

**ALASKA STATE LEGISLATURE  
SENATE RESOURCES STANDING COMMITTEE**

May 16, 2003

3:35 p.m.

**MEMBERS PRESENT**

Senator Scott Ogan, Chair  
Senator Thomas Wagoner, Vice Chair  
Senator Fred Dyson  
Senator Ralph Seekins  
Senator Ben Stevens  
Senator Kim Elton  
Senator Georgianna Lincoln

**MEMBERS ABSENT**

All members present

**COMMITTEE CALENDAR**

HOUSE CONCURRENT RESOLUTION NO. 10

Relating to restoration of riparian habitat that is vital to the fisheries resources of the state.

SCHEDULED BUT NOT HEARD

SENATE BILL NO. 172

"An Act relating to the limitation on upland acreage that a person may take or hold under oil and gas leases; and providing for an effective date."

HEARD AND HELD

HOUSE BILL NO. 283

"An Act relating to limitations on coal leases."

HEARD AND HELD

**PREVIOUS ACTION**

HCR 10 - No previous action to record.

SB 172 - No previous action to record.

HB 283 - No previous action to record.

**WITNESS REGISTER**

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:** Presented SB 172 for the Administration and answered questions regarding HB 283

Mr. Kevin Banks  
Division of Oil and Gas  
Department of Natural Resources  
550 W. 7th Ave. Ste 800  
Anchorage AK 99501-3560

**POSITION STATEMENT:** Answered questions about CSSB 172(RES) and answered questions regarding HB 283

Mr. Ken Boyd  
Alaska Oil and Gas Association (AOGA)  
121 West Fireweed Lane  
Anchorage, Alaska 99503

**POSITION STATEMENT:** Supports CSSB 172(RES)

Representative Hugh Fate  
Alaska State Capitol  
Juneau, AK 99801-1182

**POSITION STATEMENT:** Sponsor of HB 283

Mr. Jim Pound  
Staff to Representative Fate  
Alaska State Capitol  
Juneau, AK 99801-1182

**POSITION STATEMENT:** Answered questions about HB 283

Mr. Stan Foo  
Department of Natural Resources  
400 Willoughby Ave.  
Juneau, AK 99801-1724

**POSITION STATEMENT:** Supports HB 283

Mr. Charlie Boddy  
Usibelli Coal Mine, Inc.  
100 Cushman St., Suite 210  
Fairbanks, AK 99701

**POSITION STATEMENT:** Supports HB 283

Mr. Bob Stiles  
Alaska Coal Association  
No address provided

**POSITION STATEMENT:** Supports CSSB 172(RES)

**ACTION NARRATIVE**

**TAPE 03-47, SIDE A**

**CHAIR SCOTT OGAN** called the Senate Resources Standing Committee meeting to order at 3:35 p.m. Senators Wagoner, Dyson, Lincoln and Chair Ogan were present. Chair Ogan announced that since no one was available to present HCR 10, the bill was tabled for the year. The committee took an at-ease.

**SB 172-LIMIT ON OIL & GAS LEASE ACREAGE**

CHAIR OGAN informed members that he does not intend to pass this legislation from committee today because similar legislation in the other body is further along in the process.

MR. MARK MYERS, Director of the Division of Oil and Gas, Department of Natural Resources (DNR), explained to members the committee substitute (CS) does two things. It increases the amount of acreage an individual company can hold, on [tidal areas] and onshore, from 500,000 to 750,000 acres. However, the additional 250,000 acres can only be located south of the Umiak baseline. He said the purpose of the increase is to allow companies to acquire more acreage, particularly in Interior basins, under licenses that could be converted to leases, shallow gas leases or Cook Inlet areawide leases. DNR believes the limit of 500,000 acres was originally adopted to prevent a few companies from having total control of the North Slope, in terms of exploration acreage. However, at the time that limit was adopted, no one anticipated the large amount of interest in the North Slope foothills, the exploration licensing program or the shallow gas leasing program. With the advent of the potential economics for gas and more interest in the Interior basins, DNR believes it is appropriate to expand the acreage. It is only expanded to the south of the traditional North Slope area. Several companies are at or near their exploration limit. He stated Conoco Phillips and Anadarko support SB 172, and he is not aware of any solid opposition.

MR. MYERS explained that the second part of the bill will improve internal efficiency within state government. That part of the bill returns royalty audit authority from the Department of Revenue (DOR) to the Department of Natural Resources (DNR). That authority was changed in 1980. Oil and gas royalties were done simultaneously; therefore it made sense to have the

auditors under one roof. With the advent of the royalty settlements, and the differences in evolution of the lease form, there are many differences between the way taxes and royalties are now audited.

CHAIR OGAN asked Mr. Myers to review the transfer of audits.

MR. MYERS said that two auditor positions will move from DOR to DNR, along with the authority. He explained that in 1980, the legislature moved royalty authority from DNR to DOR for the sake of efficiency, because tax and royalty audits were done at the same time. However, a settlement followed, the lease forms have evolved, and the audits have changed. Tax and royalty audits are no longer simultaneous and the settlements are different so different expertise is needed. Right now, four of the auditors are located in DNR and two are located in DOR. Both DNR and DOR have recognized this arrangement to be inefficient. This bill, by moving the authority and transferring the money for the two positions, will provide all of the authority in DNR. It will not change the level of audit authority; it merely moves it to DNR.

CHAIR OGAN referred to language on line 6, page 3, and said the fine for knowingly violating that section is up to \$5,000 and/or up to two years in prison. He asked if that is a class A misdemeanor or a class C felony. He then noted the arrival of Senator Seekins and Stevens.

MR. MYERS said that provision was already in the bill. It basically says the auditors are bound by confidentiality and that inappropriate release of confidential information means a jail term. He said DNR believes that is appropriate because it recognizes the sensitivity of the information. Companies need assurance that information will not be made public.

CHAIR OGAN pointed out subsection (h) will be a new section of statute. He said he will bring that provision to the attention of the Senate Judiciary Committee chairman.

MR. KEVIN BANKS, Division of Oil and Gas, DNR, told members that in giving the authority now held by DOR back to DNR, DNR will be taking information from DOR obtained under AS 43. DOR occasionally uses that information when evaluating audits; DNR wishes to have that kind of information available when conducting royalty audits. The language in Section 4 is lifted from AS 43. It contains the penalties that exist if a DOR auditor releases tax information. Since DNR believes it is necessary to have access to that information and will be given

the authority to access it therefore the same penalties that apply to DOR auditors should apply to DNR auditors.

CHAIR OGAN said he was questioning the classification of that crime.

MR. BANKS said he believes that is a civil offense rather than a criminal offense.

CHAIR OGAN disagreed because civil actions do not carry a jail term. He then called an at-ease and, upon reconvening, announced that he planned to hold the bill in committee and would check on the classification of the crime.

SENATOR LINCOLN asked if four auditor positions exist now; two in DNR and two in DOR, which will be transferred into DNR so no new positions will be created.

MR. MYERS clarified that DNR has four positions and DOR has two. The two positions in DOR would be transferred to DNR so there will be no net gain in positions.

SENATOR LINCOLN asked where the positions to be transferred are physically located.

MR. MYERS said they are both located in Anchorage.

SENATOR LINCOLN asked if DNR's new subpoena power will create an imbalance of power within the industry because of the overall concentration of power within DNR.

MR. MYERS said the subpoena powers would be identical to those available to DOR. It is generally recognized that under the auditing authority, subpoena powers are necessary.

CHAIR OGAN asked if that language is verbatim from Title 43.

MR. MYERS said it is and that it will create no increase of power with the state.

MR. KEN BOYD, an oil and gas consultant, said he was speaking on behalf of the Alaska Oil and Gas Association (AOGA), a trade organization composed of 17 companies. AOGA supports CSSB 172(RES). AOGA recognizes the changes that have taken place over the last couple of years. When he was the former director of the Division of Oil and Gas, companies were not looking for gas in the foothills. Now they are. Another change that has taken place

is exploration licensing. Licensed acreage is not chargeable acreage but, when it is leased, it becomes chargeable. He believes the division is trying to say that companies need the flexibility to work in both places. He said the second part of the bill, regarding audit reporting, merely moves two auditors where the expertise is, within DNR.

SENATOR SEEKINS referred to the language on page 3, lines 7 through 10, and asked if he could subpoena a receptionist at BP and ask her to bring the books and records, or whether this language should apply to the books and records under an employee's control and authority.

MR. MYERS pointed out the pertinent language is on line 9, which reads, "bearing upon matters relating to an audit under this section...." The records being subpoenaed would have to be directly relevant.

SENATOR SEEKINS expressed concern that his shop manager could be subpoenaed to bring financial records that he has no control over. He suggested tightening up the language to refer to the records under the control of the appropriate individual who can answer to the information.

CHAIR OGAN said he believes that is boilerplate language from another statute but that he would consider amending it.

SENATOR SEEKINS commented that he just hopes that DNR would subpoena the appropriate people.

SENATOR LINCOLN asked Chair Ogan whether the House version of this legislation is identical to CSSB 172(RES).

CHAIR OGAN said he was told the Umiak Meridian Baseline provision was removed from the House version.

SENATOR SEEKINS asked the status of the House legislation.

CHAIR OGAN announced a brief at-ease. Upon reconvening, he told members the CS to SB 172 is identical to another bill.

SENATOR WAGONER moved to adopt the proposed CSSB 172(RES), Version D, as the working document of the committee.

CHAIR OGAN announced that without objection, Version D was adopted. He then announced he would hold the bill in committee.

4:00 p.m.

HB 283-ACREAGE FOR COAL LEASES

REPRESENTATIVE HUGH FATE, sponsor of HB 283, explained to members that HB 283 will more than double the amount of state acreage that can be leased to allow the coal industry to compete outside of the State of Alaska. The U.S. Department of Interior has recently opened up a lot of western lands to coal exploration. Those areas are much closer to transportation infrastructure, where it is much easier to get coal to market. HB 283 increases the acreage available to coal mining in Alaska from 46,000 acres to 92,000 acres and from two to four townsites. In addition, the state's income should increase with more land leased. The leased acreage does not have to be contiguous. He said it is a simple bill and he encouraged members to support it.

CHAIR OGAN noted the presence of Senator Elton. He then asked what the language on lines 11-12 refers to that reads, "the coal deposits in the land covered by the application shall be temporarily set aside and withdrawn from all other forms of disposal provided under AS 38.05.135-181."

MR. JIM POUND, staff to Representative Fate, told members that language is in existing statute. It sets aside the subsurface rights of the land used for coal exploration and, in some cases, it also affects the surface rights, probably with restrictions similar to any other privately owned land.

CHAIR OGAN said he believes it does not allow for oil and gas leases, shallow natural gas leases, or leases for potassium, sulphur, oil shale, sodium, or phosphate. He said it basically prevents the land from being leased for any other purpose but it does not touch the surface rights. He asked if a person wanted to enter into a shallow gas lease, whether he or she could lease it from the coal lessee.

REPRESENTATIVE FATE said it is his understanding this is strictly limited to coal but other permits may be obtained to search for other substances.

CHAIR OGAN stated, "You're right, it's existing law, but we need to understand when we expand these leases that we're also saying no to these other subsurface uses that I listed, just for the committee's edification because I know currently, current existing coal leases aren't subject to lease for shallow gas, for example."

REPRESENTATIVE FATE said it is his understanding this does not alter any statute relative to the exploration and development of shallow well gas.

CHAIR OGAN clarified that it withdraws the acreage from being available for a shallow gas lease.

REPRESENTATIVE FATE agreed.

SENATOR SEEKINS asked what the time period would be for land temporarily set aside.

REPRESENTATIVE FATE said he could not answer but guessed the commissioner probably sets the time period.

MR. STAN FOO, Division of Mining, Land and Water, Department of Natural Resources (DNR), told members that his read of the language on line 12 is that the land would be temporarily set aside for the duration of the coal lease.

CHAIR OGAN asked Mr. Myers about the time period.

MR. MARK MYERS, Director of the Division of Oil and Gas, DNR, said he believes that "temporarily set aside and withdrawn" would mean for the period of the existing coal lease. He said a lessee has not been given the right to produce the other substances but that means those substances cannot be disposed of to another party.

CHAIR OGAN asked if it would make sense to allow a company with a coal lease to develop shallow gas on the property if it is incidental, perhaps because the company wants to extract the gas for safety reasons.

MR. MYERS said DNR has broached this subject and its recommendation is that if the coal lessee is going to use the gas, the lessee should apply for a shallow gas lease. One advantage is that the lessee can get the overlying lease. He said the issue of safety brings up an untested part of current law.

CHAIR OGAN said some of the coal shoals on the west side of Cook Inlet in the Tyonek Basin are fairly close to tidewater and lie within the areawide leasing area. He asked Mr. Myers to comment on that overlap.

MR. MYERS said a lot of work has been done on the coal beds near [indisc.] Glacier on the west side of Cook Inlet. Core holes have been drilled. He is not sure whether the coal leases in that area are still active but there is a potential conflict for gas directly associated with the coal. However, other states, such as Pennsylvania, have resolved that common legal problem and federal law contains opinions on that issue.

CHAIR OGAN commented that in general, shallow gas will not be exploited where there's surface mining of coal or where shallow subsurface mining occurs because that gas is probably already vented out. He asked if there is any overlap on the areawide leasing for conventional [oil and gas development], for example, in the Tyonek Basin.

MR. MYERS said there is.

CHAIR OGAN said therein lies his concern, figuring out who filed first. He said if this bill doubles the acreage available for coal leasing, and a company comes in wanting a conventional oil and gas lease for deep hold high pressure oil and gas, that could cause a problem.

MR. MYERS said Chair Ogan has pointed out a concern, however, AS 38.05.150(f) addresses that issue.

CHAIR OGAN said that assures the safety of coal mining operations but it does not cover commercial sale. He asked, "It says 'notwithstanding AS 38.05.177' so that's not a shallow gas lease for gas production for commercial sale though, right?"

MR. MYERS said that is correct. He said, regarding commercial sales, he believes Alaska law would give the credit to the shallow gas lease but it would have to be for safe operations.

MR. CHARLIE BODDY, Vice President of Government Relations for Usibelli Mine, told members that Usibelli brought this issue to Representative Fate. Usibelli finished some major leasing of coal in November of 2000. That brought Usibelli's total leaseable holdings to 37,592 acres. The majority of Usibelli's holdings are in the Interior of Alaska where, in the past, it has supplied military power plants, the University of Alaska and the City of Fairbanks. In addition, half of its production went overseas to South Korea. Usibelli has not been able to compete in the export coal market so it is no longer in that market. Usibelli must start looking elsewhere for coal. This legislation will give Usibelli the ability to take on additional acreage

that may be competitive. Last year, the legislature saw fit to increase shallow gas leasing acreage from 46,080 acres to 136,000 acres. With the national acreage moving up on BLM lands, Usibelli's primary competition in the Western United States, he feels Usibelli needs the ability to lease more land, which is the reason it is seeking this legislation.

SENATOR SEEKINS asked if Usibelli is the only operating coal mine in Alaska.

MR. BODDY said it is.

SENATOR SEEKINS said Usibelli's request seems reasonable and that he supports it.

SENATOR DYSON asked when the Alaska Coal Industry report was produced.

MR. BODDY said about two years ago.

SENATOR DYSON asked if the Healy clean coal power plant was not operating at that time.

MR. BODDY said that is correct.

SENATOR DYSON asked Mr. Boddy if he is free to discuss the possibility of selling more coal to [South] Korea.

MR. BODDY said two things occurred when the Korean contract stopped. Usibelli was very generous with severance packages when it reduced its workforce. It had to completely retool its business to go back to an 800,000 ton per year reduction in coal sales. The Alaska Railroad Corporation (ARRC) had to undergo not only staff reductions, but it also got rid of a lot of its older coal cars that were harder to maintain. Usibelli always competed for rail cars in the early spring through late fall that with the gravel haul that comes into Anchorage. Trying to resurrect shipments to Korea entails logistical problems. ARRC and Hyundai are working on the logistics of getting the port rectified, while Usibelli is negotiating with the Koreans to resurrect the contract for at least two years with a tonnage that is reduced to half of what it once was. Production will be between 350,000 and 400,000 tons per year. He said he does not know the status of the negotiations between ARRC and the port agency.

SENATOR DYSON asked if a closer port and shorter railroad link would make Usibelli coal more competitive in the international market.

MR. BODDY said Usibelli is very removed from the international marketplace. Usibelli would have to be at tidewater and other things would have to shake out internationally before it could be competitive again.

SENATOR DYSON asked if there is competition from the Russian Far East.

MR. BODDY said yes, but more so from Indonesia. Alaska has a very low sulphur, highly compliant coal, but Indonesia's coal is better. He said part of Usibelli's challenge is the market in Mexico, where companies no longer sign contracts, they ask for tenders. They will bid for a three-month time period. That is frustrating for Usibelli because it cannot get the logistics together for that time period for that amount of tonnage.

SENATOR SEEKINS asked how much coal Usibelli sold to Korea.

MR. BODDY said 800,000 tons per year.

SENATOR SEEKINS asked how many rail cars were required.

MR. BODDY said there are 70,000 and 100,000 pound rail cars.

SENATOR BEN STEVENS asked the FPO price.

**TAPE 03-47, SIDE B**

MR. BODDY did not have that number. He said the average per ton price in the United States varies because some power plants are located at the mine mouth, such as the plant tied to Usibelli at Healy, while others ship coal over long distances, for example from Colorado to Washington State.

CHAIR OGAN asked Mr. Foo to testify.

MR. STAN FOO, Mining Section Chief for DNR, stated support for HB 283. DNR sees this change as consistent with the recent change in federal law that increased the allowable aggregate acreage of federal coal leases held by one company.

CHAIR OGAN said he intended to pass this legislation from committee today until he discovered the conflict with the

overlay of other leases. He said he is familiar with the basin in Cook Inlet and sees a potential conflict with deep hole oil and gas development. He said he is willing to try to find a solution and get this legislation passed this session.

SENATOR DYSON asked that Mr. Myers elaborate on how other states deal with those competing developers.

CHAIR OGAN asked Mr. Boddy if Usibelli has leased the maximum amount of acreage.

MR. BODDY nodded affirmatively.

CHAIR OGAN said he is concerned that the Tyonek coal basin overlays some potential acreage for areawide oil and gas leases. He asked Mr. Myers to address that concern.

[MR. MYERS was not available.]

SENATOR BEN STEVENS asked if Usibelli is at capacity with its current acreage.

MR. BODDY said Usibelli currently has 37,592 acres leased so it has about 8,400 acres, or 13 sections of land, available for lease.

SENATOR BEN STEVENS asked if Usibelli anticipates leasing the 13 sections immediately if it found coal.

MR. BODDY said based upon Usibelli's last increments of lease that would be an insufficient amount to start anywhere. If HB 283 does not pass, Usibelli will have to look at its existing leases, hope that all of its geological data is sound, try to start carving off acreage and give it back to the state so that its leaseable acreage will increase.

SENATOR BEN STEVENS asked if Usibelli would swap land back to continue operations.

MR. BODDY said it would. He said an example is that Usibelli just secured an additional 12,400 acres in November of 2000. That acreage was specifically tied to a project that it just released two weeks ago for a 200-megawatt coal fired generation system northeast of where Usibelli currently mines. Those leases were selected for their proximity to the power project. The real advantage is there is no unknown coal in the state. The coal map

is as good as gold because there will be no more non-competitive coal leasing in the state. Companies will have to bid.

SENATOR BEN STEVENS asked why Usibelli is competitively bidding for a lease if it is the only coal producer in the state.

MR. BODDY said the lease only gives Usibelli the right to the resource. Beyond that, Usibelli has to do a Surface Mine Control and Reclamation Act lease for a permit, which allows Usibelli to mine the coal. Besides Usibelli, there is one other permitted coal mine in the Tyonek area, owned by Bob Stiles. He added, "Anytime someone puts up a piece of coal that they would like to lease, the state then has to go into a competitive lease sale because the resource is known."

SENATOR SEEKINS commented that this legislation only allows a company with existing coal leases to expand the number of acres it can lease. However, because anyone could get a lease to develop coal right now unless that person has the maximum amount allowed, he does not see any conflict between the uses of the land, regarding shallow gas or other substances. He sees that a successful coal mining company is being constrained from being able to competitively lease other coal mining land in the state.

CHAIR OGAN said Senator Seekins is correct but explained that his concern is if Usibelli leases land for coal, other resource development cannot occur.

SENATOR SEEKINS said anyone else could do the same thing. He said, "What we're saying is if you're not a successful coal miner you can do it but, if you are, you can't, if we don't do this."

CHAIR OGAN said he is saying if the amount of acreage for coal leases is expanded, it could have the unintended effect of taking land available for deep hole oil and gas leasing off of the table. It would also take land off of the table for shallow gas development. He said he would like to work on a way to accommodate those concerns.

SENATOR SEEKINS said he understands that concern and thinks the legislature should develop multiple use on any piece of state land that might contain more than one type of harvestable resource.

CHAIR OGAN said he does not want to set land aside for one type of lease at the expense of using it for a more valuable resource.

SENATOR BEN STEVENS asked Mr. Boddy if Usibelli has encountered any conflict with the development of any other resource within its holdings.

MR. BODDY said it has not.

SENATOR BEN STEVENS asked Mr. Stiles the same question.

MR. BOB STILES, President of the Alaska Coal Association, said his company controls 20,000 acres of state coal leases in the Beluga region. He corrected a previous speaker and said that there are portions of his company's leases, south of the Chulitna River, that are included as tracks in the areawide lease sale in the Cook Inlet. There have been no conflicts. He sees no conflict if another company wanted to lease oil and gas within his lease area. His company has a preferential right use and the company can work out severable property interests with the state. He said the important thing is that Placer Dome/CIRI has 20,000 acres immediately adjacent to his 20,000 acres. [Without] the current limitation, his company would entertain the idea of combining those properties into a single property.

SENATOR BEN STEVENS said these companies have been in operation for 60 years and there has never been a conflict with multi-use resource development. He questioned the need to hold up the legislation when there has never been a conflict.

CHAIR OGAN said they are not currently operating in a prospective area for oil and gas development, other than possibly shallow gas. If the lease area is expanded, they very well could be.

CHAIR OGAN noted that Mr. Stiles said he has had no conflict with his lease but asked Mr. Myers if, by virtue of holding the lease, that land is not available for other oil or gas development.

MR. MYERS said one has to differentiate between a shallow gas lease and a conventional oil and gas lease. The mineral right of the coal does not preclude a conventional lease. Additionally, a conventional lease trumps a shallow gas lease. A conflict would only occur if the coal miner was actually producing coal in the same zones that might be prospective for oil and gas. However,

that means the coal mine is fairly deep or the shallow gas is very, very shallow. He noted one is able to produce coal bed methane off a conventional lease as well, as Evergreen is attempting in the Mat-Su Valley. He concluded there are areas of potential conflict but they will not preclude DNR from leasing oil and gas rights underneath areas with current coal leases.

CHAIR OGAN referred to the language on page 1, line 11, and read, "the coal deposits in the land...shall be temporarily set aside and withdrawn from all other forms of disposal provided under AS 38.05.135-.181," which includes oil and gas leases.

MR. MYERS asked Mr. Banks to walk members through the process.

CHAIR OGAN asked Mr. Banks if once a coal lease is signed, no one can lease for oil and gas under it.

MR. KEVIN BANKS, DNR, agreed with Chair Ogan's interpretation.

SENATOR ELTON asked if, on an existing coal lease, the holder of the preferential lease can charge rent for additional use.

MR. MYERS said his understanding is that the leaseholder would not be able to under current statute. He said it sounds like the coal lease deposits themselves are in question. He said the conflict would enter if, throughout some of the formations in the Cook Inlet, the coal is at a significant depth. He said he has never seen a case in conflict so the division has never addressed the issue. He repeated that problem has occurred in other states.

SENATOR ELTON asked Mr. Boddy how much of the 37,000 acres leased by Usibelli is under production and how long it has held the leases for the acreage not in production.

MR. BODDY said at any one time Usibelli has had anywhere from 700 to 1200 acres in some phase of mining reclamation or other use. For every one acre of land mined, about 25 acres are used for support. On the additional acreage, there is exploration and other pre-permitting activities that occur continuously. On the 12,000 acres that Usibelli recently leased, where the power plant will be located, Usibelli will have to do exploratory drilling, water work, and other activities. He said the environmental laws are endless, regarding the information that will have to be gathered pre-mining. He said Usibelli has just made a major move from Poker Flats to Tubo (ph) Ridge. This new mine will be active for about 25 years.

SENATOR ELTON asked if Usibelli has about 20,000 of its 37,000 acres tied up.

MR. BODDY said the amount is less than that but close. He said for the majority of the acreage held in Healey, the market directs how much acreage will be under exploration in one given year.

SENATOR ELTON said he hopes the committee gets an answer from DNR very quickly on the lease question.

CHAIR OGAN agreed. He then recessed the meeting to a call of the Chair at 4:55 p.m.