

**GOVERNOR'S AGRIMUM TASK FORCE
MEETING MINUTES
June 20, 2005
Peninsula Job Center**

The Governor's Agrimum Task Force was called to order at 9:00 am by Co-Chair Bill Popp.

Attendees:

Bill Popp	Bob Favretto	Judene Van Cleave
George Ford	Rick Ross	Roy Wells
Rep. Kurt Olsen	Dave Carey	Jim Carter
Will Nebesky, DNR	Dan Chay	John Coston
Bob Swenson-DNR	Jared Bradner, DOC	Konrad Jackson, Staff Rep. Olson
Pascale Dilley, DOL	Diana Spann, DOL	Susan Davis, Governor Staff

Attendees by teleconference:

Lisa Parker, Agrimum	Shawna Harper, DOL	Sandra Burgess, DOL
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Members of the Public attending:

Andy Varner, VISTA	Mark Quiner, Clarion	
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Draft Agenda was approved

Minutes were corrected by Dave Carey: change regarding resolution sent, on page 6 to read, "the task force" instead of "we".

No other changes, minutes are approved as corrected.

Presentations:

Bob Swenson, DNR, Division of Geological & Geophysical Surveys:
"Cook Inlet Gas Production, General Geology and Completion Design"
(PowerPoint will be sent to Bill Popp to be posted to the web site)

- The challenge is when the gas field is depleted; there is no inexpensive way to fix it.
- There are some innovative designs being worked on right now for the Cook Inlet Basin (CIB) production.
- Outdated data are being used for surveys of the Cook Inlet Basin
- Modern 3-D data are used more on the North Slope and shows more subtle gas traps.
- Cook Inlet pipelines and Infrastructure: there is a lot of gas in the Cook Inlet structure, but many wells need to be drilled deeper using modern 3D survey data.
- North Slope is a marine system, CIB is a non-marine system.
- In answer to Roy Wells question of how aggressive are the producers right now: CIB is under explored. However, historically there has been a fair

amount of gas and not a lot of aggressive exploration. How big is the market? There has been a significant increase. If we were hooked up to a pipeline to the lower 48 there would be a lot more exploration programs in place.

Will Nebesky:

- DNR has the supply and demand information on the Agrium web site, the econ of a spur line can work, take into account the cost of getting NS gas to south central basin for consumption purposes and taking into account the cost of main line, Delta Junction, and then a spur from there, the costs would perhaps be below the contracts currently in place for production. The greater the demand in this basin, the greater the throughput on the gas line. There is no reason the gas can't flow both ways, technology is available and is feasible. Federal storage lease is in development now for the Swanson River unit.
- DNR is writing a state lease contract now for gas storage.
 - Leases not for purposes of warehousing for later sales.
 - If a company has production gas and want to provide storage, they would have lease for production and lease for storage simultaneously; if they were to stop production, the lease is terminated.
 - Same permits would be required for production and storage.
 - They will seek to first use depleted reservoirs, looking for prime areas with appropriate sands and sand depth for appropriate storage areas.
 - Storage operations should not interfere with gas operations. Lease would be only for specific sands, not unlimited depth and thickness.
 - Two companies (one is Unocal) have requested the storage application.
 - Unocal expects completed lease by 9/1/05. and anticipates the notice for 30 day public comment period to be forthcoming.
 - Bill Popp asked if the process is going to provide the public with the information regarding the storage issues and what is the life expectancy of the supply, to determine if this will be a viable option.
 - Question: as the warehousing space owner, how do we value the space and build that into the lease arrangement.
- Bob Favretto said that the answer to the storage question/problem is to move the gas the other way, by spur or bullet line, not store it. He said that all the studies he's seen indicate: Increase of industrial usage= higher prices, more gas, and more jobs.

Updates:

Lisa Parker addressed the articles in the Clarion and ADN about employees working extra overtime. Lisa stated that the safety of employees is the highest priority and Agrium will continue to ensure they are operating a safe facility. Overtime is on a voluntary basis, not mandated.

Judene Van Cleave asked, regarding the overtime issue, if we are running out of experienced workforce.

Lisa Parker stated that Agrium is still evaluating the responses to their RFP for gas, and hopes to have a statement on the outcome by the end of June.

Jim Carter asked about the arbitration reports from RCA? Lisa Parker said that she forwarded the weekly reports to Susan Davis. These reports are on the Task Force web site.

John Coston stated that a couple more employees have resigned. ESC has grown, gone through peer support training, one-on-one operation where employees can speak to each other about issues and benefits. Two of the fourteen people involved are from the Job Center in Kenai.

New Business:

Bill Popp submitted the first draft of long term recommendations to the State of Alaska. The document was reviewed, and the following comments and suggestions were offered:

Dave Carey stated that this is an excellent start, but he feels the issue of power generation is missing. There is good information on reserves, but doesn't infrastructure issues addressed, and distribution requires infrastructure. He is concerned that there is a weakness in the structure at Agrium because investments have not been made to upgrade that facility. He questions if Agrium will be able to handle it if they do find additional gas, and is the infrastructure in place to continue operations. Regarding infrastructure, he suggested that we need a unified system - rail belt wide.

Jim Carter spoke of systems and distribution. He remarked on the reported \$89 million 'Agrium put in their pocket', but said that we shouldn't be involved in what Agrium is doing with their money, and that our task is to try to keep Agrium open, further gas exploration, and getting gas for others. If we say this is too old a facility, then we are defeating our purpose. It would be more appropriate to say this when we get them back on line, otherwise we are defeating our purpose.

Roy Wells asked Lisa Parker: if Agrium closes, would Agrium be amenable to pursuing bids from other companies for production of things other than fertilizer, and would they allow the Governor to come in and "peddle" the plant to others.

Lisa stated she didn't know the answer, Agrium might consider it.

Bob Favretto said he and Bill Popp are going to meet with the Governor on Monday, June 27th, and will be posing these questions to the Governor.

Bob Favretto said ANGDA has requested RFPs for a pipeline from Delta to Palmer. The proposals will be gone through and the award will be given some time this week.

Dan Chay suggested incorporation of “energy providers” into bullet 1.

Will Nebesky said that in 1997 Enstar commissioned a study to look at two elements: a gas consumption study, and financial cost of premature loss of gas to rail belt communities. He has the study results and will distribute to the task force. Importing for gas usage and using coal for energy. Now they need to decide where their next vintage is, coal, oil, or gas. This document is a benchmark.

Kurt Olson asked of Will Nebesky and Bob Swenson, how much 3D seismic can you get for \$16,000,000. He suggested using the capital monies allocated for a jack up rig for 3D seismic studies.

Rick Ross said there would be a conflict of using state money for public data issues.

Roy Wells said there may not be buy-in from producers because the studies would disclose proprietary information.

Bob Swenson said he wants to make sure everyone is aware that gas exploration is a very slow process and would not be able to aid Agrium in it’s search for gas at this time.

Dan Chay asked about the implications of ‘post peak’ and how does this fit into the whole dynamic of the North American gas consumption. We know where there is gas, we would be pursuing the pipeline and getting that gas

Jim Carter feels we should be focusing on the Cook Inlet Basin.

Dan Chay remarked on item #3, and asked that there be a distinction between reserves and storage. Bill Popp will change item #3 to reflect this.

Roy Wells noted that the long term list contains no specific language regarding personnel of Agrium, and the TAA. Bill Popp said we are looking for suggestions in addition to TAA because this is a proposal to the Governor on items we want to work on.

Dave Carey said he wants the State of Alaska to continue to ensure that employees have access to the benefits both private and public.

Rick Ross asked of Bob Swenson: regarding a bi-directional bullet line, looking at 5-7 years, if those issues of access to a bullet line were resolved, do you see this as an increase in exploration and access.

Bob Swenson replied that if the market demands, we would see an increase in exploration. All the issues of bi-directional use of the gas line will need to be addressed as they move forward.

Bob Favretto stated that all along the process, the financial institutions and other global interests have been following this and are chomping at the bit to participate. It's just a matter of timing and will be coming to a head pretty soon since the responses to the Agrium RFP will be disclosed soon.

Bill Popp stated that there are three additional items now added to the long term recommendation list:

- Gas storage recommendation
- 3D seismic on and off shore
- Follow through on the mission of employee/community support.

Susie Davis asked that the preface to the list include the employee issues.

Bill Popp asked if it would be appropriate at the next meeting to get a presentation from an HEA representative.

Dave Carey said no, but that Rick Eckert has served on the Governor energy task force and we can ask if he could make a presentation based on his participation on the energy task force. Bill Popp will contact Rick Eckert on this issue.

Feels this should not be done now but would be more appropriate after the Agrium issues have been handled.

Bill Popp will formulate some wording regarding the diversification of the task force to address other energy sources, and will try to get draft out to everyone by tomorrow.

Other comments:

Dan Chay asked if we have presentations scheduled for next meeting and offered to share his personal presentation on oil and gas.

Bill Popp, hearing no objections, said he will schedule this presentation at next meeting.

Next meeting:

Wednesday, June 29, 2005, 9:00 am,
Kenai Job Center, Forget Me Not Conference Room.