

SUMMARY *of* PROCEEDINGS



JOINT MINERALS, BUSINESS & ECONOMIC DEVELOPMENT COMMITTEE

COMMITTEE MEETING INFORMATION

June 20 & 21, 2011
Riverton City Hall
Riverton, Wyoming

COMMITTEE MEMBERS PRESENT

Senator Eli Bebout, Cochairman
Representative Tom Lockhart, Cochairman
Senator Hank Coe
Senator Stan Cooper
Senator Kit Jennings
Senator Chris Rothfuss
Representative James Byrd
Representative Mike Greear
Representative Norine Kasperik
Representative Glenn Moniz
Representative Jim Roscoe
Representative Tim Stubson
Representative Dan Zwonitzer
Representative Dave Zwonitzer

OTHER LEGISLATORS PRESENT

Sen. Jim Anderson
Rep. Lorraine Quarberg
Rep. Rita Campbell

LEGISLATIVE SERVICE OFFICE STAFF

Matt Obrecht, Staff Attorney
Kelley Shepp, Associate Research Analyst

OTHERS PRESENT AT MEETING

Please refer to Appendix 1 to review the Committee Sign-in Sheet for a list of other individuals who attended the meeting.

The Committee Meeting Summary of Proceedings (meeting minutes) is prepared by the Legislative Service Office (LSO) and is the official record of the proceedings of a legislative committee meeting. This document does not represent a transcript of the meeting; it is a digest of the meeting and provides a record of official actions taken by the Committee. All meeting materials and handouts provided to the Committee by the Legislative Service Office, public officials, lobbyists, and the public are on file at the Legislative Service Office and are part of the official record of the meeting. An index of these materials is provided at the end of this document and these materials are on file at the Legislative Service Office. For more information or to review meeting materials, please contact the Legislative Service Office at (307) 777-7881 or by e-mail at lso@state.wy.us. The Summary of Proceedings for each legislative committee meeting can be found on the Wyoming Legislature's website at <http://legisweb.state.wy.us>.

EXECUTIVE SUMMARY

The Committee met June 20-21 in Riverton. The agenda for the meeting is attached as Appendix 2. The Committee received testimony from the Department of Environmental Quality, the Oil and Gas Commission, the Bureau of Land Management, the Wyoming Pipeline Authority, the Wyoming Infrastructure Authority, the University of Wyoming, the Wyoming Business Council, and the Department of Environmental Quality. The Committee accepted reports from the University of Wyoming and the Wyoming Business Council.

The Committee approved for drafting the following bills: Environmental Litigation Bond, Appointment of Executive Secretary of the Environmental Quality Council, State of Wyoming Resource Management Plan for Federal Lands, Grant for FEED Study of Gas to Liquid Conversion, Extend Sunset for Clean Coal Task Force, amendments to Clean Coal Technology Account, and Extension of the Sunset Date on Uranium Research Funds.

CALL TO ORDER/ROLL CALL/OPENING REMARKS (JUNE 20, 2011)

Chairman Bebout called the meeting to order at 8:00 a.m. The following sections summarize the Committee proceedings by topic. Please refer to Appendix 2 to review the Committee meeting agenda.

FEDERAL ACTIONS IMPACTING WYOMING ENERGY SECTOR

Department of Environmental Quality

Todd Parfitt, DEQ Deputy Director and Industrial Siting Administrator discussed the new Carbon Sequestration rules which became effective in November 2010 (Appendix 3). Mr. Parfitt stated that the new rules mirror federal rules which create a Class VI Underground Injection Control (UIC) Well Permit for carbon sequestration. Under the new rules, the Oil and Gas Commission will continue to regulate the issuance of Class II well permits for Enhanced Oil Recovery (EOR) and can assume regulatory authority for Class VI wells that are transitioning from Class II. Class VI permits will be regulated by DEQ and will be issued for long term storage. EOR injection operations should not be impacted by the new federal rules unless there is an increased risk to Underground Sources of Drinking Water (USDW). DEQ is currently in the initial steps of obtaining primacy under the Class VI rules. Committee members questioned Mr. Parfitt concerning when the primacy package was due (September 2011) and what constitutes an increased risk to USDW. Chairman Bebout stated that it is crucial that a clear distinction is drawn between carbon sequestration and EOR operations to ensure the Environmental Protection Agency (EPA) is not involved in EOR operations. Chairman Bebout asked staff to ensure that DEQ had the statutory authority necessary to issue Class VI permits. Chairman Lockhart requested a summary of all materials DEQ provided to the EPA on the carbon sequestration rules.

Carl Anderson, DEQ Solid & Hazardous Waste Administrator presented the Coal Combustion Waste (CCW or fly ash) Regulations to the Committee (Appendix 4). Mr. Anderson described the current status of CCW regulation in Wyoming to the Committee and proposed regulations by the EPA in response to a CCW impoundment failure in the Tennessee Valley. The proposed EPA rules would regulate CCW as either a hazardous waste under RCRA Subtitle C or as a solid waste under RCRA Subtitle D. There has been legislation introduced in the United States Congress to prohibit the regulation of CCW as a hazardous waste. If EPA regulates fly ash as a hazardous waste, Wyoming will have 5 years to meet all

requirements of the new regulations including lined impoundments, groundwater monitoring and additional land disposal restrictions. Mr. Anderson also highlighted the beneficial uses of fly ash. Committee members stated their desire for fly ash to be regulated as a solid waste. Committee members requested that DEQ provide a cost analysis of regulating CCW under Wyoming's current system, and under EPA's two proposals (solid or hazardous waste).

Mr. Parfitt gave the Committee a presentation on the Office of Surface Mining's Stream Protection Rule (Attachment 5). Mr. Parfitt stated that the rule was in response to an Appalachian Region Issue involving mountain top mining affecting stream headwaters. Mr. Parfitt listed the key elements of the Stream Protection Rule and the problems with the National Environmental Protection Act (NEPA) process undertaken by the Office of Surface Mining (OSM) when promulgating the rule. DEQ commented on the rules. OSM provided an unrealistic review time for cooperating states to review and comment on the rule, did not include all supporting material OSM had relied upon during the EIS process and OSM was not responsive to States' comments on the proposed rules. Mr. Parfitt identified numerous problems with the Stream Protection Rule, namely that it is a national approach to a regional problem and ignores the unique characteristics of the several states and that the rule may violate state primacy. Currently, the Stream Protection Rule is on hold and Congress may exert more oversight over OSM's rulemaking process.

Wyoming Oil and Gas Commission BLM Resource Management Plans

Tom Doll, State Oil & Gas Supervisor, Wyoming Oil & Gas Conservation Commission (OGCC) provided the Committee with an update on OGCC's activities (Appendix 6). Mr. Doll provided a summary of the study conducted by the EPA of the relationship between hydraulic fracturing and drinking water. The draft study plan is currently being reviewed by the EPA Science Advisory Board. Once the review of the draft study plan is complete, EPA will begin the major activities described in the study. Mr. Doll listed potential Retrospective Case Study Finalists and Potential Prospective Case Study Sites, including the Niobrara Shale play in Laramie County, Wyoming (NOTE: EPA issued a list of Potential Prospective Case Study Sites in July, 2011. Laramie County was not selected as a Prospective Case Study Site).

Committee members asked about the well water contamination in Pavilion. Mr. Doll stated that studies were ongoing concerning the source of the contamination in Pavilion area wells, but he does not believe that fracking caused the contamination. Senator Jennings asked Mr. Doll about the impact of the hydraulic fracturing disclosure rule on fracking in Wyoming. Mr. Doll stated that he did not believe fracking was being stymied due to the rule. Chairman Bebout asked Mr. Doll to keep the Committee apprised of developments in the Pavilion area as the studies near completion.

Mr. Doll next described the process of promulgating rules for microbial enhancement and the federal government's impact on those rules. The Director of Region 8 of the EPA stated that no Class II permits (issued by OGCC for EOR and other activities when underground drinking water is not affected) could be issued in the Fort Union aquifer of the Powder River Basin, because EPA considers the Fort Union aquifer an Underground Source of Drinking Water. The EPA was concerned that allowing a Class II permit for microbial conversion in the Fort Union aquifer would violate the Safe Drinking Water Act. Currently, proposed microbial conversion language allows the OGCC to issue Class II permits for microbial conversion in aquifers in which OGCC can grant aquifer exemptions which are upheld by EPA Region 8. Proposed rule language prohibits the issuance of a Class II permit in the Fort Union aquifer. Microbial conversion in the Fort Union aquifer will require a Class V injection permit approved by DEQ. Sen. Jennings expressed his concern with a blanket exemption of granting Class II permits in the Fort Union aquifer of the Powder River Basin, including a well that may be using microbial conversion in a

dry area of the formation. Chairman Bebout expressed his concern that these microbial conversion rules may inadvertently impact EOR.

Mr. Doll finally touched upon other federal issues which would impact oil and gas operations in Wyoming. Mr. Doll stated that the EPA Science Advisory Board will produce steps for industry to implement to improve the safety of shale gas hydraulic fracturing by mid-August. The EPA may require baseline water testing prior to drilling involving fracking. Mr. Doll also discussed the efforts to secure a variance for coalbed methane wells to not be required to have a full blowout preventer stack, but rather to continue to use a diverter. Mr. Doll stated that over 26,000 coalbed methane wells have been drilled and none have had any problems with blowouts.

BLM RESOURCE MANAGEMENT PLANS (RMP)

Eddie Bateson, Wind River/Bighorn Basin District Manager for the Bureau of Land Management (BLM) discussed the currently proposed Resource Management Plan (RMP) for the Bighorn Basin. Mr. Bateson provided the Committee with a "Draft RMP and Draft EIS Fact Sheet" (Attachment 7) and a presentation on the Bighorn Basin Resource Management Plan Revision Project (Attachment 8). Mr. Bateson began by describing the current RMP for the Bighorn Basin and the three alternative RMPs developed by the BLM. Of the proposed plans, Mr. Bateson described Alternative B as allowing the least resource use and Alternative C the most resource use. The current agency preferred alternative is Alternative D, which Mr. Bateson described as having a more balanced approach than the other proposed RMPs and generally increasing conservation of physical, biological, heritage and visual resources as compared to the current RMP. One aspect of the BLM's preferred alternative RMP is the closing of 7% of the federal mineral estate (4% in current plan) and the increase of moderate and major constraints on 87% of the federal mineral estate (76% in current plan). Almost 95% of the federal mineral estate would not be available under the standard leasing process, which is an 85% increase as compared to the current management plan (1,789,634 acres to 3,540,775 acres). Rep. Greear questioned whether limiting surface disturbance to 5% in any single 640 acre section at any given time as a requirement of a moderate constraint actually further limits the acreage which is available for oil & gas leasing, effectively increasing substantial areas which are under a major constraint. Mr. Bateson stated that was not his view of the effect of a moderate constraint. Mr. Bateson further stated that the reclassification of acreage from standard lease to moderate constraint was done to comply with the Governor's order establishing sage grouse core areas. Mr. Bateson stated that the RMP must preclude listing of the sage grouse under the Endangered Species Act. Further, if the sage grouse was to be listed as endangered, no drilling or surface disturbance would be allowed in large portions of the Bighorn Basin.

Chairman Lockhart asked Mr. Bateson if the BLM would revise their preferred alternatives. Mr. Bateson stated that the RMP may be revised after the comment period. Chairman Bebout asked Mr. Bateson what action would be taken if the Governor's Executive Order creating sage grouse core areas was changed or rescinded. Mr. Bateson stated that such a circumstance would require a Plan Maintenance Action, which was not a major undertaking. Chairman Bebout questioned whether the BLM was providing the required level of deference to the local land use plans of coordinating agencies as required by the Federal Land Policy Management Act (FLPMA). Mr. Bateson stated that he believed coordinating status was appropriate only after the record of decision was issued on the RMP, through the implementation process for the new RMP. Senator Cooper and Representative Greear questioned the designation of "wild lands" and lands with "wilderness characteristics" within the RMP and whether this designation was appropriate after the rescission of Secretarial Order 3301.

Next, Aaron Anderson, Washakie County Commissioner, Keith Grant, Big Horn County Commissioner, John Lumley, Hot Springs County Commissioner and Cindy DeLancey, Executive Director of the Wyoming County Commissioners Association (hereinafter "Commissioners"), provided the Committee with a presentation titled "Bureau of Land Management Bighorn Basin Resource Management Plan Revision Project" (Appendix 9). The Commissioners outlined the BLM proposed alternatives and the role which the counties played in the RMP process as Cooperating Agencies. The Commissioners presented information on the impact of the BLM's proposal to designate some areas as "Lands with Wilderness Characteristics" ("LCWs") and questioned whether BLM designated LCWs truly possessed wilderness characteristics. The Commissioners also questioned the process by which BLM arrived at other Special Designations and Management Area, particularly Areas of Critical Environmental Concern (ACEC). The Commissioners were concerned about the proposed increased buffer (1/4 mile to 2 miles) surrounding National & Other Historic Trails which increase the area of BLM land on which no surface occupancy can occur from 92,158 to 708,293. The Commissioners stated that BLM failed to take into account enhanced oil recovery technologies when determining the reasonably foreseeable oil and gas development areas. The Commissioners strongly believed that BLM did not give enough consideration or weight to the socioeconomic impact that the RMP would have on the Bighorn Basin. Some county commissioners expressed their dissatisfaction with the public being excluded from the workshop meetings between the Cooperators and the BLM.

Shawn Reese, Policy Director for Governor Matt Mead, discussed the views of the Governor's Office on the proposed RMP and the RMP process in general. Mr. Reese stated that the BLM is filling the void created by the lack of a coherent national energy policy through the implementation of RMPs. The Governor's office has been negotiating with the BLM to elevate the consideration of the socioeconomic impact to the Bighorn Basin in the RMP process. Mr. Reese stated that the funds the Legislature made available under the Federal Resource Policy Account were crucial in allowing the counties to hire outside consultants with the expertise to review the proposed RMPs. Mr. Reese stated that the counties will also receive funds to hire an attorney to work through the RMP process. Mr. Reese advised the Committee that the Department of Administration and Information was currently developing a model to quantify the socioeconomic impact of the proposed RMPs. In reviewing the RMP, the Governor's office does not feel constrained to choose between the 4 alternatives offered by BLM, but will pick "menu style" from all available options. Mr. Reese also stated that in order to conduct a thorough consistency review of the proposed RMPs with local plans and policies, an extension of the RMP comment period ending July 20, 2011 was needed.

Rep. Lorraine Quarberg addressed the Committee concerning the proposed RMPs. She stated her preference for proposed RMP Alternative C. Rep. Quarberg also stated her dismay that the work group meetings were not open to the public. Finally, she stated that there may be a need for additional appropriations to the Federal Resource Policy Account as more RMPs are revised around the state. Doug Thompson, Fremont County Commissioner, discussed the BLM RMP process which had just begun for the Fremont County/Wind River District. Commissioner Thompson stated his belief that the outcome of the proposed RMPs was one of the most important issues facing the State.

After the statements of county commissioners and Mr. Reese, Chairman Lockhart asked Mr. Bateson whether the BLM would consider an extension of the comment period for the proposed RMP. Mr. Bateson stated that the BLM would consider requests for extensions. The Committee voted to draft two letters to the BLM. The first letter would request an extension of the comment period on the proposed RMPs. The second letter to be drafted would state the Committee's choice for the RMP for the Bighorn Basin.

STATE REGULATORY IMPACTS

Appointment of Executive Secretary of Environmental Quality Council

Tim Flitner, Chairman of the Environmental Quality Council (EQC) addressed the Committee. Mr. Flitner first discussed the recent legislation restricting the ability of the EQC to designate "Rare and Uncommon Areas". Mr. Flitner then discussed the appointment of the Executive Secretary of the EQC. Mr. Flitner stated his desire for the EQC to retain the authority to hire or discharge the Executive Secretary. Shawn Reese, Policy Director for Governor Matt Mead, stated that the governor should have the ability to appoint members of the executive branch, similar to the director of state agencies. Chairman Lockhart stated his preference for governor appointment of the executive secretary, with senate approval.

The Committee voted to draft a bill granting the governor the authority to appoint the executive secretary of EQC.

Industrial Siting Process

Todd Parfitt discussed the scope of projects subject to the Industrial Siting Act (the Act) and financing requirements and impact payments under the Act (Appendix 10). Mr. Parfitt discussed the background and purpose of the Act, and which facilities are subject to the Act. He also discussed the projects currently pending before the Industrial Siting Council (ISC).

Mr. Parfitt then discussed the Financial Capability Rules adopted by the ISC. An applicant for a permit has three options to prove their financial capability to undertake and remediate the project: (1) commitment letter from the principal investor; (2) publically traded companies can produce audited financial statements, reports by chartered financial analysts and credit reports; (3) companies whose securities are not publically traded can produce statements of majority financial contributors.

Mr. Parfitt then discussed the difference between "financial capability requirements" and "financial assurance". Financial assurance applies only to wind energy projects as security for decommissioning and reclamation. Lastly, Mr. Parfitt discussed impact assistance funds to local governments.

Committee members questioned Mr. Parfitt on the issuance of permits which were conditioned on financial capability or financial assurance, and whether the ISC had the legislative authority to issue conditional permits. Committee discussions focused on the recent ISC hearing and permit issuance for a proposed Wasatch Wind project in Converse County. Mr. Parfitt stated that it is sometimes necessary for an applicant to obtain a permit to gain financing and the permits are conditioned on the project starting in three years. Sen. Jim Anderson stated to the Committee his belief that a power/purchase agreement with a reputable utility satisfied the requirement for financial capability and financial assurance

Wind Power Taxation (2011 HB 191)

Rep. Stubson gave the Committee an update on the Revenue Committee's effort to restructure 2011 HB 191, Wind Power Taxation. The current discussion focuses on providing local governments with more initial money to deal with the impact of wind projects.

LUNCH

The Committee had lunch hosted by the Wyoming Economic Development Association ("WEDA") at Precision Analysis, owned by Cory and Heidi Fabriziuis. Randy Bruns, President –Elect of WEDA and director of Cheyenne LEADS discussed WEDA's revised principles (Appendix 11).

WYOMING BUSINESS COUNCIL

Update on State of Wyoming Economy

Bob Jensen, Chief Executive Officer of the Wyoming Business Council (WBC), presented the Committee with an update on the economy of Wyoming. (Folder of all WBC handouts to the Committee attached as Appendix 12). Mr. Jensen stated that overall Wyoming's economy is functioning well. Wyoming's growth trend is ahead of other Rocky Mountain region states. Mr. Jensen stated that Wyoming's expansion is driven by energy and minerals, but other industries continue to expand as well. Mr. Jensen also discussed Wyoming's unemployment rate and the state's gross domestic product.

Private/Public Partnerships – Expansion of Existing Businesses Update/Report

Mr. Jensen stated that WBC is striving to expand existing businesses in Wyoming by providing resources such as Wyoming's Business Network, which is a network of programs providing assistance to Wyoming businesses. These programs include the Wyoming Small Business Development Center, the Wyoming Market Research Center, and the Wyoming Women's Business Center, among many others. Mr. Jensen also stated that WBC is striving to increase the areas of manufacturing within Wyoming.

Small Business Investment Credit (2010 HB 106)

Ryan Whitehead, Small Business Investment Credit Manager for WBC and Mike Martin, Manager of Business Finance, discussed the progress made under the Wyoming Partnership Challenge Loan Program. Mr. Whitehead and Mr. Martin stated that three loans have been issued under the program in the last year. Given that interest rates are so low right now, fewer applications are being received under the program. They both expect program applications to increase as interest rates rise.

WBC Audit Report

Mr. Jensen presented the Committee with WBC's annual audit report required by W.S. 9-12-306. The Committee accepted the report.

Forest Products Initiative

Sen. Larry Hicks and Bill Crapser, State Forester, discussed the creation of a statewide Forest Products Initiative. Central to the initiative is the need to productively deal with millions of acres of trees killed in the state by the mountain pine bark beetle epidemic. Initial investment of approximately \$20 million would be needed to start a medium sized sawmill. Sen. Hicks and Mr. Crapser believe that all available timber in Wyoming could support more than one new sawmill. Mr. Crapser stated that the window in which to harvest beetle killed lumber is about 10 years.

Chairman Bebout designated a subcommittee to study the Forest Products Initiative. Assigned to the Subcommittee were Rep. Moniz (Chairman), Sen. Rothfuss, and Rep. Greear.

STATE ENERGY POLICY

Soda Ash and Trona Industry

Marion Loomis, Wyoming Mining Association, gave the Committee a brief update on the soda ash and trona mining industry in Wyoming. Mr. Loomis stated that FMC was set to reopen a trona mine.

Wyoming Pipeline Authority

Brian Jefferies, Executive Director of the Wyoming Pipeline Authority (WPA) presented a PowerPoint presentation and a letter concerning the recent jury award in a pipeline condemnation case in the United States District Court for the District of Wyoming to the Committee (Appendices 13 & 14). Mr. Jefferies gave an overview of the revenues generated by mineral production to the state of Wyoming. He also stated that the reserves of crude oil, natural gas and natural gas liquids is growing and outlined the obstacles to achieving full production in the state. Mr. Jefferies described what it takes to build a pipeline and how additional pipeline capacity has virtually eliminated the price differential paid at the Opal Hub in Wyoming as compared to the Henry Hub in Louisiana. The current capacity of Wyoming's pipelines is 10.4 billion cubic feet. Finally, Mr. Jefferies discussed the construction of a 20" carbon dioxide pipeline by Denbury from Lost Cabin in Fremont County to aging oilfields in the middle of the state. Mr. Jefferies stated that the state may see a potential revenue increase of \$4 billion dollars from EOR activities, though the current status of the BLM's RMP for the Bighorn Basin may affect the total revenue realized by the state.

Mr. Jefferies stated that the jury award in the Bison pipeline condemnation case opens another level of uncertainty when companies decide whether to increase pipeline capacity.

Wyoming Infrastructure Authority

Lloyd Drain, Executive Director of the Wyoming Infrastructure Authority (WIA) discussed his organizations recent activities with the Committee (Appendix 15). Mr. Drain presented the historic development of the WIA to the Committee, as well as the statutory and constitutional limitations placed on the WIA. Mr. Drain discussed the transmission projects which are currently under development in Wyoming, including the High Plains Express, the TransWest Express Project and Zephyr transmission lines. Hampering many transmission projects is a NEPA process which can drag along for 4 to 5 years and cost \$40 to \$60 million dollars. Mr. Drain stated that a committee has been formed with members of state and federal governments to expedite the permitting and siting of energy generation projects. A task force to expedite transmission projects is in the early stage of formation.

Wyoming Energy Policy/Commission

Shawn Taylor, executive director of the Wyoming Rural Electric Association discussed the now defunct Wyoming Energy Commission (WEC) and some of the action items which WEC considered that have since been incorporated into broader policy (Appendix 16). Mr. Taylor served as the executive secretary for the WEC. Mr. Taylor stressed the need for a coherent, comprehensive state energy policy in response to a lack of leadership and increasing regulations from the federal government.

At the conclusion of Mr. Taylor's presentation, Chairmen Bebout and Lockhart both expressed their belief that the Committee should consider creation of a state energy policy. The Committee will further consider the proposal at their September meeting.

Update on Mineral/Energy Activity in Wyoming

Wallace Ulrich, Wyoming State Geologist, presented the Committee with an update on minerals and mining activity in Wyoming. Mr. Ulrich described the Bear Lodge Mountain deposit of rare earth minerals in the Black Hills as a "world-class deposit". Rare Earth Resources is the company which is exploring the area. The state should have a vested interest in assuring that Bear Lodge Mountain comes on-line. Mr. Ulrich also described other areas of the state which have deposits of rare earth minerals, including the Bighorn Mountains, though none of these areas have received commercial interest to date. Mr. Ulrich described investments Agnico Eagle is making to mine gold in the Rattlesnake Hills.

LANDFILLS AND MUNICIPAL SOLID WASTE MANAGEMENT

Update on Landfill

Carl Anderson, Solid & Hazardous Waste Administrator for DEQ, presented the Committee with an update on landfill prioritization and other issues surrounding landfills (Appendix 17). Mr. Anderson stated that DEQ was continuing to work with local communities to implement solid waste planning. DEQ is currently developing a rule package to implement lifetime municipal solid waste landfill permits and landfill prioritization. Mr. Anderson described the modifications DEQ rules will propose to the statutory criteria for landfill prioritization. Mr. Anderson stated that work and reimbursement continue on groundwater monitoring at landfills throughout the state. To date, \$2.8 million have been spent on groundwater monitoring, with \$5.15 million remaining in the appropriation.

In response to questioning by Committee members, Mr. Anderson will provide the Committee with a total dollar amount that DEQ will be requesting from the Legislature for landfills.

ENERGY PRODUCING STATES COALITION

Chairmen Bebout and Lockhart provided the Committee with an update on the activities of the Energy Producing States Coalition (EPSC). The EPSC is composed of state legislators from Alaska, Texas, Utah and Wyoming. The EPSC held numerous telephone conferences this spring and had recently concluded a meeting June 16 & 17 in Salt Lake City, Utah. The EPSC has adopted a Mission Statement and is working on developing Plans of Action so that the energy policy of the United States is influenced at least in part by the states which produce energy rather than the states which consume energy. The Chairmen told the Committee that multiple energy producing states banding together hope to achieve success in forming policy where single energy producing states have failed on their own.

PUBLIC COMMENT

Bill Bensel of the Powder River Basin Resource Council (PRBRC) presented the Committee with a letter and a report on state sponsored energy efficiency programs and their impact on utility rates (Appendix 18). Mr. Bensel stated that energy efficiency standards is a win-win for Wyoming which would allow Wyoming citizens to save money on utility bills and help companies plan for responsible load growth. The PRBRC offered to organize a panel with representatives from utilities, the Public Service Commission and others for a presentation at a future Committee meeting.

Steve Mott of the Citizen's Advisory Council on Solid Waste (CAG) presented a letter to the Committee (Appendix 19). Mr. Mott stated that CAG was a group of landfill operators, recycling entities, elected municipal, county and solid waste districts, and regulatory and funding agencies. Mr. Mott stated that CAG has identified three additional priorities in addition to establishing funding mechanisms for regional landfills: 1) construction of waste transfer and diversion facilities; 2) Need to construct final cover over waste in a timely manner; and 3) cleaning up pollution identified in the DEQ's Groundwater Monitoring Report. CAG will report back to the Committee with its formal recommendations on how to achieve these priorities.

MEETING RECESS

The Committee recessed at 6:00 p.m.

CALL TO ORDER/ROLL CALL/OPENING REMARKS (JUNE 21, 2011)

Chairman Bebout called the meeting to order at 8:00 a.m. The following sections summarize the Committee proceedings by topic.

IMPACT TO WYOMING FROM DELAYS IN ENVIRONMENTAL IMPACT PROCESSES

EnCana Oil and Gas (USA) Inc.

Paul Ulrich, EnCana Oil and Gas (USA) Inc. provided the Committee with a report and presentation on the Economic Impacts of Oil and Gas Development on BLM Lands in Wyoming (Appendix 20). Mr. Ulrich first provided an overview of the impact of oil and natural gas production on the economy of Wyoming. Generally, Mr. Ulrich expressed frustration concerning the Environmental Impact Statement (EIS) process. There were 39,000 producing oil and gas wells in Wyoming in 2009, but 1,166 wells are not being drilled each year due to delays in the EIS process. Mr. Ulrich stated that energy companies had been waiting between 11 and 53 months to receive recorded decisions on 6 EISs in Wyoming. Each year that the EIS process is delayed, the state of Wyoming does not receive the benefit of almost 31,000 job equivalents, \$2.6 billion in employment earnings and approximately \$157 million in annual tax revenues.

Chairman Lockhart asked Mr. Ulrich about delays in the EIS process in other states and whether Mr. Ulrich believed that a program to provide energy education in the classroom would have a beneficial impact for Wyoming. Mr. Ulrich stated that the duration of the EIS process has increased in other states in which EnCana operates, but that the delays in Wyoming are more significant given the large percentage of federally managed land in the state. Mr. Ulrich stated that he believed there was real value in an energy education program and that EnCana had outreach programs in schools in some communities. Senator Coe stated that Oklahoma has implemented an energy education program that is very beneficial. The Committee will take a look at getting energy education on the agenda at a later meeting this interim.

Chairman Bebout stressed the fact that delays in the EIS process also results in the loss of the infrastructure in Wyoming necessary to complete energy projects. When drilling rigs and personnel move to other areas to drill because of delays in the EIS, it may be years before they return.

Office of State Lands and Investments.

Ryan Lance, Director, Office of State Lands and Investments discussed the impact of the EIS and RMP process on state owned lands within areas which are predominately federally managed. Mr. Lance stated the State of Wyoming is exploring the possibility of trading state lands in wilderness study areas for lands which will have fewer restrictions. Mr. Lance described RMPs as zoning documents for BLM lands. Mr. Lance discussed Wyoming's land use plan, which was completed in 1979 and it is still on the books. There is no funding in place to update the land use plan. Mr. Lance discussed the carbon dioxide infrastructure in the state and the need for a carbon dioxide pipeline into the Bighorn Basin for EOR activities. Mr. Lance expressed his desire that as the Bighorn RMP process moves forward, the Pipeline Authority, BLM and other interested parties work to define routes for a CO2 pipeline.

Finally, Mr. Lance discussed the development of rules on the calculation of royalties on oil & gas leasing on state lands. This version of the rules will not increase the royalty rate. The rules should be released for public comment prior to the Committee's next meeting.

VALUE ADDED PROCESSES/RECENTLY ENACTED

Gas to Liquids Technology

Mick McMurry and Cary Brus of Nerd Gas, and Dr. Richard Boardman of Idaho National Laboratory discussed the development of a natural gas to liquid gas facility in the Lake DeSmet area (Appendix 21). Mr. Brus stated that converting natural gas to motor fuels would increase the value of the product four times. Mr. Brus emphasized that perhaps the more important project would be the conversion of coal to liquid motor fuel. According to Dr. Richard Boardman and the study commissioned by Nerd Gas and the Wyoming Business Council, coal to motor fuel conversion would have a favorable economic return as well. Building a natural gas to gasoline plant producing roughly 39,000 barrels a day of combined gasoline and LPG fuel would cost \$1.7 billion to construct. A commercially feasible coal to motor fuel facility with carbon capture and sequestration capability would cost roughly \$5 billion to construct. Mr. Brus stated that each project could lead to complete energy independence for Wyoming and demonstrate to the rest of the country that nationwide energy independence is achievable. However, to facilitate the construction of either facility, the State of Wyoming needs to support the projects with its bonding capacity to help settle markets that are skittish about regulatory and technological uncertainty.

Nerd Gas requested, as a first step by the State of Wyoming in investing in the future of mineral to liquid motor fuel technology, a \$5 million appropriation for a rigorous Front End Engineering and Design (FEED) study on the feasibility of such a study. The Committee voted to draft legislation to provide up to \$5 million dollars in matching funds to commission a FEED study on the feasibility of commercial scale natural gas to motor fuel and coal to motor fuel facilities. The draft legislation will provide administration of the program through the Wyoming Business Council.

Natural Gas as a Transportation Fuel

Paul Ulrich and Alexine Hazarian of EnCana Oil and Gas (USA) Inc. discussed the use of natural gas as a transportation fuel. They described the creation of the Coalition for Natural Gas as a Transportation Fuel. Mr. Ulrich stated that the Coalition was created to overcome the two biggest hurdles to the use of natural gas as a transportation fuel: 1) the lack of natural gas vehicles on the market; and 2) the lack of fueling infrastructure for natural gas vehicles. Mr. Ulrich then spoke about the progress of natural gas as a transportation fuel in Wyoming. He stated that some WyDoT vehicles were being converted to natural gas under last year's legislative bill sponsored by Rep. Roscoe. The University of Wyoming may build a natural gas fueling station on campus for the University's shuttle buses. Sublette County is considering converting its entire fleet of buses to compressed natural gas. EnCana is building a public fueling station in Riverton. The Coalition would like to see a fueling station built in Rawlins, which would ensure that a person is able to drive coast to coast on I-80 in a natural gas fueled vehicle.

WYOMING DEPARTMENT OF ENVIRONMENTAL QUALITY

Federal Incursion into State Regulatory Issues

John Corra, Director of DEQ discussed some aspects of federal incursion into state regulatory issue. Mr. Corra stated that DEQ generally has a good working relationship with Region 8 of the EPA. Mr. Corra stated that five areas create tension between EPA and DEQ: 1) Pesticide rule permitting (EPA is developing a statewide surface permitting process); 2) Aquifer injection classification (EPA has placed a hold on issuance of all Class I injection permits in an area which may contain a drinking water aquifer); 3) The definition of "waters of the United States" under the Clean Water Act used by EPA and the Army Corps of Engineers; 4) The EPA Nutrient Requirements for Streams (fertilizer run-off); and 5) The OSM

Stream Protection Rule. Mr. Corra stated that DEQ pushes back on federal regulatory overreaching through the Western States Water Council.

Air Quality

Mr. Corra next provided the Committee with a presentation titled "Air Quality Updates and Permitting" (Appendix 22). Mr. Corra described the Greenhouse Gas Federal Implementation Plan (FIP) (commonly known as the Tailoring Rule) in which the EPA will regulate all emissions from "Greenhouse Gas" sources. Mr. Corra's presentation also dealt with the potential Regional Haze FIP and the National State Implementation Plan (SIP) Reform Effort. Mr. Corra described Wyoming's lawsuit against the EPA challenging the final rules under the Tailoring Rule. The case is currently pending before the Tenth Circuit Court of Appeals. Mr. Corra provided a general overview of the Air Quality Division permitting process. DEQ is looking to reduce the backlog of air quality permits by streamlining the permitting process. Chairman Bebout stated that he wants an appraisal of the development of the proposed rules for general permitting at the September meeting.

Mr. Corra described the issues with ozone noncompliance in the Upper Green River Basin. Mr. Corra stated that there is an "Ozone Nonattainment Area" proposed for Sublette County and portions of Lincoln and Sweetwater Counties. Mr. Corra stated that the emission of volatile organics and nitrogen oxides has been declining in the area since 2007 while the number of days of ozone nonattainment has increased. Mr. Corra stated that one hindrance to understanding this problem is the lack of historical data on ozone quality in the Upper Green River Basin.

Permits

Mr. Corra gave the Committee a quick presentation titled "Land Quality Divisions Permitting Overview/Update" (Appendix 23). DEQ is making progress in reducing the number of outstanding permit requests from December of 2010 through May 31, 2011. The intent is to return to 2005 levels of permit maintenance actions. Mr. Corra described DEQ's efforts including: 1) annual reporting Process; 2) pre-application meetings; 3) completeness reviews; 4) electronic inspection forms; 5) electronic permitting; 6) outreach activities and; 7) the use of Contractors. Mr. Corra spoke briefly about the service expectations for LQD permits.

UNIVERSITY OF WYOMING/WYOMING SCHOOL OF ENERGY RESOURCES

NCAR Update

Don Richards, Director of Government and Community Affairs for UW and Bill Gern, Vice President for Research and Economic Development for the University provided an update on the National Center for Atmospheric Research (NCAR) Supercomputing Center in Cheyenne (Appendix 24). Mr. Gern stated that construction is 90% complete and the project is on schedule and on budget. The supercomputer will be installed in January of 2012 and scientific computation is scheduled to begin in early summer of 2012.

High Plains Gasification-Advanced Technology Center Update

Mr. Gern provided the Committee with an update on the High Plains Gasification – Advanced Technology Center joint project between UW and General Electric Energy (Appendix 25). Mr. Gern described the completed Agreements for the coal to liquid gasification center and other major completed work (including real property acquisition) and agreements to be completed. (**NOTE:** GE Energy announced at the end of July, 2011 that it was indefinitely postponing any further involvement in the High Plains Gasification – Advanced Technology Center project).

Clean Coal Technology

Mark Northam, Director of the School of Energy Resources (SER) provided the Committee with a report on the Clean Coal Task Force (Appendix 26). Mr. Northam gave an update on the 2011 Clean Coal Task Force Funding Recommendations. Mr. Northam also requested that the Committee sponsor two pieces of legislation concerning the Clean Coal Task Force. First, Mr. Northam requested that the sunset date for the task force be amended to reflect the date on which remaining funds for the task force revert (June 30, 2014). Second, Mr. Northam requested that UW faculty members be allowed to use their salaries as a component of the matching funds for funding request purposes. The Committee agreed to have both pieces of legislation drafted.

RFP – Uranium Research Fund

Mr. Northam provided the Committee with a report on the Recovery of Uranium Research Project (Appendix 27). The report contained funding recommendations for the 2011 in-situ recovery of uranium research program. The Committee agreed to draft legislation to extend the sunset date of the Uranium Research Program to June 30, 2015.

Carbon Capture and Sequestration

Ron Surdam, Director of the SER Carbon Management Institute provided the Committee with a report on the Wyoming Carbon Underground Storage Project (CUSP) (Appendix 28). Mr. Surdam described Phase I of the CUSP program and the drilling of a stratigraphic test well in the Rock Springs Uplift. The CUSP program is now ready to move into the "Transitional Phase" where CO₂ is injected into both the Weber Sandstone and the Madison Limestone formations. Up to 40,000 tons of CO₂ may be injected during this phase. Mr. Surdam is hopeful that they will be able to track the plume created by the underground injection of CO₂.

Committee members questioned Mr. Surdam regarding the source of the CO₂ the CUSP program will inject and also the funding and status of the agreement with the drilling company. Finally the Committee requested a report on the estimated number of jobs that may be created by carbon sequestration.

Enhanced Oil Recovery Institute

David Mohrbacher, Director of the Enhanced Oil Recovery Institute (EORI) gave a presentation on the Institute (Appendix 29). Denbury is currently in the process of developing a pipeline for delivery of CO₂ to the Bighorn Basin for EOR purposes. Mr. Mohrbacher provided a list of companies currently undertaking or planning EOR projects in Wyoming. EORI's primary focus is on the Tensleep and Minnelusa Initiatives. Mr. Mohrbacher described EORI's oil industry focus and growth areas.

Mr. Mohrbacher spoke about the proposed RMP for the Bighorn Basin. He estimates that there may be 1.3 to 2 billion barrels of recoverable oil in the Bighorn Basin if EOR technologies are employed. Included within the packet of materials provided to the Committee were a letter and a technical memorandum on EOR potential in the Bighorn Basin from Pete Wold, Chairman of the Wyoming EOR Commission to Eddie Bateson of the BLM. The letter states that the proposed RMP did not provide the proper consideration to EOR potential in the Bighorn Basin.

Western Research Institute

Don Collins, CEO of Western Research Institute (WRI), provided the Committee with an update of his organizations activities (Appendix 30). Mr. Collins stated that WRI was currently researching methods to increase the value of coal. This research includes: 1) more efficient coal utilization; 2) coal gasification; 3) multi-pollutant emission control; 4) Powder River Basin (PRB) coal water reuse; 5) and CO₂ as a

resource. Mr. Collins spoke about the WRITECoal Pretreatment Multi-Phased Program. The Projects in that program include: 1) pre-gasification treatment of PRB coal for improved advanced clean coal gasifier design; 2) pre-gasification treatment of PRB coal for improved advanced clean coal gasifier design: Phase II pilot –scale demonstrations; and 3) a novel integrated oxy-combustion flue gas purification technology: demonstration of a near-zero emissions option.

UPDATES FROM RELATED COMMITTEES

Nuclear Energy Task Force

Sen. Cooper gave an update on the Nuclear Energy Task Force. Sen. Cooper stated that the Task Force met in Rock Springs earlier this interim and was meeting again June 22 & 23 in Riverton.

PUBLIC COMMENT

Richard Garrett of the Wyoming Outdoor Council (WOC) described WOC's participation in a National Initiative for EOR and CO2 Energy Security. WOC promotes the use of EOR technologies because it limits the environmental impact associated with drilling new oil wells. Mr. Garrett stated that WOC is reviewing the proposed RMPs for the Bighorn Basin and encouraged the Committee to not discount the real impacts that energy development has on the environment and people of the Bighorn Basin.

MEETING ADJOURNMENT

There being no further business, Chairman Bebout adjourned the meeting at 1:00 p.m.

SITE VISIT

The Committee toured Devon Energy's EOR Beaver Creek Facility south of Riverton following the adjournment of the meeting.

Respectfully submitted,

Senator Eli Bebout, Chairman

Committee Meeting Materials Index

Appendix	Agenda Item	Appendix Description	Appendix Provider
1	Committee Sign-In Sheet	Lists meeting attendees	Legislative Service Office
2	Committee Meeting Agenda	Provides an outline of the topics the Committee planned to address at meeting	Legislative Service Office
3	1(A)(I). Carbon Sequestration	Presentation of new state & federal carbon sequestration rules	Wyoming DEQ
4	1(A)(II). Designation of Fly Ash as Hazardous Waste	Describes current and proposed regulation of Coal Combustion Waste	Wyoming DEQ
5	1(A)(III). Stream Protection Rule	Office of Surface Mining's Stream Protection Rule - Identifies state issues with OSM's Stream Protection Rule	Wyoming DEQ
6	1(B). Presentation of the Wyoming Oil & Gas Conservation Commission	Presentation of OGCC to Minerals Committee	Wyoming Oil & Gas Conservation Commission
7	1(C)(I). BLM Bighorn Basin RMPs	BLM fact sheet on RMP process in Bighorn Basin	BLM
8	1(C)(I). BLM Bighorn Basin RMPs	Bighorn Basin Resource Management Plan Revision Project – Presentation on RMP process in Bighorn Basin	BLM
9	1(C)(III). BLM Bighorn Basin RMPs	Packet of material on Bighorn Basin RMP Revision Project.	Bighorn Basin County Commissioners
10	2(B). Industrial Siting Process	PowerPoint on Industrial Siting Process	Wyoming DEQ
11	Lunch	WEDA Development Principles/ Board of Directors	WEDA
12	3. Wyoming Business Council	Packet of materials for the Committee compiled by WBC	WBC
13	4(A). Wyoming Pipeline Authority.	Oil, Natural Gas, Pipelines and Wyoming State Revenues.	WPA

14	4(A). Wyoming Pipeline Authority.	Letter to Committee from WIA on Bison Pipeline Condemnation Jury Award.	WPA
15	4(B). Wyoming Infrastructure Authority.	Presentation of Energy Transmission in Wyoming.	WIA
16	4(C). Wyoming Energy Commission	List of WEC Policy Recommendations/Former Commission Members	Shawn Taylor
17	6. Landfills and Municipal Solid Waste Management	Presentation on Landfills and Municipal Solid Waste.	Wyoming DEQ
18	Public Comment	Letter from Powder River Basin Resource Council on State Energy Standards.	PRBRC
19	Public Comment	Letter from Citizens' Advisory Group on Solid Waste.	CAG
20	7(A). Impact to Wyoming from Delays in EIS	EnCana presentation on impact of EIS process.	EnCana
21	8(A). Value Added Processes	Nerd Gas – Presentation on Natural Gas and Coal Conversion to Gasoline.	Nerd Gas
22	9(II). Wyoming DEQ	Air Quality Updates and Permitting.	Wyoming DEQ
23	9(III). Wyoming DEQ	LQD Permitting Overview/Update.	Wyoming DEQ
24	10(A). UW-SER	NCAR Update.	UW-SER
25	10(B). UW-SER	High Plains Gasification-Advanced Technology Center Update.	UW-SER
26	10(C). UW-SER	Clean Coal Technology Update.	UW-SER
27	10(D). UW-SER	RFP – Uranium Research Fund.	UW-SER
28	10(E). UW-SER	Wyoming Carbon Underground Storage Project Update.	UW-SER
29	10(F). UW-SER	Enhanced Oil Recovery Institute Update	UW-SER
30	10(G). UW-SER	Western Research Institute Clean Coal Technology Project Summary	UW-WRI