

Oil and Gas Advisory Board Meeting

July 29th

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

Guests: Brad Richards, Doug Shutt, Craig Hedin, Charles Williams, Kendra Brockamp, Alan Whitler, Medina Pattenson, and Dan Reiss.

Mr. Dicus called the meeting to order at 10:30am.

Old Business:

Minutes from the May 27th meeting were approved.

New Business:

Director Mankowski gave an update about changes in the District Offices.

- Some inspectors will be moved around to help understaffed regions.
- Ron Sullivan has been temporarily assigned as District Manager of the Mount Carmel office.
- August 3rd the Springfield district will get a new District Manager, Jim Steven, along with three new inspectors.

Mr. Richards asked where the department is on the new OG-10. Director Mankowski claimed there were revisions that he thinks we can agree upon that the board suggested. Director Mankowski made mention that the new OG-10 was not part of the agenda for this meeting because the new rules regarding Certification Statements has not gone through.

Falsification Rules – Section 240.10

Craig Hedin asked if Material Misrepresentation was brought in as a new definition. Director Mankowski replied that he was looking for terms that would work in defining Falsification. Mr. Hedin suggested that if Material Misrepresentation is used then it should be used throughout the document.

Mr. Reiss suggested changing misstatement of information to material misrepresentation under Section 240.135.

Mr. Hedin and Director Mankowski discussed several changes to be made to this section. Those include taking out subsection 4Aii of 240.160, using the term gross negligence in 4Ai, and language change to 4Aiv.

Director Mankowski will update the Falsification rules with the discussed changes and send back for review.

Notice by Publication – Section 240.125

Director Mankowski discussed the changes. Board approved

Lease Validation Hearings – Section 240.1615

Director Mankowski explained that new rules will be needed. This process will take notice that the lease is terminated due to non-production or non-development rather than ruling the lease is terminated.

Mr. Hedin asked who will be asking for a hearing. The Director explained that the new permittee will petition for lease termination but that the hearing would have to be requested by the current permittee. Mr. Shutt notes that this gives the department due process.

Mr. Hedin suggested several definition and language changes. He will submit those to the Director.

Certification Statement Amendments – Section 240.220

In reference to subsection d), Kendra Brockamp asked if Farmout (FO) agreements are part of the public record. Due to the wording in subsection d), operators would be required to record FO agreements.

Mr. Hedin suggested adding “or memoranda,” as the department accepts memorandums.

Wellsite Restoration – Section 240.1170

Director Mankowski has had the topic of wellsite restoration come up in several conversations as the current rules do not permit for extensions. The added language to Section 240.1170 would allow, under approved circumstances, for or an extension to be given.

Mr. Wood would like “availability of equipment,” added to the list of factors that would warrant an extension.

Mr. Hedin suggested to use equipment and services.

Director Mankowski agreed to add it in.

Mr. Whitler asked who will do the extension requests.

Director Mankowski replied that they would go through the district office.

Test Hole and Service Well Amendments – Section 240.1205

Director Mankowski said that the modifications in this section were to clean up what was not included in the last revision.

Mr. Richards questioned whether a specific issue brought this need for revision.

Director Mankowski replied that these modifications were fixing mistakes from the last revision.

200' Setback Amendment – Section 240.410

Mr. Hedin would like to add permanent wellsite equipment, surface wellsite equipment to subsection g).

Director Mankowski noted the need for an effective date, in case there are existing areas where these new regulations would apply.

Ms. Brockamp would like subsection g) moved out of permitting and put under operations.

Director Mankowski will put subsection g) under new section 240.815

Alternate Surface Casing – 240.610

Regarding the issuance of Alternate surface casing waivers, Director Mankowski stated that they should be issued where needed, but not where operators are just trying to save money.

Mr. Shutt added that in Clark County all operators are using surface casing waivers and believes it is being abused.

The Director noted that the current rules do not give them the ability to object to a waiver.

After some brief discussion the Director tabled the issue and will send out additional information to the board at a later date.

Temporary Abandonment Amendments – Section 240.1130

The proposed revisions in Section 240.1130 would not allow a well to be Temporarily Abandoned (TA) for more than 10 years.

Mr. Dicus noted that wells are assets.

Mr. Wood suggested that TA's go from 2 year renewals to 5 year renewals.

Director Mankowski is concerned that more wells will end up in the PRF fund.

Mr. Dicus believes this restriction will cause more wells to go into the PRF.

Mr. Wood asked why if MIT's are good for 5 years, why not TA's.

Mr. Shutt noted that inspectors are vocal on this issue.

Director Mankowski will review all comments and get back to the board.

Director Mankowski noted a need to come up with a solution to plug the PRF wells and asked the board for suggestions on what are we going to do about it.

Mr. Wood asked if tank battery sites are a bigger issue.

Director Mankowski – They are more unsightly than they are an environmental problem.

Director Mankowski asked the State for \$500,000 to be used for plugging wells.

Mr. Wood asked if we could do anything to help the Department get the funding.

Mr. Reiss suggested ear mark funding.

General Discussion

Mr. Richards had some phone calls concerning the UIC program. Operators have expressed criticism, that if they haven't done something right in the permit application process, they get a regurgitation of the rules sent back to them. Mr. Richards noted the UIC working group needs to re-convene.

Director Mankowski requested Brad to get a working group back together.

Regarding the issue that Brad brought up about operators not getting a concise answer to where there are insufficiencies in the permit application process, Mr. Shutt replied that there was an operator who would expect the Department to do the area of review for them.

Mr. Richards replied that the complaints he is hearing from Operators is that there is not a sufficient explanation.

Director Mankowski claims they are trying to make the process more automated.

Mr. Richards asked if there is a back log for UIC permits.

Mr. Shutt replied that there was. They have been clearing out some of the old applications and that most have been contacted.

The Director added that letters are going out on time for new permit applications.

Mr. Shutt added that in addition they are comparing federal regulations to what we have in place in preparation for the USEPA meeting.

Director Mankowski requested a Spacing work group be put together. He also updated the board that another company has registered under the HVHFA.

Director Mankowski brought up other issues outside of what was discussed today, but will need to be addressed: recycling fluid, hydrocarbon storage. The Director will be meeting with Marathon in August on hydrocarbon storage.

The Director would like to get something to JCAR on spacing. Would like the board to meet in September to vote on what goes to JCAR.

Mr. Wood motioned to adjourn. Mr. Dicus seconded that motion.

Meeting adjourned at 1:00pm