

Enhanced Oil Recovery Commission



Enhanced Oil Recovery Commission

Business Meeting

February 1, 2012

Cambria Suites

Denver, CO

Commission Members Present:

Peter Wold, Chairman

Bruce Williams, Vice-Chairman

Eli Bebout

Tom Drean

Betty Fear

Tom Fitzsimmons

Bern Hinckley

Commission Staff:

Kathy Olson, EOR Commission Staff Assistant

Enhanced Oil Recovery Institute Staff:

David Mohrbacher, Director

Glen Murrell, Associate Director

Sheena Xie

Allen Tanner

I. Call To Order

Chairman Wold called the meeting to order at 8:00 am. Mr. Wold introduced the new Commission member, Tom Drean of the Wyoming State Geological Survey, and Sheena Xie, Outreach Manager for the Enhanced Oil Recovery Institute. He added that Rob Hurless has been formally appointed to the Commission as the Governor's representative.

II. Approval of Minutes

The Business and Executive Session minutes from the Sept 14, 2011 meeting in Jackson as well as the Special meeting minutes from December 7, 2011 teleconference were approved in a motion made by Commissioner Bebout, seconded by Commission Williams. Motion carried.

III. Commission Open Discussion

Referring to the December Special meeting, Commissioner Hinckley inquired whether the Governor was suggesting that there be an aggressive effort by EORI to seek other funding, whether from SER, NSF or some other entity beyond the funding from the Legislature via the EORC.

Commissioner Bebout provided an update on the budget session including SER's funding. Initially, there was a program funded for carbon sequestration in southwestern Wyoming in which the second phase of that was in the amount of \$43M. This was defunded for several reasons and the Governor redirected these funds. He added \$10M to SER's budget for unconventional reservoirs to bring some energy experts in and \$10M for matching money will go out to industry for research facilities. Another \$10M went to the Applied Conversion Technologies, renamed by the Minerals Committee, which is virtually the Clean Coal Task Force Commission and the Council for the SER to add value to all of the state's minerals. They will review research projects related to coal which will require matching funds. Examples of these include the DKRW coal to liquids plant and other proposals for natural gas to liquid. The CREG estimates (consensus revenue estimating group) came out with \$3.30mcf for natural gas. The actual prices have been down as low as \$2.30mcf and now more recently stabilized to \$2.60-\$2.75. As these prices were plugged into the revenue stream, the state's budget was short \$50M for year one of the biennium and \$100M for the second year. The state was then faced with how to resolve the loss of revenue. The JAC saw that if we spend more money now, more drastic cuts would be necessary later on. The JAC then requested 2, 5 & 8% cuts, the Governor asked for 2%. It was Senator Bebout's opinion that EORC would receive their standard budget but no exceptions would be approved, nor raises for state employees. If it is decided to transfer SER's funding from AML (Abandoned Mine Lands) to the general fund, it would be a huge addition to the state's budget. He added that there may be some changes to the retirement fund with some shared cost by employees.

Director Mohrbacher responded to an inquiry from Commissioner Hinckley about the status of the RMP (BLM Resource Management Plan) meetings from around the state. Big Horn Basin is one of the largest targets for enhanced oil recovery in the U.S. and the RMP that was put out by the BLM for the Big Horn Basin did not address enhanced oil recovery or permanent storage of carbon dioxide. The feedback was good from the white paper put out by the EORC. The development of new RMP's are now being tracked. We are also working with the Wyoming Pipeline Authority to assist with defining the pipeline corridors.

Commissioner Fitzsimmons stated that he would like to see a workshop be held in Laramie where the BLM Reservoir Management Group and the field managers discuss how the lands are best managed in Wyoming and to educate about EORI and what we're working on. Commissioner Bebout agreed and offered support from the Minerals Committee and he would like to involve the Governor's office. Commissioner Fear agreed that education for these managers on Wyoming's oil industry would be beneficial.

Commissioner Drean commented on what he perceives as an overlap between state agencies. The Geological Survey is also doing work in the Big Horn Basin and he would like to see a cooperative effort where resources are pooled and perhaps collaborative reports written regarding the same issues, secondary recovery and CO₂. Many of our individual reports may be reporting on the same results. He made a commitment from the Survey to work together in the future. Although some researchers are involved with peer review with other state agencies, Commissioner Drean pointed out that he would like to see more collaboration at the top level. Commissioner Bebout agreed. It was recommended that EORI and the Geological Survey work together on database sharing.

IV. Director's Overview

Director Mohrbacher reviewed charts produced by Glen Murrell capturing Wyoming's oil production, CO₂ oil and state tax revenue as well as CO₂ Oil production by field. He discussed the updated EORI Strategic Objectives and a proposal to the Commission to purchase equipment for the expanded lab facility in the new Energy building. Mr. Mohrbacher suggests adding diversity to the EORI program by creating Thermal EOR and working with gas injection in our lab. The Commission suggested that an equipment proposal outlining the cost estimates be reviewed in a special teleconference meeting before the next regularly scheduled meeting in order to meet fiscal year end requirements.

Mr. Mohrbacher discussed the handout which is a Roadmap outlining EORI's approach for planning and executing project work. He discussed the status of the RPSEA proposal and EORI staffing.

V. Old Business

a. FY12 Budget Approval

EORC staff assistant, Kathy Olson, reviewed the FY12 budget update and projected what categories will be underspent. A discussion took place regarding carry over funds from year one of the FY11-12 biennium and the possibility of reverting a portion of the unspent budget back to the general fund. Monthly reports are being examined to determine the anticipated fiscal year-end balance and an update will be provided at the May EORC meeting. The Commission recommended the budget spending be spread equally across both years of the biennium in the future. Mr. Mohrbacher outlined a \$50K request from Patrick Johnson in the Chemical and Petroleum Engineering Department at UW to fund equipment related to diffusion measurement. They discussed transferring a portion of the field demonstration balance to equipment to accommodate funding this proposal. Commissioner Bebout made a motion to fund Patrick Johnson's proposal by transferring the funds from Field Demonstrations category to the Equipment budget category. The motion was seconded by Commissioner Hinckley. Motion passed.

b. Results of JAC Legislative Budget Presentation

Vice Chairman Bruce Williams reviewed the outcome of the Joint Appropriations Committee Hearing on Jan 18. He learned from the University of Wyoming presentation that personnel raises were proposed to meet national standards, however, EORI was not included in the request. A question was raised by the JAC Chairman Nicholas regarding why matching contributions by Wyoming companies were not addressed in the EORC budget request. Mr. Mohrbacher responded that in the past, in-kind contributions received were not in the form of cash, rather as donated software, data and oil related materials. Chairman Nicholas also inquired whether the funding provided to UW faculty is a possible disincentive for them to seek project funding elsewhere. Mr. Mohrbacher responded that the research provided by UW faculty is a small part of what they do for the university and our funding does not preclude these professors from seeking other funding for their research. He added that this year's budget process has been a learning experience for him and Kathy, and those issues such as salary and benefit increases as well as matching funds can be addressed more thoroughly in the next biennium. Commissioner Bebout explained that a Supplemental Budget Request may be submitted in the interim but with less revenue predicted to the state, we'll have to examine it and possibly rely on our ability to raise additional funding. He added that if we have a surplus from the current biennium, it is difficult to justify supplemental funding from the state. Kathy Olson mentioned that the University treats the EORI funding as a grant and that is why we haven't been included

in the University's Section I employee count; therefore, we weren't included in their salary increase request. Commissioner Fear suggested that Mr. Mohrbacher and Kathy Olson meet with Janet Lowe, Interim VP of Fiscal Administration at UW, to get a better understanding of how to deal with this issue. Mr. Bebout suggested that updates to the statutory language may be addressed through a Committee bill in the next general session

VI. New Business

a. EORC Chairman

Chairman Wold stated that he is finishing up with eight years on the Commission, so it will be necessary to elect a new Chairman and Vice-Chairman at the next meeting. Commissioner Fitzsimmons and EORC attorney, Eric Easton will bring a recommendation for Chairman to the next meeting. Kathy Olson will send out member term expiration dates.

b. Update Outreach Program

Director Mohrbacher explained that Outreach at EORI is now managed by three senior people, Sheena Xie, Glen Murrell and himself. Glen is responsible for the small operator program, tracking new prospects and coordinating the EORI conferences. Sheena is handling the workshops and David is responsible for strategy and integration of outreach.

Mr. Mohrbacher outlined the EORI plan for workshops this year. Sheena Xie has been making contacts in the Big Horn and Powder River Basins, topics are being addressed and dates are being set for the workshops. He would like to have a workshop in Cody related to the Tensleep as well as one in Casper between May and September with approximately twenty people attending each. Another workshop will be scheduled, possibly in January, 2013.

Commissioner Fitzsimmons recommended that if there is a workshop in Fremont County or anywhere else in the state, that a tag-on meeting be scheduled with the local County Commissioners to update them on the activities we're working on. He added that inviting someone from the BLM may also be helpful. Commissioner Williams felt the idea of coordinating with the SPE in areas we will have workshops would be beneficial for Outreach. He suggested that David Mohrbacher get on the SPE agenda in Gillette and Rock Springs. Mr. Fitzsimmons agreed to work with Sheena Xie to offer a certificate of completion for the workshops. Mr. Mohrbacher expressed that, in regards to the workshops, initially, he would like to focus on the Operators, but outreach to all the other stake holders would take place as well. Commissioner Dreon suggested as an Outreach effort to invite the BLM and the Geological Survey to tour our new facility. It was also recommended that David attend the Aug Business Alliance meeting in Laramie.

c. Project Status

Mr. Mohrbacher stated that approximately 10-20 screening and feasibility studies take place per year. These are quick turnaround projects completed by Glen Murrell and some of these lead to other work. The lab work we perform is generally internal research which we are working on to make more applied. The cluster has been purchased and is being installed with the necessary software.

VII. Review EORI Calendar

A date of May 9 in Casper at the Petroleum Club was set for the next EORC meeting.

VIII. Adjournment

The regular session of the Enhanced Oil Recovery Commission meeting was adjourned 11:15 AM.