

Transcript Prepared By the Clerk of the Legislature  
Transcriber's Office

Natural Resources Committee  
March 31, 2008

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[CONFIRMATION]

The Committee on Natural Resources met at 9:00 a.m. on Monday, March 31, 2008, in Room 1525 of the State Capitol, Lincoln, Nebraska, for the purpose of conducting a public hearing on gubernatorial appointments. Senators present: LeRoy Louden, Chairperson; Carol Hudkins, Vice Chairperson; Tom Carlson; Mark Christensen; Deb Fischer; and Norman Wallman. Senators absent: Annette Dubas and Gail Kopplin. []

SENATOR LOUDEN: I guess we'll go ahead. We'll start this Natural Resources Committee hearing today, confirmation hearing for James Gohl, Oil and Gas Conservation Commission, and at that time I will ask everyone to check your telephones to see that they don't ring. (laughter) Yeah, mine's shut off, so what the heck. And with that if you had sign-in sheets those wishing to testify have to have sign-in sheets and they are available. With that I would introduce the senators here today. Senator Wallman from Cortland; Senator Tom Carlson from Holdrege; legal counsel, Jody Gittins, on my right; to my left is Senator Carol Hudkins, vice chairman of the Committee; to her left is...and she's from Malcolm; to her left is Senator Deb Fischer from Valentine; and next to her is Senator Mark Christensen from Imperial. And on the end is our top clerk, Barbara Stansbury Koehlmoos, (laughter) so that's how we go today. With that, if you wish to come forward, Tom, and tell us a little bit about yourself, we will get this hearing underway. Oh, and we have Ryan McIntosh from Syracuse, is a junior at the University of Nebraska-Lincoln, is our page today. Thank you, go ahead.  
[CONFIRMATION]

JAMES GOHL: (Exhibit 1) My name is James Gohl, I go by Jim. I live at Culbertson, Nebraska. I have farmed and ranched in the Culbertson area for probably 30 some years, I guess. And been on the Oil and Gas Commission, Barb and I were discussing it, I'm not sure, five or six years, I guess, and I was reappointed, I was appointed to take the place of an individual that had left the state. And have been in oil and gas business for the most part, better part of 30 years also, I guess, so that's the short version. My wife, Connie, is with me here today and we still live on a ranch south of Culbertson.  
[CONFIRMATION]

SENATOR LOUDEN: I looked at your credentials here, you operate a gas company or manage... [CONFIRMATION]

JAMES GOHL: Actually we operate a...my sister and I operate an oil producing company almost exclusively all oil wells, one gas well, I believe, is all we have and we're based out of Denver. Most all of our operations are in southwest Nebraska in the McCook, Indianola, Bartley area. We do have a few wells in Colorado and Kansas.  
[CONFIRMATION]

SENATOR LOUDEN: Is your, what's the situation on the well, or oil industry in

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Nebraska? Is it on the decline or is it holding even or are these wells fizzling out, or what? [CONFIRMATION]

JAMES GOHL: Yeah, it probably is on the decline. Price dictates a lot of how much on the decline it is. With the price we have now, it justifies producing wells that may not otherwise be justifiable to produce, economically justifiable to produce. There is exploration going on. A lot of, lot of gas exploration in the...Senator's Christensen's area, kind of north of Imperial to Ogallala and then kind of west in the southern part of the Panhandle. There is oil exploration going on, not to the extent that we probably saw 25 years ago or more but there is some and it will continue as long as the price continues also. [CONFIRMATION]

SENATOR LOUDEN: How deep are they going when they look for this gas in some of the areas? [CONFIRMATION]

JAMES GOHL: Depends on the area. The vast majority of it is in the Niobrara formation. Some of that gets as shallow as 1,800 to 2,000 feet down the southwest corner of the state and gets deeper as you go north and northwest but still probably in the 3,000 foot range or 2,000 to 3,000 is the vast majority of it. [CONFIRMATION]

SENATOR LOUDEN: There's nothing below that? [CONFIRMATION]

JAMES GOHL: That's very debatable. (laugh) The one gas well we have produces from about 5,000 feet which is south of Potter, Nebraska, about five or six miles and that is in the D and the J sand formation. The companies that are looking at exploring for this Niobrara gas, they have set their focus on that and that only. They have, did the 3-D seismic, they say they, they're not concerned at all what is below that. They are just strictly going to look in that formation. [CONFIRMATION]

SENATOR LOUDEN: One other questions I have for you. What's going on up there north of Hay Springs and stuff? They're doing some wildcatting or something up there. Is that for oil or gas or whatever they can find? [CONFIRMATION]

JAMES GOHL: I think primarily oil but I'm sure they are looking on the way down to that to see what they can find, but I don't know a lot about it but what little I do know about it, it was oil exploration. [CONFIRMATION]

SENATOR LOUDEN: Now did, they had to get a permit from the commission or somebody, is that how that works for them to go in there and do that?  
[CONFIRMATION]

JAMES GOHL: Yes. When someone wants to drill a well, whether it be gas, oil or any kind of exploration like that, they do need to go to the commission, they file an intent to

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drill, and a permit is granted. It's a fairly nominal fee, I think a couple hundred dollars to do that. [CONFIRMATION]

SENATOR LOUDEN: And then they say how deep they're going, what formation they are going to go down to and... [CONFIRMATION]

JAMES GOHL: Um-hum. Have the objective formation and you do actually put in that permit how you plan to...we have to run what we call surface casing in those wells to protect the groundwater and it asks in those permits how many feet of that you will put in and how you plan to cement that and different things like that so. [CONFIRMATION]

SENATOR LOUDEN: Now up in part of the Sandhills when they were drilling, that was, I wondered because they were only putting in, some of them were only putting in about 800 feet of casing and my understanding was that that Ogallala aquifer was, in places, closer to 1,200 and 1,000 feet so I'm wondering what was going on down there that...did we get some pollution out of that or what? [CONFIRMATION]

JAMES GOHL: You know, I can't speak for that area specifically. Down in our area where we're at, we are only required to set that casing to shale which may vary from anywhere from 50 feet to 300 to 400 feet and we set it into the shale and then that protects us from the fresh water that we use around there. Now there is also other water bearing such as Dakota zones that are lower than that but if we hit production, then we will set casing, of course, clear to the bottom of the well and we also cement that in. And then the commission over the years does monitor that to make sure that any well that we are producing or taking care of, whether we're producing it or it's actually a shut-in well, they monitor that to make sure that there is never any fluid in that well gets up high enough to contaminate any groundwater in case there would be a breach in the casing or something like that. [CONFIRMATION]

SENATOR LOUDEN: Okay. Other questions for Jim? Senator Carlson.  
[CONFIRMATION]

SENATOR CARLSON: Senator Louden. Jim, you make a statement in here about preventing waste and protecting correlative rights of all owners. Explain to me in oil and gas, how correlative rights apply. How they work. [CONFIRMATION]

JAMES GOHL: I can, maybe an example would help us. If we came to your farm and wanted to drill an oil well on you, and say, for example, maybe you only had 50 percent of your mineral rights, a previous owner had retained 50 percent or something like that. And beings he is an absentee mineral owner, he may be very interested in having an oil well on your property. Being you're the surface owner, maybe you're not near as interested in it, it may...you have a small tract or something, you don't want a nasty oil well out there smelling up the place or for whatever reason, and in other words there's a

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dispute between you and the other owner. Some of those things can come to the Oil and Gas Commission and then as a commission we would decide maybe in your favor, depending on what your argument may be, or the other 50 percent owner he has rights also that need to be protected and we would weigh all of those facts out and come to a decision of some kind. [CONFIRMATION]

SENATOR CARLSON: So that applies to different owners on the same piece of ground versus me against my neighbor? [CONFIRMATION]

JAMES GOHL: It can also be you against your neighbor. [CONFIRMATION]

SENATOR CARLSON: Okay. Explain how that would work. [CONFIRMATION]

JAMES GOHL: For an example, I have to think about that one just a bit. (laugh) Some companies, well, all companies in certain situations may want to pool an acreage or unitize an acreage which may be you and your neighbor's acreage. And at that point we would have to decide whether that company, in the best interest of producing oil and gas, has a valid argument to do that, and whether it is fair to you and to your neighbor or balanced correctly or not and we would decide those things. [CONFIRMATION]

SENATOR CARLSON: Usually you think of correlative rights as being share and share alike, but if I own 75 percent of the right and the one I bought the land from has retained 25 percent, then you'd go by percentage. [CONFIRMATION]

JAMES GOHL: That's a pretty straightforward on that. Now if you and your neighbor were going to have acreage pooled or unitized, that is not so straightforward. Say for example, you each have 40 acres there that's going to be pooled or unitized, we would do engineering studies, there would probably be, well there wouldn't have to be, but a lot of times those things come after the fact, after wells are drilled also to unitize. We would do engineering studies to determine whether more of the producing pay zone would be under your land or under your neighbor's land and there's studies that can justify those things, back that up so. In that case, even though you both contribute 40 acres to the unit, you may get 75 percent of it and your neighbor 25 percent, or vice versus. Sometimes land is pooled before it is drilled also if a company comes in and determines that...there are regulations that we have to follow. We have to be so many feet from lease lines and things like that to drill a well. So if we want to drill a well closer than those regulations allow, then we would come to the Oil and Gas Commission or any producer would come to the Oil and Gas Commission and ask permission to drill that closer to the line and then we would have to pool the other lease also with that. I hope I've answered your question. [CONFIRMATION]

SENATOR CARLSON: Well, yeah, I'm asking because I'm thinking in terms of how that compares with the correlative rights in groundwater. [CONFIRMATION]

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JAMES GOHL: Uh-huh. Uh-huh. It is somewhat different other, because...  
[CONFIRMATION]

SENATOR CARLSON: Sounds like it. [CONFIRMATION]

JAMES GOHL: ...we can do relatively exact studies, well, I say, exact, that is a relative term (laughter) but there are, you know, a lot of formulas and things that engineers can use to determine, hopefully, where that lies. [CONFIRMATION]

SENATOR CARLSON: Okay. Thank you. [CONFIRMATION]

SENATOR LOUDEN: Senator Hudkins. [CONFIRMATION]

SENATOR HUDKINS: Thank you. Thank you for driving all this way from Culbertson. Do you know Tom Baker and Larry Sitzman? [CONFIRMATION]

JAMES GOHL: Sure. Larry Sitzman was a close neighbor and friend of mine and Tom Baker, I've known both of them for all my life, I guess, and actually Tom Baker is a business associate of ours also. We do some things together, so. [CONFIRMATION]

SENATOR HUDKINS: Okay. Now my real questions is, we've all seen movies that show when they're drilling an oil well they have this big wooden derrick and this goes back, you know, how many years and when the oil comes in, it just sprays everywhere and the gusher and everybody is happy and dancing around with oil all over them. That isn't how it's done anymore. (laugh) [CONFIRMATION]

JAMES GOHL: It probably could and it probably has happened but unfortunately I've not been fortunate enough to see that. (Laughter) [CONFIRMATION]

SENATOR HUDKINS: So being from the eastern part of the state and not having any experience at all with oil wells, so what happens, how do...well, you know how you got oil because you got oil when you're pumping but how does it work now?  
[CONFIRMATION]

JAMES GOHL: When we drill a well, we have a geologist on site, called a well site geologist, and as the well is being drilled there are samples that are circulated to the surface and he looks at those samples under a microscope and of course, he knows from other wells in the area about where to look for those things. And so, he looks at those samples and you can see in those samples if there is oil in those samples or not by looking under a microscope at them. If he determines that there is a sufficient show, we call it, to justify a test, then we will put a test into the ground which is a...we put an open pipe down that hole and once it's down in that hole we can open it up and the

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pressure from the oil producing zone will come into that pipe and force oil or mud or water or whatever might be down there up into that pipe. And then we pull that out and we can look and see what is in there and then also there are various charts down in that tool, in the bottom of the well, to measure pressures, and so on and so forth, so that is how we do it. And then when we're done drilling, we have a company come out and they will run an electronic log and that also helps us determine...just one more tool, there's several tools we use looking at the samples, the drill stem test we call it that we put down and then the logging after the well is drilled that we look at, all three of those, and try to combine those to determine if we've got a well we might be able to produce or not. [CONFIRMATION]

SENATOR HUDKINS: Thank you. [CONFIRMATION]

SENATOR LOUDEN: Any other questions? Well, if not, I guess, yeah, when you talk about them spraying up there, I, what is it that guy in the monkey cage up there with his cable down off there to get out there (laughter) I don't know if I'd want to be around one of those that sprayed like that because I've been around some of them guys like that and they talk about having to come down that cable in a hurry when the thing was a rumbling. [CONFIRMATION]

JAMES GOHL: Today, probably that would not happen because you're required in areas...there's a lot of, lot of regulations we have to go by but you're required in areas that that has a possibility of happening to put on the well what's called blowout preventers to keep that from happening and so it wouldn't be quite as dramatic. But I've never, oh, I guess, I've been around a well that when we put that test in that I talked about that, and we would maybe leave that tool open anywhere from 15 minutes up to an hour, and you can tell how much is coming in because there is a hose that we, it sounds pretty primitive, a hose we put in a bucket and as the fluid is coming into that pipe down below in the hole it blows air into that bucket and you can tell if you're getting much entry into the pipe or not. And so we've been on wells that we have probably had 2,500 foot of fluid in the pipe out of a 3,500 foot hole, so it has gotten fairly close to the top but have to have a tremendous amount of pressure to push oil or any kind of fluid 3,500 or 4,000 feet up the pipe but it's pretty exciting when you open that pipe up and there's 2,500 foot of black oil in it but...(laugh) [CONFIRMATION]

SENATOR LOUDEN: I imagine it would be. [CONFIRMATION]

JAMES GOHL: That doesn't happen a lot. [CONFIRMATION]

SENATOR LOUDEN: Well, I hope the next time you hit one why that's what happens. [CONFIRMATION]

JAMES GOHL: Me too. [CONFIRMATION]

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SENATOR LOUDEN: Well, thank you for being here today and... [CONFIRMATION]

JAMES GOHL: Thank you, folks. [CONFIRMATION]

SENATOR LOUDEN: ...of course making that long drive to be here and we appreciate your willing to serve on this commission so with that why we'll go into executive session now, so thank you for being here today and we'll... [CONFIRMATION]

JODY GITTINS: Better ask for proponents and opponents. [CONFIRMATION]

SENATOR LOUDEN: Oh, well, I don't see anybody else here and like, Chuck. Any opponents or proponents? (Laughter) Any opponents? Anybody neutral? Thank you. [CONFIRMATION]

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Chairperson

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Committee Clerk