

**UTAH GEOLOGICAL SURVEY
BOARD MEETING MINUTES
January 08, 2009
8:30 A.M. – 12:00 P.M.**

Attendance:

Board Members:

Geoffrey Bedell, Chair
Stephen Church
Kenneth Puchlik
Tom Faddies, Ex Officio

Jack Hamilton, Vice Chair
David Simon
Mark Bunnell

Staff:

Rick Allis, Director
John Kingsley, Associate Director

Kimm Harty, Deputy Director
Dianne Davis, Board Secretary

Chair Bedell welcomed all to the meeting of January 8, 2009. The meeting began at 8:29 A.M.

APPROVAL OF MINUTES

Chair Bedell asked for a motion to approve the last meeting's minutes. Ken Puchlik made a motion to approve the minutes with the amendment to strike the last sentence on the second page. Mark Bunnell seconded the motion to approve minutes as written with the change. All were in favor, and the motion passed unanimously.

DIRECTOR'S REPORT

Summary

It's been around six months since the last Board meeting, due in part to a postponed field trip last Fall, and the lack of a need for an August meeting to consider the rule changed within the State Energy Program. During this time the outlook for cuts in future General Fund appropriations has deteriorated. Fortunately, contract funding and opportunities for new federal funding remain strong. Mineral lease revenue has passed through a peak due to last summer's record high oil and gas prices, but this revenue source is likely to diminish in the remainder of the fiscal year. The revolving loan fund set up two years ago for energy efficiency improvements to public schools has been targeted to offset funding cuts in all DNR Divisions for FY09. The UGS should get through this fiscal year in good shape, but there are significant uncertainties about next year, and the cutbacks being discussed for the upcoming legislative session.

Financial Position

Based on the November expenditure figures (42% of year), the UGS is very close to its operating budget (see attachments). The normal end-of-year adjustments amount to 3-4% of the total budget, so we usually try to operate about 5% behind budget for most of the year. Contracts and pass-through expenses always lag for most of the year, and catch-up near the year-end when deliverables are due. On the revenue side, first quarter billings are behind budget, but this is normal for the first quarter. We are aware of one hazards proposal that we had thought would be funded (NHERP project to trench Washington Fault) but did not receive funding. Most other contracts in the operating budget are on track. Mineral lease payments have been strong for the first four months of the fiscal year due to the record high oil and gas prices last summer (close to \$10/mcf for gas, and \$140/bbl for oil). These prices have subsequently tumbled, so we expect rapidly declining revenue starting next month (i.e. the November payment). The total mineral lease revenue for FY09 should be above what we originally expected, but we will need to be cautious in our revenue assumptions for FY10. The end-of-year carry-forward is expected to be between \$0.5 and \$1.0 million.

Opportunities for new contract revenue seem to be as abundant as ever. Since the last Board meeting, two large proposals on Utah's Paleozoic shale gas resources (\$641k, RPSEA) and ground water issues with oil shale and gas production in the Uinta Basin (\$700k, DOE) were funded (see contracts tracking spreadsheet). At the time of writing we have decided to be a subcontractor to Sandia Laboratory on a DOE proposal to improve produced water systems in the Uinta Basin (\$60k/y to UGS for three years), and are preparing to be a subcontractor to the University of Utah (USTAR) on a new emissions-free coal-fired power plan being proposed in central Utah (DOE funding source, UGS component ~ \$100k/ ~ 10 years). Also yet to start is Phase III of the Southwest Partnership for CO2 sequestration. This last project was approved by DOE almost a year ago, but there have been some negotiation problems between DOE and the prime contractor, New Mexico Tech. Several smaller proposals submitted by the Energy and Minerals Program were not funded (coal emission factors – EPA, potash resources – USGS). The BLM is funding a potash assessment of the Lisbon area.

A significant new project funded by the Division of Water Rights is a hydrogeology study of Morgan Valley (\$169k new funding over two years). The USFS are funding a landslide mapping project near Manti (\$30k), and a GIS map product for Elk Ridge quadrangle (near Abajos; ~ \$15k).

These two projects may be the start of a longer term collaboration between the USFS and the UGS. We may know the fate of the FY10 Statemap proposal by the time of the Board meeting (\$300k, USGS funding).

Possible Funding Cutbacks

This is a moving target, with all the movement in one direction – that of increasing cuts being threatened as the legislative session approaches. The latest details can be discussed at time of the meeting. During the October special session, a permanent cut to all agencies' General Funds of 3 – 4% was made (i.e. starting this FY, amounting to \$90k for UGS). Since then funding reduction scenarios for an additional 5%, 10% and 15% have been requested either by the

Governor or by the legislature. The latest requests involve an additional 7.5% cut for FY09, and a 15% cut for FY10. For the additional FY09 cuts, the DNR Executive asked that unused funds in SEP's revolving load program for public schools be used to protect all DNR Divisions from the effects of the cuts. A significant part of those funds may be used for this purpose. For ongoing FY10 cuts, the DNR Executive has asked that these be partially met with Division of Water Resources revolving funds. The philosophy behind this is to minimize the number of potential job losses in DNR. The implications for the UGS will be discussed at the meeting. In the worst case scenario, 15% cut in General Funds amounts to about \$450k, or about 5% of our total budget.

Personnel Changes

Since the last Board Meeting, the following changes have occurred:

Rob Nielson resigned from the Bookstore, and two part-timers are covering the work load.

The Hazards Program building block of two positions was filled by Ashley Elliot and Jessica Castleton.

Sharon Hamre (Editorial, Graphic Artist) will retire on February 1; advertising for a replacement has closed, and a short-list for interviews is being drawn up (there is strong interest in the position).

Jim Parker (Editorial, Cartographer) passed away; his position has been reclassified as a GIS Analyst, and is being advertised.

Summer seasonal workers were phased out during October and November. Danielle Lehle has been hired as temporary help for the new oil shale project (winter months).

Legislative Update

Other than the financial cuts being discussed at the moment, there are no other bills that we know of that could significantly impact the UGS. The portion of the state code covering the UGS (63-73) is being transferred to a chapter of code that covers all DNR divisions. Apart from a few minor language changes there are no significant changes. There may be several bills proposed in the upcoming session that include energy efficiency language, and the SEP is ready to monitor them for possible impacts.

Utah Renewable Energy Zone Task Force

The UGS co-chaired with the Governor's Energy Office a task force to establish where Utah's renewable energy resources are located. The Task Force was appointed by the Governor, and included wide representation from specialists and interest groups. The final report is about to be published by the UGS and is expected to be presented to the Governor in early January. The core of the report is three chapters by experts knowledgeable in Utah's solar, wind, and geothermal resources. Jason Berry coordinated the subcontract work with the experts, and wrote the introductory and concluding parts of the report. One of the key findings was the Utah's renewable resource potential is substantial, and the best solar, wind and geothermal resources all coincide in the southwest of the state. Economic considerations were not part of this study, and will be part of phase II, which may be commissioned later in 2009 if funding can be found.

Snake Valley/West Desert Monitoring Program

After major effort this summer with two drill crews working the west desert on ground-water monitor wells, the project is three-fourths completed. Hugh Hurlow reports that 27 well sites are complete, including 50 boreholes and 67 PVC wells. Twelve of these sites include wells completed in the Paleozoic carbonate aquifer, which is thought to accommodate regional ground water flow toward Fish Springs. Preliminary results show high-quality ground water above a depth of 1000 feet and water levels that are consistent with previous work showing a regional head gradient toward Fish Springs. Recent developments on the Southern Nevada Water Authority's proposed ground-water development project include a delay of the Nevada State Engineer's hearing on the Snake Valley applications until Fall 2009. The UGS recently held a technical review workshop at DNR for all persons and agencies interested in the monitoring program results. UGS personnel may be called as expert witnesses (or subpoenaed) at future legal proceedings. The State Attorney General's office is working closely with DNR on Snake Valley issues.

Board Field Trips in 2009

The Fall field trip for the UGS Board to St. George region was postponed until late March after the legislative session had ended. Too few board members were available to make the October 23-24 time frame. There was a discussion of whether a Board field trip could be run in late March, even although the terms of four members had expired (on March 1, 2009). It turned out that too few members could join the trip on the likely travel windows, so the field trip will be deferred to the usual time during Fall, 2009.

Board Lunch, January 8

A complimentary lunch as a thank you for the outgoing board members was arranged at the Rio Grande following the Board meeting.

Staff presentations were given by Rick Allis on the UREZ report from the Governor's committee to investigate areas in Utah with renewable energy resources; Bill Lund on the rock fall in Cedar Canyon on January 9th, and Hugh Hurlow on progress on the Snake Valley project.

Action Items

Energy Tax Credit – Jason Berry presented the changes that have been worked on to the board. Geoffrey Bedell asked for a motion to accept/decline the rule changes as outlined in the board packet. Ken Puchlik motioned to accept the changes as outlined. Mark Bunnell seconded the motion. The board voted all in favor and the motion passed unanimously.

Utah Revolving Fund – Jason Berry presented the changed that have worked on to the board. Chairperson Geoffrey Bedell asked for motion to accept/decline rule changes as outlined in the board packet. Jack Hamilton motioned to accept the changed as outlined. Ken Puchlik seconded the motion. The board voted all in favor and the motion passed unanimously.

Board Chair and Vice-Chair for 2009 – Jack Hamilton made a nomination for Ken Puchlik to become the Board Chair for 2009. The motion was seconded by Mark Bunnell. A vote was taken and the motion passed unanimously. Stephen Church made a nomination that Mark Bunnell be nominated to the vice-chair for 2009. Geoffrey Bedell seconded the motion. The board voted and the motion carried unanimously.

2009 Board Field Trip

As mentioned earlier in the minutes, the field trip tentatively planned for March has been canceled. Too many of the out-going members had other commitments.

2009 Board Meeting Schedule

The following dates were scheduled for the 2009 schedule:

April 16th
August 6th
October 16th -17th -18th for the field trip
January 14th, 2010

Jack Hamilton motioned that the dates be accepted and Ken Puchlik seconded the motion. The board voted and the motion passed unanimously.

Ken Puchlik motioned to adjust the meeting at 11:20 a.m. Mark Bunnell seconded the motion, the board voted and the motion carried unanimously.