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COMMITTEE ON NATURAL RESOURCES  
February 23, 2006  
Confirmation Hearing

The Committee on Natural Resources met at 1:30 p.m. on Thursday, February 23, 2006, in Room 1525 of the State Capitol, Lincoln, Nebraska, for the purpose of conducting a public hearing regarding Gubernatorial Appointments. Senators present: Ed Schrock, Chairperson; Carol Hudkins; Gail Kopplin; Bob Kremer; LeRoy Louden; and Adrian Smith. Senators absent: Elaine Stuhr, Vice Chairperson; and Vickie McDonald.

SENATOR SCHROCK: Good afternoon. For the record, my name is Ed Schrock. I'm from Holdrege, Nebraska. I chair the Legislature's Natural Resources Committee. Shall we do away with formalities and...

BARB KOEHLMOOS: Mr. Reed?

MARQUIS REED GILMORE: Mr. Gilmore, yes.

BARB KOEHLMOOS: Okay.

CONFIRMATION HEARING ON  
MARQUIS REED GILMORE TO THE  
OIL AND GAS CONSERVATION COMMISSION

SENATOR SCHROCK: All right, we're going to do with formalities here and we'll go straight to the confirmation hearing. Reed, this is Ed Schrock and I'm chair of the Legislature's Natural Resource Committee. I will introduce the other members of the committee, though. We have, on my far end, LeRoy Louden from Ellsworth. Gail Kopplin from Gretna. Carol Hudkins from Malcolm. Committee counsel, Jody Gittins. And absent but coming later is Senator Elaine Stuhr from Bradshaw. Senator Bob Kremer from Aurora. And Senator Adrian Smith from Gering. And you probably recognize some of those names.

MARQUIS REED GILMORE: I do, some of them.

SENATOR SCHROCK: And what we're here to do today is take a look at your confirmation and what we'd like to do is have you tell us about yourself. And I'm not sure if you're a reappointment or a new appointment...

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MARQUIS REED GILMORE: It's a reappointment.

SENATOR SCHROCK: And then just tell us why you'd like to continue to serve. It probably won't take much time but we always like to hear from, especially when you're that far away, why. So just tell us something about yourself. I always ask people to spell their name first and then tell us about themselves.

MARQUIS REED GILMORE: (Exhibit 1) My first name is Reed, R-e-e-d, Gilmore, G-i-l-m-o-r-e. And I've been on, I was Oil and Gas Conservation Commission, I think I was appointed first in 1969 and served for 12 or 15 years. I lived in Kimball all of that time. I came to Kimball in 1959 from Midland, Texas, and I've been up here ever since. And there was a short time when my residence was changed to Colorado for two or three years, at which time I had to resign from the commission. But I came back to Kimball and was reappointed. I don't remember what date that was but I was reappointed and served on the commission ever since. I am 72 years old, although I'm still active in my business. I am directly involved in the oil and gas production and exploration, E&P we call it, business. And I've also been involved in the oil field service business a couple of times. And at this time, I'm a partner with my brother who lives in Texas, partner with him in Antelope Energy Company in Kimball. We also have an office in Midland and another office in Denver. And also, I'm a member, owner of a drilling service business in Odessa, Texas, along with a partner of mine who lives down there and runs that business. So I've enjoyed being on the commission. We don't have near as much going on now as we used to and it actually turned out to be a pretty easy job. I think our commission functions very well and even though we're small in relation to other states as far as production is concerned, it is a pretty vital part of our economy out here in the Panhandle area, in the southern Panhandle of the state and also in southwest Nebraska in the McCook area. And so that tells you a little bit about myself. I actually live in Banner County now on a ranch in Banner County, but my office is still in Kimball. And I live out here with my wife and we have four grown children, eleven grandchildren actually. Some, most of them live in Nebraska. And so that tells you a little bit about myself. I'd be happy to answer any

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questions that anybody has.

SENATOR SCHROCK: Okay, Reed. We're not going to hold that age against you because, for most of us...

MARQUIS REED GILMORE: Well, I hope not.

SENATOR SCHROCK: ...with the exception of Senator Smith, why, most of us don't have more than about ten more years and we're going to be there.

MARQUIS REED GILMORE: Okay.

SENATOR SCHROCK: Some of us are closer, I guess, but you're probably...

MARQUIS REED GILMORE: Well, you know, I'm in good health and I'm enjoying what I do so I think I will just keep on doing it.

SENATOR SCHROCK: Reed, I'm going to open this up for questions from the committee.

MARQUIS REED GILMORE: Okay.

SENATOR SCHROCK: So if a senator asks a question, I'll ask them to identify themselves before the question is asked. Go ahead, Senator Hudkins.

SENATOR HUDKINS: Mr. Gilmore, since you're involved in the oil well drilling business, have the number of drillings increased or decreased in your part of the state?

MARQUIS REED GILMORE: Well, the business out here peaked in the 60s and has slowly declined ever since. We've been through, up until a couple of years ago, we've been through some pretty tough times in the exploration and production business. And today, we have far, far less wells being drilled or wells being completed than we did in the past. And so, yes, it's really pretty quiet. Part of the reason for that, there is a lot of activity going on in the United States as part of drilling and development. But probably 80-85 percent of that drilling is mainly for development of fields that were found some time ago. Through technology, why, the industry has figured out how to get more gas out of

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the ground from reservoirs that were found some time ago. And as I say, 80 or 85 percent is drilling for gas and not oil. Unfortunately, Nebraska has been primarily almost exclusive oil production and not gas. And so for that reason, it's been real quiet here for the past few years.

SENATOR HUDKINS: With the price of gas going up, is that going to make a difference?

MARQUIS REED GILMORE: Are you talking about natural gas or gasoline?

SENATOR HUDKINS: Gasoline.

MARQUIS REED GILMORE: Well, that doesn't really have too much effect on us. Of course, you have crude, the price of crude oil goes up, naturally, the price of gasoline goes up also. And but we're not involved, I'm not involved and, of course, the Oil and Gas Commission is not involved either in anything that has to do with marketing or refining. And so, but yes, the increase in crude oil prices and natural gas prices have currently stimulated the business. So there's a lot more activity now than there has been in the past in the United States.

SENATOR HUDKINS: All right, thank you.

SENATOR SCHROCK: Other questions? Senator Louden.

SENATOR LOUDEN: Yeah, Reed, I was wondering, since you're familiar with that part of the country, I've been through there a little bit. Marathon Oil and Gas or whoever they were at one time had quite a lot of wells out in that area. Are they still, I guess, a major operation out there or who's taken over some of those wells or are they still in operation?

MARQUIS REED GILMORE: Well, a lot of them...I shouldn't say a lot, but a few of them still are in operation. I think Marathon used to be Ohio but I think when that was developed it was Ohio Oil Company and then they changed the name to Marathon. And Marathon sold out, I think all of their production, some time ago. And I can't remember who it went to. I think that those wells are now owned by a central operating company, an independent out of Denver or they may

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have disposed of some, if not all of theirs to other independents. But if those wells, the wells that are left are mainly operated by, you know, small, fairly small independents for the most part.

SENATOR LOUDEN: I see. Then we don't have to have a concern that there's any foreign corporations that have any control of some of these oil companies that own wells out in western Nebraska?

MARQUIS REED GILMORE: I don't think so. Now you're talking, when you say foreign, you're talking about foreign countries?

SENATOR LOUDEN: Right.

MARQUIS REED GILMORE: I don't think so. I don't know of any foreign company that has anything to do with our business out here.

SENATOR LOUDEN: Okay, thank you.

MARQUIS REED GILMORE: You bet.

SENATOR SCHROCK: Other questions? Senator Smith.

SENATOR SMITH: Hi, this is Adrian Smith.

MARQUIS REED GILMORE: Hi, Adrian.

SENATOR SMITH: Thank you for your willingness to serve.

MARQUIS REED GILMORE: You're certainly welcome.

SENATOR SMITH: I guess a little question that I might have. Do you qualify as big oil?

MARQUIS REED GILMORE: As big oil?

SENATOR SMITH: Yeah, I'm asking that in jest.

MARQUIS REED GILMORE: (Laugh) No, I'd like to be a little bigger than I am but... (Laughter) I think it would be quite a trick to say I represent big oil.

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SENATOR SMITH: Thank you.

MARQUIS REED GILMORE: You bet.

SENATOR SCHROCK: Other questions? Reed, this is Ed Schrock. Do you think there's more oil to be found in Nebraska or is it just...

MARQUIS REED GILMORE: Ed, I think there probably is. Our area out here has been developed as far as what we consider shallower zones. And it's really shallower in that the age of the rock is younger than what is below the producing zones. And we do have a few fields, two or three fields out here, a couple of which are fairly significant. They're not big in aerial extent but they're significant because they come from older rock which is deeper probably, deeper by about 1,000 feet or 1,500 feet below the cretaceous rocks which are the D&J sand, which range in depth from 3,500 to maybe 7,000 feet on the western side of the state. And we feel that there is potential in those lower rocks and also some in the shallower beds. But as I said before, there really isn't that much exploration going on really anywhere. Most of the drilling that is now being done in the United States is drilling what we call infield drilling, which is kind of down spacing to, oh, from 160 acres to 40 acres or 80 acres or even, if it's on 80, sometimes 40 because the technology, they've figured out ways to, you know, to at the higher prices that we get for oil and gas now, to make that economically feasible. But I do think that there is potential, we're not seeing, we're seeing very little exploration right now even with the higher prices. But I don't think the party is completely over.

SENATOR SCHROCK: Okay. Thank you, Reed.

MARQUIS REED GILMORE: You bet.

SENATOR SCHROCK: I don't see any other hands, so we appreciate you being with us and...

MARQUIS REED GILMORE: Well, you bet, and I appreciate the fact that you let me stay out here and do this by telephone, too.

SENATOR SCHROCK: Well, Senator Smith would tell us it's a

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pretty good drive.

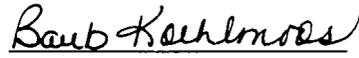
MARQUIS REED GILMORE: Yes, it is.

SENATOR SCHROCK: All right. Thanks a lot, Reed.

MARQUIS REED GILMORE: You bet, thank you.

SENATOR SCHROCK: Is there anybody who wants to testify as a proponent for Reed's confirmation? Is there opponent testimony? Is there neutral testimony? If not, that will close the hearing for the confirmation of Reed, with the first name of Marquis, Gilmore to the Oil and Gas Conservation Commission. And outside of exec session, that's all our business today.

  
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Chairperson

  
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Committee Clerk