



February 29, 2016

FAQs related to Senate Bill 170

Question – What is DNR doing to transition away from Unrestricted General Funds to Designated General Funds?

The Department of Natural Resources is progressively migrating from unrestricted general funds (UGF) to designated general funds (DGF) or program receipts (PR). This is core to the Department's strategy of a self-funding business model. This migration to a greater reliance on designated funds is occurring in multiple divisions within the department. This budgetary cycle several measures have been, or are being, proposed to continue this transition:

- The Division of Mining Land and Water has made multiple fund switches from UGF to DGF that will make the division more than 50% funded by designated general funds
- The Division of Parks and Outdoor Recreation has over a number of years been transitioning to DGF, with a goal of being at least 50% funded by DGF.
- The Division of Parks and Outdoor Recreation has a bill under consideration to allow it to sell merchandise, this will increase its revenue and assist this transition
- There is a department-wide review of fees
- DGGs is proposing to institute a fee for service funding mechanism at the Geological Material Center in Anchorage. This will help fund the facility and contribute to migrating the department to greater reliance on DGF/PR.
- The Division of Forestry is making the log phytosanitary certification program self-funded, and is moving a southeast Forestry position to be self-funded by timber receipts.
- The Division of Agriculture implemented a 20% increase on most fees in FY2016.

Question – Are there other DGGs facilities that will be affected by this legislation?

Yes, DGGs's main office is in Fairbanks. Currently all the geologic materials (rocks) that are publically accessible are in the GMC in Anchorage. DGGs does have other "in process materials" in its Fairbanks facility, these samples will be viewable once they are housed in the GMC. DGGs distributes its maps and reports from the Fairbanks facility, but we have received requests to similarly distribute those from the GMC. Other than helping to fund the facility, which will benefit the overall division, there are few direct effects on other portions of the division.

Question – What is a typical user of the GMC?

During the last few years we have been getting approximately 500 visitors annually at the GMC. This has broken down into the following rough percentages – oil and gas / mineral geologists 50-60%, academia 20%, other government agencies (USGS, DOE, BLM) 20%, public and school groups 5-10%. Typical users view the sample inventory online and know ahead of time the materials they are interested in viewing. Industry and academia typically review core and surface rock samples and thin sections. They typically request material for analyses and use the microscopes and cameras at the facility to document the materials. All results from analyses on GMC materials are provided to DGGs and published.

Question – Would there be different fees for different user groups?

Yes. We plan to charge industry users at full rates, academia at a reduced rate, and offer services free to other government agencies, and to school groups or other teaching uses such as core workshops held there by the University of Alaska. These practices are in line with other facilities nationally.

Question – Is there a monthly membership fee, or are charges based on a usage rate?

At this time we envision a blend of options for users:

- We plan to offer a monthly or yearly subscription so that larger or more frequent users need not bother with invoices for individual visits.
- We plan to offer packages that bundle commonly used services, this will also help reduce accounting and billing.
- We also plan to offer a per usage rate which will be for the occasional or low-use visitor.

Question – What kind of materials are in the GMC that make it so special?

The GMC contains samples representing 48,000,000 feet of exploration drilling, 195,000 thin sections and 336,000 surface rock samples from across Alaska. At a drilling cost of \$1,000-2,000/foot for oil and gas drilling, this represents \$50-\$100 billion of exploration expenditure in Alaska. The GMC also houses the entire USGS, BLM, BOEM, USBM and DGGs rock and sample collections.

In a recent letter, Repsol wrote while describing the role of DGGs publications and materials at the GMC in its recent exploration:

“We believe the GMC and DGGs have played an important role in helping us understand the regional petroleum system and ultimately becoming a successful explorer...” and “In 2012, we utilized samples / prepared microscope slides from eight wells from the GMC for biostratigraphic analyses. This work helped us tie together our regional correlation markers

from wells and seismic to a chronostratigraphic framework from biostratigraphy. These data, supplied by the DGGS and GMC, helped to form part of our geological and correlation framework within the Colville Delta, a main focus of our exploration and appraisal activity.”

Repsol went on to announce an oil discovery with contingent resources between 500 million and 3.7 billion barrels of oil, which could make it the largest oilfield discovered in Alaska since the Prudhoe field.

Every box of samples at the GMC could contain the key to the next major oil or mineral discovery.

Question – Why can’t this happen in the private sector?

We do not know of any private core facilities that are open for visitation. Numerous major oil and gas and mineral companies operate core and sample repositories for their corporate use, but we do not know of any that are open to general viewing of the materials. To open these up for viewing would be counter to competitive advantage gained from storing the materials.

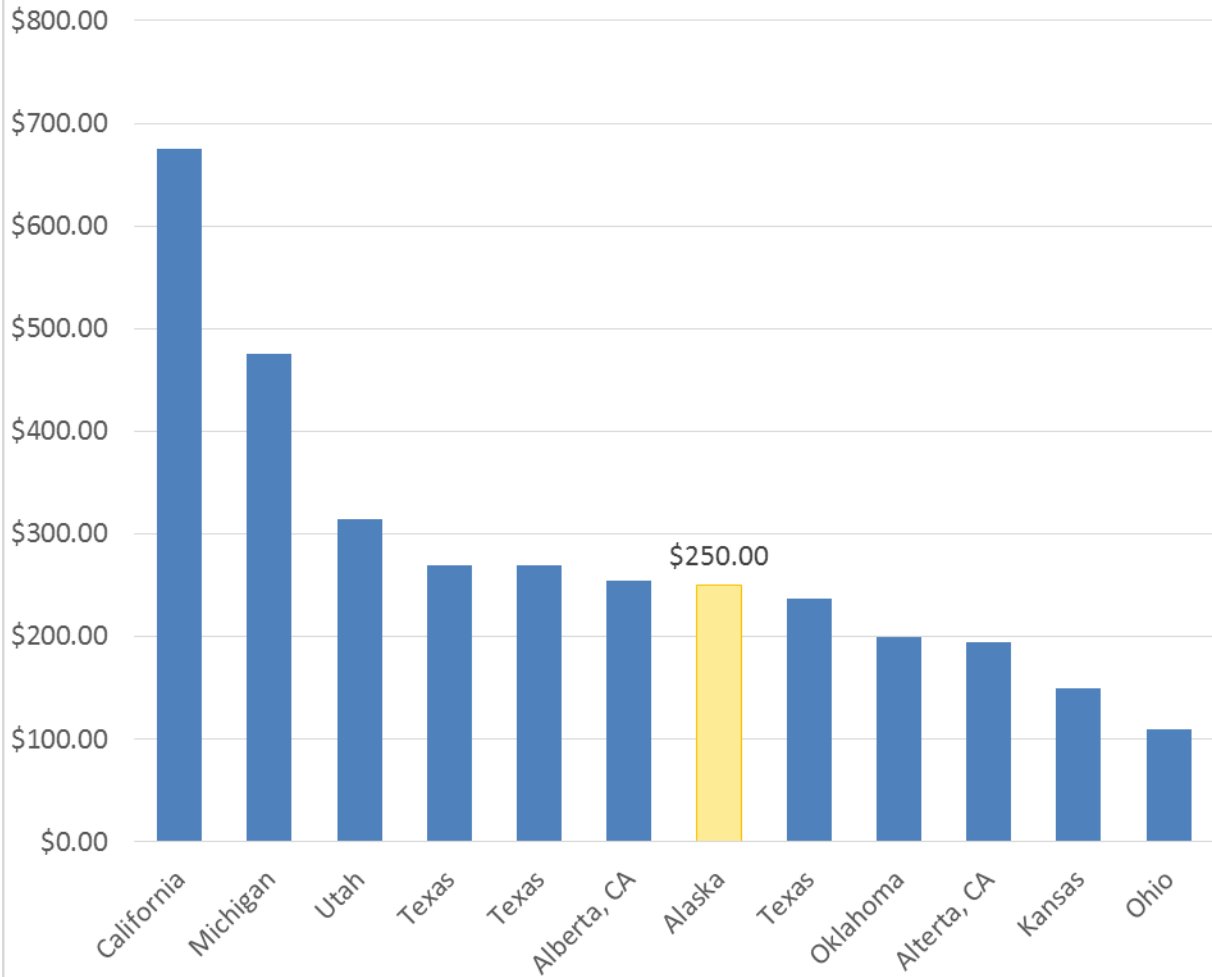
Government-run facilities provide for the long term and secure operation that will preserve these materials for their future use. Corporations come and go, and mandates change with management focus. To lose this material as a result of cost-cutting or corporate decision making would be a severe blow to future resource development in the state. Government operation secures this collection’s availability to assist in resource development and geologic research in Alaska.

Question – How do the operations of the GMC compare to other core facilities of its kind in other states?

Of the 28 public core repositories in the US and Canada, ten are over 25,000 square feet in size (GMC is 100,000 square feet). Of these larger facilities, nine either currently charge fees (seven), or are in the process of adopting fees (two, including the GMC). All the facilities operate in much the same way, archiving and making geological materials available for inspection, analysis and interpretation, and offer very similar services. Some have more advanced services and instrumentation than currently available at the GMC, but the methods and means of examining geologic samples is common from facility to facility.

We have reviewed charges at other facilities and our proposed fee schedule will be mid-range when compared to these other facilities. For example, we compared the cost for a small visitor to the facility between our proposed fees, and those in place at other facilities:

Core Repository Service Fees



Based upon a half-day (4 hrs):
1. Viewing 10 boxes of core
2. Viewing 10 boxes of cuttings
3. Having 10 plugs made from core