

ALASKA STATE LEGISLATURE  
**SENATE RESOURCES COMMITTEE**

May 10, 2002  
3:50 p.m.

**MEMBERS PRESENT**

Senator John Torgerson, Chair  
Senator Gary Wilken, Vice Chair  
Senator Ben Stevens  
Senator Georgianna Lincoln

**MEMBERS ABSENT**

Senator Rick Halford  
Senator Robin Taylor  
Senator Kim Elton

**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."

MOVED SCS HB 527(RES) OUT OF COMMITTEE

**PREVIOUS COMMITTEE ACTION**

HB 527 - No previous action to consider.

**WITNESS REGISTER**

Representative Hugh Fate  
Alaska State Capitol  
Juneau, AK 99801-1182  
**POSITION STATEMENT:** Sponsor of HB 527.

Mr. Jim Haynes, Lease Administrator  
Division of Oil and Gas  
Department of Natural Resources  
550 W 7th Ave Ste 400  
Anchorage AK 99501  
**POSITION STATEMENT:** Supported HB 527.

Mr. Mark Myers, Director  
Division of Oil and Gas  
Department of Natural Resources

550 W 7th Ave Ste 800  
Anchorage AK 99501-3560

**POSITION STATEMENT:** Commented on HB 527.

Mr. Chip Dennerlein, Director  
Division of Habitat and Restoration  
Department of Fish & Game  
PO Box 25526  
Juneau, AK 99802-5226

**POSITION STATEMENT:** Commented on HB 527.

**ACTION NARRATIVE**

**TAPE 02-30, SIDE A**

Number 001

#HB527

**HB 527-MINTO FLATS GAME REFUGE**

**CHAIRMAN JOHN TORGERSON** called the Senate Resources Committee meeting to order at 3:50 p.m. and announced HB 527 to be up for consideration.

REPRESENTATIVE HUGH FATE, sponsor of HB 527, said the genesis of the bill was a series of communications, which were documented in an April 12 preliminary finding by the Department of Natural Resources (DNR) that said the ability to explore and develop in the Minto Flats Game Refuge would not be licensed. The Refuge covers a core area in the Nenana Basin, which really is at the heart of that game refuge. He explained that about 20 years ago two test holes in that area identified an extremely high potential for gas at 18,000 - 20,000 feet. Because of the confusion of the communications that passed between the Alaska Department of Fish and Game (ADF&G) and DNR and the letter from ADF&G to the Chairman of the Chamber of Commerce, it came to his attention that the possibility of even exploration on the Minto Flats Game Refuge, where most of the core area exists, would perhaps be denied. The Commissioner of ADF&G said he felt there was confusion. In the meantime, this bill contains language from the two other existing state game refuges of Trading Bay and Susitna that allow for exploration.

He said that sidebars to protect the environment are in place. There can't be any kind of exploration or development without those parameters that really describe strict environmental terms for exploration and development. The record shows that a good public hearing process took place, but people still do not want their land, trap lines and allotments disturbed.

MR. JIM HAYNES informed members that he held a position within the Division of Oil and Gas, DNR. His specific job duty was the supervision of the permitting land section. He told members he then worked at Doyon for several years, and recently he has worked with Nenana in Minto to encourage exploration in the Minto Flats area. He said he has been involved in public meetings in both communities and it is his understanding that they endorse the project. He pointed out the land in question was selected by the state for its oil and gas potential long before the Refuge existed. He said the existing Refuge plan contains language that is contrary to what was agreed upon by the Commissioners of DNR and ADF&G. The unapproved change is the reason for some of today's problems. He said he would like to see the language in the Refuge plan changed to reflect the outcome of these hearings, whatever that may be.

MR. HAYNES said that he testified briefly before a House committee last week in favor of providing service access to the area. Following his testimony, Ken Boyd, past director of the division, made a statement that he feels warrants expansion. Mr. Boyd said the effect of this is that his clients are expressing disdain at the hurdles they face at the permitting stage. Mr. Haynes said he believes the permitting problems are getting worse. [Mr. Haynes' description of the permitting problems was indiscernible due to background noise.] He said that each activity, be it the erection of a light pole, requires written approval. That allows the approving entities an additional opportunity to add new stipulations. He said the most onerous stipulation drives the project, and that tends to redirect the management authority from one agency to another, well beyond their statutory authority.

MR. HAYNES said he has spent the last 12 years challenging what he thought were unnecessary and expensive state regulations. [The remainder of Mr. Haynes' testimony was inaudible.]

MR. MARK MYERS, Director, Division of Oil and Gas, DNR, said this is an area that has long been understood to have a lot of potential for hydrocarbons. Seismic data has been shot for part of the basin and gravity data has been collected from the other part of the basin. [The next portion of Mr. Myers' testimony described the geology of the area but was indiscernible.] He then said the gas basin, until recent times, had neither the economics nor the interest. With gas prices increasing and the need for [indisc.] in Fairbanks, this particular basin has become an attractive target. DNR believes that gas recovered there could be produced economically based on the increased demand for energy in Fairbanks. DNR is aware that because a state game refuge

overlies a high potential area, it recognizes the conflict in resource values. The area in question, north of the river, is currently managed by ADF&G and DNR so a joint decision has to be made.

CHAIRMAN TORGERSON asked if the surrounding communities were supportive of drilling when DNR did its best interest finding and held public hearings.

MR. MYERS replied that they held three meetings - in Nenana, Minto and Fairbanks. All three were well attended. People were primarily concerned about access and that a pipeline or new roads into the area might provide additional hunting and subsistence areas. Minto residents very much wanted a dam and hoped there will be a pipeline to their village. In Fairbanks, the testimony was overwhelmingly in support of the project. Testimony in Nenana was similar to that given in Fairbanks.

CHAIRMAN TORGERSON asked if he knew of any endangered species in this area.

MR. MYERS replied that ADF&G has not said there are any endangered species in the area. The area primarily has migratory waterfowl and moose habitat and is similar to the Kenai Game refuge in terms of the habitat.

CHAIRMAN TORGERSON read him a statement from ADF&G's findings and asked him if it was true or false:

'Using a combination of directional drilling, staging through state lands [and] the Tanana Valley State Forest, located on both the east and west sides of the Refuge, staging from non-core lands left open to surface occupancy, we believe most, if not all, of the potential oil and gas targets could be developed.'

MR. MYERS replied that it is false in a sense of being the [indisc.] on the peripheral edges of the license area outside of the Refuge. This is a very large land area, perhaps 250,000 acres. They would need a substantial setback from the Tanana River and to be able to drill under it. It just wouldn't be practical.

CHAIRMAN TORGERSON asked him if this bill passes, how it will change life for him in relation to Minto Flats.

MR. MYERS replied that the bill does two things. It clarifies that oil and gas are a priority on the Refuge although oil and gas exploration and development were never prohibited. However,

it still leaves the lessees with a large amount of uncertainty that the state agencies will, in fact, work out an accessible arrangement so that exploration can take place. He said there are two levels of risk of geologic and commercial success and [indisc.]. He didn't think there would be the need for many wells to demonstrate commerciality, but he didn't think it added confidence to the explorer. [Most of Mr. Myer's testimony was barely audible.]

MR. CHIP DENNERLEIN, Director, Division of Habitat and Restoration, ADF&G, said ADF&G's greatest concern is in the area north of the Minto Game Refuge. Attention to this area predates the establishment of the Refuge. State planning efforts years ago noted the biggest area for wildlife productivity was in the Nenana Basin plains. Public use is also of issue. This area has the highest waterfowl harvest in all of Alaska. It is an extensive network of lakes, ponds and interconnected wetlands. Oil and gas development is allowed in the Refuge as long as it is compatible with fish and wildlife protection.

MR. DENNERLEIN said the issue is access to the northern area. He would divide the question into three areas. One is that an exploration company needs access for exploration and ADF&G doesn't see that as a problem. There are techniques that can deal with that and secondly, drilling, development and maintenance of the gas production, which is much more limited in scope than oil. If the core area north of the river was included, they want a heads up because there are areas that could be off-limits and require special management, although he admitted to some confusion, which has been straightened out. "We did not mean this as a huge blanket prohibition."

MR. DENNERLEIN said that Doyon, the largest landowner up there, indicated their willingness to work things out in a letter they sent to Representative Coghill.

CHAIRMAN TORGERSON said he wasn't sure that the departments talked to each other and:

The damage has already been done on this. Because you issued your best interest finding already with your license advisory statement in there that says you can't have any surface entry on an area that is 277,000 acres. That reminds me of someone who didn't even go look. I've been over that area and flown over that area and you can't take the whole damn thing off limits with a blank statement like that. So, going around and meeting with a few people and trying to correct a grave error I don't think works. I think you guys screwed up majorly or we wouldn't need this bill in front of us

now. I suggest that you read your work before you lease it...

MR. DENNERLEIN said they were dealing with Doyon and he believed they could work things out with them. He said they should have written this together (DNR and ADF&G) rather than having comments back and forth. He noted, "There is no reason we can not make it work."

CHAIRMAN TORGERSON said he wasn't coming back next year, but he was telling his colleagues that the first bill they should put in should transfer all the functions of Title 16 to the Division of Oil and Gas. He surmised, "Then I know you guys would talk."

CHAIRMAN TORGERSON proposed to put a "," after "permitted" on line 6 and delete "when compatible" and insert "unless a person demonstrates on the basis of sound science that exploration and development is incompatible" and then would go on to read, "with the purposes specified in subsection (b) of the section."

SENATOR WILKEN moved amendment 1 as stated by the Chairman.

SENATOR LINCOLN objected to say that she was comfortable with "shall be permitted when compatible" and then she looked at what the compatibility would be under section (b), but now to say "unless a person" seemed to be more of a person "opting out" than "opting in."

She asked if there was a pipeline through the village of Minto, then with this amendment they would have to demonstrate on the basis of sound science that it would not be incompatible. Her concern is that the people would lose their ability to harvest fish and game in an area they traditionally use.

CHAIRMAN TORGERSON said he hoped that wouldn't happen.

SENATOR LINCOLN noted that there is a five-mile corridor on either side of the pipeline where people cannot hunt, trap or fish and that is a real concern of theirs.

CHAIRMAN TORGERSON said he could see her point and asked Representative Fate what he thought about the amendment.

REPRESENTATIVE FATE said he shared their concern, but he thought there should be some way to mitigate that divisiveness.

CHAIRMAN TORGERSON announced an at-ease from 4:30 to 4:32 while they worked it out.

SENATOR LINCOLN moved to amend amendment 1 to insert "or traditional knowledge," after "science". There were no objections

and the amendment to amendment 1 was adopted.

CHAIRMAN TORGERSON asked if Representative Fate supported amendment 1 as amended. He said he supported it.

CHAIRMAN TORGERSON asked if there were any objections to adopting amendment 1 as amended. There were no objections and it was so ordered.

SENATOR WILKEN moved to pass SCS HB 527(RES) from committee with individual recommendations and attached fiscal note. There were no objections and it was so ordered.

CHAIRMAN TORGERSON adjourned the meeting at 4:33 p.m.

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