

**ALASKA STATE LEGISLATURE
HOUSE SPECIAL COMMITTEE ON OIL AND GAS**

May 2, 2002

4:11 p.m.

MEMBERS PRESENT

Representative Hugh Fate, Vice Chair
Representative Mike Chenault
Representative Gretchen Guess
Representative Reggie Joule

MEMBERS ABSENT

Representative Scott Ogan, Chair
Representative Fred Dyson
Representative Vic Kohring

COMMITTEE CALENDAR

HOUSE BILL NO. 527

"An Act relating to entry into the Minto Flats State Game Refuge for purposes of exploration and development of oil and gas resources."

- HEARD AND HELD

PREVIOUS ACTION

BILL: HB 527

SHORT TITLE:MINTO FLATS GAME REFUGE

SPONSOR(S): RESOURCES

Jrn-Date	Jrn-Page		Action
04/30/02	3238	(H)	READ THE FIRST TIME - REFERRALS
04/30/02	3238	(H)	O&G, RES
05/02/02		(H)	O&G AT 1:00 PM CAPITOL 124

WITNESS REGISTER

MARK MYERS, Director
Division of Oil & Gas
Department of Natural Resources (DNR)
550 West 7th Avenue, Suite 400
Anchorage, Alaska 00501-3560
POSITION STATEMENT: Testified on HB 527.

ACTION NARRATIVE

TAPE 02-25, SIDE A
Number 0001

VICE CHAIR HUGH FATE called the House Special Committee on Oil and Gas meeting to order at 4:11 p.m. Members present at the call to order were Representatives Fate, Chenault, Guess, and Joule.

HB 527-MINTO FLATS GAME REFUGE

Number 0040

VICE CHAIR FATE announced that the committee would hear HOUSE BILL NO. 527, "An Act relating to entry into the Minto Flats State Game Refuge for purposes of exploration and development of oil and gas resources." [HB 527 was sponsored by the House Resources Standing Committee.]

Number 0141

MARK MYERS, Director, Division of Oil & Gas, Department of Natural Resources (DNR), testified via teleconference. In response to Vice Chair Fate's question about the location of the most valuable resource in the Nenana basin, he explained:

When I look at the geologic potential of the area, we have several data sets. One is a seismic data set, so we have seismic lines over mainly the southern part of ... the license area; we have gravity data, which indicates where the basin actually is located, over the entire basin; and we have two wells in the southern part of the basin. When we look at it, the basin geometry is very well defined; in other words, the shape and ... relative thickness of the potential section is well defined on the gravity data. That corresponds with a good match to the seismic data. So [we're] pretty confident that the gravity data, which is over the entire basin, is a good representation of the thickness [and] shape of the basin.

From that, what we see is, the deepest part of the basin is just north of the Tanana River in the Minto Flats State Game Refuge. The depth becomes important not only because you have more section for having

potential reservoir rocks - so you can drill deeper and have more potential targets - but also that the gas being generated in the basin needs to come from the deeper depths, so the temperature and pressures are higher, and the coals, then, would produce the gas. That [is] often referred to as the kitchen area, or the area where you actually create the gas. ...

Number 0270

MR. MYERS continued:

The best potential for that is in the northern area. Generally, the best place ... to find economic quantities of gas is near where it's [generated]. The gas ... will generate out of these coal beds, which is the primary source for the gas, into nearby reservoirs.

So all that supports that the northern part of the ... proposed license area north of the Tanana River, which corresponds, unfortunately, to the Minto Flats State Game Refuge area, [which] is the area of highest potential, by a considerable amount. And in our preliminary best-interest finding, we have a map that sort of illustrates that shape, size of the basin, and where ... the best potential is.

Number 0335

VICE CHAIR FATE asked what the certainty is for finding gas if the lessee explores in this area, and whether the lessee would have to be in the core area to "find that high potential."

MR. MYERS answered that he believes there probably is gas distributed throughout the basin. There are two kinds of gas: biogenic gas, from the "chewing on rock" by microorganisms that create the gas; and thermogenic gas, created "under temperature and pressure." If the target is thermogenic gas, then the northern part of the refuge is critical to finding economical quantities. If it is biogenic gas, however, there is a possibility of finding it in the southern part, but probably not as high because the basin is thinner.

MR. MYERS said that commercially, if he looks at the basin from an explorationist's viewpoint, the northern part would be critical to exploration success. In addition, it appears that

the basin's structural geology is best suited in the northern part for "certain types of trapping mechanisms" related to gas potential. As to certainty, the two wells on the flank of the basin outside this core area were drilled where the basin is relatively thin; they did encounter quantities of gas, so gas has been generated in the basin. However, there aren't commercial quantities of gas, and there isn't any geologic structure there that would trap the gas in an economical quantity. He reiterated that the northern part is critical for someone who is exploring to have a reasonable probability of success in the basin.

Number 0513

VICE CHAIR FATE thanked Mr. Myers and called an at-ease at 4:17 p.m. He called the meeting back to order at 4:20 p.m. and announced that the meeting would be recessed until the following morning. [HB 527 was held over.]

ADJOURNMENT

The meeting of the House Special Committee on Oil and Gas was recessed at 4:20 p.m. until May 2, 2002, at 8 a.m.