

Oil and Gas Advisory Board Meeting

October 14th, 2015

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

Guests: Brad Richards, Kendra Brockamp, Ernest Kierbach, Doug Shutt, Brad Carlson, Craig Hedin, and Charles Williams.

Mr. Dicus called the meeting to order at 10:40am.

Minutes from the July 29th meeting were approved.

Director Mankowski reminded board members that the Ethics Training Certification is due to the Department by October 23rd, 2015.

Sections 240.10 & 160 Falsification Rules

Director Mankowski made slight language changes from the last revision. "Misstatement" was added to the definition and "waste" was added as an aggravating factor for the \$5000 fine.

Mr. Hedin noted that waste could mean anything and that the definition of waste in the rules are minimal.

Director Mankowski suggested to move waste under subsection 4Aii, the \$2500 fine, instead of 4Aiii, which is \$5000.

Mr. Wood and Mr. Richards also made comment that the term "waste" is too broad.

Director Mankowski said the term waste was inserted as an aggravating factor for the max penalty.

Mr. Wood motioned to approve Sections 240.10 & 160 falsification rules as typed with the exception of the term waste, under subsection c4Aiii. Kyle Kingston seconded. All Board members were in favor.

Sections 240.125 Notice & 240.1710 Annual Permittee Reporting

Changes to these sections from the July 29th draft include the addition of "by certified mail with return receipt requested" under Section 240.125 subsection b3) and under Section 240.1710 subsection f) as well as language requiring permittees to have mail forwarded in the event of a new permittee address.

Mr. Wood motioned to approve. Mr. Miller seconded. All board members in favor.

Section 240.220 Contents of Application - Certification Statements

Director Mankowski – the addition of memoranda was added to the language in Section 240.220 subsection d) and in Section 240.320 subsection d).

Mr. Wood motioned to approve. Ms. Storckman seconded. All board members in favor.

Section 240.410 Drilling Units

Director Mankowski – the changes made in this section were the suggestion of the mineral law section council in order to be consistent with the gas rules. 20 acre drilling units will be for wells up to 5000’ or the top of the Trenton, whichever depth is greater.

Other changes include the addition of language not obligating a permittee to drill additional wells on existing leases which have a continuous drilling clause.

Mr. Kingston motioned to approve. Mr. Wood seconded. All board members in favor.

Section 240.610 Construction Requirements for Production Wells

Director Mankowski informed the board that no changes had been made since the last meeting.

Mr. Wood motioned to approve. Mr. Kingston seconded. All board in favor.

Section 240.630 Operating Requirements

Director Mankowski proposed “maintained” be replaced with “kept” in hopes of clarifying the department’s leak free policy.

Discussion was had about the proposed language change, with the board coming to an agreement to keep the word “maintained” rather than making the change to kept.

Mr. Wood motioned to approve keeping the language the same. Ms. Storckman seconded.

All Board members were in favor.

Section 240.815 Permanent Well Site Equipment Setback

Mr. Kingston voiced that he did not like the phrase “or any amendments” in this section.

Director Mankowski said he would take out “or any amendments”, but explained that it was added to address flares.

Mr. Hedin suggested adding the word “initial”, therefore, covering the well at the time it was drilled.

Director Mankowski explained that the intent was moving forwards. Therefore, this would not apply to existing wells.

Ms. Brockamp added that “initial” could be ambiguous as sometimes permits go undrilled.

The Board agreed on changing the language as follows:

No permanent well site equipment installed on a new well permitted after the effective date of the rule, including flares, shall be located less than 200 feet from the nearest occupied dwelling existing at the time the permit application for said well is filed with the Department, unless the permittee obtains a written agreement with the surface owner upon which the dwelling is located specifically allowing for a closer well site equipment location.

Mr. Wood motioned to approve. Mr. Dicus seconded.

All board members were in favor.

Section 240.1170 Plugging Fluid Waste Disposal and Well Site Restoration

Section 240.1180 Lease Restoration

Section 240.1181 Lease Restoration Requirements

Director Mankowski included “availability of equipment and services” per the board’s recommendation. The Director noted that the Legal Department wanted to add “single” to the extension and that it be limited to 6 months. The Legal Department also wanted to add that it must be requested at least 10 days prior to expiration.

Other changes proposed were taking the revisions made to Section 240.1181, adding them to Section 240.1180 and getting rid of 240.1181.

Mr. Hedin believes that as worded, operators will automatically ask for a 6 month extension.

Mr. Hedin also brought up that there may be a case where more than one extension is needed. Language to include more than one extension, but not to exceed six months cumulatively.

Mr. Hedin suggested the language:

Upon written request of the permittee, the Department may approve extensions of time, not to exceed a date 12 months after the plugging of the well. All extension requests must be received by the Department no less than ten (10) calendar days prior to the expiration of the initial six (6) month period or any extension thereof.

Mr. Kingston motioned to approve. Mr. Lampley seconded.

Section 240.1205 Application for Permit to Drill a Test Well or Drill Hole

Section 240.1905 Application for Permit to Drill or Convert to Other Types of Wells or Drill Holes

As discussed in the last meeting, the revisions in these sections were to fix a typo and take out the monetary limit.

Mr. Wood motioned to approve as presented. Mr. Miller seconded.

All board member were in favor.

Section 240.1615 Lease Validation Petitions

Director Mankowski – The changes should be consistent with what was discussed at the last meeting.

Mr. Wood motioned to approve. Mr. Kingston seconded. All board in favor.

Section 240.700 Applicability and Definitions

Director Mankowski informed the Board that the changes presented in this section were suggestions from Marathon. The Director was not sure if these changes would make it through this rule making, as it needs to go through the USEPA first. If the Board approves these changes then it can go to the USEPA.

Mr. Hedin commented that if Marathon likes it, then it’s okay.

Mr. Wood motioned to approve. Mr. Miller seconded. All Board members in favor.

Section 240.1460 Conditions for and Effect of Issuance or Transfer of Permit to Operate

As stated, this section requires the permittee to take over all the orphaned wells within the new lease in the event of operating an injection well on said lease.

Mr. Hedin suggests leaving in penetration language, and if a well leaks, then require the operator to take that well over.

Director Mankowski replied that they don't want to be in a situation where the operator causes a leak but the State takes over the responsibility and therefore the expense.

Mr. Shutt expressed concern about wells that may not penetrate the injection zone but are affected by injection due to injection fluids going up through another well bore.

Mr. Hedin suggested the following language:

A) if the new base lease conveys the right to produce from all formations, and the new base lessee or its assignee permits or operates any injection well located within the tract of land being leased, converts any production well to an injection well or drills a new injection well within this area, the new base lessee or its assignee shall become responsible for all regulatory requirements relative to all wells that penetrate the injection well formation, concrete storage structures, pits and tank batteries in existence, all as may be located within 1/4 mile of the injection well and within the lease boundaries. If the operation of the injection well directly causes any other well(s), flowline(s) or other well site equipment located within the lease boundary to leak any fluids into fresh water or to the surface, then the new base lessee or its assignee shall be responsible for all regulatory requirements relative to said well(s), flowline(s) or other well site equipment. Nothing in this Subsection precludes this new base lessee or its assignee from voluntarily taking responsibility for all regulatory requirements relative to any additional wells, concrete storage structures, pits and tank batteries located greater than 1/4 mile away from the injection well and within the lease boundaries.

B) if the new base lease conveys the right to produce from specified formations only, and the new base lessee or its assignee permits or operates any injection well located within the formations specified in the new base lease, converts any production well to an injection well or drills a new injection well to the specified formations, ~~this~~ the new base lessee or its assignee shall become responsible for all regulatory requirements relative to all wells that penetrate the injection well formation, concrete storage structures, pits, and tank batteries in existence relative to the specified formations, all as may be located within 1/4 mile of the injection well and within the lease boundaries. If the operation of the injection well directly causes any other well(s), flow line(s), or other well site equipment located within the lease boundary and the specified formations to leak any fluids into fresh water or to the surface, then the new base lessee or its assignee shall be responsible for all regulatory requirements relative to said well(s), flowline(s) or other well site equipment. Nothing in this Subsection precludes this new base lessee or its assignee from voluntarily taking responsibility for all regulatory requirements relative to any additional wells, concrete storage structures, pits and tank batteries located greater than 1/4 mile away from the injection well and within the lease boundaries.

Director Mankowski added the last sentence so that operators would be responsible for more than what is located within the ¼ mile.

Mr. Kingston motioned to approve. Mr. Lampley seconded. All board members were in favor.

Effective date of amendments to Class II UIC permits

The Director informed the Board, that it would be 12 months to do modifications for amended MIP.

General Discussion

A discussion was had regarding UIC permits and the Newcone method.

New Business

The Director asked the Board for their thoughts on having an Illinois.gov email address. This has been suggested to clean up the FOIA process and keep the State out of personal email accounts.

Next meeting was proposed for February 3rd.

Meeting adjourned at 1:30pm