

Virginia Commission on Coal and Energy

Thursday, November 6, 2008, 10:00 a.m.
House Room C, General Assembly Building
Richmond, Virginia

Meeting Summary

After a call to order from Chairman Kilgore, Senator Wagner opened the meeting by providing the Commission a review on the background and importance of domestically supplied natural gas. Senator Wagner made a certain point of noting that purchases of foreign energy total more than \$700 billion each year.

Renee Orr, Minerals Management Service. Renee Orr from the federal Minerals Management Service ("MMS") introduced the legal framework applicable to offshore drilling and exploration. The controlling law is the Outer Continental Shelf Lands Act, which provides that "the Outer Continental Shelf is a vital national resource . . . which should be made available for expeditious and orderly development, subject to environmental safeguards. . ." For its part, the MMS operates a Five Year Plan that sets forth the size, timing, and locations available leases. In recent years, the Five Year Plan has been accelerated. The current Five Year Plan applicable to the years 2007-2012 plan may be replaced, before its fulfillment, by another Five Year Plan applicable to the years 2010-2015. Virginia is the only Eastern state with offshore leases available off its coast and is uniquely positioned with a three to four year advance on any other states that might be included in a future Five Year Plan. Delegate Kilgore asked about the length of time required to accomplish a specific sale. Ms. Orr responded that the arrangement of a lease sale may require between 18 months and two years. Operations on the lease may also then require further administrative approvals. Senator Wagner pointed out to the Commission the general triangular shape of the parcel of land off the coast of the Commonwealth and noted that there is disappointment with the area designated for Virginia. The MMS applied internationally accepted standards for drawing boundaries to determine the offshore parcels and the respective states with which that parcel would be associated. Whether a coastline is convex or concave can have a significant effect on the area contained in the offshore parcels and, therefore, the amount of any royalties available from revenue sharing programs.

Carl Hobbs, Virginia Institute of Marine Science ("VIMS"). Carl Hobbs from VIMS provided the Commission with background on the environmental issues that should be considered if offshore drilling in federal waters off the coast of Virginia becomes a reality. The environmental issues are far reaching and numerous aspects of the drilling operation must be considered: production platforms; transportation of the gas or oil to the shore; consequences of submarine pipelines; and the interface of the pipeline and the shore. Mr. Hobbs also noted the various regulatory parties that might oversee offshore drilling activities.

Lawrence Sullivan, Society of Petroleum Engineers. Mr. Sullivan discussed the significant improvements made in the drilling industry over the past fifty years. He predicts that technology will evolve to a full zero impact by 2012 based upon what we see today in Norway. In fact, technology for drilling, completion, and production rivals that found at NASA and in the U.S.

military for its safety, security, and efficiency. One of the great challenges to the industry is the availability of training of the workforce. The knowledge cohort that joined the industry in the late 1970s will retire soon. Virginia has an opportunity to begin training its workforce sooner rather than later if offshore drilling is pursued.

Jim Kibler, AGL Resources. Mr. Kibler spoke to the Commission about opportunities for the natural gas industry if drilling is pursued offshore of Virginia. The vast majority of existing production comes from the Gulf of Mexico, an area vulnerable to hurricanes and waning discoveries. New production areas will require a skilled workforce and infrastructure to deliver the gas to market. Downstream economic benefits to the Commonwealth would include stabilized natural gas supplies, jobs, investment, tax revenues, and royalties.

Jerry Grantham, Virginia Oil and Gas Association. Mr. Grantham presented the Commission with an overview of the natural gas industry in Virginia. The resources found in Southwest Virginia are varied and include coal bed methane recovery, tight gas sands, and gas shale. While many wells in Virginia would be needed to produce the same amount of gas as one well in Texas, the economies of scale do not necessarily weigh in favor of fewer, larger wells. The cost of inputs, maintenance, and skilled labor may be less when managing many smaller wells.

Other Business—Uranium Mining.

Delegate Kilgore introduced the issue of uranium mining to the Commission and discussed some of the questions that have arisen in the local communities before opening the floor to the public.

Todd Benson with the Piedmont Environmental Council stated that his organization is opposed to uranium mining in Virginia and asked whether the proponents of the study would be able to show five instances where mining has been performed safely. Mr. Benson also noted the emphatic dissent of Elizabeth Haskell during the last study on uranium mining during the 1980s.

Delegate Kilgore assured the attendees that the Coal and Energy Commission strongly desires to involve the public at every stage of the study.

Nancy Pool, president of the Halifax County Chamber of Commerce, approached the podium and asked that Delegate Hogan form a task force to solicit the opinion of citizens in the region.

Cale Jaffe, representing the Southern Environmental Law Center, asked that any study of uranium mining proceed with caution. He expressed his hope that the study encompassed a view of risks to the mine over its entire life and examined the risks of natural disasters such as hurricanes. Mr. Jaffe drew the Commission's attention to the fact that other uranium mining operations that have been conducted in arid climates without the risks of flooding. Mr. Jaffe also noted that a genuinely cautious study may find that mining cannot be performed safely and that the hard work of a study must be done by a reputable organization like the National Academy of Sciences.

Delegate Hogan spoke to the Commission to express his hope that all parties who care about this issue will have the opportunity to contribute to the subcommittee.

A representative from Southside Concerned Citizens expressed the concern that the broad issues reviewed by the subcommittee will be taken seriously and that the public will have an opportunity to be heard.

Delegate Danny Marshall stated his agreement with Delegate Hogan and asked that the scope of the study is broad and includes an examination of uranium mining on agriculture and real estate prices. He hopes that the subcommittee will hold some of its meetings in the communities that would be affected.

Katie Whitehead, with the Dan River Basin Association, contributed the Uranium Administrative Group that studied the issue in the 1980s. She expressed her interest in public education and public participation, especially at the front end when deciding whether to do a study and the scope of that study.

Sara Motley, a nurse and resident of Chatham, expressed her respect for the stakeholders and cautioned the Commission to be careful.

Whit Clement spoke on behalf of Virginia Uranium and assured the Commission that the owners do not want to do anything that would hurt their community. The only thing sought by Virginia Uranium is a fair, independent, and unbiased study of the science, health, and welfare issues.

Delegate Kilgore introduced the motion of the Commission to appoint a subcommittee to study the issue of uranium mining. The Commission voted unanimously to approve the motion. The membership of the subcommittee is as follows:

- Delegate Ware
- Delegate Carrico
- Delegate Abbitt
- Delegate Amundsen
- Delegate Janis
- Delegate Philips
- Senator Watkins
- Senator Puckett
- Senator Wagner
- Harry Childress