

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

February 26, 2004

3:28 p.m.

MEMBERS PRESENT

Representative Vic Kohring, Chair
Representative Cheryll Heinze
Representative Jim Holm
Representative Lesil McGuire
Representative Harry Crawford
Representative Beth Kerttula

MEMBERS ABSENT

Representative Norman Rokeberg

OTHER LEGISLATORS PRESENT

Representative Nancy Dahlstrom
Representative Les Gara

COMMITTEE CALENDAR

HOUSE BILL NO. 395

"An Act relating to shallow natural gas leasing and the regulation of shallow natural gas operations."

- HEARD AND HELD

CS FOR SENATE BILL NO. 265(RES)

"An Act relating to the schedule of proposed oil and gas lease sales and to a related report to the legislature; and providing for an effective date."

- SCHEDULED BUT NOT HEARD

SENATE BILL NO. 266

"An Act approving an interim classification by the commissioner of natural resources closing certain land within the area of the proposed Bristol Bay (Alaska Peninsula) competitive oil and gas areawide lease sale to oil and gas exploration licensing and shallow natural gas leasing; and providing for an effective date."

- SCHEDULED BUT NOT HEARD

PREVIOUS COMMITTEE ACTION

BILL: HB 395

SHORT TITLE: SHALLOW NATURAL GAS

SPONSOR(S): REPRESENTATIVE(S) HARRIS

01/23/04	(H)	READ THE FIRST TIME - REFERRALS
01/23/04	(H)	O&G, RES, JUD, FIN
02/05/04	(H)	O&G AT 1:00 PM CAPITOL 124
02/05/04	(H)	Heard & Held
02/05/04	(H)	MINUTE(O&G)
02/24/04	(H)	O&G AT 3:15 PM CAPITOL 124
02/24/04	(H)	Heard & Held
02/24/04	(H)	MINUTE(O&G)
02/26/04	(H)	O&G AT 3:15 PM CAPITOL 124

WITNESS REGISTER

ERIC MUSSER, Staff
to Representative Vic Kohring
Alaska State Legislature
Juneau, Alaska
POSITION STATEMENT: Explained aspects of HB 395.

REPRESENTATIVE CARL GATTO
Alaska State Legislature
Juneau, Alaska
POSITION STATEMENT: Answered questions about HB 395 as
cosponsor of the bill.

REPRESENTATIVE PAUL SEATON
Alaska State Legislature
Juneau, Alaska
POSITION STATEMENT: Answered questions about HB 395 as
cosponsor of the bill.

KRISTIN RYAN, Director
Division of Environmental Health
Department of Environmental Conservation
POSITION STATEMENT: Answered questions about water regulations
as they applied to HB 395.

JEFF ARNDT, Member
Friends of Mat-Su
Palmer, Alaska
POSITION STATEMENT: Testified during the discussion of HB 395.

MYRL THOMPSON, Spokesman
for Ogan is So Gone
Wasilla, Alaska

POSITION STATEMENT: Testified during the discussion of HB 395.

ACTION NARRATIVE

TAPE 04-6, SIDE A

Number 0001

CHAIR VIC KOHRING called the House Special Committee on Oil and Gas meeting to order at 3:28 p.m. Representatives Kohring, Holm, Heinze, McGuire, and Crawford were present at the call to order. Representative Kerttula arrived as the meeting was in progress. Representatives Dahlstrom and Gara were also present.

HB 395-SHALLOW NATURAL GAS

[Contains discussion of SB 312 and SSHB 364]

Number 0086

CHAIR KOHRING announced the only order of business, HOUSE BILL NO. 395, "An Act relating to shallow natural gas leasing and the regulation of shallow natural gas operations." [A proposed committee substitute (CS), Version V, labeled 23-LS1314\V, had been adopted 2/24/04.]

Number 0176

REPRESENTATIVE MCGUIRE informed members that she has a lot of concerns about HB 395, isn't comfortable moving it from committee today, and wants an in-depth hearing because she believes it is one of the most important bills to come out of this session.

CHAIR KOHRING noted that [Version V] was a result of a collaborative effort between the sponsor of the bill and his staff. He said he believes it's now in an acceptable form, but is happy to honor the committee's wishes and work through any additional problems.

Number 0375

REPRESENTATIVE HEINZE agreed the committee should work through the issues.

CHAIR KOHRING reminded members that there had been significant testimony during the two public hearings.

Number 0468

REPRESENTATIVE MCGUIRE said she understands there is a political problem with the bill and wants to try to address the concerns of her colleagues' constituents, but emphasized that [shallow natural gas] is a statewide issue. She remarked:

This is the kind of thing we've been asking for. We've been asking for development of our resources. We've asked these folks to come in and put some hard-earned money into the leases, and they went through a process, and it wasn't their fault, I guess, in my opinion, that we didn't require, for example, a best interest finding and some of these other things.

REPRESENTATIVE MCGUIRE opined that [HB 395] is fatally flawed and that there would only be about two pages of workable ideas when the discussion is over. She continued:

I tend to support the idea that is contained in another bill that's moving through the Senate, and maybe doing a House version of that. I think we should have a best interest finding, because I think one of the big concerns ... [was that] people didn't feel like they were part of the public process. They felt like it snuck up on them. They didn't get an opportunity to express their fears, their concerns, and things like that.

A best interest finding requirement would allow for that so that people's concerns would be out on the table. We've got very strict requirements with noticing and opportunity for public comment, and things like that, and we use that model, frankly, in the other areas where we do lease sales.

REPRESENTATIVE MCGUIRE said the aforementioned idea is in SB 312, sponsored by Senator Scott Ogan, who is from the Matanuska-Susitna area.

Number 0707

REPRESENTATIVE McGUIRE stated her concerns about the bill, mentioning that she and Representative Kerttula had discussions about several troubling issues. She reported that it has been explained to her that the vertical depth limit of 3,000 feet is a very difficult restriction. A requirement for the coal bed methane company to come back and apply for a conventional lease is onerous at that point in the process. She added, "It does the exact opposite of what I think we want to do, which is to spur development, responsible development, and that's what I think your best interest finding would get you." She called the true vertical depth limit of 3,000 [feet] throughout the bill irresponsible, and recalled that one constitutional mandate is to develop resources for the maximum benefit.

REPRESENTATIVE McGUIRE spoke of concerns with respect to water issues, some of which she recalled were touched on in a bill sponsored by Representative Gatto. She mentioned that she and Representative Kerttula had discussed language throughout the bill that is legally indefinable. She gave an example: "probable cause of the contaminant". Representative McGuire referred to standards on page 5 that are being set up both in the section that pertains to water-well testing and in the section about what to do if the water is contaminated. She noted that line 17, which mentions water purity, doesn't include a standard, is vague, and could lead to bureaucratic red tape.

Number 0937

REPRESENTATIVE McGUIRE addressed the noticing issue on page 4 and voiced concern that since this wasn't done for other disposal programs, she didn't know why it was being done in this bill. She pointed out that it could be part of a best interest finding also. She noted on page 4 the wording about a director's not being able to execute a lease under this subsection unless the director first provides notice of intent to award the lease in at least two newspapers. She said:

It is my understanding that, at that point in the process, the public can't do anything about it anyway, so why are we circulating it in the newspaper and getting people riled up or leading them to believe that they can respond to what's contained in this newspaper circulation in a meaningful way? We want them to be participating earlier on in the process.

REPRESENTATIVE McGUIRE told members she wanted to prevent what happened in the Matanuska-Susitna area, where people were angry, frustrated, and wanting to participate in a meaningful way.

REPRESENTATIVE McGUIRE next addressed the topic of setbacks and appropriate distances from drinking activities. She explained that she has dealt with the issue with regard to aquifers and gravel pits in her district. She deemed "three to four miles" as outrageous and wanted to see different requirements. She referred to the gravel pits in her district and testing requirements in Representative Hawker's district up on the hillside, and said she doesn't see the relevance. Asking how "four miles away" will impact the drinking water on an aquifer in her district, she requested more testimony on why the distance of three to four miles is being used.

Number 1155

REPRESENTATIVE McGUIRE turned attention to page 5 [lines 21 and 22], the words "to ensure that the owner will not forego the peaceful enjoyment of the property owned". Saying she didn't have a legal definition for "peaceful enjoyment", she called it a lawyer's dream. She mentioned the noise-abatement statutes in place and cautioned that noise mitigation on page 6 might be an area to avoid unless it is better defined.

REPRESENTATIVE McGUIRE quoted in part from page 6, line 6, "the owner may not unreasonably withhold agreement". She said the committee needs to think about the fact that a lot of people own property that others live on. She asked whether the bill was directed at the people who actually live on the property and would have to deal with the noise. Another point, according to her understanding, is that it is an extremely rare case that coal bed methane drilling occurs without an agreement between the property owner and the company. When she'd asked [Evergreen Resources Inc. ("Evergreen")], they could not think of a case that had occurred, she said. She emphasized that the intent is for the company and the property owner to "be at the table together" to work out these agreements, so the line previously stated undermines the agreement, she opined.

Number 1342

REPRESENTATIVE McGUIRE relayed her opinion that the tax mentioned in the bill was a bad idea, and that it would only serve to "protect bad actors." She assured Chair Kohring that she believed the idea of a tax was borne out of good intentions

toward his district. She noted that there already was a bonding provision in the bill, which, in her opinion, is how problems are dealt with. She said the bonding requirement could be raised if the problems weren't being solved, but a tax should not be required of every company. She gave an example of a company doing a great job and a bad company that comes in; noting that there will be a pool of money available, she opined that there is no incentive for good behavior because everyone pays in and then the penalty is exacted against all.

CHAIR KOHRING replied, "Point well-taken." He asked for suggestions on how that should be adjusted.

REPRESENTATIVE McGUIRE said she didn't think it was a real problem and said the bond takes care of it, but suggested looking at the amount of the bond.

Number 1499

CHAIR KOHRING suggested perhaps having clarifying language to make it clear that the bonding program is intended to help those who need remedial measures taken to compensate them for a well gone bad or a polluted well, for example. He said the intent of the language was to give assurances to property owners that they have a means with which to be remediated or compensated in the event there are problems with their wells that are directly associated with the drilling.

Number 1532

REPRESENTATIVE McGUIRE said a remediation provision might be put into the bond. She added that she didn't know the legal part of it very well, but understood Chair Kohring's intent. In response to questions from Representative Heinze, she said this was on page 9.

REPRESENTATIVE HEINZE asked if Representative McGuire was referring to raising the bond and not the \$250,000.

REPRESENTATIVE McGUIRE said she was not suggesting that the bond be raised. She explained that she understands the sponsor's intent in the idea posed in Section 10, but she doesn't think requiring every producer to pay an extraction tax to be set aside for mediation is the right way to do it. She clarified that what she suggested to Representative Kohring is, if he is concerned that the bond amount isn't enough to cover remediation

of a well gone bad, for example, that rather than have a tax on every producer, the bond amount could be raised.

REPRESENTATIVE HEINZE said, "And not the penny tax."

REPRESENTATIVE MCGUIRE responded, "Frankly, I'll be honest, in spending time talking to the folks that I have, the wells just simply don't go bad like that." She said she understood that there was a fear about it, which she didn't want to minimize, but opined that the evidence isn't there.

Number 1667

CHAIR KOHRING agreed with Representative McGuire's estimation that the chances a well will go bad because of lack of water or the quality of water is virtually zero because "we're talking about drilling at substantial depths that are way outside the realm of aquifers." He said he thought the pool of dollars would alleviate some of the people's concerns.

REPRESENTATIVE MCGUIRE said she hears what Representative Kohring is saying, but encouraged him to think about the hypothetical situation of [a company] following every rule and going beyond what is required, and then ending up paying the penalty "for somebody else who comes in."

CHAIR KOHRING offered, "Like Evergreen has." He said the point was well-taken.

Number 1743

REPRESENTATIVE MCGUIRE turned attention to another possible solution besides [SB 312]. She suggested the idea of eliminating the discretion of the [director of the Division of Oil & Gas, Department of Natural Resources] to extend the lease after three years, because in reality many of the controversial leases would then expire. A fear people might have right now is that through the discretion given to the director, and without a public process, the director would simply extend a lease. She termed it "bad following bad," and suggested there should be a best-interest-finding format in place. She also suggested letting the old leases expire and, for the new leases, she hoped they'd go through a new format in place due to the passage of [SB 312] or a House companion version of the bill. She offered to cosponsor a House Special Committee on Oil and Gas bill.

CHAIR KOHRING added, "That reflected the Senate version." He said that idea would be explored. He noted that he'd taken all of Representative McGuire's concerns very seriously and suggested they work together on those points.

Number 1890

REPRESENTATIVE HEINZE asked Representative McGuire, if the \$250,000 pool were in place, whether she could envision a company creating a problem to get at those funds. She wondered if the \$250,000 would be returned to the producers if it wasn't needed. She indicated she could see both sides of the issue.

Number 1950

REPRESENTATIVE HOLM asked Representative McGuire about the three to four miles she'd mentioned. He said he couldn't find that number anywhere in the bill.

REPRESENTATIVE MCGUIRE said she thought it was on page 5. She asked Chair Kohring if he remembered where it was.

CHAIR KOHRING asked his staff.

REPRESENTATIVE MCGUIRE then recalled that it was a hypothetical number related to the compressor station setback. She said she has been told that is the distance it could be, but what a reasonable distance is needs to be clarified.

Number 2037

REPRESENTATIVE HOLM suggested that a reasonable number also should be determined for the 1,500-foot and 3,000-foot distances. He said it was his understanding that the companies don't care what number it is, as long as it is reasonable.

Number 2068

ERIC MUSSER, Staff to Representative Vic Kohring, Alaska State Legislature, addressed the question about the 1,500-foot distance. He said that issue, on page 8, is up to the will of the committee. A limit has to be in place, and 1,500 feet is a starting point.

REPRESENTATIVE HOLM asked Mr. Musser if he is familiar with the process the committee is talking about and has seen one of the drilling rigs.

MR. MUSSER replied that he has seen them in the Matanuska-Susitna area.

REPRESENTATIVE HOLM said he hasn't seen one, but understands it is like a water well, so it seems inconceivable that while water wells are being drilled, there are hydrological concerns. He said he has talked to people at [Usibelli Coal Mine, Inc.] who said they didn't have contaminated water but couldn't spread the water out over the tundra. He called it "silly" and "nonsensical" to force them to reinject perfectly good water. He asked Mr. Musser how the bill could be phrased so there are no undue requirements.

Number 2193

REPRESENTATIVE MCGUIRE said Representative Holm had brought up a good point. She highlighted page 2, lines 13-17, and said there are fundamental problems with that language, too.

Number 2221

MR. MUSSER explained that the term "probable hydraulic fracturing" first was inserted in the bill because it is used in surface mining statutes, which are federally defined. He said "probable hydraulic consequences" is a determination based on base line hydraulic, geologic, and other information collected during a permit application. He offered his belief that the language is referred to on page 8.

MR. MUSSER said in using that baseline, which is used in the federal Clean Water Act and all other resource development activities, the whole intent is presumed liability. If an applicant obtains a permit to conduct shallow gas drilling activities within, currently, 1,500 feet of an existing well, the well is going to be tested by an independent well-testing company, even if flow and purity are broadly defined. Once that is done and the property owner's well is working, the intent is that down the road after drilling activities commence, it is presumed to be a probable hydraulic consequence if the water disappears. The property owner will then have a new well drilled.

MR. MUSSER pointed out that Tom Wright, staff to Representative John Harris, sponsor of the bill, could have addressed this issue but had left the meeting. He said he would try to address hydraulic fracturing as best he could.

Number 2391

MR. MUSSER explained that the hydraulic fracturing regulation came through because it was determined, during the initial reviews of water disposal, that reinjection was the way it had to be, given Alaska's climate, terrain, and volume of water being produced.

REPRESENTATIVE HOLM asked how big the well rig is.

CHAIR KOHRING replied that the casing is about eight inches.

REPRESENTATIVE HOLM continued, "So, we're going to drill this well and go through an aquifer that maybe is 100 feet deep; maybe it's not even that. When we get through that, there's no more water, correct?"

[Mr. Musser nodded.]

REPRESENTATIVE HOLM continued, "We have a casing through there. Relatively, there's no water because you start getting into sedimentary formations that have trapped the aquifer up above, correct? Are you following me here?"

[Mr. Musser nodded.]

Number 2508

REPRESENTATIVE HOLM continued, "So once we get through that point, why would we inject water back down 3,000 feet?" He also asked if the water removed from the hole would be put in a holding pond of some sort, or if another well would be put in, to pump the water back into.

CHAIR KOHRING answered based on what he knows about Evergreen's Matanuska-Susitna operation, "They first drill the well, and then when they do the fracturing, it releases water that is in the coal at depths of anywhere from 500 feet to 3,000 feet, depending on the geological formations." He went on to say that the water is drawn out of the coal seams; there is a pond that holds water, or trucks take the water to a different location to an injection well drilled to about 4,000 feet. He said sometimes in the Lower 48 the water is used for agricultural purposes or for livestock in places such as Wyoming where there are arid conditions. In the case of Evergreen in Alaska, the reinjection method is used.

REPRESENTATIVE HOLM asked if it is a necessary expense or is done just because it is a requirement.

CHAIR KOHRING asked Mr. Musser if he knew.

MR. MUSSER said he didn't know.

CHAIR KOHRING said he isn't aware of its being a Department of Environmental Conservation (DEC) requirement and asked Representative Gatto if he knew the answer. He acknowledged the presence of Representatives Gatto, Seaton, and Dahlstrom and invited them to join the committee at the table.

Number 2575

REPRESENTATIVE CARL GATTO, Alaska State Legislature, cosponsor of HB 395, replied that some of the water that comes out of the ground might be saline, have sulfur, or be perfectly potable. He said he believes the federal Environmental Protection Agency (EPA) has declared that any water taken from the ground is considered hazardous material and, therefore, has to be reinjected. He reported that Evergreen has been putting the water in a very large tank, a tower, holding it there, and then trucking it to a facility where it is reinjected. The company's intention is to eventually take care of the water by using a buried pipeline rather than trucking it. But now, during the exploratory stage, they have to remove the water to release the gas. Ideally, the water would be removed and held, the gas would be extracted, and the water would be returned to the site. He said that is not plausible because there is, literally, a lake of water, and Alaska doesn't have a need for the water.

Number 2657

REPRESENTATIVE HOLM thanked Representative Gatto for his information. He wondered why EPA makes the decision, and why it is different in Wyoming than in Alaska under the same circumstances.

REPRESENTATIVE GATTO said he didn't have an answer.

CHAIR KOHRING said he'd like to try to get those questions answered by DEC. He noted that Representative Gara had joined the meeting.

Number 2698

REPRESENTATIVE CRAWFORD told members he has been reading about the ranches in Wyoming, where not all people are happy with the water, some of which has killed their pastures. He asked if, in this bill, all of the water is required to be reinjected. He mentioned a constituent with a wilderness lodge on the Copper River who returned to his lodge and found a two-acre gravel pad that a shallow gas company had made for a staging area for machinery. The person was livid that the wilderness experience was ruined for his customers. Representative Crawford asked what can be done to remediate staging-area damage and damage to the land for things other than the wells and gathering stations.

CHAIR KOHRING answered that the legislation doesn't address that particular issue, but as far as a company's going on someone's property, that is allowed for developing of natural resources according to the constitution, if the state believes it is in the public's best interest. He said he didn't agree with what happened in the example and didn't believe the Department of Natural Resources (DNR) would be careless in issuing permits which would allow that to happen. He made suggestions to the bill such as adding increased notice requirements before development occurs, or requiring an agreement or sit-down meeting between the parties involved.

Number 2858

REPRESENTATIVE PAUL SEATON, Alaska State Legislature, cosponsor of HB 395, responded to several questions that had been asked. He said one problem deals with the assumption that the rigs are water-well style. The problem is that without the depth restriction in the bill - the lease is for shallow natural gas, which specifies 3,000 feet - there is a backdoor approach for full-blown conventional gas rigs of any size. "That is the potential that exists down in my area," he said. He pointed out that that was the reason the 3,000-foot limit, with the permission of the commissioner to go to 4,000-foot limit, was in the bill. He said this is what is in the bid for the leases for shallow natural gas.

REPRESENTATIVE SEATON explained that on a noncompetitive bid, it allows drilling down to 12,000 feet, which is not necessarily in the best interests of the state. If the geologic formation is such that there is gas above 3,000 feet and it continues on down, then the way the law reads, the company can be given permission to go all the way down to the necessary depth. He said there could be another situation of a pool of gas at 4,000

to 8,000 feet, which they cannot drill to under the shallow and natural gas program because they cannot demonstrate that the geologic formation came above 3,000 feet and is contiguous with same pool of gas. He said it's a challenging situation, and he reiterated that the purpose of the 3,000-foot limit in this bill is to get back to the original purpose of the bill.

REPRESENTATIVE SEATON remarked, "People put up their \$500 for nine square miles of bidding on shallow natural gas, and it's not really in the interest [of] the state to say, 'Now you can have all the gas all the way to the center of the earth, under these noncompetitive lease sales'." He added that he has talked to the companies that are functioning in the Matanuska-Susitna area, and the 4,000-foot extension solved their problem.

TAPE 04-6, SIDE B

Number 2962

REPRESENTATIVE SEATON continued, "These leases are not coal bed methane leases. These are shallow natural gas leases, and in my area in Homer, the general intention is not to go for coal bed methane, but to go for conventional gas."

CHAIR KOHRING asked, "Deeper wells?"

REPRESENTATIVE SEATON replied:

Not necessarily deeper wells, just in different substrate, rather than in coal bed methane. One always has to remember that under the leasing that we've done, we have not restricted this to small, water-well-style rigs. And so, that is why we're trying to put on the original intention of the bill of saying this is shallow natural gas, which would be the smaller rigs, and that there is a maximum depth to which you are to explore.

Number 2934

REPRESENTATIVE McGUIRE said it is very interesting and makes sense. She asked if there could be a coal seam at 5,000 feet.

REPRESENTATIVE SEATON replied that there could be a coal seam at 5,000-6,000 feet, but the earth's compression makes the seam tight at those depths and gas isn't likely. He said that is why companies aren't concerned about deeper depths.

REPRESENTATIVE McGUIRE stated that she has no problem with keeping the distinction between a conventional gas lease and coal bed methane [lease], but hesitates to sit from a legislator's seat with no engineering background regarding the depth limits. She wanted to know, with a best interest finding requirement, if limiting the type of lease would solve the problem.

Number 2841

REPRESENTATIVE SEATON responded that there wouldn't have been any of the recent problems if there had been a best interest finding. "Everybody agrees and understands that there were unintended consequences that came about because the shallow natural gas program was thought to be for rural areas where you had one or two landowners, not in urban Homer," he remarked. He said he has no problem having a moratorium on the leases, not extending them unless they are already in production and are in "paying quantities," and then having a best interest finding and a conventional lease that could be applied for. He noted that this idea is in SSHB 364, which he wasn't sure would pass. He emphasized that HB 395 is an attempt to fix the problems identified under the shallow natural gas program.

Number 2767

REPRESENTATIVE McGUIRE characterized Representative Seaton's information as "hitting the nail on the head" regarding her fundamental problem with the bill. She expressed hope that there will be a companion [bill] fix or a Senate fix. She voiced a concern about how HB 395 would fit into the other legislation. She said she'd rather put effort into getting a best interest finding into the bill to eliminate problems with depth limits. She added that she respects Representative Seaton and the work he does, and concluded that she may be "seeing it wrong."

Number 2715

REPRESENTATIVE SEATON replied that he appreciates Representative McGuire's comments, fully agrees with her, and supports the vision in [SB 312]. He said the shallow natural gas program has not worked the way anyone envisioned it. There are problems in the shallow natural gas leases in his area [Homer] and in the Matanuska-Susitna area, and enacting a bill for future leases doesn't solve the problems, he pointed out. He emphasized:

The whole purpose of this bill is to get some reasonable balance between the development and the people that are living in these fairly urban areas where this drilling activity is going to occur that wasn't anticipated in the original bill. This is not an attempt to equalize the subsurface and surface rights. This is just to bring a balance in the development of these leases.

CHAIR KOHRING asked Ms. Ryan to answer Representative Holm's question about water regulations.

Number 2505

KRISTIN RYAN, Director, Division of Environmental Health, Department of Environmental Conservation, said no DEC regulations require reinjection of produced water from a coal bed methane well. She explained, "What is required is that no discharges of the water can violate a clean water standard, so what we do require is testing of the water." She added that it's cheaper to reinject water than to treat it before discharging it.

REPRESENTATIVE HOLM said he couldn't understand why there would be separate EPA rules for different states. He thanked Ms. Ryan.

CHAIR KOHRING said he hadn't intended to have a public hearing on the bill today, but three people had driven from the Matanuska-Susitna area to Wasilla to testify via teleconference, and so he would allow it.

Number 2407

JEFF ARNDT, Member, Friends of Mat-Su, an organization concerned with responsible development, said he isn't taking a stand for or against coal bed methane, but wants good regulations. In terms of HB 395, he said his group likes that it offers reinjection and vastly improved notice. On the other hand, the group doesn't like that mandating nontoxic "fracturing" fluids hasn't been settled on, which is vitally important, he said. They also don't like the fact that compensation for surface owners, if anything goes wrong, is removed from the bill.

MR. ARNDT said it looked as if "the business from HB 69" had been reinserted, which negates local control; he emphasized the need for local control. He said he was glad Representative

Seaton showed up to clarify a number of points, but believes the committee's level of knowledge on this issue is low. He offered to send information and directed the committee to his web site, gasdrilling@matsu.org, and to the DNR web site for more information. He noted the difficulty of becoming instant experts on a complex subject, and suggested the committee could benefit from hearing from unbiased expert testimony. He concluded:

You can call it anything you want. You can call it a moratorium, a buy back, a sunset clause. We really need to stop and start over. Let's get the regulations in place. We're in no rush. The gas is always going to be there. And I think you need to get back to the concept of giving the private property owners rights of first refusal.

[It was announced that Robin McLean's testimony was given to the Legislative Information Office (LIO) office in Wasilla.]

Number 2165

MYRL THOMPSON, Spokesman for Ogan is So Gone, a recall group of 22,000 members, said his group has a number of problems with [Version V]. They'd like to see the compensation for surface use be a charge per wellhead, per month, and the charge per compressor per month that was in the original version of the bill restored. He said that is a point of contention with a lot of the people he represents.

MR. THOMPSON noted that the aquifers in his area have huge underground lakes that sometimes stretch for miles in each direction, so a 1,500-foot or 3,000-foot limit on a well that may be polluted could affect people quite a distance away. Some of the aquifers are moving like underground rivers and could carry pollutants farther than the set limits. He explained that the 9th Circuit Court of Appeals has already determined that [produced water] is classified as industrial waste and pollution. He said this is done because it doesn't meet [clean water] standards, and his group does not want this kind of water on the surface, where it can drain back into the aquifers.

MR. THOMPSON said putting the water back into the streams or the ocean is unacceptable because even water claimed by the industry to be clean and potable drinking water, when it was dumped into the streams, killed about 70 percent of the invertebrate population in the stream; this caused a reduction in the number

of fish. Trout Unlimited published a very large, in-depth study on that subject, he noted.

Number 2013

CHAIR KOHRING asked Mr. Thompson to cite a specific case in order for the committee to have that documentation, or to fax information to the LIO in Juneau.

MR. THOMPSON asked if Representative Kohring was talking about the processed water.

CHAIR KOHRING answered that he was.

MR. THOMPSON responded by providing the Trout Unlimited web site, www.tu.org, saying the link for the studies is there. He spoke highly of the site.

Number 1854

CHAIR KOHRING noted that he'd pledged to move HB 395 out of committee today, but had taken the committee's discussions seriously and would make the effort to improve and expedite the bill. [HB 395 was held over.]

ADJOURNMENT

There being no further business before the committee, the House Special Committee on Oil and Gas meeting was adjourned at 4:41 p.m.