]

SENATOR ERDMAN: [00:31:15] Thank you. [00:31:15][0.2]

SENATOR HUGHES: [00:31:16] I would like to-- go ahead, anyone who is wishing to testify, since both of these bills are very similar, you can testify once and be in support of both bills rather than coming up twice. If you have significant differences on either bill, you're certainly welcome to come twice, but if you're going to testify in support of both, you can do that once. So with that we'll open it up to proponents of LB713. Welcome. [00:31:43][27.0]

JODI KEELER: [00:32:00] Thank you, Chairman Hughes. I'm Jodi Keeler, J-o-d-i K-e-e-l-e-r; I'm from Kimball, Nebraska, and I work for Antelope Energy Company, an oil and gas production and exploration company, family owned, out in the Panhandle of Nebraska. And I just come in support of Senator Erdman's bill to support our commissioners for the oil and gas commission. It's a big job and they do a great job. I've testified before them on occasion and find them to be very thoughtful in their actions and always fair and well educated in what they handle. So that's, I believe, that they do deserve a better

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compensation. It does take time away from their daily activities. And also finding people to fill those positions is a little bit difficult in this day and age. We-- we do need some technical people to serve in that capacity and so we appreciate what they do. And I just would like for your committee to recognize that it is a specialized industry and finding people to fill those positions is a little bit difficult. So we appreciate what they do and we like to encourage and support them, and also for you to understand that the dollars that they would be paid comes from money collected by the oil and gas commission, not from the General Fund. So it's paid for by the producers and mineral owners in the state through those taxes that we pay. So that's really all I have. [00:33:52][112.2]

SENATOR HUGHES: [00:33:54] Thank you. Ms. Keeler. Are there questions? Senator Bostelman. [00:33:56][2.3]

SENATOR BOSTELMAN: [00:33:58] Thank you, Senator Hughes. Thank you, Ms. Keller, for being here today. Can you tell us a little bit more, what's the taxing or like the checkoff that senator-- terminology that the senator has been talking about. How much money has-- has-- do either yourself or the companies they work with do they pay in, is it a per barrel, is it a-- how is that assessed by the oil and gas commission? [00:34:20][22.4]

JODI KEELER: [00:34:20] It's a levy that's assessed by the oil and gas commission and that fluctuates depending, I believe, on their needs for cash to run the organization. And so it is assessed on a per barrel rate on the levy that they suggest for us. [00:34:34][13.3]

SENATOR BOSTELMAN: [00:34:40] And could you just give me a brief example. You said you testified before them before, can you give an example of what that entailed or what it was for? [00:34:47][6.9]

JODI KEELER: [00:34:49] Well, they were formal hearings just like this, and mostly it's just to state my opinion about-- maybe a conflict or controversy that is to be heard, or just to support a decision that we hope that they will make in allowing for maybe a unitization of a water flood unit, or, you know, where you present the science and-- and just encourage them to review that and consider it and then make their determinations. And I have testified for the water disposal issue in Sioux County. And, you know, we just-- we try to present facts instead of letting emotional things get in the way of that, so. [00:35:47][57.8]

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SENATOR BOSTELMAN: [00:35:48] Thank you. Thank you for coming here, for your testimony today, and for your drive in today; appreciate that. [00:35:52][3.4]

JODI KEELER: [00:35:53] Yes. Thank You. [00:35:53][0.0]

SENATOR HUGHES: [00:35:54] Any additional questions? I guess I do have one. And you may not be the person to ask, was the Sioux County disposal well, was it ever developed and utilized? Or is it still just there? [00:36:06][11.5]

JODI KEELER: [00:36:08] Well, to my knowledge, it was never utilized. [00:36:10][2.2]

SENATOR HUGHES: [00:36:10] Okay. [00:36:10][0.0]

JODI KEELER: [00:36:12] It was something that, you know, there was a lawsuit about all of that. And I think the window of opportunity sort of dissipated in that scenario. So to my knowledge it was never utilized. [00:36:28][15.6]

SENATOR HUGHES: [00:36:29] Okay. Thank you for coming today. Are there any other questions? Seeing none, thank you very much. Anyone else? Welcome. [00:36:54][24.9]

DANA WREATH: [00:36:55] Thank you, Chairman Hughes. My name is Dana Wreath, D-a-n-a W-r-e-a-t-h. I am the president of the Nebraska Petroleum Producers Association. I'm also a vice president with Berexco, LLC, based in Wichita. I think the weather might actually be worse in Wichita right now than it is here. And we're also the largest producer of oil in Nebraska. And I've testified before this committee a number of times stating that in my personal experience, and we operate wells in eight states, the Nebraska has one of the very best run oil and gas regulatory environments in all the states we operate. And I think if you listened to the commissioner's testimony earlier today, you can see, in part, why that is. And it's also-- also due to the very experienced staff in Sidney. And one of the reasons I wanted to come testify today is it's extremely important to the oil and gas industry that we have good commissioners. And it's-- it's a burden to have to troop all the way out to Sidney when you have business in your own life and be paid \$50. And I don't think we want to disincentivize people, or perhaps even worse have a situation where the only people that want to be on the commission have some particular ideological ax to grind and then then we start to worry about going off the rails. I wanted to-- I got my calculator out too and there's kind of an easy way to think about these dollars. If you, and I don't know what

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discount rate Senator Erdman used, but if you take 3 percent for 60 years, that's a factor of six. If you take three and a half, it's a factor of eight. If you take 4 percent discount rate, it's a factor of 10. And if you do 4.5 percent, it's a factor of 14. So that kind of gives you a range. And I don't know that I want to say which one of these bills is the right number. I'm hoping the committee can get together on that and work out what you think the appropriate average rate of inflation has been in the last 60 years, hard to believe, and we certainly can't necessarily rely on what the federal government says, because if you believe them there's only about half a percent inflation per year. But in my life, I see a lot higher number than that. So in general, we're very supportive of this. Berexco, where I work, being the largest producer, will, in fact, pay more of this cost than any other company. And I'm here testifying in support of it.
[00:39:50][175.3]

SENATOR HUGHES: [00:39:52] Thank you, Mr. Wreath. Are there any questions? Senator Bostelman. [00:39:56][3.7]

SENATOR BOSTELMAN: [00:39:59] Thank you, Chairman Hughes; thank you, Mr. Wreath for being here today and for traveling here. My question goes back to the question I asked earlier, I'm just trying to understand the funding mechanism a little bit, since you're the largest producer, how's that work? How much is available?
[00:40:12][13.5]

DANA WREATH: [00:40:15] Well, I don't know that I could quote you the exact percent, but every year Director Sydow says what the conservation tax percentage will be and the additional funds the commission needs for its-- for its functioning. And it's-- it's-- it's actually a very small percentage of our total revenue. It's-- shouldn't say this, it's not enough that we even notice it. So it's just a flat percentage that deducted along with severance tax and sent in to the state. So it's- it's a very, very small number.
[00:40:50][35.1]

SENATOR BOSTELMAN: [00:40:54] Thank you. [00:40:54][0.1]

SENATOR HUGHES: [00:40:54] Senator McCollister. [00:40:54][0.1]

SENATOR MCCOLLISTER: [00:40:55] Thank you for making the trip. So, as the price of crude goes up and down, does that amount vary?
[00:41:01][5.9]

DANA WREATH: [00:41:02] Yes. The percentage is actually adjusted commonly by the commission based upon their understanding of what they

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think the state total production will be, as well as, as an estimate of the price. I'll get a notice, you know, once a year, every other year from the commission that they've tweaked that number just a little bit. And it's always been done reasonably in the past, we have no objections to it. [00:41:27][24.4]

SENATOR McCOLLISTER: [00:41:28] Well, the price of crude almost varies every day, how do you determine-- where do you get your-- by what source do you get your price of crude? [00:41:35][7.4]

DANA WREATH: [00:41:36] Well we don't-- I think you should perhaps speak to the director of the oil and gas commission about that as to how he forecasts, but I'm-- I'm presuming he makes reasonable estimates based upon what he thinks, again, the total production volume will be. He's been at it a long time so he seems to do a reasonable job of it. I don't know if that's a very detailed answer, but he can do better. [00:42:01][24.7]

SENATOR McCOLLISTER: [00:42:01] It must not-- must be reasonable. Thank you. [00:42:08][6.9]

SENATOR HUGHES: [00:42:08] Any additional questions? Seeing none, thank you, Mr. Wreath for your testimony. Additional proponents for LB713? Seeing none, are there any opponents to LB713? [00:42:24][15.4]

JOHN RUNDEL: [00:42:24] Senator Hughes, may I testify in-- [00:42:24][0.0]

SENATOR HUGHES: [00:42:24] Sure. [00:42:24][0.0]

JOHN RUNDEL: [00:42:32] --a proponent. [00:42:32][0.0]

SENATOR HUGHES: [00:42:33] A proponent, yeah, you got-- we'd like to move things along here in Natural Resources. [00:42:37][3.5]

JOHN RUNDEL: [00:42:38] Caught me napping. Good afternoon, senators. I'm John Rundel, J-o-h-n R-u-n-d-e-l. I'm currently a commissioner of the oil and gas commission. And this probably impacts me more than the other commissioners. I live the farthest away. I'm in Trenton, Nebraska. For our hearing, I usually leave about-- it's about a four-hour drive one way up. And our commission hearings, depending on what we have for cases, usually three to four hours, we've been there all day some times. And again, then it's a four-hour drive back home. And so you know typically it's a 12- to 14-hour day when I have a hearing. And I don't think you hear any of the commissioners complaining about the reimbursement for it. But as it has been pointed

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out, that's a day of income we do not get. And we're all independent businessmen, have obligations, have families. I have a son in college. And so I think it becomes to the point where, as Dana Wreath pointed out, you might get to the point where your people that are interested in serving on commission have a ax to grind, because it comes-- begins to become a financial burden. I think that closes the window of the applicant pool. And it's a very specialized part of our state. It's very technical at points. And there's not a lot of people that have that expertise and desire to serve. And so I think anything we can do to make it easier for someone to serve is in the benefit of the state of Nebraska and for the oil and gas producers. [00:44:51][132.2]

SENATOR HUGHES: [00:44:54] Okay, thank you, Mr. Rundel. \$Are there any questions? I guess I have a question. What-- what-- would the budget of the oil and gas commission be? What's your overall budget? [00:45:05][11.2]

JOHN RUNDEL: [00:45:08] A little over under a million dollars; \$986,000. [00:45:09][0.9]

SENATOR HUGHES: [00:45:13] That's fairly constant, that nine hundred-- [00:45:14][0.3]

JOHN RUNDEL: [00:45:16] It goes up and down. Our daily production-- Director Sydow is much more comfortable with the numbers than I am. Our daily production in the state Nebraska is around 7,500 barrels a day. We currently have a 7 mill levy on that production, which generates those funds then for our operations. [00:45:39][23.0]

SENATOR HUGHES: [00:45:42] So that is what-- if this bill were to pass, that 7 mills would fund that additional per diem cost. [00:45:49][7.1]

JOHN RUNDEL: [00:45:49] Yes, we-- we-- it's kind of like trying to predict the corn market. You have to decide how much the corn got to be worth or how much you have of it. And so we look at our gross production in the state Nebraska, and we look at our funding requirements, then try and keep our cash balance a reasonable level. We try to maintain around a \$500,000 cash balance in our account. And so we're-- our mill levy is too high, we start exceeding that, we'll issue a commission order to reduce that mill levy. If the prices drop dramatically and the amount of oil sales are not generating the income to sustain our operations, we increase the mill levy. So that's kind of a moving target all the time, and we examine that monthly to look at that and see where our forecast is, where our requirements are, what our income has been. Now, does it-- the oil and gas is sold;

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those purchasers remit that money to the state; the state then remits it back to the oil and gas commission. So, again, these are not taxpayer dollars. This is coming from the value through crude oil and natural gas that's been produced, and it is applied equally to the operators and to the landowners. [00:47:19][90.0]

SENATOR HUGHES: [00:47:19] Very good. [00:47:19][0.0]

JOHN RUNDEL: [00:47:23] They're both paying a percentage. [00:47:24][1.0]

SENATOR HUGHES: [00:47:26] Yeah, any additional questions? Seeing none, thank you, Mr. Rundel, we appreciate you coming. Welcome back. [00:47:30][4.7]

THOMAS OLIVER: [00:47:42] Hello again. I just wanted to add a note. Thomas Oliver-- [00:47:45][2.8]

SENATOR HUGHES: [00:47:45] Name and spell-- [00:47:45][0.0]

THOMAS OLIVER: [00:47:45] T-h-o-m-a-s, D as in David, Oliver, O-l-i-v-e-r. [00:47:45][0.0]

SENATOR HUGHES: [00:47:45] Go ahead. [00:47:45][0.0]

THOMAS OLIVER: [00:47:59] As you know, I'm presently an oil and gas-- one of the commissioners on the oil and gas commission and hope to continue on that. What I wanted to add was we-- we all knew the circumstances when we were appointed. And, of course, we're there because we want to serve too. But it is an impact, because we all are private businessmen. Mr. Rundel certainly bears the biggest impact of that. So there is that aspect of it and we appreciate Senator Erdman and Senator Hughes both considering that and trying to do something with that. But I wanted to focus a little bit more on future commissioners and mainly just trying to make sure that we do have people that are capable, and I don't mean to sound like I'm blowing my own horn, in that just that we want to be able to make sure we have people that have the background, and it does tend to be specialized, and it's increasingly under scrutiny. And we don't mind the scrutiny, but we want to make sure that the future commissioners can continue that and do the right thing, pass-- review hearings and make correct decisions of the law, not do it for incorrect reasons. So I would just encourage you. I, frankly, appreciate Mr. Erdman's bill in one sense in that it moves it to outside of a statutory provision in when that's adjusted. And I think that would maybe work better under the circumstances than leaving it as a statutory this amount, which may

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stay again for 60 years. So maybe it will be a little more flexible.
[00:49:50][110.1]

SENATOR HUGHES: [00:49:51] Okay, thank you, Mr. Oliver. Are there any questions? Seeing none, thank you for your testimony. [00:49:56][4.2]

THOMAS OLIVER: [00:49:56] I would just-- to answer a question that someone asked earlier, was about the Sioux County well; we denied the-- we-- we approved the application that was approved in district court. That's what the law provides is that a decision can be appealed to the district court; the district court judge reversed that decision. The Attorney General decided not to appeal that. So it rejected their application. [00:50:23][26.5]

SENATOR HUGHES: [00:50:24] Okay, thank you for clarifying that.
[00:50:25][1.5]

THOMAS OLIVER: [00:50:26] Thank you. [00:50:26][0.2]

SENATOR HUGHES: [00:50:28] Okay. Are there any other proponents? Seeing none, are there any opponents to LB713? Seeing none, we have a couple of letters in opposition to LB713: Anne DeVries from Cortland, Nebraska; and Kenneth Winston, Nebraska Interfaith Power and Light. We'll open it up now for neutral testimony on LB713. [00:50:53][25.5]

BILL SYDOW: [00:50:58] Thank you for the opportunity to be here, senators. My name is Bill Sydow, B-i-l-l S-y-d as in David -o-w; I live in Sidney, Nebraska, and I'm the director of our Nebraska Oil and Gas Conservation Commission. So I'm appearing today in a neutral capacity, but our commission, as we've discussed, is cash funded. Its primary source is from the conservation tax which can be from 0 to 15 mills, that-- that maximum mill levy is set by law and we have the flexibility as needed to lower it or increase it. So right now it's 7 mills. Our agency is quasi-judicial. And of the 80 or 90 boards and commissions in the state of Nebraska, I don't know how many are qualified as that, quasi-judicial, but that means that our commission, in terms of public hearings of applications, must be conducted under the same rules as a district court. So witnesses are qualified as experts. They are put under oath, subject to perjury charges, and the evidence that is produced during a hearing is collected and goes into the record. If it's appealed, and I've been there 22, 23 years now, we've only had one case appealed, and it was a big record. So we have the responsibility to make that because it could go on all the way to the Nebraska Supreme Court. I'll just say that we do have sufficient appropriation from the Legislature to handle either one of the increases in LB713 or LB761. We scheduled-- schedule in several months

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in advance anyway, twelve meetings a year. We usually try to meet on the fourth Tuesdays of the month; and the applications are required to be in about 25 days before that. We would, at a minimum, meet four times a year. And we did that back when oil prices were really bad and we didn't have any cases. But for the commissioners to get together and have a review of where we were financially and production and sales, we would get together for quarterly meetings. And I would anticipate that's the minimum on average. I would say we probably have six meetings a year, and if commissioners don't come, they don't get paid, and they don't get paid if we don't-- if we didn't have a meeting scheduled. So I was the one who prepared that fiscal note. I maxed it at 12. I would tell you that 6 is probably the number. The applications that we hear are somewhat varied, but they have a monetary value that is always required to do the projects. And so on a well where we have a forced pooling application, and that's where there can be unleased mineral interest owners, or if two companies can't get along and don't have an operating agreement, they can be forcibly joined because somebody wants to drill a well and we're there to see that mineral interest owners can develop their real estate. So the down-- the low side is probably \$350,000 to drill and complete a well, and that would be in Senator Hughes's district, up to multimillions of dollars that would be required to be-- we don't approve the AFEs, but to approve projects for water floods. So there is some financial aspects of this that are important. My commissioners need to have a, I think, a full good grasp of-- of not only Nebraska law, but our rules and regulations, as well as the protection of correlative rights of individual owners because there are both companies involved and mineral interest owners that are farmers and ranchers, the people who live on the land who have executed oil and gas leases for the most part. But it's a-- it's a wide variety of experiences that needs-- that I think is very important and helpful to have. And I'll tell you I believe, and before I came to work in Nebraska, I testified as an expert witness in probably five or six states; now that's getting to be a long time ago, but our commission and our commissioners I would put against anybody in the United States. I believe that as a team we're that good. And the men who-- that I've had the opportunity to serve with, and I work for them actually, they hire and can fire me, but they're very faithful in their attendance. Every one of them is self-employed and they serve at a really a penalty to their personal businesses. So that's-- that's really my comments. I was thinking about Senator Bostelman, we just drilled a well in Butler County, and it's a confidential well, and it was-- I mean, they're in the oil and gas sense, not a lot of well control, so that information will become public. It was plugged and

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abandoned, but there are some interesting things in that well.
[00:56:24][326.3]

SENATOR HUGHES: [00:56:27] Okay. I think there will be some questions.
Senator McCollister. [00:56:31][3.9]

SENATOR McCOLLISTER: [00:56:32] Thank you, Chairman Hughes; and thank
you for your service and the drive in here. Given the geology of
Nebraska, there's no fracking in Nebraska, right? [00:56:40][7.9]

BILL SYDOW: [00:56:42] There is very limited fracture stimulation. And
where that would occur, Senator McCollister, is in the
Denver-Julesberg Basin in the panhandle. Fracture stimulation has
actually been conducted out there since probably late 1950 or '51.
[00:56:56][14.3]

SENATOR McCOLLISTER: [00:56:57] Really? [00:56:57][0.0]

BILL SYDOW: [00:56:59] Um-hum. There are not the very large jobs that
we hear about today, and probably you've seen my face down here before
on that whole issue, but I've been around fracture stimulations my
whole career, now which is over 40 years, and it's safe, it's
reliable, and it's been done for decades. [00:57:20][21.1]

SENATOR McCOLLISTER: [00:57:21] At what depth are you drilling these
days? [00:57:23][1.6]

BILL SYDOW: [00:57:24] In southwest Nebraska, District 44, our average
depth probably run 4,500 feet. When we get into the panhandle and the
Denver-Julesburg Basin, then the average depth probably goes around
6,500 feet. Things get deeper as you go [inaudible]. [00:57:41][16.8]

SENATOR McCOLLISTER: [00:57:41] Do you do some horizontal drilling as
well? [00:57:41][0.0]

BILL SYDOW: [00:57:42] We've-- at this time, no. We've only drilled
about 13 horizontal wells in Nebraska, and all of-- I would say this,
all of them have been economically unsuccessful. [00:57:55][13.5]

SENATOR McCOLLISTER: [00:57:55] Okay. [00:57:55][0.0]

BILL SYDOW: [00:57:55] Yeah. [00:57:55][0.0]

SENATOR HUGHES: [00:57:55] Any additional questions? What is the
budget? [00:58:04][8.4]

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BILL SYDOW: [00:58:05] Oh yes, well, we're subject to the Appropriations Committee and our budget for this coming year is about \$989,000. When you look at any state agency around 75 to 80 percent is just for overhead for staff and the things that you need to have in office, but that's what it is. We-- we try to budget reasonably and look at the past costs, of course, and it comes down to special projects. So in the last several years, we have had some instances where we needed to call operators bonds, we require a bond, but they-- and they have to perform. When they don't, then it's up to the commission to plug and abandon wells. So we actually have put in some money that is cash funded money to plug and abandon wells. And we-- we've-- we've done I'd say remarkably well in spending that. We never-- we never really may-- have ever spent our budget in my-- my time there. And we're, I guess, we're always low as what we're allocated for personal services for employees. So right now, we have one vacancy and we're going to start to fill that, begin that process, which kind of be painful a little bit, but it's for petroleum engineer because, as all of you know, you don't get any younger and nobody else around us does either. So we're going to be looking to fill that position for a petroleum engineer in the next couple of months.

[00:59:49][104.0]

SENATOR HUGHES: [00:59:51] What is the-- what is the payroll-- what is the work force? How many people work for the oil and gas commission?

[00:59:56][5.3]

BILL SYDOW: [00:59:57] We have FTEs available of 8.8. Right now, we have 7 people. And so I tell people I'm the director, I'm not the executive director. And the difference is that I do a lot of work just like everybody else, and there's not enough people to delegate to because everybody in our office, and it doesn't matter if they're male or female, they're pretty much responsible for their area. And it may be for injection wells, production, all of our accounting, and things like that. We have-- we manage, we regulate two types of wells, really, producing wells, but we also have an injection well program that I know that this committee was able to participate in some of that, 2015, but hopefully we'll have 8 people. That's-- that's the size of us. We have one field inspector that covers southwest Nebraska. His name is Travis Van Pelt; he's worked for us for about two years now. He lives in Indianola, so he lives and he works out of his office. And then we have a field inspector who covers the panhandle in Nebraska. He lives in Sidney. And if we need to go to Falls City, somebody gets chosen to do that. And Falls City is the-- and that's in District 1, and it's the oldest production in Nebraska. It was discovered in 1939. The Legislature actually gave a \$15,000

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reward for the first commercial oil well in Nebraska. And they did one for commercial gas. But that's where it was was just south of the town of Falls City. And we have drilling activity, people are still drilling some wells down there and we're-- and we're making some field discoveries, believe it or not, in an old province. And I actually think there's a lot-- there's some potential down there for-- for real exploration, whether it ever happens or not in my lifetime I don't know, but it's possible. [01:02:06][129.0]

SENATOR HUGHES: [01:02:10] So you said it was a confidential well drilled in Butler County? [01:02:12][2.3]

BILL SYDOW: [01:02:13] Yes. [01:02:13][0.0]

SENATOR HUGHES: [01:02:13] Where was that? [01:02:14][0.0]

BILL SYDOW: [01:02:14] And I say that, confidential, our drilling permits are not confidential, everybody can know where people are drilling wells. And when we receive and approve a drilling permit, which we will go through and to see how they intend to complete it, but part of that primary is to see about surface casing, that will be deep enough to protect freshwater resources and get through it so that we can-- we can do that and they won't get stuck when they drill in the well. But once the well is drilled and completed as a dry hole or a producing well, their operator can by law request that the geological information, which includes the logs and really the completion, I don't argue that, can be retained in a confidential basis for up to one year. Nobody can see it. And so it gets locked up and, I don't even look at them, only Felicia looks at them and she probably, you know, she doesn't look. We make sure we have all the information they're supposed to send to us electronically and in a hardcopy form and it gets locked up for a year and then when it comes-- it comes out of that confidential status, then the public can know. That gives those companies who have sunk cost of maybe several hundreds-- it will be several hundred thousand dollars, it gives them one year that they can trade that information to another company or sell that information. Maybe they can recoup some information. And so this-- the well in Butler County, it went into the Precambrian and I think there's going to be some interesting things to be said about that in another 11 months. [01:03:56][102.3]

SENATOR HUGHES: [01:03:58] Okay. Any other questions? Okay. Thank you, Mr. Sydow, we appreciate it. [01:04:05][6.4]

BILL SYDOW: [01:04:05] Thank you. [01:04:05][0.0]

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SENATOR HUGHES: [01:04:05] Anyone else wishing to offer neutral testimony on LB713? Seeing none, that will conclude our testimony-- or conclude our hearing on-- oh nope, Senator-- Senator-- yep-- Senator Erdman would like to close. [01:04:19][13.8]

SENATOR ERDMAN: [01:04:19] Thank you. I thought it was peculiar when I first seen where the bill was sent to your committee. I thought at first it should have gone to Revenue. But today after hearing the confirmation you did for the oil and gas commission and the testimony you heard, I am glad that I am here. You heard him talk about time value of money and I did-- I did look at that. At 3 percent, \$50 would have been 264. At 4 percent, it would have been 525. At 5 percent, it would have been 933. And at 6 percent, it would have been 1,650. So that is a significant number higher than what we had. So I appreciate that. I appreciate coming. I've worked with the two commissioners I know the best, Mr. Goodwin and Mr. Oliver, and they are very dedicated in what they do and they're very sincere in doing the best they can for those people in western Nebraska. And that came to light when they had the discussion about the Sioux County well. They did a yeoman's job of listening, and there were a lot of people that talked to them, and they did a lot of work on it, and I appreciate that. I don't know what the gas commission-- gas and oil commission are in other states, but if they find people who are committed to it as these people are, they're very fortunate and we're very fortunate to have that. And so I would-- I would ask you to, as I said earlier, pass this out with no dissension, get this on consent calendar and we'll solve the issue for these gentlemen. [01:05:54][94.9]

SENATOR HUGHES: [01:05:56] Thank you, Senator Erdman. Are there any questions? Seeing none, now we'll close the hearing on LB713.
[01:06:00][4.0]

SENATOR ERDMAN: [01:06:01] Thank you so much, appreciate it.
[01:06:01][0.5]

SENATOR HUGHES: [01:06:02] Thank you for coming. And with that I will turn it over to the Vice Chair. [01:06:06][3.9]

SENATOR BOSTELMAN: [01:06:15] You know, the comment is, he did say we are really quick in this committee, so I expect this to take about the 30 second or less. Welcome, Senator Hughes, on your opening on LB761 to your Natural Resources Committee. [01:06:31][16.7]

SENATOR HUGHES: [01:06:33] Good afternoon, Vice Chairman Bostelman and members of the Natural Resources Committee. For the record, my name is Dan Hughes D-a-n H-u-g-h-e-s; I represent the 44th Legislative

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District. I'm here to introduce LB761. LB761 will increase the per diem for the three oil and gas commissioners from \$50 a day to \$300 a day. The per diem has not been increased since 1979. It went from \$20 a day to \$50 a day. The per diem would be paid out of the Oil and Gas Commission Cash Fund. The Nebraska Oil and Gas Commission-- Oil and Gas Conservation Commission's operating cost is paid primarily by the conservation tax proceeds collected by the Nebraska Department of Revenue from a tax assessed on the value of all oil and gas produced in the state. The commission consists of three members appointed by the Governor. At least one member of the commission shall have the experience in the production of oil or gas, and shall have resided in the state of Nebraska for at least one year. Each of the other members of the commission shall have resided in the state of Nebraska for at least three years. The commissioners meet on the fourth Tuesday of every month in Sidney, Nebraska, every-- once in a while they will meet more often. In 2015, there was a lot going on, so they met about 20 times a year. I'd be happy to answer any questions. I have no qualms with Senator Erdman's bill. I think if that bill goes, that's fine. I don't need to have my name on this bill. But I would certainly urge the committee to look at this very seriously because the testimony that we've heard, these gentlemen have jobs. They are hurting their income by, basically, volunteering to be on the oil and gas commission. So with that, I'd be happy to answer any questions.
[01:08:21][108.7]

SENATOR BOSTELMAN: [01:08:23] Thank you, Senator Hughes. Are there any questions from the committee members? Take it you'll stay to close?
[01:08:28][5.3]

SENATOR HUGHES: [01:08:29] I will. [01:08:29][0.1]

SENATOR BOSTELMAN: [01:08:30] Thank you. I'd ask anyone who would like to testify as a proponent in support of Senator Hughes's bill; and those who testified in the previous hearing will consider this as well, but you're more than welcome to step forward and please provide testimony if you'd like as a proponent. Seeing none, anyone would like to testify as an opponent to LB761? Seeing none, we do have two letters in opposition for LB761: one is from and Anne DeVries from Cortland, Nebraska. The other one is from Kenneth Winston from Nebraska Interfaith Power and Light. Would anyone like to testify in the neutral capacity to LB761? Seeing none, Senator Hughes waives. And that concludes our hearing. Thank you very much for coming.