



STATE OF VERMONT
SUNSET ADVISORY COMMISSION

MEMORANDUM

To: House and Senate Committees on Government Operations
House Committee on Natural Resources, Fish, and Wildlife
Senate Committee on Natural Resources and Energy

From: Sunset Advisory Commission

CC: Secretary of Natural Resources Julie Moore
Michael O'Grady, Deputy Chief Counsel, Office of Legislative Counsel
Amerin Aborjaily, Legislative Counsel, Office of Legislative Counsel

Date: December 16, 2021

Subject: Request for review of Natural Gas and Oil Resources Board

The Sunset Advisory Commission (SAC) was created in [3 V.S.A. § 268](#) to review and make recommendations on whether to maintain as is, amend, or repeal the State's boards and commissions. In accordance with this duty, SAC reviewed the Natural Gas and Oil Resources Board (Board) set forth in [29 V.S.A. § 504](#). As a result of this review, SAC is requesting that you, as committees of jurisdiction, review the issue of whether the Board, and all its responsibilities, powers, and duties, should be repealed.

According to testimony of the Commissioner of the Department of Environmental Conservation (DEC) to the SAC, the DEC is not able to find a record of the Board (established in 1981) operating and has recommended that the Board be repealed.

Board Powers and Duties

In review of [Title 29, chapter 14](#) (Natural Gas and Oil Conservation), the SAC found the Board has substantial enforcement authority over natural gas and oil conversation issues, including:

- the authority to conduct hearings;
- the power to issue subpoenas; and
- the authority to employ an executive officer and other personnel as it finds necessary in carrying out its duties, including engineering, technical, and other consultants.

A summary of the Board's charges in [Title 29, chapter 14](#) are:

(1) require identification of ownership of oil and gas wells, producing leases, tanks, processing plants, structures, and facilities for the transportation or refining of oil and gas;

(2) require the making and filing of well logs, directional surveys, and reports on well location, drilling, and production;

(3) require the drilling, casing, installation of proper equipment and facilities, operating, and plugging of wells in such manner as to prevent:

(A) the escape of oil or gas out of one reservoir into another;

(B) the detrimental intrusion of water into an oil or gas reservoir where that is avoidable by efficient operations;

(C) the pollution of fresh water supplies by oil, gas, or salt water, or other substances; and

(D) blowouts, cave-ins, seepages, and fires;

(4) require the testing of wells used in connection with the production of oil and gas, including production, injection, and disposal wells;

(5) require the licensing of oil and gas well drillers and the furnishing of a reasonable performance bond or other good and sufficient surety;

(6) require that production from wells be separated into gaseous and liquid hydrocarbons and that each be measured by means and upon standards that may be prescribed by the Board;

(7) require that wells be operated at efficient gas-oil or water-oil ratios or that production be limited from wells with inefficient gas-oil or water-oil ratios;

(8) require certificates of clearance in connection with the transportation or delivery of oil, gas, or product;

(9) require the metering or other measuring of oil, gas, or product;

(10) require that every person who produces, sells, purchases, acquires, stores, transports, refines, or processes oil or gas in this State keep complete and accurate records of their quantities, which records shall be available for examination by the Board or its agents at all reasonable times;

(11) require the filing of reports, plats, and other data related to matters within the Board's jurisdiction;

(12) regulate the drilling, testing, equipping, completing, operating, producing, and plugging of wells, and all other operations for the production of oil or gas;

(13) regulate the stimulation and treatment of wells;

(14) regulate the spacing or locating of wells;

(15) regulate operations to increase ultimate recovery, such as cycling of gas, the maintenance of pressure, and the introduction of gas, water, or other substances into a reservoir;

(16) regulate the disposal of salt water and oil field wastes;

(17) determine the amount of oil or gas that may be produced without waste from any unit, reservoir, or field, and allocate the allowed production to and among the wells in such fields or reservoirs;

(18) permit by rule or order the flaring of gas produced from an oil well, pending the time when, with reasonable diligence, the gas can be sold or otherwise utilized on terms that are just and reasonable, if such flaring is in the public interest;

(19) identify reservoirs and classify or reclassify them as oil or gas reservoirs, and classify or reclassify wells as oil or gas wells;

(20) adopt rules and make and enforce orders reasonably necessary to prevent waste, to protect correlative rights, to govern the practice and procedure before the Board, and otherwise administer this chapter;

(21) implement State responsibility under the National Gas Policy Act of 1978 for determining the statutory maximum lawful price for sales of natural gas; and

(22) the Board shall have no authority over sales of gasoline and related products covered by 9 V.S.A. chapter 109, nor any authority over petroleum inventory reporting covered by 9 V.S.A. chapter 110.

Recommendation

It is unclear to the SAC whether the above functions of the Board are currently being performed by other entities or whether the functions of the Board have just been unnecessary in recent history. Accordingly, the SAC is requesting that committees of jurisdiction review this issue to determine whether the Board should be repealed or whether its powers or duties should be amended or transferred to another entity. Thank you for your consideration of this matter. Please do not hesitate to contact us for further information.