

Enhanced Oil Recovery Commission



Enhanced Oil Recovery Commission
3rd Quarter Meeting
January 11, 2013
Cambria Suites
Denver, CO

Commission Members Present

Bruce Williams – Chair

Tom Drean

Tom Fitzsimmons

Aaron Otteman

Jimmy Goolsby

Betty Fear – via Phone

Rob Hurless – via Phone

Enhanced Oil Recovery Institute Staff

David Mohrbacher, Director

Glen Murrell

Pepper McClenahan

Laura Dalles

Allen Turner

Barb Jesse – via phone

Others

Eric Easton- Sr. Asst. Attorney General

Vicki Stamp

Chuck Peterson

I. Call to Order

Chairman Williams called the meeting to order at 7:33 AM. Chairman Williams confirmed that Betty Fear, Rob Hurless would be joining us at 8:30 AM via conference call. There was a quorum present.

II. Approval of Minutes

Minutes from the July 27th, 2012 meeting. Chairman Williams pointed out one correction that needed to be made to Pg. 4. Item B : send a drafted commission letter to the “*Drug and*”, strike those two words. Commissioner Drean moved that the minutes be approved with changes, Aaron Otteman seconded the motion. No further discussion. All in favor, None opposed. Motion passed.

Minutes from the September 12, 2012 meeting. No corrections were needed. Chairman Williams entertained a motion to approve those minutes. Commissioner Otteman moved the

minutes be approved. Seconded by Commissioner Goolsby. No further discussion. All in favor, None opposed. Motion passed.

III. Commission Open Discussion

Chairman's Comments: References yesterday's TAB meeting. Good presentations and discussion from members and EORI staff regarding what was going on and suggestions on improving and how things were being done. Very positive feedback from the industry participants that were at the meeting relative to what they think the contribution is they are receiving from EORI.

Commissioner Goolsby commented that in the past few days he had discussion with individuals from True Oil. They brought up EORI and True looks forward to working with EORI with implementation of field demonstrations at Gibbs and West Gibbs. The planned testing is important.

EORI Director, Mohrbacher, introduced two new staff members: Pepper McClenahan, EORI Business Manager; and Laura Dalles, EORI Outreach Coordinator. Both joined EORI in October and November. In addition, Aboozar Hesami (Research Scientist/Modeler) was hired and reported to work in December.

IV. Director's Overview

Director Mohrbacher presented a PowerPoint updating the Commission on EORI Activities since the last meeting (Handout):

- Commissioner Fitzsimmons asked if EORI keeps track of CO2 capacity/surplus in the state. Associate Director Glen Murrell mentioned that they do. Eric Easton noted that ExxonMobil is currently selling carbon dioxide produced at their Shute Creek gas plant. Utilization of 100 percent of produced CO2 at Shute Creek is a challenge due to operational and contract issues. It was suggested that EORI offer support to Pipeline Authority to continue to develop the pipeline infrastructure within the State of Wyoming. It is hoped that improved pipeline infrastructure will result in more complete utilization of produced CO2.
- Commissioner Dreaan mentioned there will be some discussion among the Legislature regarding bonding of projects that may expedite development of Wyoming's natural resources. The legislature needs to identify potential projects, develop a funding strategy, and initiate bond sales.
- Director Mohrbacher continued with a summary of projects. A summary of project status was provided to Commissioners in handouts. All are moving forward nicely.
- Commissioner Fitzsimmons asked for clarification on the role the EORC played in helping operators with obtaining water rights, thought the commission was backing off on them. Director Mohrbacher clarified that Merit already owned water rights for their Deadman Creek field. EORI provided a summary of work that had been completed at Deadman Creek by the Merit/EORI team over the past 3 to 4 years. EORI also

documented that the existing water supply, Fox Hills, must be used to implement chemical flooding as is currently being evaluated.

- Chairman Williams asked for clarification on confidentiality of field names for projects in the Minnelusa. Associate Director Glen Murrell mentioned there was an assumed no confidentiality about the field names. EORI does not share well data. Vicki Stamp with True Oil agreed. (Need to double check with Glen that this is correct)
- Commissioner Fitzsimmons asked about access to core reports generated for reservoirs within Wyoming. Believes there needs to be a state policy created allowing producers to get this data. Establish a central repository and keep Wyoming data in Wyoming. Acknowledged this was an expensive undertaking, and suggested discussion regarding who should pay for it. Storage is an issue. Industry needs to put some money behind it to make it work. Commissioner Otteman asked if the School of Energy Resources had any plans, if any. None at this time. Commissioner Fitzsimmons noted there may be an opportunity to improve communication between industry and SER regarding this issue.
- Commissioner Dreaan asked if there were financial restrictions to relocation expenses – The Director explained that EORI has had sufficient flexibility to move newly hired staff in a cost effective manner. Moves are completed consistently with university regulations.

Director Mohrbacher finished presentation,

V. Old Business

Reviewed EORI's Spending update (yellow sheet). Clarified categories and obligations. Chairman Williams questioned some of the numbers and would like clarification on allocations; specifically equipment, outreach, travel, and salaries. EORI recommendations for reallocation of budget from labor to outreach, equipment, and consulting were discussed later during the meeting. Chairman Williams asked that obligations be redefined and that the EORI spending summary be revised to reflect the new definition. Costs will not be obligated in the EORI cost tracking until there is a contract in place that commits EORI to hiring new staff, or procuring new equipment and supplies. Training and travel costs will not be obligated until they are spent.

VI. Review of Outstanding Action Items

Status of action items from both July and September meetings were discussed.

- EPA policy development. Director Mohrbacher has a student working on that and will have her give a presentation at the April meeting.
- EORI budget re-allocation will be presented at this meeting.
- Detailed discussion of upgrades and costs for lab and computer equipment – will be deferred until to April
- Director Mohrbacher researched UW's conflict of interest policy with regards to EORI – still working on criteria.
- Move SER presentation to another meeting - TBD
- Increase outreach to smaller operators; move IOR/EOR conference – Discussed in Associate Director Glen Murrell presentation.

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- EORI has not yet contacted Legacy's regulatory specialist regarding update of proposed regulations for Class VI wells.

- Move letter to Joint Minerals Committee to April meeting.
- Contact Governor's Office regarding defining EORC's authority for approving/implementing raises – moved to April meeting following results of budget session.

VII. New Business

****at this time, Commissioner Fear, Rob Hurless and Barb Jesse joined the meeting via conference call.*

- Revise Allocation of EORI Budget: Director Mohrbacher gave a short PowerPoint regarding legislation regarding EORC management of EORI spending. EORI funds are Section 2 funds and are provided through the state's General Fund. The current budget status was reviewed. Director Mohrbacher pointed out that spending on labor during FY2013 will be underrun by approximately \$400K. The original biennium budget assumed that staffing during FY2013 would total 22 FTEs. Actual staffing has been sustained between 14 and 16 FTEs since July 1, 2012. Note that additional staff could not be added until EORI moved into the new Energy Innovation Center. EORI recommended eliminating 2.5 FTEs of the 22 FTEs included in the 2013/2014 Biennium Budget to achieve spending reductions recommended by Governor Mead. It is normal for EORI to request reallocation of monies within the approved budget. The EORC requested the more detailed evaluation of spending during EORC meeting completed during the summer and fall of calendar year 2012.
- Commissioner Dreaan presented a philosophical point regarding how to handle the unspent EORI funds. Commissioner Dreaan asked if the EOR Commission should spend, obligate or return unspent money to the State of Wyoming? He suggested that members of the EORC take a leadership role and returning funds rather than spending all of remaining budget. Commissioner Dreaan recommended that the EORC spend what we have wisely, and return the balance. Members of the commission indicated during conversation that they agreed with Commissioner Dreaan's philosophy. Some reallocation of funding was reviewed and approved by the EORC later during the meeting. It was agreed among Commissioners that spending will be revisited during the April meeting.
- Commissioner Goolsby concerned that if we return money now and with impending 8% budget cut, that EORI will take a bigger hit (budget reduction during the upcoming budgeting of the 2015/2016 Biennium Budget, than if the existing budget is used productively.
- Commissioner Ottoman requested that a specific plan for reallocation be developed and presented to the EORC.
- Commissioner Fitzsimmons urged that the "best" projects get funded. The remaining budget can then be returned to the State of Wyoming at the end of the biennium.
- Commissioner Dreaan asked if the EORC needed to wait for the April meeting to make budget decisions or if that could be done in a special session. Eric Easton

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stated that any meeting by the commission must be advertised, but a conference call (special meeting) could be held. with proper notice.

- Chairman Williams updated Commissioner Fear and Rob Hurless on the discussion earlier in the morning regarding the current Spending report and actions requested by the EORC.
- Director Mohrbacher stated there were three areas that needed additional funding at the present:
 - Equipment - custom made stand, piping, and valves for newly procured lab equipment) \$30,000
 - Consulting (bring on additional consultants (i.e. Steven Fryburger and Reza Barati) to complete work planned by EORI \$50,000.
 - Outreach – fund one additional EORI Interactive Workshop (Minnelusa 1 Workshop in April) \$16,000

*** Commissioner Drean moved to approve moving funds from the EORI Staffing category of costs to fund the above in their respective locations within the EORI budget. Commissioner Otteman seconded; no discussion. Motion passed.

****Conference Call Ended.*

Recommended raises for EORI Staff: Director Mohrbacher updated the Commission regarding the 3% raise request presented to the Legislature. The university is now looking at 1.5% average raise, to be distributed on “performance based” criteria. The recommendation from the legislature will be generated with the next few weeks once Legislative Session is over. Commissioner Williams recommended that the EORC recommend no action at this time; move to April meeting.

EORI Space: Director Mohrbacher updated the Commission regarding the new building EORI moved into in December and the space allocated to EORI and its intended use. Use of the lab has been delayed due to construction problems with the floor (it is cracked). EORI now anticipate a move in May completed during March or April. (Does this make sense? Move in March and April, completed in May?) Plans for hiring and training additional EORI lab staff will be completed as planned.

Status of Staffing: The Director updated the Commission regarding the Commission Support position. The EORC recommended that EORI proceed with recruiting and hiring an administrative support person to support the Commission and EORI. The minimum requirements for the position include a high school degree.

2013 EORI Outreach Plans: Associate Director Murrells gave an overview of what has been done in regards to outreach and plans for the next year. Conferences and Workshops are well received. EORI will continue to support two conferences each budget year.

- Consider moving the IOR/EOR Conference to another location.
- Will begin Minnelusa Workshops (first one in April in Gillette) and continue with Tensleep in July and another Minnelusa Workshop in October.

- Hired Outreach Coordinator (Laura Dalles) in November who will provide oversight of conferences/workshops/marketing.

Commissioner Fitzsimmons moved to relocate the IOR/EOR Conference from Jackson to a location determined at the discretion of the staff; be sure that it does not compete with other industry events; heavily promoted; charge \$200/participant; waive registration fee if company is a sponsor or presenter. Discussion: Commissioner Dreaan added that all Commission members need to proactively promote this and all events within their local communities. Commissioner Otteman seconded the motion. No further discussion, Motion passed.

*** Commissioner Fitzsimmons left the meeting.

Outreach Continued:

- Commissioner Dreaan mentioned that Senate File 55 is being presented to the Legislature which would allow the governor's policy office and representatives from the energy industry to provide materials and build a curriculum for educating students in public schools. If it were to pass, EORI needs to become involved in promoting/participating.
- Future marketing plans should include promoting lab and its uses. Offer a menu of capabilities/costs to others.
- The Commission encouraged EORI to do more outreach with small operators and WGA.

Project Status: Director Mohrbacher updated the group on the Minnelusa Initiative; Timber Creek, Gibbs Field and Little Mitchell Creek. He met with a new small operator (Sunshine) last week to discuss collaboration. Chairman Williams asked that operators from current projects be invited to attend the TAB meetings.

Prospect Updates: Associate Director Murrell gave a brief, generic Prospect update to eliminate the need for an executive session.

VIII. Review of EORI Calendar

Chairman Williams asked that the April 12th Commission meeting be moved to April 10th to accommodate those attending Oil and Gas Commission meeting as well. The change was made.

IX. Action Items

***See attached table that summarizes action items.

X. Adjournment

The next EORC meeting will be April 10, 2013 in Casper, WY. The meeting was adjourned at 11:51 AM.

Bruce Williams, Chairman

Date