

LEGISLATURE OF NEBRASKA  
ONE HUNDRED FIFTH LEGISLATURE  
FIRST SESSION

**LEGISLATIVE BILL 533**

Introduced by Vargas, 7.

Read first time January 18, 2017

Committee:

1 A BILL FOR AN ACT relating to the Nebraska Oil and Gas Conservation  
2 Commission; to amend section 57-906, Reissue Revised Statutes of  
3 Nebraska, and section 57-905, Revised Statutes Cumulative  
4 Supplement, 2016; to change powers and duties; to require liability  
5 insurance for certain permit applicants and restrict permit issuance  
6 as prescribed; and to repeal the original sections.

7 Be it enacted by the people of the State of Nebraska,

1 Section 1. Section 57-905, Revised Statutes Cumulative Supplement,  
2 2016, is amended to read:

3 57-905 (1) The commission shall have jurisdiction and authority over  
4 all persons and property, public and private, necessary to enforce  
5 effectively the provisions of sections 57-901 to 57-921.

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

10 (3) The commission shall have authority to require: (a)  
11 Identification of ownership of oil or gas wells, producing leases, tanks,  
12 plants, structures, and facilities for the production of oil and gas; (b)  
13 the making and filing of directional surveys, and reports on well  
14 location, drilling, and production within six months after the completion  
15 or abandonment of the well; (c) the drilling, casing, operating, and  
16 plugging of wells in such manner as to prevent the escape of oil or gas  
17 out of one stratum into another, the intrusion of water into oil or gas  
18 strata, the pollution of fresh water supplies by oil, gas, or salt water,  
19 and to prevent blowouts, cave-ins, seepages, and fires; (d) the  
20 furnishing of a reasonable bond with good and sufficient surety,  
21 conditioned for the performance of the duty to comply with all the  
22 provisions of the laws of the State of Nebraska and the rules,  
23 regulations, and orders of the commission; (e) proof of liability  
24 insurance as prescribed in section 57-906; (f) ~~(e)~~ that the production  
25 from wells be separated into gaseous and liquid hydrocarbons, and that  
26 each be accurately measured; (g) ~~(f)~~ the operation of wells with  
27 efficient gas-oil and water-oil ratios, and to fix these ratios; (h) ~~(g)~~  
28 metering or other measuring of oil, gas, or product in pipelines or  
29 gathering systems; (i) ~~(h)~~ that every person who produces or purchases  
30 oil or gas in this state shall keep and maintain or cause to be kept and  
31 maintained for a five-year period complete and accurate records of the

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

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

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

27 (6) The commission shall not have authority to limit the production  
28 of oil or gas, or both, from any pool or field except to prevent waste  
29 therein.

30 (7) The commission shall have authority to classify wells as oil or  
31 gas wells for purposes material to the interpretation or enforcement of

1 the provisions of sections 57-901 to 57-921.

2 (8) The commission shall have authority to promulgate and to enforce  
3 rules, regulations, and orders to effectuate the purposes and the intent  
4 of sections 57-901 to 57-921.

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

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

13 (11) The commission shall have the authority to regulate the  
14 drilling and plugging of seismic and stratigraphic tests in oil and gas  
15 exploration holes.

16 (12) The commission shall have the authority to act as the state  
17 jurisdictional agency pursuant to the federal Natural Gas Policy Act of  
18 1978, Public Law 95-621, 92 Stat. 3350.

19 (13) The commission shall have the authority to have one or more  
20 examiners, who are employees of the commission, conduct any of its  
21 hearings, investigations, and examinations authorized by sections 57-901  
22 to 57-921. Such examiner may exercise the commission's powers including,  
23 but not limited to, the taking of evidence and testimony under oath,  
24 resolving questions of fact and questions of law, and the entering of an  
25 order. Such order shall be entered in the commission's order journal. Any  
26 person having an interest in property affected by an order issued by an  
27 examiner and who is dissatisfied with such order may appeal to the  
28 commission by filing a petition on appeal to the commission within  
29 fifteen days of the entering of the examiner's order. Such person shall  
30 provide notice to all interested persons by personal service or  
31 registered or certified United States mail with return receipt, requiring

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

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

20 Sec. 2. Section 57-906, Reissue Revised Statutes of Nebraska, is  
21 amended to read:

22 57-906 (1) It shall be unlawful to commence operations for the  
23 drilling of a well for oil or gas without first giving to the commission  
24 notice of intention to drill, and without first obtaining a permit from  
25 the commission, under such rules and regulations as may be reasonably  
26 prescribed by the commission, and by paying to the commission a fee of  
27 two hundred dollars for each such permit.

28 (2) It shall be unlawful to commence operations for the abandonment  
29 of a well with production casing in the hole without first giving to the  
30 commission notice of intention to abandon and without first obtaining the  
31 approval of the commission for such abandonment and paying to the

1 commission a fee of one hundred dollars.

2 (3) No permit shall be issued for the drilling of any underground  
3 enhanced recovery injection well or wastewater disposal well, as such are  
4 defined by commission rules and regulations, until the applicant has  
5 first provided proof of liability insurance to the commission in an  
6 amount of not less than five million dollars.

7 (4) No permit shall be issued to any commercial disposal facility,  
8 as such is defined by commission rules and regulations, which disposes of  
9 injection well wastewater until such applicant has first provided proof  
10 of liability insurance to the commission in an amount of not less than  
11 five million dollars. For purposes of this subsection, injection well  
12 wastewater means the salt water substance generated as waste from an  
13 injection well.

14 (5) No permit shall be issued for the drilling of an enhanced  
15 recovery injection well or for a wastewater disposal well if the proposed  
16 well will be located:

17 (a) In an area where the depth of the drinking water aquifer begins  
18 less than fifty feet below the surface of the ground; or

19 (b) Within Level III Ecoregion 44 as defined by the United States  
20 Environmental Protection Agency, commonly known as the Nebraska  
21 Sandhills.

22 Sec. 3. Original section 57-906, Reissue Revised Statutes of  
23 Nebraska, and section 57-905, Revised Statutes Cumulative Supplement,  
24 2016, are repealed.