

AGENCY 57 OIL AND GAS CONSERVATION COMMISSION

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AGENCY DESCRIPTION

The Oil and Gas Conservation Commission was created in 1959 to encourage and promote the efficient development, production, and utilization of Nebraska's oil and gas resources. The Commission consists of three Governor-appointed members. The major fund source is the Oil and Gas Conservation Tax. The Commission applies annually for a federal grant from the USFPA and receives federal funds to administer the Underground Injection Control program.

Oil and gas is produced in three geologic provinces of the state: the Forest City Basin in the southeast, the Cambridge Arch in the southwest, and the Denver-Julesburg Basin in the panhandle. Well files, containing information for each well, are maintained by the Commission and are a valuable source of information to both the industry and the public. Through 2013, 19,980 oil and gas wells have been drilled in Nebraska. The Commission requests that samples of drill cuttings from selected wells be saved by operators and delivered to the Geological Survey in Lincoln for preservation and analysis.

Oil and gas drilling activity is driven by commodity prices and opportunity. The collapse of oil and gas prices in late 2008 hindered drilling activity in 2009 when only 82 permits were approved but, in late 2009, oil prices rebounded and stabilized. During 2012, the Commission permitted 141 new oil wells and issued 185 permits during 2013. No gas wells have been permitted since 2008. The industry's success is demonstrated with thirteen new oil fields discovered in 2012 and nineteen field discoveries drilled in 2013. All but five of the 32 discovery wells were located utilizing 3-Dimensional Seismic data.

The Commission continues to make great strides in the electronic delivery of oil and gas information to the public. The website currently services over 2,000,000 hits per month from public inquiries. Using the website, the public can access the data for wells, production and injection volumes, and lease information. Overlays and links for the location of registered water wells and wellhead protection areas are available. Overlays displaying secondary recovery units and field areas were added during 2013. Scout tickets can be generated as well as graphs of production data. Schematics of well bores showing the geological formations penetrated by the well and imagery for the well location from Google Earth can be accessed.

Information contained in every well file, now numbering over 21,000 wells, has been scanned. New drilling permits are scanned and presented for the public with daily updates. Commission personnel completed scanning original films and sepias of well logs from various wells in late 2012. The documents from over 850 case files will begin to be scanned in 2016. All Commission orders have been scanned and will be cross-referenced with the case files and appropriate well files in the future.

The LANDSAT-based geomorphic study of the entire state of Nebraska and northeastern Colorado, which identified surface lineaments, curvi-linears, tonal anomalies, and fracture patterns, was released in 2007 and continues to be used by explorators as they develop their ideas. Prospect leads, which integrated available aeromagnetic and gravity data, are shown on the interpretation. The geomorphic study and specific well information are available on the website in free, down-loadable formats for anyone using computer-based mapping software. The available data and GIS shape-files provide information, worth tens of thousands of dollars, at no cost to anyone who would like to use the information.

The Commission is providing electronic well log information to several Natural Resource Districts, in western and central Nebraska, which will be used to map and interpret the shallow geology for ground water modeling. Since the summer of 2013, Conservation and Survey Division personnel have transported the well logs, maintained in their Lincoln collection, to Sidney where each folder is annotated with the wells' unique API number. Since the project's inception, additional electric logs from over 6,700 wells have been scanned into the system. Several thousand logs in panhandle counties remain to be scanned and the project should be completed by early 2016.

Commission personnel continue to maintain active leadership roles in two national organizations, the Interstate Oil and Gas Compact Commission and the Ground Water Protection Council. Public meetings and hearings for revisions and additions to the Commission's Rules and Regulations were commenced during March 2012 and completed in June 2013. All executive approvals were completed by June 15, 2014.

| TOTAL BUDGET | | <u>2011-12</u> | <u>2012-13</u> | <u>2013-14</u> | <u>2014-15</u> |
|-------------------------|-----------|----------------|----------------|----------------|----------------|
| | | Expenditure | Expenditure | Expenditure | Appropriation |
| General | Cash | 593,522 | 641,601 | 720,314 | 811,365 |
| | Federal | 81,862 | 80,560 | 83,945 | 89,235 |
| | Revolving | | | | |
| Total Operations | | 675,384 | 722,161 | 804,259 | 900,600 |
| | | 7.81 | 8.81 | 8.81 | 8.81 |

**AGENCY 57 OIL AND GAS CONSERVATION COMMISSION
PROGRAM 335 ADMINISTRATION**

PROGRAM OBJECTIVES

1. Ensure that all drilling operations are conducted in a proper and safe manner with minimum potential for environmental damage.
2. Ensure that all wells are cased, cemented, and properly plugged to prevent migration of fluids.
3. Ensure efficient production operations that protect correlative rights of all owners.
4. Maintain geologic information, well records, and petroleum engineering data for dissemination to the public.

PROGRAM DESCRIPTION

The Commission authorizes and regulates the drilling, producing, plugging, and spacing of oil, gas, and injection wells, and the disposal of wastes associated with oil and gas. The Commission has the authority to establish pooling by order to assure that each well owner receives a just and equitable share of oil and gas from a reservoir. Physical inspections of drilling and producing sites are conducted to assure compliance with the laws of the state and rules and regulations of the Commission.

| STATISTICS | 2011-2012 | | | |
|---------------------------------------|-----------|-----------|-----------|-----------|
| | Actual | Actual | Actual | Estimated |
| Oil Production, BBL/YR | 2,503,888 | 2,513,356 | 2,778,396 | 2,816,235 |
| Dry Gas Production, MCF/YR | 1,859,050 | 1,220,867 | 868,248 | 322,134 |
| Average Oil Price (\$/BBL) | 81.99 | 80.57 | 85.24 | 75.00 |
| Avg. Daily Oil Production (BOPD/well) | 5.78 | 5.52 | 5.91 | 5.94 |
| Active Oil Wells | 1,186 | 1,247 | 1,288 | 1,300 |
| Active Gas Wells | 275 | 223 | 219 | 111 |
| Active Injection Wells | 522 | 524 | 525 | 530 |
| Total Inactive Wells | 751 | 632 | 672 | 780 |
| Drilling Permits | 195 | 143 | 185 | 225 |
| Wells Drilled | 136 | 130 | 155 | 185 |
| Dry Holes | 50 | 43 | 68 | 81 |
| Plugged & Abandoned Prod/Inj Wells | 55 | 44 | 27 | 25 |
| Hearings Held | 3 | 6 | 12 | 12 |
| Commission Meetings | 6 | 6 | 8 | 7 |

Note: Production and well statistics are for end of calendar year occurring at mid-fiscal year.

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