

MINUTES
JOINT MEETING

**SENATE RESOURCES & ENVIRONMENT COMMITTEE
HOUSE RESOURCES & CONSERVATION COMMITTEE**

- DATE:** Wednesday, February 21, 2018
- TIME:** 1:30 P.M.
- PLACE:** Lincoln Auditorium
- MEMBERS PRESENT:** Chairman Bair, Vice Chairman Siddoway, Senators Brackett, Heider, Vick, Bayer, Johnson, Stennett, and Jordan
- Chairman Gibbs, Vice Chairman Walton(Gestrin), Representatives Raybould, Shepherd, Wood, Boyle, Miller, Burtenshaw, Mendive, Kauffman, Giddings, Erpelding, and Rubel
- ABSENT/ EXCUSED:** Representatives Moyle, Vander Woude, Youngblood, and Blanksma
- NOTE:** The sign-in sheet, testimonies and other related materials will be retained with the minutes in the committee's office until the end of the session and will then be located on file with the minutes in the Legislative Services Library.
- CONVENED:** **Chairman Bair** called the joint meeting of the Senate Resources and Environment Committee (Committee) and the House Resources and Conservation Committee (Committee) to order at 1:30 p.m. He welcomed the audience and said, as this meeting will be informational only, there will be no public testimony. He then asked Chairman Gibbs to speak. **Chairman Gibbs** also welcomed the members of the audience. **Chairman Bair** invited David Groeschl, Acting Director, Idaho Department of Lands (IDL), to provide an overview of IDL.
- PRESENTATION:** **Mr. Groeschl** stated that IDL has a two-fold mission. The first part of their mission is the Endowment Trust Land mission, which was granted to the State upon statehood. The express purpose of those lands, sections 16 and 36, is to maximize long-term revenue to the endowment beneficiaries. The largest beneficiary of the fund is K through 12 public education. The second part of the mission is regulatory assistance and protection.
- The vision of IDL is to be the premier organization for trust management and resource protection in the western United States. **Mr. Groeschl** said they want to be trusted stewards of Idaho's resources from Main Street to mountaintop. He stated there are four core values that guide every decision and action they make as an agency. First is stewardship; not only of the natural resources, but also the financial resources. Second is service; focused both inward and outward. Third is accountability; including training of the staff. Fourth is cohesiveness; acting as a unified team in their mission.
- The Land Board is comprised of five members that provide direction to IDL. The five members are: The Governor; the Attorney General, the State Controller, the Secretary of State, and the Superintendent of Public Instruction. They provide direction on 2.4 million acres of endowment land and what occurs there. The Board also directs many of the regulatory and assistance programs.
- In the chain of command, following the Land Board, are the director, deputy director, and five divisions of forestry and fire, which is located in Coeur d'Alene. There are ten area offices scattered around the State and they implement the programs. In Boise, there are 23 offices that oversee the leasing and regulatory programs.

Last year, the Oil and Gas Division was formed. That Division operates differently from IDL, as it is overseen by the Oil and Gas Conservation Commission. Those commissioners are appointed by the Governor and confirmed by the Senate.

About 40 percent of the endowment lands or one million acres is timberland. The other 1.5 million acres is rangeland. Those lands are leased for grazing, oil and gas, mining, and communication sites. IDL also has 3.3 million acres of subsurface mineral rights underneath those lands that were sold over time.

University of Idaho beneficiaries are: Public School Endowment Fund; Agricultural College Fund (at U of I); Charitable Institution Fund (benefiting Idaho State University, State Juvenile Corrections Center, State Hospital North, Idaho State Veterans Homes, and Idaho School for the Deaf and Blind); Penitentiary Fund; School of Science Fund (at U of I); State Hospital South Fund; University Fund (at U of I); Normal School Fund (benefiting the Idaho State University Department of Education and Lewis-Clark State College); and Capitol Permanent Fund.

The mission of the endowments is to provide a perpetual stream of income. Beneficiaries have said they prefer distributions be based on conservative income expectations. The distributions are used for ongoing spending, not one-time needs. In fiscal year 2017, the gross land revenues were as follows:

- \$64,549,022 - Timberland
- \$458,670 - Farmland
- \$2,976,094 - Rangeland
- \$4,188,155 - Residential Real Estate
- \$2,407,130 - Commercial Real Estate
- \$28,022 - Oil & Gas Rentals & Bonuses
- \$74,930 - Minerals Rentals & Bonuses
- \$74,682,023 - Total

Mr. Groeschl said proceeds from the sale of cottage sites would be used to acquire additional timberland and farmland. The acquisition would increase those asset types over time.

Mr. Groeschl then discussed the regulatory and assistance functions. In the fire management program, there are 10 forest protective districts comprised of 6.3 million acres. Within those acres are two timber protective associations that the land is predominately private with some State forest land. The Lake Protection Act, which include the bed and banks of navigable waterways, lies within the 6.3 million acres.

With regard to mining, there is the Surface Mining Act, the Dredge and Placer Mining Act, and the Abandoned Mine Reclamation Act. IDL administers the Forestry Practices Act which set certain "best management practices" to protect water quality. IDL also establishes regeneration requirements.

A question was asked of Mr. Groeschl as to how many abandoned mines per year IDL actually reclaims or works on. **Mr. Groeschl** said he is aware of over 6,000 abandoned mines in Idaho. They are prioritized by safety issues, water quality issues, and health issues. Currently, there are 50 to 60 projects on the prioritized list.

Mr. Groeschl then addressed the Good Neighbor Authority (GNA). The GNA program was authorized in the 2014 Farm Bill. Prior to that, it was a pilot program in Colorado and Utah. With the passage of the Farm Bill, it was expanded to all of the states that have National Forest System lands within their borders. In 2015, SCR 126 was passed in Idaho directing IDL to look at how they could use GNA. IDL looked at how they could increase the pace and scale of restoration on federal lands. It is a joint agreement that allows the State to enter into an agreement with a federal agency, whether it is the United States Forest Service (USFS) or the Bureau of Land Management (BLM). The agreements permit IDL to look at how the State can work across boundaries more effectively and efficiently.

The Idaho GNA goals are: 1.) increase pace and scale of forest and watershed restoration; 2.) provide additive fiber to markets to maintain infrastructure and support rural economies; and 3.) develop a self-sustaining program in 3-5 years using the power of the markets.

Mr. Groeschl said they are working on ten projects at the present time. They are: Hannah Flats - Idaho Panhandle National Forest(IPNF); Jasper II - IPNF; Woodrat Salvage - Nez Perce Clearwater National Forest (NPCW); Wapiti - NPCW; Windy Shingle N - NPCW; Windy Shingle S - NPCW; Brundage - Payette National Forest (PNF); Sloan's Point - PNF; High Valley - Boise National Forest (BNF); Bogus Basin - BNF. These projects include 6,023 acres with a volume of 61,340 million board feet. The estimated revenues are \$10,628,076. There are an additional 11 projects that include 10,700 acres, with the volume and estimated revenues to be determined.

Harvest levels on federal lands in Idaho prior to 1980 were around 800 million to almost one billion board feet. As harvest levels have declined, today about 100 million board feet are harvested from federal land. Growth is relatively flat or declining because mortality has increased significantly. Mortality now exceeds over 50 percent of gross growth. An analysis was done on federal lands in Idaho which included 20.4 million acres of National Forest System lands. Using the criteria in the Farm Bill, the insect and disease mortality levels of 25 percent were either occurring or likely to occur over the next 10 years.

Mr. Groeschl said that what they found in the 20.4 million acres did not include wilderness areas. Most of the roadless designations were not suitable for some level of management. That left 8.8 million acres at high risk, either currently or within the next 10 years. A package was submitted by Governor Otter to the Idaho Department of Agriculture that identified 50 proposed treatment areas covering 1.8 million acres, all within the 8.8 million acres that are at high risk. All of those treatment areas were proposed by the forest supervisors and the collaborators working in those areas. **Mr. Groeschl** said the reason that is important is because that gives them additional tools under the Farm Bill to address and focus on those high-risk areas. That left 12.6 million acres as suitable for some level of management.

The proposed 11 projects cover over 10,000 acres and the current volume is an estimated 65 to 70 million board feet. **Mr. Groeschl** said there is a lot of work on these projects, in addition to harvesting. The estimated revenue is approximately \$14.5 to \$15 million, with much of that reinvested into restoration work.

Federal and General Fund contributions are needed to build a self-sustaining program. These projects take one to two years to complete because they must prepare the field work, conduct the National Environmental Policy Act (NEPA) analysis, collect data, and provide that level of support to get those projects through the process so that they are ready to sell. Once they sell, it is a year or so before there is harvesting activity. People are seeing the benefit of GNA in Idaho, even though there are small wins right now.

Mr. Groeschl spoke about the future needs of the GNA program. He anticipates growth to be about 10 to 20 million board feet a year and within seven to 10 years, he hopes to supply an additional 100 million board feet to the market. The economic impact is 1,700 direct and 300 indirect jobs will be supported through that additional 100 million board feet a year and \$118 million will be added to the State gross domestic product.

Mr. Groeschl then addressed the subject as to why it matters:

- the scale and magnitude of the issue;
- the forest health;
- fuels and fuel buildup;
- fire situations;
- suppression costs; and
- threats to local communities.

Mr. Groeschl said they could either do nothing or they could try to do something with the GNA. Many programs look for a continuous infusion of money to keep the program going, but that is not his goal. The goal is to create healthy forests, to strengthen the markets, create jobs for the local economies, and to be self-sustaining.

PRESENTATION: **Cheryl Probert**, Forest Supervisor, Nez Perce-Clearwater National Forest, said she will provide information as to how the Nez Perce-Clearwater National Forest and the GNA are getting work done in the forests and revenue into the communities. They were the first national forest in Idaho to sign a supplemental project agreement with IDL. It allowed them to tailor that agreement to the work that they have to do.

Ms. Probert said they have a robust collaborative forest landscape restoration program across a multitude of agencies with many stakeholders. That provided them an opportunity to capitalize on those relationships and move forward with the GNA. In the last five years, GNA has tripled the amount of forest management and tripled their timber sale volume.

Ms. Probert stated they defined success in two ways: they wanted to do some work quickly on the ground and also put some money in the pot immediately. They worked with the local IDL and Mr. Groeschl. **Ms. Probert** said they went through an epic fire season and a lot of challenges. It solidified their relationships. To develop a sustainable program, they put money into the program immediately; provided capacity to develop and sustain the program (staffing); and improved capacity to increase pace and scale of restoration projects. They leveraged both the USFS and IDL's expertise.

Ms. Probert said their first GNA project was the Wapiti project. The objectives were fuel reduction and forest health. The estimated volume was about 4.5 million board feet, with an estimated revenue of \$1.5 million. It covered 200 acres.

The next project was the Woodrat GNA timber. It was a fire salvage. The Woodrat fire started on IDL lands and moved onto the National Forest System lands.

Ms. Probert said they went through the NEPA analysis and now the State is administering the salvage contract on the National Forest System land. This sale is about 350 acres and 7.5 million board feet. They are almost done with the harvest and have over \$1 million of revenue today. **Ms. Probert** said they put together a program of work for fiscal years 2018 and 2019. They are working with IDL counterparts to see what projects are going to fit this mold. One real efficiency is the use of State contracting methods versus national.

Ms. Probert explained how the program income is being used. The current programming is 45 percent implementation; 35 percent planning; and 20 percent monitoring. The long-term vision for sustainability is 1/3 project planning and NEPA; 1/3 implementation; and 1/3 monitoring.

In closing, **Ms. Probert** said the strongest conclusion is that they have reached success. They have conducted forest management activities on almost 600 acres and have \$2 million that they are putting right back into the activities on the Nez Perce-Clearwater Forest.

Chairman Bair thanked Ms. Probert for her presentation. He welcomed Mick Thomas.

PRESENTATION: **Mick Thomas**, Division Administrator, Oil and Gas Division, and secretary to the Oil and Gas Conservation Commission, provided an update on oil and gas. **Mr. Thomas** stated that he is a geologist, but enjoys being the division administrator. He said he would address four main topics concerning oil and gas in Idaho: 1.) H 301 (2017); 2.) status of the underground injection control program; 3.) current production and trends; and 4.) recent actions of the Commission.

Mr. Thomas said that H 301 (2017) summarizes the intent of the Legislature regarding reporting of data and also the rights to fully produce the field. It provides additional resources for royalty owners and enables mechanisms for concerns to be heard. One of the big changes was the restructuring of the Commission to include three technical experts, a member of the oil producing county, and a director. **Mr. Thomas** said the Commission members are highly-engaged and well-trained. H 301 (2017) provided clarity to existing rules and regulations. Finally, it updated the reporting requirements to the department.

Regarding the status of the underground injection control program, **Mr. Thomas** said Idaho is the only state that does not have an active class injection well program and that has put the State at a significant economic disadvantage relative to other states who are able to use that as a way to dispose of excess water or production water that comes out of the wells. Currently, the water is trucked to a hazardous waste facility in Kuna for processing. The cost per barrel is between \$6 and \$9 and has impacted the economic viability of several wells in the area.

There are other benefits if we are able to put the water that comes out back into the formation. This formation water also serves to maintain the pressure of the reservoir, which helps the long-term viability of the reservoir. **Mr. Thomas** said the Environmental Protection Agency (EPA) was invited to assume primacy of the class injection program and that quickly solved a few problems. EPA has a mechanism that operators nationwide are familiar with. The operators could come in and be able to get an injection well permitted sooner and bring some of the other wells online that are currently shut down. EPA accepted public comment on the transition and they are currently reviewing those comments. Depending on the outcome, primacy could be finalized in the fall of 2018.

Mr. Thomas stated there are two wells in the Fruitland area where testing has been completed. **Mr. Thomas** acknowledged there is a contested case before the Commission between an operator and royalty owners. The Commission has moved to hire a hearing officer to address those concerns.

They have also requested the examination of five years of production quantities from the operator to verify accuracy of the department's records. The Commission has updated the reporting forms given to the operator; the new forms will be implemented soon.

In summary, **Mr. Thomas** said they are working together with the Commission to resolve some royalty owners and operators concerns. H 301 (2017) achieved a lot of goodwill and shows a high potential over the long term. It should provide a means to replace the formation water coming out and hopefully improve the viability of the fields.

Chairman Bair thanked Mr. Thomas and said there was one more presentation. He then welcomed Lisa Anderson from the CuMo Mining Corporation.

PRESENTATION: **Ms. Anderson**, Vice President of Government Relations for the CuMo Mining Corporation, said she is joined today by Phil Bandy, Executive Vice President of Operations. The slide presentation introduced the Board of Directors and the management of the Idaho CuMo Mining Corporation.

Ms. Anderson said the Idaho CuMo project is the world's largest, lowest-cost primary molybdenum (moly) deposit and is located 35 miles from Boise, north of Idaho City, in the Boise Basin. The property consists of 184 contiguous mining land claims covering an area of approximately 3,220 acres. Thirty eight patented claims cover a total of 740 acres. CuMo acquired project claims in 2004 and has since continued to explore the geological and environmental factors that will determine a potential future development plan.

Ms. Anderson stated that moly is a strategic mineral that significantly increases strength heat resistance and durability of stainless steel products. The CuMo project also contains very significant credits of silver, copper, and rhenium which is a mineral identified by the Trump Administration as critical to the United States. The CuMo project silver deposit places it among the top 25 silver deposits on the planet depended upon yearly production. The project is slated to have an economic lifespan of more than 100 years and is perfectly situated to provide the increased "NATO" needs of our nation. The demand for moly is steadily increasing as the world's needs continue to grow. It is estimated that the world will need as much as 200 million more pounds of moly over the next decade. Today's moly mines barely meet the current demand. The current demand is 550 million pounds annual consumption.

The CuMo project is currently working towards a definitive feasibility study that will continue to show the robust economics and potential. The project is promising not only for the company, but for the local community and for the State as a whole. Company members believe that the project has the potential to produce 60 million pounds of moly per year for decades and could create 1,000 well-paying direct jobs, plus thousands of ancillary and supporting jobs. In addition, the CuMo project would contribute millions of needed taxes, fees, and other payments to local, State, and federal governments.

The United States controls 18 percent of the world's moly compared with China at 56 percent. President Trump's Executive Order on a federal strategy to ensure a secure and reliable supply of critical minerals mandated the Secretary of the Interior, Secretary of Defense, and other relevant agencies, to publish an updated list of critical minerals. Moly was not on this list. Public agencies and elected officials can comment on the list; the comment period closes March 19, 2018. **Ms. Anderson** said their team continues to work with the appropriate agencies and elected officials to streamline the permitting process for mining projects. Currently, the CuMo project is entering its eleventh year for a simple explorative drilling project.

Ms. Anderson said the most recently acquired project is the Calida Gold Project, located in eastern Idaho's historic mining region and hosts significant gold, silver, and copper mineralization. It is approximately 24 miles south of Salmon, Idaho, and in the Mormon Canyon area. The property has been extensively explored for the past 30 years. Exploration has included drilling 29 holes in 1983, as well as thorough trenching and sampling a total of 10 minerals. Veins have been identified on the property to date. Additional drilling was conducted on the property last year where 24 holes were drilled. The United States Army Corps of Engineers was sent to assay.

Ms. Anderson said this mine would be an underground mine, not an open pit mine. Ms. Anderson deferred to Phil Bandy to explain the mine's operations. **Mr. Bandy** said there would be a drift that would be tunneled into the two drafts and all of those workings would be conducted in an underground block. The size of the rooms depends on the technical nature of the subsurface rocks and that is one of the reasons why they are doing exploration drilling.

Chairman Bair thanked Ms. Anderson for her presentation.

ADJOURNED: There being no further business at this time, **Chairman Bair** adjourned the meeting at 3 p.m.

Senator Bair
Chair

Juanita Budell
Secretary